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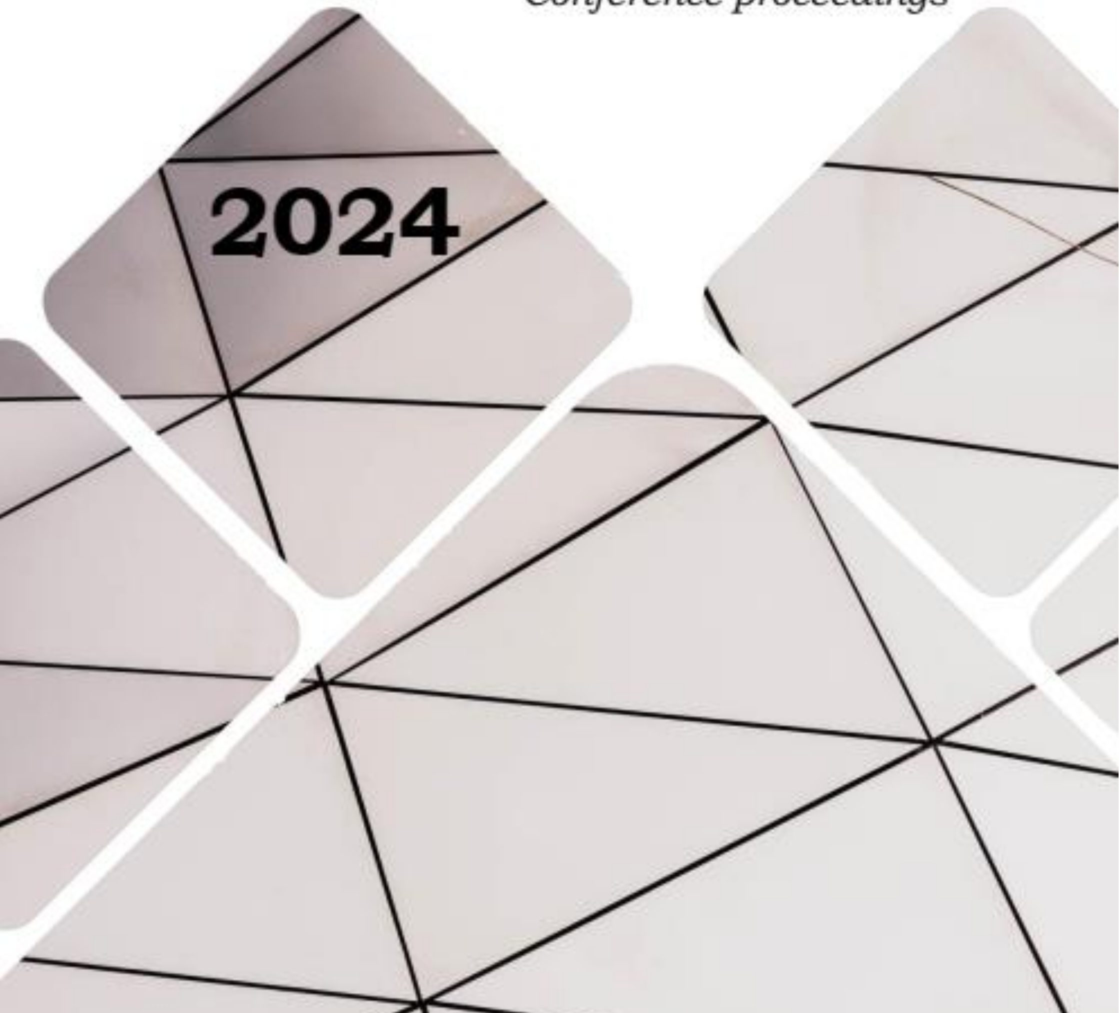

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CURRENT LANDSCAPE AND CHALLENGES FOR ORGANIZATIONS AND CORPORATE GOVERNANCE

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Recently, the environment the organizations operate in has been becoming increasingly complex and changeable. In the era of volatility, uncertainty, complexity, and ambiguity (VUCA), the "black swans" (small probability but high impact events) or "grey rhinos" (large probability and high impact potential crises) pose constant challenges to the sustainability of organizations and workforce (Shet, 2024). In order to handle these changes, which become "the new normal" (Liang & Cao, 2021; Chen et al., 2021), organizations and society itself require independent thinkers, problem-solvers, and decision-makers (Seow et al., 2019) who not only think "outside the box", but also engage with various stakeholders, collaborate and work on socially responsible and environmentally friendly decisions.

Given the recent turbulent economic, geopolitics, and climate changes, organizations are under a complex transformation process. First, the advancement of digital technologies has paved the way for new business models that incorporate environmental, social, and economic concerns (Principato et al., 2023) and refer to circular economy focusing on more resource-efficient and circular production systems (Neligan et al., 2023). Moreover, following the "Green Deal" strategy in the EU and other legal regulations worldwide, sustainability, corporate social responsibility (CSR), and non-financial reporting become critical points the companies need to address and manage to have legitimacy to act (Ortiz-Martínez et al., 2023). Additionally, consumer preferences, especially those of the young generation, are rapidly changing (the changes became more obvious after the COVID-19 pandemic) in favor of sustainable consumption selecting sustainable products, or leading sustainable lifestyles because of environmental and health benefits (Maduku, 2024; Dada et al., 2024). As such, businesses are encouraged to follow entrepreneurial orientation, which counts as an essential feature of high-performing organizations when value-creating opportunities are identified and exploited (Halberstadt et al., 2021).

Current studies admit that leadership is a critical success factor in the management of organizations operating in the VUCA era (Khan et al., 2021), while leader attitudes have a stronger impact on employee attitudes (Farahnak et al., 2020). Effective leadership refers to a clear vision, well-developed strategies, strong beliefs, and agreed objectives, and empowered employees who are willing and motivated to participate effectively (Oakland, 2011; Madi Odeh et al., 2023). Such leadership might serve as a resource for organizational resilience, which is the ability of an organization to heighten its awareness of the risk environment, minimize vulnerabilities, reformulate business strategies amid changes, consistently understand and adapt to evolving circumstances, and take proactive measures before changes become imperative (Liang & Cao, 2021). Resilient organizations have the ability to overcome crises, create new opportunities, sustain and develop business, and finally contribute to employee and society wellbeing.

Future research avenues might contribute to advancing the literature on the topic of keeping organizations and their current and potential employees competitive in the global market while addressing the economic, social, and environmental challenges and supporting the implementation and achievement of the 17 Sustainable Development Goals (SDG) operating in such environment where change is the only constant.

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SESSION 1: BOARD OF DIRECTORS' PRACTICES

VARIABILITY IN THE RELATIONSHIP BETWEEN DEMOGRAPHIC DIVERSITY IN COMPANIES' BOARDS AND FINANCIAL PERFORMANCE BASED ON FACTOR SELECTION: A SYSTEMATIC LITERATURE REVIEW

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Abstract

The demographic diversity of company boardrooms and top management teams is well-covered by research, however, with mixed empirical results. In our systematic literature review, we focus on empirical work examining this relationship. We contribute to existing literature with a sophisticated meta-analysis of the current relationship between diversity in top management boards and companies' financial performance, with an emphasis on factor model differences in variable selection. We analyze the general distribution of various demographic diversity dimensions and corresponding variables in literature, the various applied heterogeneity measures, the considered relationship outcomes, and the identified cross-citations between the papers. We explicitly focus on financial performance dependent variable

categories employed to understand measurement differences and outcome variability.

We hereby look at individual outcomes of test runs within papers to understand possible biases and discover gaps not covered adequately by recent studies, essentially recognizing statistical tests on a model level. Our research process is guided by the 15-step systematic quantitative literature review (SQLR) developed by Pickering and Byrne (2014). We consider research created from 1990 to 2022 for our sample of 152 publications.

Our research shows that there is a clear dominance of a handful of theories utilized for hypothesis development in empirical research. Namely, agency theory (Jensen & Meckling, 1976; Fama & Jensen, 1983), resource dependency theory (Pfeffer & Salancik, 1978), tokenism and critical mass theory (Kanter, 1977; Konrad et al., 2008), and upper echelons theory (Hambrick & Mason, 1984) were each mentioned by at least 24% of studies in our sample. The first and by far most referred framework (mentioned in 64% of studies), Agency theory, is widely used for board room (and top management team) literature, as it explicitly relates to performance effects of board (or top management team) characteristics. The theory, first described in detail by Berle and Means (1932), explicitly targets the control and monitoring functions of boards of directors. As Kagzi and Guha (2018) point out, most theories used by empirical research for hypothesis development point towards an overall positive effect of diversity, while only a few point clearly towards the adverse effects of diversity.

Although materially more test runs in our sample found a positive and significant effect (39%) than a negative significant one (12%) regarding the relationship between leadership diversity and firm financial performance, still 46% of empirical test runs found no significant connection between these two factors. It is important to point out that the high number of tests not finding a significant relationship results from including a comprehensive number of empirical tests from the papers within our sample.

Despite the fact that many of the studies from our initial literature search process concentrated on non-financial dependent (performance) variables (Bear et al., 2010; Pramono & Nasih, 2022), we consciously focus on public valuation and accounting-based financial metrics for our analysis. Within this category of strictly financial dependent variable metrics, there is limited research regarding the relationship between pure market-based financial performance variables (e.g., stock returns) and demographic diversity in company leadership teams. Instead, performance measurement in research is focused on pure accounting measures (e.g., ROA) and market-based factors that also incorporate accounting items (e.g., Tobin's q). Outcomes based on the various types of financial dependent variables from models did not materially differ in significance or direction. Nevertheless, it is clear from our meta-analysis that research is heavily skewed towards accounting variables to measure financial success, despite the relevance of market-based variables for stakeholders including policymakers, company decision-makers, or investors. To get a clear view of the effects of diversity, it is imperative for future research to not only concentrate on possibly distorted accounting data (or accounting data mixed with market data), especially considering the interest of company owners and other stakeholder groups.

Our findings show that most studies are focused on the effects of gender diversity in firm leadership. At the same time, other factors are less prominent and thoroughly represented throughout different geographies and markets. Regarding diversity measures, most papers use the simple share of a minority group in a leadership team or boardroom as an independent variable in empirical models. In contrast, more nuanced measures (e.g., index solutions) are less widespread.

We also see a gap regarding hard-to-measure or access leadership heterogeneity factors when evaluating the effects of diversity (e.g., religion (Kim & Yoon, 2022)). Thus, we identify future research opportunities in diversity factors related to social factors of individuals. Sparsely covered dimensions from Gardenswartz and Rowe's (2003) four-layer model of diversity are, e.g., wealth, recreational habits, seniority, and union affiliation. Additionally, an aggregated view on diversity remains the exception. It is a clear field where the research landscape can and should be improved to guide company leaders, policymakers, and other stakeholders alike. We found only limited research on the effects of heterogeneity in the cultural styles of company leaders — a clear gap in recent research.

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THE MODERATING EFFECT OF FEMALE DIRECTORS IN THE RELATIONSHIP BETWEEN BOARD CHARACTERISTICS AND BOARD REMUNERATION

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Abstract

This study aims to analyze the influence of European sustainable companies' board of directors (BoD) characteristics on directors' remuneration, focusing on female directors' supervisory role. Hypotheses on the relationship between female directors, competences, independence, cultural diversity, and remuneration are proposed. The sample, drawn from the Euronext Vigeo Europe 120 index (2012–2021), is divided based on the financial market or bank orientation. Findings indicate that female directors' supervisory role, alongside independent directors, tends to decrease their remuneration. Financial orientation is crucial for establishing effective governance strategies regarding directors' remuneration oversight, particularly in countries reliant on bank financing. This underscores the significance of female directors' supervisory role, albeit limited to bank-dependent European countries.

