EDITORIAL: From agency problem to the recent challenging issues in the corporate governance research

Dear readers!

It is well known that corporate governance is a mechanism used to deal with agency problems. Managers are hired to operate the company, but they should deviate from the mandate. Therefore, it is crucial that someone monitors them and reduces the asymmetric information between shareholders and managers. The board of directors plays a crucial role in doing this (Chen, Lu, & Sougiannis, 2012). In the last decades, there has been a growing literature focuses on the shift from the shareholders' to a stakeholders' view (Bottenberg, Tuschke, & Flickinger, 2017; Erasmus & Coetzee, 2018; Huse, 2005). Recently, the discussion is focusing on the role of corporate governance on the corporate social responsibility (CSR) of companies (see, among others, Zaid, Wang, and Abuhijleh, 2019; Oh, Chang, and Kim, 2018; Adel, Hussain, Mohamed, and Basuony, 2019). The European Commission has defined corporate social responsibility as "*a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*"[1] . Corporate social responsibility has been a vital tool for European Union in terms of its pioneering role to foster sustainable development and innovation in the EU's social market economy.

In light of this, we are pleased to present the second issue of 2021. This volume of the journal *Corporate Ownership & Control* is focused on corporate governance, corporate social responsibility, earning and performance management, risk management, debt financing and others.

This issue starts with the study written by *Fang Chen*, *Jian Huang*, *Minghui Ma*, and *Han Yu* that focuses on M&A operations and aims to analyze the role of advisors. The results highlight that advisors add value by overcoming the information asymmetries between acquirers and targets. These findings are consistent with the view that the information asymmetry problem is more severe than the agency problem conflict in non-financial acquisitions.

A literature review paper by *Jost Kovermann* and *Patrick Velte* aims to understand the relationship between corporate social responsibility and corporate tax avoidance. They find an ambiguous relationship. The paper focuses on a very important issue: CSR and the firm's tax practices. Investors who perceive tax payments as part of firm's responsibility towards society have to select their investments with great care because the CRS ratings do not fully incorporate the information about tax avoidance. Also, *Annisa A. Lahjie*, *Riccardo Natoli*, and *Segu Zuhair* focus on corporate governance and CSR. They find that a lack of corporate governance in monitoring and supervisor mechanisms can significantly contribute to low levels of CSR. However, they underline that there are data limitations depending on the limited number of firms in Indonesia that offer information on CSR. *Lorenzo Gelmini* and *Paola Vola* contribute to the academic literature on the role of integrated reporting with a focus on natural capital. The authors contribute to the debate on the efficacy of integrated reporting to really enhance sustainability practices.

In this issue, several papers that analyze the relationship between corporate governance and firm performance are published. *Mejbel Al-Saidi* studies the impact of the new rules on corporate governance in Kuwait. Prior to 2017, there were no rules on corporate governance in Kuwait and after this year the government introduced new governance rules and requires listed firms to comply with them. The study underlines the impact of board of directors on firm performance following the implementation of these rules and the results show that only family directors affect the firms' return on assets. *Nitai Chandra Debnath*, *Suman Paul Chowdhury*, and *Safaeduzzaman Khan* analyze the relationship between ownership structure and real earnings management in Bangladesh and they find that inside ownership, as well as foreign ownership, is inversely related to real earnings management, whereas institutional ownership is positively related to real earnings management. Also, *Fabio Franzoi*, *Mark Mietzner*, and *Franziska Thelemann* focus on earnings management. Their study explores the influence of family ownership and family board involvement on earnings management in German-listed firms. They find that the degree

[1] https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52006DC0136:EN:HTML#:~:text=Corporate%20social%20responsibility%20(CSR)%20is,a%20voluntary%20basis%5B1%5D

of management involvement of families is a significant driver of earnings management. *Petros Kalantonis*, *Sotiria Schoina*, and *Christos Kallandranis* investigate the characteristics of the board of directors that affect earnings management. Their findings highlight no evidence of almost any effect of the investigated board characteristics, except CEO duality.

In this issue, there are also papers that focus on other aspects of firms' risk management. *Shyam Bhati*, *Anura De Zoysa*, and *Wisuttorn Jitaree* analyse the liquidity management in Indian banks. They aim to investigate the determinants of liquidity management, considering macroeconomic, microeconomic and regulatory policies of public and private banks. *Anurag Agnihotri* and *Shagun Arora* analyze the determinants of asymmetric exchange rate exposure in emerging market firms. The variation in the exchange rate leads to fluctuation in stock returns, however, firms face this fluctuation in different ways, depending on the periods of appreciation and depreciation. The results underline that the exposition to the currency fluctuations differs depending on the sector in which the firm operates. Moreover, their findings underline that the size, asset turnover, foreign sales and book-to-market value show a relationship with exchange rate exposure. *Sandra Scherbarth* and *Stefan Behringer*, through a review of literature, analyze the whistleblowing system as internal company instruments for prevention and detection of compliance violations. The discussion on this argument is very current within the European Union. The authors show that in the design of whistleblowing-systems there is a lack of discussion of the risks for whistleblowers to suffer social and professional disadvantages. Finally, *Marc Eulerich* focuses on the three lines of defense model that in the last decades represents the most important model in defining the structure of governance functions. Previous studies have highlighted that the practical implementation of this model has not always been easy. In 2020 the Institute of Internal Auditors proposed an update of the model. The author, in this paper, discusses the new model and emphasizes the differences and similarities contributing to the current discussion on the best practices regarding corporate governance structure.

The next two papers presented in this issue focus more on corporate governance and the financial markets. *Amjad Toukan* examines the decision to go public. In particular, the author empahzises the importance of the equity and debt firms' structure. The results obtained are in line with previous literature. Firms with decreasing returns prefer to raise money in the form of debt, whereas firms with increasing returns usually prefer to raise capital by issuing new shares. *Faten Nasfi Salem* compares the study of Ohlson and cash flow discounting models in the prediction of the stock price in the Tunisian stock market. The findings underline the superiority of the Ohlson model in the prediction of stock market prices. This model confirms the traditional belief that the company value is compounded of two main parts: the net value of the investment and the present value of the period benefits that together generate the clean surplus concept of the shareholders' equity value.

Finally, *Lutfa Tilat Ferdous*, *Niroshani Parahara Withanalage*, and *Abyan Amirah Qamaruz Zaman* investigated the short-run performance of initial public offerings in Australia. The authors found that total market return indicates an IPO underpricing phenomenon whereas secondary market shows an overpricing scenario. This analysis supports the contention that short-run performance fluctuations were based on the listing year and industry settings.

The papers published in this issue of the journal provide a solid contribution to the previous literature by Nakpodia (2020), Puaschunder (2018), Cranmer (2017), Nerantzidis, Filos, and Lazarides (2012), Arouri, Hossain, and Muttakin (2011), Guerra, Fischmann, and Machado Filho (2008), Kostyuk, (2003).

We hope that you will enjoy reading this issue of our journal and you will appreciate the uniqueness from the point of view of geography of the researches. Reading this issue, the reader can deepen the current issues relating to corporate governance from an entirely international point of view.

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