

## EDITORIAL: An empirical contribution to corporate governance issues

*Dear readers!*

The current issue of Corporate Ownership and Control presents 15 articles focussing on a variety of topics in the field. Five papers present empirical evidence from banks and financial institutions, three focus on firm finances, four on governance and responsibility and a further three on the role of technology in terms of contextualising various business management activities.

John, De Masi, and Paci (2016) in their review of literature on governance in banks suggest that challenges in the banking and financial sector originate from the presence of restrictive regulations, increased reliance on debt and increased complexity of operations. *Achraf Haddad, Anis El Ammari, and Abdelfettah Bouri* found substantial differences between ownership structure and financial performance between Islamic and other banks, suggesting the significant influence of regulatory context and principles. *Carmen Gallucci, Rosalia Santulli, and Riccardo Tipaldi* examined the influence of gender diversity on boards, and risk taking of banks. They identified differences in risk taking preferences across different cultural contexts considering women's board involvement, calling for a better balanced and more equitable incentive scheme to encourage better risk performance. *Ahmed Imran Hunjra, Tahar Tayachi, and Rashid Mehmood* also found that international involvement in the finance industry reduces risk taking appetite. *Selina Um, Sarod Khandaker, and Chee Jin Yap* highlight the profound effect of the regulatory environment on the structure of finances in financial institutions. *Manuela Lucchese, Ferdinando Di Carlo, and Alberto Incollingo* examined the relationship between the risk measures and the volatility of total comprehensive income (TCI), Other Comprehensive Income (OCI), and single OCI components in the European context. The above-mentioned papers successfully contributed to the previous research by Lazarides (2017), Sacco Ginevri (2017), Iswaissi and Falahati (2017), Mullineux (2011).

The financial sector has always played a crucial role in ensuring companies' access to cash. Nowadays, this role is becoming even more essential due to the lack of liquidity that many companies are facing. It can be predicted that this trend will persist into the future when banks will decide which companies still deserve to be funded, and which new business projects are worthy of support (Alter & Schüler, 2012; Vazquez & Federico, 2015). In this regard, it is fundamental to acquire awareness of how the decision-making process of banks and financial institutions will be influenced by their different activities, corporate governance mechanisms, and banking regulations.

Kaplan (2018) draws attention to the prevalence of a short-term perspective in business operations planning. Research papers published in this issue take the time frame perspective on business cash flow analysis. *Francesca di Donato and Luciano Nieddu* evaluate bankruptcy prediction based on cash flow data. *Salvatore Ferri, Alberto Tron, Raffaele Fiume, and Gaetano Della Corte* provide an empirical analysis of cash flow and business performance. *Andrea Rey, Danilo Tuccillo, and Fabiana Roberto* analyse the relationships between earnings management and debt maturity. Findings show that financial issues can be predicted based on historical data in the medium-term time frame. Medium to long term cash-flows predict investment capital influx as well. In contrast, short term cash-flows are more closely related to profitability. Long-term expectations of loan availability seem to discourage short term cash focus, therefore short-term profitability. These papers made its contribution to the previous literature by Kostyuk and Barros (2018), Ali Shaktari, Mohammed, Abdul Rashid, and Salem (2015), Boubaker (2007).

Making the right financial decisions is of paramount importance in periods of crisis. In fact, given the current crisis involving the COVID-19 pandemic, it will be the companies with the largest cash reserves that will cope best with financial difficulties and benefit from the new investment opportunities that will emerge in the near future (Han & Qui, 2007; Terzani & Liberatore, 2016). For this reason, the motivations behind deciding to retain cash and the relationship between cash holdings and firm performance are topics of renewed interest.

Governance and responsibility are continuously tested topics in the various contexts of global economic development. Authors in this issue respond to the call made by Gill (2008) to explore the complexities in terms of relating governance and corporate social responsibility (CSR), through a multi-layered complex system, build to reflect the magnitude of challenges in business

and society, across different contexts. *Mohammad Refakar* and *Nivo Ravaonorhanta* provide a review of the effectiveness of governance mechanisms in emerging markets. *Guðrun Erla Jonsdóttir*, *Throstur Olaf Sigurjonsson*, and *Thomas Poulsen* discuss ownership strategy as a governance mechanism for responsible ownership. *João Antônio Salvador de Souza*, *Patrícia Maria Bortolon*, and *Ricardo Pereira Câmara Leal* explore the role of disclosure and ownership structure in the context of transactions related to political parties. *Fabio Fortuna*, *Mirella Ciaburri*, *Silvia Testarmata*, and *Riccardo Tiscini* provide empirical evidence on the relationship between CSR disclosure and ownership structure. The results confirm, that in emerging economy contexts, different practices result in responsible conduct, compared to developed contexts, where classical board and ownership structures and are still seen as the best vehicles to ensure responsible conduct. These scholars succeeded to contribute to the research by Al Fadli (2020), Grove and Clouse (2018), Naz (2018), Cranmer (2017).

Sustainable governance is another topic of great interest and relevance today. In the midst of the COVID-19 emergency, the attention of governments and entrepreneurs is mainly focused on the survival of companies and, consequently, any efforts to achieve higher standards of corporate governance and social/environmental responsibility may seem ancillary, if not superfluous. However, plenty of literature shows that effective corporate governance and corporate social responsibility practices are crucial in determining the long-lasting success of businesses. For this reason, we expect that companies will take sustainability into account when developing their future strategies (Engert, Rauter, & Baumgartner, 2016; Schrettle, Hinz, Scherrer-Rathje, & Friedli, 2014).

Carcello, Hermanson, and Ye (2011) identify technology as one of the avenues for extending current and contributing to new emerging lines of research in corporate governance. Articles in this issue of the journal provide insights into the influence of various innovative technologies on otherwise well explored research topics. *Fabio Quarato*, *Marco Pini*, and *Edoardo Positano* identified the role of digital technologies in firm internationalisation. *Loai Ali Alsaïd* and *Jean Claude Mutiganda* analyse the specific features and effects of accounting in smart cities. *Reem Solaimani*, *Fatima Rashed*, *Shahad Mohammed*, and *Walaa Wahid Elkelish* explore the role of artificial intelligence in corporate governance. Findings demonstrate that digital technologies alleviate barriers of firm internationalisation. Technology driven accounting systems have the capabilities to operate high complexity in innovative organisational contexts with diverse stakeholders. And finally, AI has a tremendous capability to improve firm performance and productivity but is not yet able to replace traditional governance structures, such as boards and audits.

The role of technology in business is another interesting field of research in present times (Brynjolfsson & McAfee, 2017; Croteau & Bergero, 2001). The social distancing measures imposed to limit the spread of COVID-19 shows the crucial role that technology will play in achieving business success and competitive advantage.

These four topics discussed in this issue (governance in banks and other financial institutions, firm financial decisions and planning, corporate governance and social responsibility, and the role of technology in business) are of interest to readers, as they can provide a better understanding of companies' behaviours. These discussions can act as a starting point for future research, and also offer a new perspective on how firms can rebuild a future of long-lasting business success after the COVID-19 pandemic.

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