The remuneration policy is considered a mechanism that may align the interests of shareholders and managers, and which may lead to directors maximizing shareholders' wealth (Jensen & Murphy, 1990). Jensen and Meckling (1976) argued that director compensation systems should be designed to motivate them to establish actions that would increase shareholder wealth. Along these lines, Mangan et al. (2010) showed that the remuneration of directors should be high to attract experienced directors with certain skills and thus reward their work.

Therefore, the characteristics of the board members are a relevant aspect in determining the board remuneration. Previous studies have analyzed the effect caused by female directors (García-Izquierdo et al., 2018), the specific competencies of directors (Osiichuk, 2021), independent directors (Lim & Yen, 2011), cultural diversity (Zheng et al., 2012) of corporate boards in the board remuneration. In this sense, previous studies show that female directors tend to reduce the remuneration of directors (García-Meca, 2016) since women are more conservative (Man & Wong, 2013), risk-averse (Ullah et al., 2020), more ethical (Eweje & Brunton, 2010) compared to their male counterparts and have a more careful attitude in all matters related to remuneration (García-Meca, 2016). In this sense, previous literature has studied the role of gender diversity in moderating various aspects in the field of corporate governance such as the moderating effect of female directors in the relationship between board committees and firm value (Grau & Bel, 2022), or board committees and environmental disclosure (Pucheta-Martínez et al., 2021), or in the relationship between cash holding and the disclosure of corporate social responsibility (CSR) information (Pucheta-Martínez et al., 2023). However, there are no previous studies, as far as know which examine the moderating role of female directors in the relationship between some characteristics of the board and board remuneration.

In line with the above arguments, this manuscript tries to answer the following question: How does board gender diversity moderate the association between the board characteristics (board specific skills, the board independence, and the board cultural diversity) in the board remuneration of European sustainable companies? Thus, the objective of this study is to explore how the moderating role of the board gender diversity influences the relationship between the board specific skills, the board independence, and the board cultural diversity in the board remuneration. Furthermore, to extend the past research, it has been considered to divide the sample according to financial orientation since it is an important characteristic when establishing good governance strategies to establish surveillance protocols in the establishment of the remunerations of the board members. Financial orientation divides countries according to banking (Demirgüç-Kunt & Levine, 2001), where financial institutions are the predominant source of financing, or according to market, where funds are obtained mainly through stock markets (Berges et al., 2019) since the financial options of companies depend on it (Chakraborty & Ray, 2006). However, Chakraborty and Ray (2006) showed that remunerations are lower in banking-oriented countries, as are investment and income per capita.

This research draws on various theories. Firstly, stewardship theory underscores the necessity of establishing agreements on director compensation policies to mitigate the agency problem between shareholders and managers. Moreover, it emphasizes the significance of human and social capital factors, including capabilities, knowledge, experiences, and skills acquired by directors outside the company (Johnson et al., 2013). Advisors' specific knowledge and skills enable diverse perspectives, active involvement in strategic decision-making, better information processing, and support for effective decision-making (Garcia-Meca & Palacio, 2018), gained from experiences in other companies or sectors. Hence, such expertise is deemed human capital, beneficial for business activities, and fostering connections between the firm and its environment (Bear et al., 2010).

Second, agency theory suggests that independent directors are more adept at overseeing managers and safeguarding shareholder wealth efficiently (Jensen & Meckling, 1976). Consequently, board independence diminishes information asymmetries, lowers agency costs, and enhances financial statement credibility (Setia-Amaja et al., 2011), thereby reducing borrowing expenses (Anderson et al., 2004). Empirical studies have demonstrated that independent directors influence various aspects such as financial reporting quality (Pucheta-Martínez et al., 2016), non-financial information disclosure (Garcia-Sanchez et al., 2022), dividend policy (Kilincarslan, 2021), environmental, social, and governance (ESG) criteria (Kamaludin et al., 2022), indebtedness (Goel & Khandelwal, 2023), and director compensation (Pucheta-Martínez & Narro-Forés, 2014). Companies with a greater number of independent directors tend to appoint fewer CEOs and reduce their compensation, thereby cutting recruitment costs (Core et al., 1999). Independent directors are incentivized by their expertise and reputation maintenance (Fama & Jensen, 1983). Moreover, Ryan and Wiggins (2004) found that directors receive incentives different from shareholders, with independent directors' compensation linked to stock performance. Independent directors also exert control over director compensation, especially bonuses and cash compensation (Lim & Yen, 2011).

The findings show that the supervisory role of female directors with independent directors tends to reduce the board remuneration of European sustainable companies. Furthermore, the results also show that female directors negatively moderate the relationship between independent directors and board remuneration in European companies with a financial orientation towards banking. Additionally, the results obtained also reveal that the presence of female directors on the boards does not affect the relationship between the board characteristics (board specific skills, board independence, and the board cultural diversity) and the board remuneration of European companies with a financial orientation towards the market. Therefore, female directors do not play a moderating role in this relationship.

This manuscript contributes to the recent corporate governance literature in several ways. First, this manuscript explores the supervisory role of female directors on the corporate board of sustainable European companies in the relationship between board specific skills, board independence, and board cultural diversity and board remuneration of European sustainable policies, and the effect has not been investigated in previous literature. The interaction of female directors on the board with board independence is beneficial for companies because it will reduce board remunerations for both sustainable European companies and market-oriented companies, so these results are an important finding. To our knowledge, it is the first study to provide this evidence using a sample of European sustainable companies, thus contributing to previous empirical studies on board remuneration and the impact of some corporate governance mechanisms have on it. Second, this research expands previous knowledge on how board gender diversity and some board characteristics can affect board remuneration, considering the European sustainable companies included in the Euronext Vigeo Europe 120 index. This research complements previous studies that analyzed the direct relationship between board characteristics and board remuneration of directors. Thus, this study provides international evidence of how board remuneration can be mitigated by some corporate governance mechanisms, such as board independence when moderated by board gender diversity.

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GOVERNANCE DIMENSIONS AND COMMITMENT TO SHARIAH GOVERNANCE IN SAUDI BANKS: THE MEDIATING ROLE OF EXECUTIVE PROCEDURES FOR GOVERNANCE FRAMEWORK

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Abstract

This study investigates the relationship between governance dimensions and the level of commitment to the Shariah (Islamic law) governance framework in Saudi banks. To understand the intricacies of governance dimensions in shaping Shariah governance practices in depth, this study also examines the mediating role of executive procedures between governance dimensions and commitments to the Shariah governance framework. Structural equation modeling is used to test the hypotheses regarding the relationship between studied variables. The findings underscore the significance of the availability of executive procedures and disclosure and transparency in fostering commitments to the Shariah governance framework, with both constructs exhibiting substantial direct effects on the Shariah governance commitment level. Additionally, monitoring, auditing, and accountability emerged as crucial

determinants of governance in banks, highlighting the importance of robust oversight mechanisms in ensuring adherence to Shariah principles. Meanwhile, organizational structure exhibited a minor decrease in its direct effect on commitment to Shariah governance. The findings of this study can guide the strategic decision-making process for promoting ethical and sustainable Shariah governance practices in Saudi banks.

1. INTRODUCTION

In recent years, the landscape of banking governance and compliance with Shariah (Islamic law) principles has garnered increasing attention, particularly following the emergence of Islamic banking alongside the conventional banking system. This study investigates this crucial intersection by examining the relationship between governance dimensions and the level of commitment to the Shariah governance framework in Saudi banks. To understand the intricacies of governance structures in shaping Shariah compliance, this research investigates the mediating role of executive procedures and measures within Shariah governance framework in Saudi Arabia. As Islamic banking and finance continue to expand globally, understanding the nuances of governance mechanisms becomes imperative for both regulatory authorities and banking institutions to ensure sustainable and ethical financial practices.

The Saudi Central Bank has issued several key principles for Shariah governance, forming a framework to assist banks in enhancing overall governance (Saudi Arabian Monetary Authorities [SAMA], 2020). This framework represents the minimum supervisory and regulatory requirements for promoting Shariah governance practices in banks operating in Saudi Arabia (Bashir & Babiker, 2023a).

This study investigates the relationship between governance dimensions and the level of commitment to the Shariah governance framework in Saudi banks. To gain an in-depth understanding of the intricacies of governance dimensions in shaping Shariah compliance practices, it examines the mediating role of executive procedures between governance dimensions and commitments to Shariah governance framework. It provides a novel contribution to the limited literature on the relationship between governance dimensions and commitments to Shariah governance framework in Saudi banks. However, this study is limited in terms of sample size; therefore, to ensure more representative results, future research should include a greater number of participants.

2. METHODOLOGY

Using a dataset collected by Bashir and Babiker (2023b), this study performed a comprehensive analysis of survey data collected from

95 respondents who were actively involved in Shariah governance practices across 11 banks between March 1 and April 15, 2022. This study sought to offer insights into the effective governance strategies that foster Shariah compliance, thereby enriching the scholarly discourse and guiding practical implications for banking institutions operating within Islamic finance paradigms. The structural model to examine the hypothesized relationship between variables was tested using SmartPLS 3.2 (www.smartpls.com).

2.1. Reliability and validity

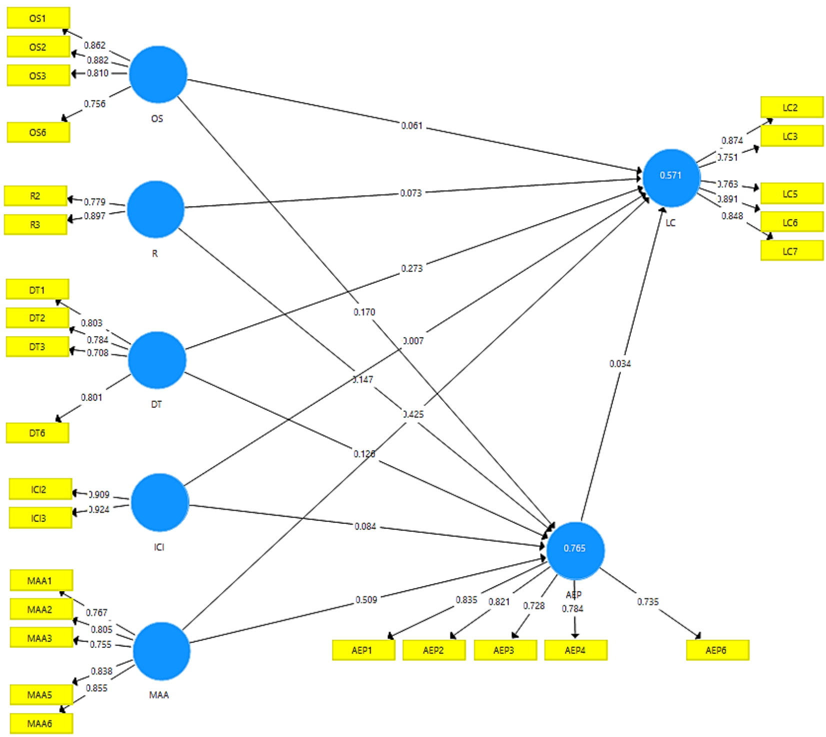
All constructs in the study exhibited Cronbach's alpha values above 0.7, indicating satisfactory internal consistency (Latif et al., 2021). Similarly, all constructs had rho values above 0.7, indicating good reliability. Finally, most constructs had average variance extracted (AVE) values above 0.5, indicating satisfactory convergent validity (Hair et al., 2014). Overall, the results of the construct reliability and validity analysis suggested that the measurement model exhibits good reliability and convergent validity. The results of the Fornell-Larcker criterion supported the discriminant validity of the measurement model, indicating that each construct measures a distinct underlying concept and is not highly correlated with other constructs in the model.

