EDITORIAL: Corporate governance and COVID-19 in the context of coming drastic changes

Dear readers!

Corporate governance faces a new set of challenges in light of COVID-19. Corporations would have to reduce their finance by assuming more debt and providing dividends for shareholders. This will lead to a stable financial environment. Corporations might choose among diverse interests that would include a mix of government interests and concentrated ownership. Also, as a result of increase in the use of technology, there will a shift in the bargaining power between capital and labor as corporations will have a wide spectrum in hiring employees worldwide.

As we have seen over the past few years, there is increasing pressure to limit foreign investment in strategic sectors and focus on national security screening for foreign corporation accruing domestic firms. This trend is expected to continue as a result of COVID-19 as countries are trying to shore up their economics against external shocks. Moreover, there would be an increase in government ownership in corporations and other types of controls.

The presence of the COVID-19 health crisis is likely to push the debate toward stakeholder perception of the corporation, shifting away – over the next few years – from shareholders’ interests. There could be even more focus on employees and the role they play in the corporation. Employees are expected to act as active players in running the affairs of the corporation.

Overall, these topics are addressed in the current issue of Corporate Board: Role, Duties and Composition.

Mark Fuller and Chris Bart examine two key issues situated at the intersection of corporate governance and corporate political activity literature (Proença, Augusto, & Murteira, 2020; Chen, Zheng, & Huang, 2020; Yarbrough Jr, Abebe, & Dadanlar, 2017). The first is whether the presence of ex-politicians or former government officials on a corporate board provides a competitive advantage for the firm. The second, related question is whether the presence of these outside directors on the board of directors is perceived as desirable by their fellow directors. The authors surveyed 82 Canadian board members, then delved deeper with ten directors using supplemental qualitative interviews. The authors suggest that heterogeneous benefits may accrue depending upon the industry involved, and the political experience of the director(s) in question. However, a majority of current directors expressed significant reservations concerning the appointment of a political director.

Vyttas Vasilios evaluated the implementation and results of the performance and risk measurement model (PARMM) in the Greek public administration during the present financial crisis, based on a reliable and valid questionnaire. One hundred sixty-eight (168) questionnaires were sent to managers of public services (narrow and broader public sector) of the Thessaloniki Prefecture and neighboring prefectures. The analysis carried out showed that the financial risk, the present operational risk, the future operational risk, the responsibility index, the career strategy, the career adaptability, and the career identity were moderately assessed. In addition, employees rated their job satisfaction and self-efficacy at a satisfactory level while the organization’s productivity and performance were rated below average. The authors addressed a new insight in the previous research by Rinaldi, Montanari, and Bottani (2015), Van de Walle (2008), Greiling (2005).

Hugh Grove, Maclyn Clouse, and Tracy Xu outlined the major research question in this paper as to how to provide guidance to board of directors’ audit committees in order to strengthen corporate governance. As analyzed in this paper, indications that this current audit regime is not working are overwhelming. Neither the public interest nor the needs of investors are being served by the auditor-client relationship as it exists. The reforms suggested in this paper represent advances that would help both board of directors’ audit committees and the auditing profession become trusted watchdogs of public companies’ financial information. This paper speaks to the growing research attention to the audit function and maps out the well-developed strategies to advance the audit quality and contributes to the previous research by Masmoudi and Makni (2020), Otman (2019), Kostyuk, Mozghovyi, and Govorun (2018), Koutoupis and Pappa (2018), Drogalas, Anagnostopoulou, Koutoupis, and Pazarskis, (2018).
Luiz Philippe Antoun de Almeida and Ricardo Pereira Câmara Leal investigated two high profile activism cases to assess these conjectures and address two very large and widely held Brazilian companies, which had good corporate governance indicators and were not state-controlled or closely regulated. The cases involve the two largest Brazilian pension funds, both sponsored by state-owned companies because their size and importance would make a positive outcome more likely. Yet, in both cases, the pension funds failed in their attempts, even when acting jointly with other foreign and domestic institutional investors. The conclusion suggests that these investors may lack the skills to assess the likelihood and consequences of events that occurred soon after their investment and that changed the fundamental nature of their investees. This paper goes in line with the recent research by Viviers and Mans-Kemp (2020), Bouaziz, Fakhfakh, and Jarboui (2020), Şendur (2020).

Nyande Fania, Yan Chen, Joseph B. Kuyon, Brima Sesay, and Ursule Yvanna Otek Ntsama examine the effect of board structural characteristics (BSC) to achieve firm performance (FP) via the mediating effects of board roles (BRs) (frequency of board meetings (FOMB) and board size (BZ)) and the intervening role of corporate governance (CG) code which is an innovative model. By collecting data for 392 listed companies in South Africa for the period 2006-2018 and by employing the generalized method of moments (GMM) model, the findings of the study reveal that FOMB and BZ mediate the relationship between BSC and FP. Furthermore, the study finds a novelty in the interactive effect of corporate governance reforms with BSC on BRs contributing to the previous literature by Al-Mamun, Yasser, Rahman, Wickramasinghe, and Nathan (2014), Eklund, Palmberg, and Wiberg (2009), Kostyuk, (2003).

The papers published in this issue of the journal provide a solid contribution to the previous literature and can be recommended for researchers and readers.

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