EDITORIAL: Expanding the borders of corporate board research

Dear readers!

I am pleased to present the six papers of this year's third issue of the journal "*Corporate Board: Role, Duties and Composition*".

The articles of this issue are nice examples of studies that intend to broaden our understanding of the role of the board of directors as a key driver of corporate governance and performance. *Daisuke Asaoka* investigates the impact of errors and biases by managers and directors on the consequences of M&A decisions. *Sunday Adebowale* and *Adesoga Adefulu* examine the effect of the board of directors' decisions to invest in employee training and employee productivity by focusing on insurance companies in Lagos State, Nigeria. *Federico Alvino*, *Luigi Lepore*, *Sabrina Pisano* and *Gabriella D'Amore* use a sample of Italian listed companies to study the impact of family ownership on the relationship between ownership concentration and the degree of comply-or-explain disclosure regarding the composition and functioning of boards of directors. *Rahaf Adel* and *Ahmad Alqatan* conduct a comparison between Kuwait and Britain's established discrimination legislation to examine the nature of implemented gender equality policies and practices within banks and analyze the differences between Islamic and conventional banks with regards to their equality practices and gender career opportunities. The board of directors plays a key role in this respect since it is actively involved in corporate social responsibility programs that include, among other employment. *Rosaria Cerrone*'s article investigates both the oversight and strategic roles of the board of directors by examining the importance of risk management and internal audit functions in strengthening governance frameworks and ensuring compliance with new regulatory requirements in the financial services industry. Finally, *Domenico Rocco Cambrea* provides a review for the book *"Corporate Governance in Emerging Economies: Theory and Practice"* written by Robert W. McGee, Khaled Hussainey and Yaroslav Mozghovyi (Virtus Interpress, 2018).

Previous studies have shown that boards play the role of facilitators of M&As by providing expert counsel and assisting management in the acquisition of critical resources (see, for example, Zahra & Pearce, 1989; Byrd & Hickman, 1992; Goranova, Dharwadkar, & Brandes, 2010). Boards can also play an effective monitoring role over M&As by preventing insiders from capturing private benefits at the expense of owners' interests (Fama & Jensen, 1983; Finkelstein & D'Aveni, 1994; Boubaker & Nguyen, 2014). However, as human beings, managers and directors are not infallible especially when it comes to key decisions involving a high degree of discretion and judgment. In particular, the finance literature has not been able to clearly identify the impact of directors/managers' errors and biases on M&As that are already commonly associated with negative acquirers' stock return (Shleifer & Vishny, 2003). *Daisuke Asaoka*'s paper attempts to fill this gap by shedding light on the errors and biases made by the managers and directors responsible for decision-making regarding M&As. The author identifies a number of sources for directors/managers' errors and biases – both intentional and unintentional – including overconfidence, illusion of control, miscalibration and underestimation, winner's curse, rarity bias, loss aversion, anchoring, endowment effect, hindsight bias, confirmation bias, favorable decision for sponsors, and excessive trust in conflicts of interest. The author also documents that these errors and biases can result in overvaluating target firms, eventually leading to impairment losses to the acquirers' shareholders.

Boards of directors can also take crucial decisions that affect firms' productivity and performance (Yermack, 1996; Perry & Shivdasani, 2005; Cheng, 2008; Boubaker & Nguyen, 2014; Boubaker, Nguyen, & Rouatbi, 2016). In the second article of this issue, *Sunday Adebowale* and *Adesoga Adefulu* contribute to existing knowledge on this topic by examining the relationship between training and employee productivity. The authors use a sample of 1527 employees in 8 selected insurance companies in Lagos State, Nigeria. Their study provides evidence that the board of directors' investment decision in employee training, including on the job training, skill development, resilience, and career success, is an important factor that significantly enhances employee productivity as proxied by the efficiency of production and the quality and timeliness of work. The results of this paper further enhance our understanding of the importance of the board of directors' decisions in personnel development as well as of the determinants of employees' productivity.

In the third article of this issue, *Federico Alvino*, *Luigi Lepore*, *Sabrina Pisano* and *Gabriella D'Amore* consider another important facet of the board of directors by investigating the moderating role of family ownership on the relationship between ownership concentration and comply-or-explain disclosure policy which falls under the board's responsibility. The Italian (and European) corporate governance code(s) aims at mitigating governance problems resulting from agency conflicts between controlling and minority shareholders (see, for e.g., Claessens, Djankov, Fan, & Lang, 2002; Belkhir, Boubaker, & Rouatbi, 2013; Lin, Ma, Malatesta, & Xuan, 2013; Ben-Nasr, Boubaker, & Rouatbi, 2015; Boubaker, Rouatbi, & Saffar, 2017; Boubaker, Manita, & Rouatbi, 2019), especially in family-controlled firms (Anderson & Reeb, 2003; Almeida & Wolfenzon, 2006). This code works according to the principle of comply-or-explain (Andres and Theissen, 2008; Bianchi et al., 2011). Using a sample of 227 Italian non-financial listed companies, *Federico Alvino*, *Luigi Lepore*, *Sabrina Pisano* and *Gabriella D'Amore* develop a novel index of disclosure, the comply-or-explain disclosure index, and find that companies with more concentrated ownership structures tend to disclose less information about compliance with corporate governance code and to explain less about non-compliance. The authors also provide evidence that the negative relation between ownership concentration and comply-or-explain disclosure is stronger in family-controlled firms. The results of this paper contribute to our understanding of the role of ownership structure in voluntary disclosure practices, with a particular focus on family firms in which board members are usually affiliated with the controlling family (Yeh & Woidtke, 2005).

The fourth paper, authored by *Rahaf Adel* and *Ahmad Alqatan*, is an important attempt to examine gender employment issues in the Kuwait's banking industry. Employment strategy is part of corporate social responsibility programs which are usually implemented with the proactive participation of the board of directors. The results indicate that, in both conventional and Islamic banks in Kuwait, social and cultural factors are prominent in shaping gender roles. This work adds to the literature on gender discrimination by highlighting the critical aspects of improvement regarding equality practices and legislative policy planning in Kuwait and by building an international comparison between Kuwait and Britain's established discrimination legislation.

The fifth article, by *Rosaria Cerrone*, focuses on the idea that risk management and internal audit functions can play an important governance role, in particular, in the financial services industry which is characterized by high information asymmetry and persistent instability of corporate risk profile. The author provides a description of the Italian regulatory framework that gives great relevance to risk management both in banks and in insurance companies and explores the organizational and governance structures of financial intermediaries. The analysis suggests that the adoption of corporate governance regulation by these companies has increased the focus on risk assessment and risk management in their reporting. The author also highlights the importance of the strategic role of the board of directors which is required to ensure a proper corporate governance framework based on an appropriate diagnosis of the company's risk exposure. One of the paper's main conclusions is that improving internal corporate governance mechanisms such as the board of directors and board committees is a crucial way to reach a better risk management strategy.

Finally, the sixth work by *Domenico Rocco Cambrea* aims to enlarge the scope of this issue by providing an interesting review of the book entitled "*Corporate Governance in Emerging Economies: Theory and Practice*" authored by Robert W. McGee, Khaled Hussainey and Yaroslav Mozghovyi and published by Virtus Interpress in 2018. The author highlights the importance of this book for all those who are interested in corporate governance in emerging countries.

I hope that you will enjoy reading this issue of *Corporate Board: Role, Duties and Composition*!

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