2.2. Measurement model

The measurement model serves as the foundation for assessing the relationships between latent constructs and their observed indicators (Latif, 2021). It validates the measurement of theoretical constructs by examining the reliability and validity of the indicators used to operationalize them.

The measurement model (see Figure 1) was refined through the removal of certain manifest indicators, resulting in satisfactory factor loadings exceeding 0.7 for the remaining indicators. The purpose of this process was to enhance the precision of the model and ensure that each indicator adequately represented its underlying construct. The fit summary provides insights into the model's goodness-of-fit statistics. The saturated and estimated models exhibited comparable values across various fit indices. The standardized root mean square residual (SRMR) remained consistent at 0.090 for both models, indicating a good fit between the observed and model-implied covariance matrices. In addition, the discrepancy indices (d_ULS and d_G) and Chi-square values were identical between the saturated and estimated models, suggesting minimal differences in model fit. Despite these favorable fit indices, the normed fit index (NFI) indicated moderate fit, with values of 0.629 for both models. This discrepancy may stem from the complexity of the model or unaccounted-for variance within the data. However, the root mean square theta (rms Theta) value of 0.173 indicates a reasonable model fit. Overall, while the model exhibited satisfactory factor loadings and comparable fit indices to the saturated model, further exploration may be warranted to address any potential sources of model misfit and refine the measurement model for greater precision and accuracy.

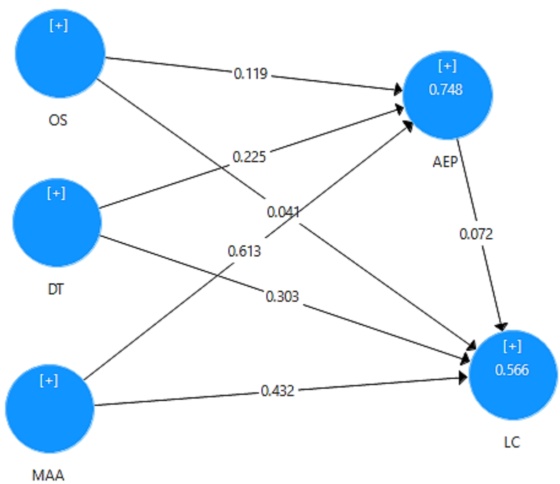
Figure 1. Measurement model



2.3. Structural equation model

The structural equation model (SEM) analysis aimed to investigate the relationships between governance dimensions and the level of commitment to Shariah governance in Saudi banking institutions. Path coefficients were examined to determine the direct effects of each governance dimension on Shariah compliance, while specific indirect effects and total effects were calculated to assess mediation and overall impact. We developed a revised SEM to refine the relationships between governance dimensions and the level of commitment to the Shariah governance framework. Path coefficients, total effects, and fit indices were analyzed to evaluate the impact of the revisions on the model's explanatory power and goodness-of-fit. Based on the empirical results, the coefficients between independence and confidentiality of information (ICI) and availability of executive procedures (AEP), and responsibility (R), and level of commitments of Shariah governance (LC) were too weak; therefore, we revised the model by removing those weak coefficient constructs. In the revised model, the path coefficients remained consistent with the previous model for most governance dimensions. AEP continued to demonstrate a positive and significant direct effect (0.071) on Shariah compliance, albeit with a slight increase compared to the previous model (0.042). Similarly, disclosure and transparency (DT) maintained a positive direct effect on Shariah compliance (0.303), reflecting its importance in fostering compliance within banking institutions. However, organizational structure (OS) exhibited a minor decrease in its direct effect on Shariah compliance (0.041) compared to the previous model (0.163). Total effects in the revised model confirmed the findings observed in the path coefficients. AEP and DT continued to exert the most substantial influence on Shariah compliance, with total effects of 0.071 and 0.311, respectively. Fit indices in the revised model remained consistent with the previous model, indicating a similar level of model fit. The standardized root mean square residual (SRMR), discrepancy indices (d_ULS and d_G), and Chi-square values did not show significant changes. Additionally, the NFI maintained its moderate fit, suggesting the revisions did not substantially impact the overall model fit.

Figure 2. Revised structural equation model



2.4. Mediating effects and total effects

Mediation analysis was performed to assess the mediating role of AEP on the relationship between disclosure and transparency (DT), monitoring, auditing, and accountability (MAA), organizational structure (OS), and level of commitments of Shariah governance (LC). Table 1 illustrates the results of mediating indirect effects. The results revealed an insignificant moderating role of AEP on the relationship between DT, MAA, OS, and LC. Therefore, the scenario is as follows: the indirect effect is insignificant, while the total effect is significant, so there is no mediation yet the total effect is significant. There are several possible explanations for why the indirect effects are insignificant while other paths are not.

Table 1. Indirect and total effects

	Mean	***St. Dev.***	***t-statistics***	***p-values***
Indirect effects				
DT ≥ AEP ≥ LC	0.023	0.043	0.378	0.705
MAA ≥ AEP ≥ LC	0.051	0.105	0.420	0.675
OS ≥ AEP ≥ LC	0.009	0.025	0.345	0.730
Direct effects				
AEP ≥ LC	0.076	0.157	0.445	0.656
DT ≥ AEP	0.240	0.075	3.063	0.002
DT ≥ LC	0.332	0.101	3.145	0.002
MAA ≥ AEP	0.594	0.085	7.080	0.000
MAA ≥ LC	0.455	0.138	3.436	0.001
OS ≥ AEP	0.130	0.096	1.302	0.194
OS ≥ LC	0.066	0.128	0.416	0.677

3. DISCUSSION

The findings of this research indicate that DT and MAA directly influence the level of commitment to Shariah compliance governance, whereas OS does not have a significant influence. DT is crucial in fostering awareness and confidence regarding financial and operational procedures that adhere to Shariah law. Institutions can exhibit their dedication to conducting business morally and in line with Islamic principles by providing pertinent information in an understandable and open manner. This transparency ensures all stakeholders can comprehend the institution's risk management, investment decisions, and adherence to Shariah law in every facet of its operations. Furthermore, MAA is particularly advantageous as it uses a robust monitoring and control mechanism to guarantee that enterprises adhere to Shariah standards. Establishing stringent responsibility and accountability for the application of Shariah principles, closely monitoring operational activities, and performing high-quality compliance checks can all help institutions minimize the likelihood of infractions and increase their commitment to Shariah compliance. Stakeholders can feel more confident knowing that the organization takes Shariah problems seriously and operates responsibly as a result. Consequently, by offering a robust framework and effective monitoring methods, DT and MAA not only establish a transparent and supervised environment but also reinforce the governance commitment to Shariah compliance. Both provide a strong basis for businesses to follow Shariah principles in their operations, uphold stakeholder confidence, and guarantee long-term operational integrity.

Additionally, the results of this research demonstrated that OS had no impact on LC. The primary goal of the organizational structure is to ensure effective operations and a clear division of tasks. Rather than to regulate compliance with Shariah principles, OS, which is more related to the hierarchy, duties, and responsibilities of the institution, does not directly influence the level of commitment to Shariah compliance governance. Deeper aspects of Islamic morality, ethics, and law are involved in adhering to Shariah principles; this calls for a strong commitment to upholding these values in every facet of the institution's activities, as well as a thorough comprehension of Islamic teachings. Thus, other factors like organizational culture, policies, and management practices — rather than the organizational structure itself — will probably have a more significant impact on a firm's level of commitment to Shariah governance.

Finally, the findings of this study also show that AEP does not mediate the influence of governance dimensions (DT, MMA, and OS) on LC. The essential role that AEP plays in mediating the relationship between governance dimensions and Shariah compliance governance commitment can also be influenced by the quality of its execution. AEP may have a relatively low impact on mitigating the influence of governance features on the commitment to Shariah compliance if it is only employed formally or is not routinely followed in day-to-day practice. As such, it is critical to take into account both the accessibility of AEP and the quality of its execution. For instance, the AEP will not be effective in guaranteeing Shariah compliance if an organization has explicit executive processes pertaining to Shariah compliance but its staff members do not comprehend or implement these procedures in their day-to-day work. AEP will also not be very effective in mitigating the impact of governance dimensions on Shariah compliance commitments if the procedures are merely technically followed to satisfy requirements without considering the underlying Shariah principles.

4. CONCLUSION

This study examined the intricate relationship between governance dimensions and Shariah compliance in the banking sector, distinguishing between fully Islamic banks and conventional banks with Islamic windows. Through descriptive analysis, reliability and validity assessments, and SEM, this research offers valuable insights into the mechanisms shaping adherence to Shariah principles within banking institutions.

The findings underscore the significance of the availability of executive procedures and disclosure and transparency in fostering Shariah compliance, with both constructs exhibiting substantial direct effects on compliance levels. Additionally, monitoring, auditing, and accountability emerged as a crucial determinant of compliance, highlighting the importance of robust oversight mechanisms in ensuring adherence to Shariah principles.

Moreover, the revised SEM model elucidated the nuanced relationships between governance dimensions and compliance, with slight variations observed in the direct effects of certain constructs. While organizational structure exhibited a minor decrease in its direct effect on compliance, the overall model fit remained robust, underscoring the reliability of the findings.

Overall, this study contributes to the growing body of literature on governance and compliance within Islamic finance, providing actionable insights for banking institutions, regulatory authorities, and policymakers. By emphasizing the pivotal role of governance mechanisms in shaping compliance with Shariah principles, this research informs strategic decision-making and policy formulation aimed at fostering ethical and sustainable financial practices. Moving forward, future research could explore additional factors influencing Shariah compliance, such as cultural dynamics, regulatory frameworks, and market conditions. Additionally, longitudinal studies could facilitate insight into the evolving nature of governance practices and their impact on compliance over time. Ultimately, a holistic understanding of governance dimensions is essential for advancing the principles of Islamic finance and ensuring the integrity and resilience of banking systems worldwide.

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TYPES OF LEADERSHIP AND THEIR IMPACT ON THE EFFECTIVENESS AND EFFICIENCY OF THE PUBLIC ORGANIZATIONS: A LITERATURE REVIEW

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Abstract

This study rigorously examines the exercise of leadership within public administration and its profound influence on the operational effectiveness and efficiency of public sector organizations. By focusing on transformational, charismatic, transactional, and authentic leadership styles, the research aims to delineate the specific characteristics and competencies required by leaders in public administration to notably enhance employee productivity and the efficiency of public sector services under both usual and crisis conditions (Donkor et al., 2022; Xanthopoulou & Sahinidis, 2022; Wang & Xie, 2020). An integral part of this inquiry delves into how these leadership styles each contribute distinctly to the transformation of public administration. The goal is to discern which leadership style most effectively fosters public service delivery that is both responsive and sustainable. The in-depth literature review conducted as part of this study meticulously highlights several

key traits of effective leaders. These include the ability to communicate effectively, inspire and motivate others, guide teams towards common goals, create and articulate a clear vision, demonstrate unwavering integrity, foster innovation, encourage robust teamwork, and maintain flexibility and adaptability in the face of changing circumstances. Furthermore, this research emphasizes the critical importance of decision-making process and problem-solving capabilities, particularly in times of crisis. Here, the attributes of flexibility, effective communication, resolute determination, and adept management of innovation and teams are highly prized and scrutinized. Through empirical analysis and theoretical exploration, the study uncovers a nuanced connection between the aforementioned leadership styles and the transformative processes within public sector environments. Transformational and charismatic leadership are identified as particularly effective in facilitating substantial administrative reforms, setting the groundwork for a more dynamic, responsive public administration system. The roles of transformational, charismatic, and authentic leadership are shown to be decisively beneficial, enhancing the agility and responsiveness of public sector organizations to meet the needs of the citizenry efficiently and ethically. Meanwhile, transactional leadership, while contributing to the maintenance of organizational stability and predictability, shows only a partial impact on overall organizational effectiveness. Intriguingly, the study also brings to light the diminishing effectiveness of laissez-faire and bureaucratic leadership styles in modern public administration. These styles, characterized by a lack of proactive engagement and an over-reliance on rigid, hierarchical decision-making processes, are increasingly viewed as obsolete and counterproductive in the fast-paced, complex public sector landscape. Addressing a critical gap in contemporary leadership research, the study advocates for a hybrid approach to leadership within public sectors. This approach integrates various leadership behaviors to form a cohesive, flexible leadership strategy that can effectively respond to a range of organizational challenges and public demands. This synthesis of diverse leadership qualities underscores the complex nature of public sector management and highlights the dynamic capabilities required of leaders to navigate this challenging landscape effectively. By advocating for a strategic amalgamation of leadership styles, the research contributes significantly to the discourse on public administration, offering valuable insights and practical recommendations for developing more effective leadership frameworks in the public sector.

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BOARD OF DIRECTORS AND SUSTAINABILITY PERFORMANCE IN THE AEROSPACE INDUSTRY

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Abstract

This study aims to investigate the role of the board of directors in promoting sustainability in the aerospace industry. Aerospace companies are facing substantial challenges stemming from sustainability-related issues like climate change and environmental regulations, underscoring the urgency of prioritizing sustainability within the corporate agenda. This study adds valuable insights to the ongoing discourse regarding the impact of the board of directors on corporate sustainability performance. By examining a sample comprising firms within the aerospace industry listed on the STOXX Europe 600 index from 2015 to 2022, it aims to elucidate the impact of various board characteristics on their sustainability results. Overall, the insights of this study underscore the critical role of board attributes in shaping Environmental, Social, and Governance (ESG) performance outcomes. By promoting gender diversity, fostering independent oversight, and mitigating Chief Executive Officer (CEO) duality, aerospace organizations can effectively enhance their ESG performance and better position themselves to fulfill their corporate social responsibilities.

1. INTRODUCTION

In recent years, sustainability has gained significant attention from policymakers, investors, consumers, and other stakeholders, prompting companies to integrate sustainability initiatives into their strategic decisions. While strong financial performance remains crucial for growth, evidence suggests that corporate social responsibility (CSR) initiatives can offer substantial long-term benefits. Regulatory focus on sustainability has led to directives and guidelines encouraging firms to prioritize sustainable practices. The European Union (EU), in particular, has enacted laws like the Corporate Sustainability Due Diligence Directive (CSDDD), which compels firms to adopt sustainable practices and introduces legal liability for environmental and human rights violations within their supply chains.

In response to the growing emphasis on sustainability, companies are revising their governance structures to align with these objectives. Boards of directors are increasingly expected to take a proactive approach to sustainability, driving strategic initiatives that create long-term value while minimizing negative impacts on the environment and society.

The aerospace industry faces significant sustainability challenges. Due to its environmental impact, regulatory bodies are imposing stricter regulations on the sector, and stakeholders demand environmental responsibility and social accountability from aerospace companies. Consequently, aerospace firms must address ESG issues through sustainability-oriented strategic decisions and actions.

This research aims to examine the influence of boards of directors in promoting sustainability within the aerospace industry. Using a sample of aerospace firms listed on the STOXX Europe 600 index from 2015 to 2022, it investigates which board characteristics contribute to sustainability performance in this sector.

2. LITERATURE REVIEW

Extensive literature exists on the relationship between boards of directors and sustainability (Jamali et al., 2008; Jo & Harjoto, 2012). According to stakeholder theory, which emphasizes maintaining stakeholder satisfaction and legitimacy (Freeman, 1984), boards play a crucial role in enhancing a company's reputation by engaging with stakeholders. This interaction fosters understanding and trust (Michelon & Parbonetti, 2012).

Several studies have explored how board characteristics influence corporate sustainability performance (Orazalin & Mahmood, 2021). Research generally agrees that certain board characteristics enhance sustainability performance.

For instance, board gender diversity is linked to higher sustainability performance, as female directors often focus more on sustainability issues (Valls Martínez et al., 2019; Nielsen & Huse, 2010; Cambrea et al., 2023). The size of the board also plays a role, with larger boards offering diverse skills, knowledge, and expertise, leading to a more thorough consideration of sustainability issues and better alignment with stakeholder interests (Radu et al., 2022).

As reported by previous studies, board independence is conducive to higher sustainability performance (Hussain et al., 2018). In fact, the role of independent board members, who are external to the organization, is to monitor the conduct of executive directors, thereby preventing potential actions that diverge from the social good prioritizing personal objectives, and protecting stakeholders' interests.

The presence of non-executive board members is associated with increased sustainability performance, as they convey legitimacy to corporations (Pfeffer & Salancik, 1978). Their external viewpoint enables the board to gain deeper insights into stakeholders' needs and expectations, thereby playing a pivotal role in guiding the company's conduct.

Lastly, prior research found that CEO Chairman duality is associated with diminished sustainability performance (Hussain et al., 2018). When the roles of CEO and Chairman of the board are assigned to the same person, this limits the board's ability to control managerial opportunism, resulting in weak monitoring and therefore suggesting a separation between the CEO and the Chairman roles to achieve higher sustainability outcomes (Naciti, 2019).

In a sustainability-sensitive industry, such as the aerospace industry, the investigation of corporate governance and sustainability remains relatively limited. The existing literature predominantly focuses on examining sustainability reporting (Cowper-Smith & de Grosbois, 2011; Kılıç et al., 2019). This research contributes to discerning whether sustainability reporting promotes corporate governance practices by addressing information asymmetry and agency conflicts, as well as enhancing legitimacy within aerospace companies (Karaman et al., 2018).

From a corporate governance standpoint, there is a scarcity of studies that delve into the relationship between board characteristics and sustainability within the aerospace industry. For example, a recent study by Gangi et al. (2022) explores the extent to which board attributes encourage engagement in corporate environmental responsibility, under the premise that effective board characteristics serve as the primary internal governance mechanism to deter managerial opportunism and the implementation of environmentally irresponsible policies (Naciti, 2019).

Therefore, based on the existing literature, the following hypotheses are proposed for the aerospace industry:

H1: Board gender diversity positively impacts sustainability performance.

H2: Board size positively impacts sustainability performance.

H3: Independent board members positively impact sustainability performance.

H4: Non-executive board members positively impact sustainability performance.

H5: CEO Chairman duality negatively impacts sustainability performance.

3. METHODOLOGY

The analysis sample includes aerospace companies listed on the STOXX Europe 600 index from 2015 to 2022. Data collection involved board-level and firm-level data, including financial and non-financial performance, from the LSEG Refinitiv database.

The dependent variable is *Corporate sustainability performance*, measured by the ESG Score. For robustness checks, the Environmental Pillar Score and Social Pillar Score were also used.

As explanatory variables, several board characteristics have been included: *Board gender diversity*, *Board size*, *Independent board members*, *Non-executive board members*, and *CEO Chairman duality*.

Finally, consistent with prior studies, a set of control variables has been incorporated: *Firm size*, *Leverage*, and *Profitability (ROA)*.

A quantitative research approach and longitudinal research design were used. The Hausman test determined that random effects were more suitable for the regression models. Thus, panel data ordinary least squares (OLS) regression models with firm-level random effects were used to test the hypotheses.

4. RESULTS

Table 1 illustrates the relationship between board characteristics and corporate sustainability performance. In Model 1, findings reveal that board gender diversity significantly predicts ESG performance, supporting *H1*. A greater representation of female directors on the board is associated with enhanced ESG performance, highlighting the importance of gender diversity in driving sustainable business practices in aerospace companies. However, the coefficient for board size is negative and not statistically significant, providing no support for *H4*, possibly due to less effective decision-making in larger boards. The presence of independent and non-executive board members is positively correlated with ESG performance, supporting *H2* and *H3*. This indicates that boards with independent oversight are better equipped to address ESG issues, enhancing overall sustainability. The coefficient for

CEO-Chairman duality is negative and significant, supporting *H5*, suggesting that combining CEO and Chairman roles can detrimentally affect ESG performance due to potential conflicts of interest and a lack of checks and balances.

Model 2 explores the relationship between board characteristics and environmental performance, revealing that a higher proportion of independent and non-executive directors is associated with stronger environmental performance. This underscores the role of board composition in driving environmental sustainability in aerospace firms.

Model 3 examines the relationship between board characteristics and social performance, showing the importance of gender diversity in enhancing social responsibility. Similarly, independent and non-executive directors are positively associated with social performance, while CEO-Chairman duality negatively impacts social performance, suggesting potential conflicts of interest and reduced independent oversight hinder the organization's ability to address social concerns effectively.

Table 1. Regression models

Variables	*ESG Score*	*Environmental Pillar Score*	*Social Pillar Score*
	Model 1	*Model 2*	*Model 3*
Board gender diversity	0.245** (0.111)	0.162 (0.145)	0.409*** (0.154)
Board size	-0.459 (0.683)	-0.765 (1.006)	-0.00793 (0.784)
Independent board members	0.243*** (0.0775)	0.315** (0.122)	0.253*** (0.0834)
Non-executive board members	0.327*** (0.124)	0.522*** (0.198)	0.473*** (0.135)
CEO Chairman duality	-15.79*** (4.524)	-2.092 (6.812)	-10.57** (5.377)
Firm size	7.26e-05* (4.23e-05)	0.000126* (7.25e-05)	4.75e-05 (4.48e-05)
Leverage	0.00824 (0.0110)	0.0174 (0.0144)	-0.000173 (0.0150)
ROA	-0.257* (0.131)	-0.0160 (0.167)	-0.645*** (0.190)
Constant	20.48** (10.32)	2.964 (17.20)	3.482 (10.42)
Observations	96	96	96

*Note: Standard errors are in parentheses; *** $p < 0.01$, ** $p < 0.05$, and *$p < 0.1$.*

5. CONCLUSION

This study explores the role of boards of directors in advancing sustainability within the aerospace industry. It aims to broaden the theoretical understanding of the relationship between board characteristics and firms' sustainability outcomes, providing governance insights for promoting environmental and social responsibility in aerospace companies.

The research contributes significantly to both theory and practice. It enhances corporate governance literature by investigating how board characteristics can foster sustainability in aerospace companies. The study also urges aerospace firms to improve board composition to boost sustainability performance. This includes advocating for increased female representation, bolstering independent and non-executive board members, and addressing CEO duality.

Despite its contributions, the study has limitations. It is based on data from European aerospace firms only. Future research should explore the aerospace industry in other regions, such as North America, and incorporate additional board-level variables to further elucidate the impact of board characteristics on corporate sustainability performance.

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CAN ETHICAL BEHAVIOR REDUCE CREDIT RISK? FOCUS ON THE MODERATOR ROLE OF THE BOARD OF DIRECTORS

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Abstract

The purpose of the study is to investigate whether companies that act ethically benefit in terms of reducing credit risk and if the board of directors (BoD) characteristics play a moderator role in the relationship between the presence of the legality rating and the credit risk. The study sample consists of 285 Italian companies between 2012 and 2022. The information related to the legality rating (LR) was taken from the Authority Guarantor of Competition and the Market (AGCM) and the other information associated with the companies was from the AIDA database by Bureau Van Dijk. The results of the study show a positive and statistically significant relationship between the LR and the EM-Score and a positive association between women on the BoD and the EM-Score. Moreover, the research reveals that the presence of women on the BoD amplifies the relationship between LR and credit risk.

1. INTRODUCTION

Legality rating (LR) was introduced by the Italian legislature in 2012. Companies voluntarily adopt LR to demonstrate their ethical behavior. The benefits reported from adopting the LR are many and explicable from various points of view. For example, companies with a higher LR can obtain simplified access to public financing and bank credit. They also benefit in terms of reputation, greater visibility in the market, and competitive advantages over competitors (Caputo & Pizzi, 2019).

Companies that apply for the LR can obtain one to three stars, recognized by the Authority Guarantor of Competition and the Market (AGCM) if there are minimum requirements for compliance with tax regulations and the absence of criminal convictions. The rating lasts two years and can be renewed upon expiration, but it can lapse if the basic requirements are no longer present.

DeBenedetto et al. (2024) and La Rosa et al. (2023) argue that LR can be an effective corporate governance mechanism. Indeed, LR certifies corporate transparency and willingness to operate within the boundaries of the law and increases corporate credibility and trustworthiness among stakeholders to attract lenders (Branco & Rodrigues, 2006; Alwi et al., 2017; Wanner & Janiesch, 2019).

The certifying effect of the legality rating is an element that demonstrates the good ethical and legal conduct of companies, and this reduces information asymmetries significantly. This allows companies to leverage and build relationships with banks or private lenders. The existing literature (Pizzi et al., 2020) shows that because of the transparency benefits LR brings to companies, it is a financial stabilization tool, helping banks to identify companies' lower credit risk.

2. MAIN PURPOSE

Our study aims to contribute to the existing literature (Gong & Ho, 2018; Orazalin et al., 2019; Gangi et al., 2019; Pizzi et al., 2020) investigating whether companies that act ethically benefit in terms of reducing credit risk. Moreover, we want to examine if the board of directors (BoD) features play a moderator role in the relationship between the presence of the legality rating and the credit risk. So, we propose two research questions:

RQ1: How does LR affect firms' credit risk?

RQ2: How do BoDs moderate the relationship between the presence of the LR and firms' credit risk?

To answer our RQs, contrary to previous studies (Gangi et al., 2018; Orazalin et al., 2019; Pizzi et al., 2020), we do not use the Altman Z-Score (Altman, 1968) as a dependent variable, but the EM-Score. This is a measure of credit risk that starts from the application of Altman's Z-Score (Altman et al., 1998). Altman and Hotchkiss (2005) identify a correspondence between the Z-Score and the ratings assigned by Standard & Poor's to bonds. This choice is because our study wants to compare compliance with the legality rating provided by AGCM and the credit rating offered by the Standard & Poor's rating agency.

3. METHODOLOGY

Our sample consists of 285 Italian companies between 2012 and 2022. In line with previous research (Pizzi et al., 2020), we consider this period because 2012 represents the first year the LR was introduced, while 2022 is the last year in which data related to the variables included within our analysis are available. We downloaded the information related to the LR from the AGCM. Instead, the other information associated with the companies is downloaded from the AIDA database provided by Bureau Van Dijk. We perform a panel regression. Our dependent variable is the EM-Score (Altman & Hotchkiss, 2005) as a proxy of companies' credit risk. Our independent variable is the LR. Moreover, as moderator variables, we include females on the board, the board size, and the presence of independent directors (Carter et al., 2010; Arena et al., 2015; Francis et al., 2015). We also use financial and non-financial information as control variables. Specifically, we include liquidity, leverage, firm size, and experience (Orazalin et al., 2019; Pizzi et al., 2020).

4. FINDINGS

The results show a positive and statistically significant relationship between the legality rating and the EM-Score. This implies that companies that have applied for and obtained the LR are less exposed to the probability of failing. Our study adds value by examining the moderating effect of corporate governance mechanisms in this relationship. Our results indicate a positive association between women on the BoD and the EM-Score. The same can be asserted for the presence of independent directors. Furthermore, the study reveals that the presence of women on the BoD amplifies the relationship between LR and credit risk. The same is true for the moderating role played by the presence of independent directors.

5. IMPLICATIONS

Our study contributes to the existing literature because it helps to understand the usefulness of LR adoption for firms. However, it aims to explain how the composition of BoDs moderates the relationship between the presence of LR and firms' credit risk. LR acts as a certification of ethical management and a corporate governance tool, improving reputation and stakeholder trust. By reducing information asymmetries and improving transparency, LR adoption can mitigate credit risk and facilitate better access to finance. The analysis suggests that the composition of the BoD, as gender diversity and independent directors, plays a crucial role in moderating the relationship between LR adoption and credit risk. Promoting the adoption of LRs and diverse and independent BoD can help make financial ecosystems more stable and improve risk management practices, with both policy and practical implications.

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THE DOWNSIDE OF BOARD DIVERSITY: LANDSCAPES AND CHALLENGES

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Abstract

Promoting board diversity has had many supporters for years. Assuming that more minds would end up at better decisions, such would be an absolute win, however, there is a caveat, as with more diversity there is more potential for conflicts to arise as well. With the interlocking representations of current world multinational boards, their composition includes people from significantly different globe regions, which bring completely different worldviews into the boardroom. Therefore, the potential for misunderstandings, miscommunication, and ultimately board dynamic failures has never been higher. As this paradigm is unavailable, its context demands new solutions and perhaps new board leadership and training approaches. This article points towards possible research pathways for addressing such an important issue for making multinational boards more effective and efficient.

1. INTRODUCTION

The last decade has seen a growing number of studies advocating for board diversity. Diversity brings with it several advantages; stating from a sort of 'wisdom of crowds', where multiple minds usually end up at better decisions (Surowiecki, 2004) by using multiple models which cover blind spots and therefore contribute to better decisions (Page, 2018).

There are, however, some disadvantages in board diversity as well. Such disadvantages originate from a potential for a rise in the level of conflicts within boards. Conflicts usually originate from different worldviews which are rooted in 'mental models' (Senge, 2006). Everyone has his/her own worldview which is formed by his/her growing experience, encompassing not only education but also living experience and most importantly the influence of the culture where a person has grown up since early ages (Drucker, 2005). Therefore, the positive effects expected to be reaped from more diverse boards may not be as straightforward as has been advocated. For instance, what would be the potential board dynamics within a board composed of members from a Far East country such as Japan, which is classified as a 'face culture' trying to interrelate with someone from an 'honour culture' such as some Middle East countries, or a someone from a 'dignity culture' for which western world is a closer example (Brett, 2014)? Or what dynamics would result from different perceptions of time, from either monochronic or polychronic cultures (Meyer, 2014; Água et al., 2023). If one adds the usual mind bias to these cultural differences arising within diverse boards it is not difficult to foresee that culturally diverse boards have a high potential for some negative dynamics associated with rising conflicts (Água & Correia, 2022). This study does not, however, argue against board diversity; instead, it calls on the need to address the problem of cultural diversity by providing adequate solutions through better board directors' education. The remaining of this work is organized as follows: Section 2 provides a background on some culture model approaches relevant to the board directors' interaction and dynamics. Section 3 presents the methodological approach. Section 4 suggests two avenues for solving the problem. Finally, Section 5 concludes the study by pointing out the need for future research.

2. BACKGROUND

The scope and focus of this study are the cultural differences, common in multinational boards, and the need to design solutions to address the potential negative effects resulting from board diversity in such situations. From one side, there is a considerable amount of research published on culture models *latu sensu*. From the other side, it is possible to design adequate solutions to address the potential negative effects resulting from the intercultural differences within the boardroom. Culturally diverse boards originate mostly from cross-national investments, a subproduct of the globalization process. Despite some popularism standings, globalization will not stop; at most, it may face some temporary slowdown. Moreover, there are regions, such as the European Union (EU) which bring together many different national cultures. In addition, different organizational cultures also bring another layer of complexity and potential conflict to watch out for, as the famous

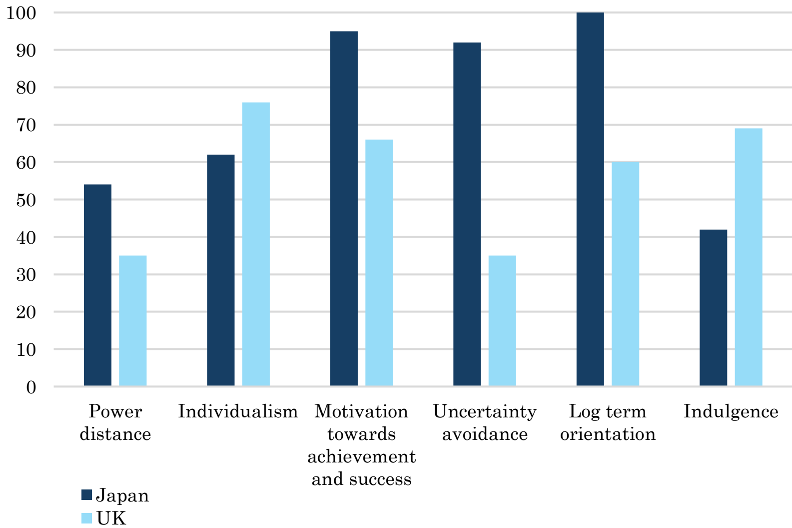
Daimler-Chrysler merger was shown a few years ago (Steger et al., 2004). Despite some studies focusing on a particular context (Ashley & Brijball Parumasur, 2024; Colocassides, 2022; Daw et al., 2023), the subject of cultural diversity in the boardroom needs further research, as the subject is considerably broad enough to originate several lines of research.

2.1. Culture models

Given that conflicts originate from different worldviews and different worldviews are strongly tied to different national cultures, what culture issues are relevant to address this problem? A starting point could be the understanding that culture is a sort of lens that helps someone better interrelate with individuals of the same culture, minimizing cognitive resources during the process of such interrelationship. Several authors have proposed culture models, all of them using some 'cultural dimensions' to help analysis. Such cultural dimensions are similar to variable sets which help in classifying and analyzing a certain culture of interest. For instance, Hall's model is composed of three dimensions (Hall & Hall, 1990): 1) low vs. high context; 2) different perceptions of time, and 3) space. Trompenaars and Hampden-Turner (1997) from their side, proposed a model with six dimensions: 1) universalism vs. particularism; 2) collectivism vs. individualism; 3) neutral vs. affective; 4) diffuse vs. specific; 5) achievement vs. ascription; 6) monochronic vs. polychronic; and 7) inner-direct vs. outer-direct. Moreover, Hofstede's (1991) model is among the most popular when trying to understand cultural differences, and comprises six dimensions: 1) power distance, which is related to the degree to which members of a society accept that power is distributed unequally; 2) individualism vs. collectivism, related to the degree of interdependence a society maintains. In collectivist societies there will likely be less initiative from its members; 3) masculinity vs. femininity, related to the more or less competitive people are in society; 4) uncertainty avoidance, related to the overall level of confidence a society shows when facing uncertainty, something with strong implications for institutional development; 5) long-term vs. short-term orientation, related to the choice of focus a society has towards time horizons, future or present; and 6) indulgence vs. restraint, which relates to the freedom of expression across society, and may have a strong impact during interactions, where transparency and assertiveness are key.

More recently, Hofstede's model masculinity vs. femininity dimension has been renamed as 'motivation towards achievement and success' which better conveys the true meaning of such cultural dimension. As an example, Figure 1 illustrates the dimensions' differences between the Japanese and United Kingdom cultures using Hofstede's model. It is not difficult to foresee potential conflicts arising from such different worldviews regarding dimensions as the way people 'avoid uncertainty', or perceive 'different power distances' which may have different 'deference' attitudes in meetings, as well as the differences in the 'individualism' levels — all potential triggers for misunderstandings at the boardroom.

Figure 1. Example of Hofstede cultural dimensions for Japan and United Kingdom



Note: Based on https://geerthofstede.com/

Another popular model is due to Lewis (2014). His framework comprises three dimensions: 1) linear-active, which is related to people who tend to do only one thing at a time; 2) multi-active, related to cultures that tend to do several things at a time, are flexible and do not care too much about punctuality; and 3) reactive, where people tend to listen without interrupting before they react. They are also keen about asking clarifying questions instead of open confrontation.

Moreover, different levels of acceptance when it comes to hierarchy also makes a difference. Therefore, the boardroom as a particular setup for human interaction would improve by having a good understanding of cultural traits, for sake of better performance. For instance, Table 1 illustrates this point.

Table 1. Analysis and understanding of four relevant domains may help board dynamics

Culture domain	***Potential impacts within the boardroom***
Collectivistic vs. individualistic	People from more collectivistic cultures are more keen to accept common objectives, and team agreements are more normal than individual standings. For people from more individualistic cultures, it is more probable that confrontation may arise. Therefore, board directors from such cultures are more likely to promote smoother interactions within the boardroom, as they may be promoting the board's interest as opposed to individual board members.
Low vs. high context	People from low-context cultures prefer the direct interchange of messages and information sharing, while for people from high-context cultures, information sharing is more indirect and sometimes implicit. When blending people from different contextual cultures within the boardroom it is expected for decisions to take time, because of the need of high-context cultures to share information more explicitly, and the low context one to accept that information is not being shared explicitly.
Different perceptions of time and space	Different perceptions of time may affect decision-making processes, as different people place different weights regarding the importance of a critical matter or problem in a boardroom, for example, increasing frustration among different cultures.
Different acceptance of hierarchy	In hierarchical cultures one can observe a wider distance in power, however, agreements in the boardroom are more likely if power differences are smaller. In a boardroom, some board directors may be representing a 'higher hierarchy' shareholder, which suggests that decisions may be impacted by such fact.

The analysis of potential impacts is an example of how board directors can gain cultural intelligence, preventing the negative impacts of cultural gaps and mismatches. At the end, generally speaking, there is no better or worse culture, but different ones.

2.2. Board dynamics as a negotiation concept

Within the board functioning, however, there may be more than this apparent static dimension at play, as ultimately board dynamics is a particular case of a negotiation process. Contrasting with the previous models, Brett (2014) suggests a different approach especially applicable in the context of intercultural negotiations, and since board dynamics often resembles negotiation dynamics, it is perhaps worth looking into the main characteristics of such model, and rationalize how can it be used for improving board dynamics (Água et al., 2022). Brett's model distinguishes three different culture types and focuses on six self-explanatory dimensions: 1) self-esteem; 2) power and status; 3) sensitivity and response to insults; 4) confrontation style; 5) trust; and 6) mindset — all relevant concepts for the boardroom interaction and resulting dynamics. The three distinct cultures are 1) dignity cultures, 2) face cultures, and 3) honor cultures. Table 2 provides the main characteristics of each such culture.

Table 2. Brett's model main characteristics

Culture characteristics	*Dignity culture*	*Face culture*	*Honour culture*
Geography	Europe, North America, Australia and New Zealand	Far East/East Asia	Middle East, North Africa, Iberian Peninsula, Latin America, Southeast Asia
Self-esteem	Self-determination variable	Socially conferred, stable	Socially claimed, dynamic
Power and status	Egalitarian, dynamic	Hierarchical, stable	Egalitarian, dynamic
Sensitivity and response to insults	Low sensitivity	Medium sensitivity	High sensitivity
Confrontation style	Direct, rational, unemotional	Indirect, controlled, and measured, use of superiors to resolve conflicts	Direct and indirect, expressive
Trust	Interpersonal, high level of ingroup and outgroup trust	Institutional, high ingroup, and low outgroup trust	Interpersonal and institutional, low outgroup trust
Mindset	Analytic	Holistic	Analytic and holistic

Note: Adapted from Exhibit 2.2 in Brett (2014).

Dignity cultures correspond to societies which are more egalitarian, hence less hierarchical; and trust and fairness are key factors. In-face cultures are typically collectivistic cultures, where hierarchies are key, and may significantly affect dynamics in the boardroom; besides interpersonal interplay, trust is linked to institutional support and legitimacy. However, face cultures are characterized by being holistic which may be a desirable skill to count on within the boardroom. Finally, in honor cultures, hierarchies are also present however they may be less stabilized than in face cultures, hence making the approach difficult at times, as people from such cultures may make the negotiation processes more difficult and raise the potential for confrontation. According to Brett (2014): "…In honor cultures, trust means putting your self-worth in the hands of others. If you trust and your trust is reciprocated, then you gain honor because your self-worth is ratified. But there is a huge risk associated with trusting. If your trust is not reciprocated, there is both a social loss of social face and also a personal loss of self-worth" (p. 38).

Table 2 is a good starting point for board directors already aware of the cultural diversity issue and prompting themselves with questions such as: "How should I deal with people from that different culture within the boardroom?"; "How do they communicate?"; "How do I build trust with them?". Besides being aware that some cultures are more egalitarian than others; that in some cultures communication occurs in low context or high context settings, or that some cultures are more individualistic or more collectivistic than others, they need practical tools which they must master in order to contribute to smoother and improved board dynamics in the context of multinational boards. All these issues need a comprehensive solution.

3. METHODOLOGICAL APPROACH

In order to navigate an issue as broad and eclectic as the impacts of diversity in boards it is essential to employ critical thinking and alternative analysis methodologies. Therefore, the study adopted a research approach that emphasizes critical thinking, following a structured reasoning process, as proposed by Paul and Elder (2009), which includes purpose, key questions, assumptions, key concepts, facts and experiences to support conclusions, personal viewpoints, as well as conclusions and implications. Additionally, the concept mapping technique was applied to help infer relationships among concepts.

4. PROPOSED APPROACHES AND SOLUTIONS

Having several different culture models from which to draw, and the need to address the problem of improving functioning and dynamics within the context of culturally diverse boards, some solutions are needed. A first-cut analysis suggests: 1) designing core training for board directors which includes intercultural skills subjects, and 2) making use of specialized consultants or coaches.

Design board directors' core training with cultural awareness themes. Until relatively recently board directors training was not given too much attention; however, during the last five years the number of board directors training courses at reference business schools, corporate governance institutes, and beyond, has been increasing considerably. This resulted from increasing accountability of board directors' performance as well as a closer watch from their constituencies and ultimately all involved stakeholders.

Making use of consultants or cultural coaches. The use of specialized consultants and coaches has been a past trend across many corporate subjects. Cultural intelligence is no different and is a specialized field for which most board directors do not have adequate training, experience, or understanding for the purposes of conducting their duties. Therefore, the use of cultural consultants and coaches is advisable, as such individuals may be of considerable help in educating the broad directors participating in international and culturally diverse boards. Moreover, using such professionals is also an efficient way to support board directors, as oftentimes board directors do not have enough time or chance to attend dedicated training.

The chairman of the board in particular, if culturally competent, can act as a mediator or smoother in helping towards better board dynamics in face of cultural diversity.

Further research track regarding this subject could be 1) use of longitudinal studies, which would help understand long-term changes in board dynamics as a consequence of diversity, 2) use of comparative analysis, which would support board design, by having mapped the most compatible and least compatible culture types, 3) use of case studies, by taking specific boards' performance and dynamics, which could provide insights and lessons for practical purposes, and 4) the use of focus group approaches with groups composed of board members representatives of distinct cultures, which could elicit for instance perceived conflicts, personal experiences or the effectiveness of different strategies to deal with this diversity issue within boards.

5. CONCLUSION

This study called attention towards the fact that not everything is positive about board diversity. People have different worldviews, and conflicts arise from such worldviews differences. With international investments across businesses, an increase in multinational boards is the norm. With national and regional cultures sitting at the boardroom, the potential for negative board dynamics due to miscommunication and misunderstandings has increased, which demands solutions in order to ensure board dynamics develop adequately and boards add value as expected, for the constituencies they are responsible for. Having board directors trained in intercultural skills and the use of cultural consultants and coaches are among the suggested solutions. Lastly, a word of caution is due — any model is a simplification of reality, and therefore a cultural model is also a simplification of a context which may exhibit variation. Culture models are not absolute truths; however, they can be very useful in order to prevent conflicts and improve the dynamics within the boardroom.

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SESSION 2: ESG AND SUSTAINABILITY ISSUES

DO GOOD GOVERNANCE PRACTICES, MODERATED BY GENDER PARITY, STRENGTHEN ENVIRONMENTAL, SOCIAL, AND GOVERNANCE PERFORMANCE FOR EUROPEAN COMPANIES?

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Abstract

This study examines how country-level gender parity interacts with board characteristics to affect environmental, social, and governance (ESG) performance in sustainable European firms. Higher gender parity nations amplify the positive effects of women on boards, non-executive directors, and stakeholder engagement on ESG while reducing the negative impacts of busy directors. Surprisingly, the combined effect of board gender diversity and national gender parity on ESG is negative,

contrary to expectations. These findings enrich research on board characteristics and ESG performance, emphasizing the overlooked role of gender parity.

1. INTRODUCTION

The European Union (EU) Directive 95/2014 mandates non-financial information disclosure, transitioning from voluntary to mandatory reporting. It aims to enhance the communication of comparable, consistent, and relevant non-financial data (European Commission, 2019).

Prior studies examine board composition and environmental, social, and governance (ESG) performance but ignore the Global Gender Gap Index's (GGGI) moderating role. Our study encourages further investigation, exploring how gender diversity, non-executive directors, busy directors, and stakeholder engagement affect ESG performance, especially regarding busy directors. Understanding these dynamics benefits stakeholders. We also anticipate the GGGI's stronger influence in nations with wider gender disparities, shaping board decisions.

This study makes three significant contributions. Firstly, it fills a gap by investigating the impact of board composition on ESG performance in sustainable European firms, including listed ones, which previous research lacked. Secondly, it explores the international perspective, particularly the influence of female directors and the GGGI, addressing a literature gap. Thirdly, it reveals the positive interaction of the GGGI with gender diversity and stakeholder engagement in enhancing ESG performance. Additionally, it identifies a heightened negative impact of busy directors when interacting with the GGGI.

2. FRAMEWORK

Research on board composition and ESG performance reveals significant findings. Lewellyn and Muller-Kahle (2023) found that non-executive directors enhance ESG performance. Pinheiro and Sarmento (2022) observed a positive link with non-executive directors. Conversely, Luu (2022) revealed a negative relationship with busy directors. Lee and Raschke (2023) emphasize stakeholder engagement's role, while Cambrea et al. (2023) found a positive association with female directors. Dyck et al. (2023) argue female directors' impact on environmental performance stems from gender-specific reasons.

Female directors positively impact board decision-making, enhancing information disclosure and monitoring (García-Sánchez et al., 2014). They improve board effectiveness by providing diverse perspectives and abilities (Basuony et al., 2018), leading to better strategic decisions (Nadeem et al., 2020). Additionally, they promote corporate social responsibility (CSR) disclosure, ethical standards, and stakeholder concerns, and exhibit risk aversion (Pucheta-Martínez et al., 2021; Gul et al., 2013).

Female directors prioritize ESG, driven by social engagement, education, leadership, advisory skills, and communication. Yet, in French firms, Dyck et al. (2023) propose female directors' impact on environmental performance may relate to gender-specific factors rather than distinct characteristics from male directors.

H1: The global gender gap indirectly enhances the positive correlation between board gender diversity and ESG performance.

Non-executive directors, valued for impartial judgment, uphold corporate governance (Myllys, 1999). Agency theory (Jensen & Meckling, 1979) suggests they monitor to prevent managerial opportunism, aligning owner and shareholder interests (Liu & Andersson, 2014). They ensure accountability (Daily & Dalton, 2003) and provide reliable information (Hutchinson & Gul, 2004). In emerging economies, they make independent decisions (Zhu et al., 2016). Stakeholder theory views them as resources, prioritizing social and environmental concerns (Ibrahim & Angelidis, 1995).

Tawiah et al. (2024) propose that a higher proportion of non-executive directors improves ESG performance by offering strategic insights. Cambrea et al. (2023) conclude that non-executive directors boost environmental performance through advice and external connections. Homroy and Slechten (2019) highlight their relevant environmental experience. Lewellyn and Muller-Kahle (2023) support the positive link between non-executive directors and ESG performance.

H2: The global gender gap indirectly enhances the positive correlation between the proportion of non-executive directors and ESG performance.

Busy directors, holding multiple board seats, impact ESG performance, with mixed findings. Perry and Peyer (2005) propose they effectively perform controlling duties, aligned with reputational theory. Resource dependence theory suggests they drive proactive environmental strategies (Ortiz-de-Mandojana et al., 2012). Cooper and Uzun (2022) support their positive influence on ESG, emphasizing abilities, education, and managerial skills.

Holding multiple board seats may hinder monitoring, aligning with overcommitment theory (Core et al., 1999). Busy directors' distractions and limited time may impede ESG performance (Elyasiani & Zhang, 2015). Haque (2017) notes their impact on carbon reduction initiatives, while Luu (2022) suggests they detract from environmental performance.

H3: The global gender gap indirectly exacerbates the negative correlation between the proportion of busy directors and ESG performance.

Campanella et al. (2021) confirm stakeholder engagement's positive correlation with ESG performance. Lokuwaduge and Heenetigala (2017) also find it boosts sustainability initiatives in Australian firms.

The GGGI's role in European sustainable firms is likely to boost ESG performance, as gender diversity often supports sustainability.

Stakeholder engagement enhances competitiveness (Maneenop et al., 2024), suggesting a positive impact on ESG performance. Thus, hypothesizing based on stakeholder theory:

H4: The global gender gap indirectly amplifies the positive impact of stakeholder engagement on ESG performance.

3. METHODOLOGY

This study focuses on European sustainable firms listed in the Euronext Vigeo Europe 120 Index, comprising companies committed to ESG principles. Data is sourced from Thomson Reuters Eikon and World Economic Forum reports. The sample spans 2013 to 2022 and includes Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

4. RESULTS

The GGGI positively impacts ESG performance, highlighting robust corporate governance’s significance in European sustainable firms. Elevating women to influential positions fosters better ESG outcomes, particularly in countries with higher gender equality.

The interaction effect between board gender diversity and GGGI yields a negative coefficient (-0.1847) at the 1% level, impacting ESG. Despite women’s leadership in high-level institutional roles overseeing female directors on boards, the anticipated positive impact on ESG performance has not materialized, resulting in a slight decline, particularly in corporate governance. This contradicts previous research (Gangi et al., 2023) leading to the rejection of *H1*.

The second interaction effect examines the relationship between non-executive directors’ activities and GGGI. This interaction effect is found to lack statistical significance. This outcome suggests that the criteria for appointing non-executive directors to boards may be inadequate, failing to meet stakeholder needs, consistent with Al Amosh and Khatib (2021). Consequently, *H2* is refuted.

The interaction between busy directors, the GGGI, and ESG performance shows a small but significant negative coefficient (-0.0313), indicating that the negative influence of busy directors on ESG performance is amplified, possibly due to inadequate supervision from high-level management in European countries. Therefore, *H3* is rejected.

The interaction effect between the GGGI and stakeholder engagement in business decision-making is statistically significant (at 1%), with a positive coefficient of 0.1744. This supports *H4*, indicating the benefits of stakeholder engagement, especially in environments with higher gender parity. This amplifies its impact, aligning with findings from Lee and Raschke (2023).

5. CONCLUSION

Our study investigates how country-level gender parity interacts with board characteristics to affect ESG performance in sustainable European firms. To our knowledge, this is the first study to explore these interactions.

In countries with higher gender parity, women's presence, non-executive directors, and stakeholder engagement have a stronger positive impact. Conversely, the negative impact of busy directors is reduced. This suggests that in settings with high gender parity, non-executive directors and stakeholder engagement play more significant roles in promoting ESG practices.

Against anticipations and existing literature, the combined effect of board gender diversity and national-level gender parity on ESG performance is negative. This suggests that in countries with high gender parity, firms may compensate for low board diversity by engaging more with ESG practices.

Contrary to our hypotheses, increased national-level gender parity does not mitigate the negative effect of having more busy directors. In fact, in countries with higher gender parity, this effect appears to be even more negative.

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DO BOARD COMMITTEES CONTRIBUTE TO ENVIRONMENTAL, SOCIAL, AND GOVERNANCE PERFORMANCE: THE MODERATING ROLE OF GLOBAL GENDER GAP INDEX

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Abstract

The development and economic growth of companies have a significant impact on environmental, social, and governance (ESG) issues (Almeyda & Darmansya, 2019), often resulting in serious problems such as pollution, global warming, forced and illegal labor, corporate ethical issues, and corruption (Suttipun, 2021). Investors and other stakeholders increasingly penalize companies with low ESG performance and involvement in ESG controversies (Shakil, 2021). Consequently, companies are adopting a more responsible approach by integrating ESG issues into their corporate strategies. This not only enhances their legitimacy and reputation but also improves relationships with stakeholders, reduces stock volatility, and mitigates the firm's overall risk (Velte, 2016).

The board of directors is a corporate governance mechanism that ensures the monitoring and supervision of management and provides the necessary resources for the success of the firm (Jensen & Meckling, 1976;

Hillman et al., 2009). However, boards may experience deficiencies stemming from their limited understanding of the complexities within the company or insufficient coordination among members, leading to instances of social loafing (Boivie et al., 2016). Consequently, the presence of specialized committees within relevant areas of the organization serves as valuable resources to enhance board effectiveness. In this sense, several corporate governance codes recommend the inclusion of the corporate governance committee, corporate social responsibility (CSR) committee, and nomination and compensation committee. Furthermore, past research studies provide evidence that female directors on corporate boards offer diverse knowledge, skills, and experiences, enhancing management activities and increasing both financial and non-financial performance (Orazalin & Mahmood, 2021). Female board members often demonstrate greater concern for stakeholders and show heightened awareness towards social and environmental aspects, enabling them to provide strategic solutions to challenges related to ESG issues (Arayssi et al., 2020). The existence of board sub-committees and the presence of females on the board enhance the functions of the board, improving the company's relationships with shareholders and stakeholders, and increasing ESG performance (Michelon & Parbonetti, 2012). Additionally, this study includes the Global Gender Gap Index (GGGI) which is a global report by the World Economic Forum. This index offers a measure of the extent of gender-based parity in countries based on four dimensions: economic participation and opportunity, educational attainment, health and survival, and political empowerment.

The main goal of our study is to examine the moderating effect of the GGGI in the association between the proportion of female directors on board and board sub-committees and ESG performance. This manuscript is based on agency (Jensen & Meckling, 1976), stakeholders (Freeman, 1984), and legitimacy theory (Dowling & Pfeffer, 1975) to justify the hypotheses proposed. This sample of this study comprises European sustainable companies included in the Euronext Vigeo 120 Index sustainable stock index, over the 10-year period from 2014 to 2023. Therefore, the final sample comprising 1,019 firm-year observations of 14 countries was obtained from the Refinitiv Eikon database, which contains financial ratios, corporate governance information, and ESG scores. We employ static panel data analysis, allowing for the examination of a substantial amount of data across diverse units over multiple time points while controlling for potential correlations and time-invariant heterogeneity. To address possible endogeneity issues between corporate governance and ESG performance variables, we utilize the generalized method of moments (GMM). This econometric model facilitates the control of endogeneity problems by implementing a first-difference equation and incorporating a lagged period for the instruments (Pham et al., 2021).

We consider the GGGI of the countries as an external contingency factor that can influence the relationship between female directors on board and board sub-committees and ESG performance. Countries with higher gender parity values would present companies with a greater presence of females on boards and the existence of specialized subcommittees that would improve ESG performance.

Our main findings reveal that the GGGI has a positive and significant effect on ESG performance. This suggests that companies located in countries with higher gender parity tend to demonstrate better ESG performance. The degree of gender parity within a country, viewed as an external political and socio-cultural contingency factor, influences the ESG performance of sustainable European companies. A higher level of gender parity at the national level signifies a stronger commitment to achieving gender equality across political and economic spheres, thereby motivating companies to enhance their commitment and awareness, consequently improving their ESG initiatives. Indeed, the presence of both corporate governance committees and CSR committees positively influences ESG performance. This indicates that the activities undertaken by the corporate governance committee assist the board in formulating and overseeing the firm's ESG strategy, increasing transparency, safeguarding the interests of various stakeholders, and reducing agency costs, ultimately enhancing ESG performance. Similarly, the existence of a CSR committee positively impacts ESG performance. This may be attributed to the CSR committee providing legitimacy to the company's ESG practices, enhancing corporate image, and facilitating access to external resources.

When we analyze the moderating effect of the GGGI on the association between female directors on board and board subcommittees and ESG performance, we obtain different results. The GGGI does not moderate the relationship between female directors on the board, nomination committee, compensation committee, and ESG performance. On the other hand, the GGGI negatively moderated the relationship between the corporate governance committee and ESG performance. This could be interpreted as countries with higher gender parity not influencing the business environment to improve the functions of corporate governance committees, reducing their positive impact on ESG performance. This could indicate that the members of the corporate governance committee may perceive gender equality issues as less of a priority, potentially limiting their consideration of these aspects within the company's governance policies and standards, which leads to a decrease in ESG performance. This situation repeats for CSR committees, the GGGI negatively moderated the relationship between CSR committee and ESG performance. This could be interpreted as the members of the CSR committees not being aware of how they affect the levels of gender equality in the environment external to the company, such as political and economic spaces, not promoting these within the formulation of ESG strategy and policies considerations, which leads to a reduction in ESG performance. Therefore, it is relevant for board sub-committees to recognize the role of gender equality and actively incorporate it into their governance policies and practices. By creating a culture of inclusivity and diversity, companies can enhance their ESG performance, strengthen stakeholder relationships, and drive sustainable growth in the long run.

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CORPORATE GOVERNANCE AS THE CORNERSTONE OF CORPORATE SUSTAINABILITY AND THE ROLE OF ADEQUATE ORGANIZATIONAL STRUCTURES

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Abstract

Corporate sustainability (Rahi et al., 2024; Nguyen & Kanbach, 2024) is a hot topic (Bouvrain & Sarka, 2024) worldwide, and it is increasingly clear how it is connected to and depends on efficient governance. The purpose of this project is to investigate and emphasize the role of governance through appropriate organizational structures in the path toward corporate sustainability (Kumar et al., 2023).

Corporate governance is crucial in ensuring corporate sustainability as it deals with establishing those mechanisms and processes through which the company is managed and controlled. It is not surprising that various corporate governance codes worldwide[1] have introduced the principle of management oriented towards sustainable success. This principle encapsulates the importance that sustainability has acquired over time in the field of corporate governance, confirming the shift from a business based on a Capitalistic and extractive system to a more conscious and respectful business, not only concerning the environment but also to the territory and the market in which

[1] UK Corporate Governance Code (art. 1), Italian Corporate Governance 2020, Deutscher Corporate Governance Kodex 2022 (recommendation A1), The France Code (principle 1.1), the Dutch Corporate Governance Code 2022 (principle 1.1), and the Spanish Code 2020 (principle 24).

the company operates. Adopting a principle of sustainable management means empowering directors to organize businesses in a way that makes them sustainable through appropriate internal controls and the planning of long-term strategic objectives.

The Italian Civil Code regulates in Article 2086, paragraph 2, as amended by Article 375 of the Corporate Crisis Code, that "The entrepreneur, operating in a corporate or collective form, has to establish an organizational, administrative, and accounting structure appropriate to the nature and size of the company, also given the timely detection of the company's crisis and the loss of going concern, as well as to act without delay for the adoption and implementation of one of the tools provided by the system for overcoming the crisis and recovery of going concern" (Codice della crisi d'impresa: Modifiche al Codice Civile, Art. 375., 2022). The codified provisions confirm the assumption that a "sustainable enterprise" cannot exist without the presence of a strong and efficient governance structure. It, therefore, needs adequate organizational structures. This is not a mere legal obligation, whose failure implies an administrative or criminal penalty, but it appears to be an essential pre-condition in ensuring an effective and efficient management of resources, and a correct evaluation of risks and opportunities, as well as transparency and responsibility towards all interested parties. Indeed, while providing the company with appropriate organizational structures is crucial to avoid sanctions as well as for the prevention of administrative liability by Legislative Decree 231/2001, it also translates into a concrete chance to lay solid foundations for corporate sustainability.

If, under Article 2555 of the Civil Code, "the company is an economic activity organized for the production of goods and services", it is understood that organization is a genetic characteristic of the company that, by law, must be adequate to the nature and size of the company to enable its correct management. The presence of adequate organizational systems ensures that business activities can be carried out in a context of legality and, therefore, not in conflict with social utility or in a way that harms health, the environment, safety, freedom, human dignity.

Boards of directors, audit committees, and various oversight bodies acting within a company have to be composed of competent, ethical, and independent individuals capable of making decisions based on the long-term interest of the company and society as a whole. Furthermore, corporate governance must be integrated with the company's strategy and the principles of sustainability based on a holistic concept that takes into account the three aspects of the environmental, social, and governance (ESG) (Fimmano, 2023). This means incorporating sustainability goals and indicators into decision-making processes and performance monitoring to ensure that the company generates value not only for stockholders but also for employees, customers, suppliers, the community, and the environment in which it operates.

In conclusion, corporate governance is the foundation on which corporate sustainability is based, the starting point essential for a correct and coherent path. The word "sustainability", as authoritative authors emphasize (Campobasso, 2024), is meaningless in itself like all relational adjectives unless contextualized. Likewise, in the absence of sustainable governance, and therefore endowed with adequate organizational structures, the expression of corporate sustainability also appears meaningless. Therefore, while the need to focus on reducing environmental impacts and providing social guarantees remains, it is necessary first and foremost to ensure responsible long-term management (so-called long-lasting creation of value) that takes into account the interests of all parties (so-called stakeholders) and contributes to laying the groundwork for the creation of shared value on all fronts (ESG) starting from appropriate governance systems.

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THE INFLUENCE OF CORPORATE GOVERNANCE ON ENVIRONMENTAL, SOCIAL, AND GOVERNMENT DISCLOSURE: EMPIRICAL EVIDENCE ON THE EUROPEAN UNION BANKING INDUSTRY

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Abstract

This study evaluates the impact of corporate governance on environmental, social, and governance (ESG) disclosure in the banking industry. This aspect has been little investigated in the business literature and there are even fewer empirical studies on the European Union (EU) banks. The analysis methodology is based on an empirical analysis, using a dynamic generalized method of moments and quantile regression analysis, on a large sample of EU banks over the period 2014–2023. The first results highlight that some governance variables are factors that positively influence the overall levels of ESG disclosure of EU banks. The study would encourage banks to carefully define their internal corporate governance mechanisms, paying particular attention, especially to the careful selection of board members.

1. RECENT EVOLUTION OF ESG DISCLOSURE

Correct and meaningful disclosure of risks related to ESG factors is particularly important since they can materially influence the financial stability and risk profiles of the banking system, directly impacting the financial system as a whole.

Within the EU banking system, there has recently been a fundamental regulatory development to ensure better disclosure with the European Commission defining new regulations relating to the disclosure of ESG risks.

Of great importance is the banking package approved in June 2023 by the European Council and the European Parliament (innovations in the prudential framework and changes to the Capital Requirements Directive (CRD) and the Capital Requirements Regulation as the last step towards completing the implementation of Basel III), the European Banking Authority (EBA) is called upon to carry out 140 mandates.

The first phase, which will last a year, will be marked by 32 EBA mandates, including the CRD modifications in the ESG area: the package requires banks to identify, disclose, and "systematically" manage the risks deriving from factors ESG as part of their risk management.

In January 2024, the EBA released a consultation paper regarding the Draft Guidelines on the management of ESG risks. The EBA is currently taking into account the feedback received from this consultation when finalizing the guidance. The consultation ended on April 18, 2024.

Therefore, the topic of ESG factors in the banking sector is highly topical also considering the recent regulatory evolution in the EU.

2. THEORETICAL FRAMEWORK

The academic literature has examined issues relating to CSR and ESG reporting by adopting different theoretical perspectives which can mainly be traced back to stakeholder theory and institutional theory.

The stakeholder theory is at the center of non-financial disclosure factors where the stakeholders impact the organization's activities (Doshi et al., 2024).

It should be highlighted that ESG disclosure practices are characterized by high complexity and that this complexity makes the use of a single theoretical perspective insufficient in identifying the underlying motivations and variations in corporate ESG reporting behaviors. Therefore, it is necessary to adopt a broader theoretical framework that combines the institutional logics of institutional theory with the economic perspective of stakeholder theory (Nicolo et al., 2023).

In recent years, scholars have begun to question the traditional view of corporate governance represented by stakeholder theory, based on the priority of maximizing shareholder value.

Institutional theory argues for the existence of a "social contract" between a business organization and society in which the purpose of the organization is not only to make profits but also to act in a socially responsible manner, so as to align with values, principles, and stakeholder expectations.

Therefore, according to this vision, ESG disclosure represents a fundamental strategy that a company can adopt to respond to the social concerns of stakeholders and therefore to respect the social contract.

It should be highlighted that ESG disclosure is influenced by the subjects involved in formulating strategic decisions within companies (the subjects of corporate governance).

Therefore, it is logical to consider that the corporate governance structure can influence ESG factors when they are integrated into the corporate mentality and placed at the center of the company's strategic and operational planning.

In line with this reasoning, companies with good corporate governance should be more likely to satisfy stakeholders' need for corporate ESG disclosures.

Furthermore, the empirical studies on the topic covered by this study are very scarce and have mainly focused on environmental disclosure practices, in particular in the United States. This study, however, seeks to analyze the impact of good corporate governance on the ESG factors of the EU banking industry. It is noted that few studies have examined ownership structure and ESG disclosure.

For credit institutions, the incorporation of variables related to the environment, social impacts and governance is a significant challenge, with various critical issues, but it also offers development opportunities for those who know how to adapt virtuously.

3. ANALYSIS METHODOLOGY AND FIRST RESULTS

Considering that previous studies have provided inconsistent results on the impact of corporate governance on ESG disclosure, especially in the banking industry, it is useful to highlight that more research is needed to better understand these relationships. In order to verify whether there is a relationship between bank governance and ESG disclosure, a significant sample of banks was considered. The sample analyzed includes EU banks with total assets greater than 10 million euros, in the period 2014–2023. The analysis period is influenced by the availability of historical data series. The methodology used concerns a dynamic generalized method of moments and quantile regression analysis, also considering some control variables to make the model more robust. The data sources used in defining the analysis sample are different. The dependent ESG disclosure variable is obtained from the annual report data while the governance variables were obtained from the BoardEx database. The control variables, on the other hand, were identified from the Moody's Analytics BankFocus.

In particular, banks with a higher board gender diversity and larger board size have a higher level of ESG disclosure while the results are uncertain with regards to independent board members, CEO duality, CSR/sustainability committee, and experiences of directors.

These first results require robustness checks that will be carried out in the full version of the study. Assuming that these results are confirmed, then it will be possible to precisely outline what the corporate governance levers could be to improve banks' ESG disclosure and help banking supervisory authorities define specific guidelines.

Furthermore, these results could also be useful for shareholders since achieving and maintaining higher ESG disclosure allows for guaranteeing a higher value for the stakeholders and therefore for the banks.

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THE POTENTIAL OF "GREEN NANOTECHNOLOGY" FOR A BETTER SUSTAINABLE ECONOMY: A PRELIMINARY ANALYSIS

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Abstract

The care for the environment, as an instrumental value to the free development of the human being, requires a modification of economic systems and the need to seek new ways of doing business, abandoning the logic of mere profit in favor of choices that pursue the protection of both the individual and the ecosystem (consider, for example, the need to progressively eliminate the use of the most polluting energy sources in favor of other sources with lower environmental impact) (Ellabban et al., 2014; Farghali et al., 2023).

The challenges we are nowadays facing are linked to the concept of sustainable development, capable of combining economic efficiency with the protection of human beings and the environment (Barbier, 1987).

There is a particularly urgent need to revise development models and reconsider the relationship with nature and the use and consumption of natural resources; the underlying scenario is represented by the possible depletion of some environmental goods, as well as the alteration of the ecosystem, with all the consequences this may have on current human lifestyles and the sustainability of economic and productive activities.

The ecological transition, along with the digital transition and social inclusion, represents one of the three pillars, shared at the European

level, around which the model of sustainable development revolves. This leads to a new way of doing business where the logic of profit gives way to growth that must be qualitative as well as quantitative. This pillar, along with digitalization and innovation, constitutes a response to contribute to the European Green Deal and, in particular, to the goal of making the European Union the first continent with net-zero climate impact by 2050.

The objective, as also highlighted in the 2020 Commission Communication along with the 2018 package of Directives, should be the construction of a sustainable economic model that creates widespread and equal prosperity. This aims to prevent the development of practices incompatible with the idea of a market where the reasons for efficiency and production can be reconciled with those of social, human, and civic solidarity.

Accordingly, the recent Corporate Sustainability Reporting Directive (CSRD) — EU Directive No. 2464/2022 — aims to promote transparency and disclosure of information by companies regarding the environmental, social, and governance (ESG) impacts of their activities. This Directive, which effectively replaces the previous No. 95/2014 (NFRD), must be implemented by the Member States of the Union by July 2024 and will lead to a significant strengthening of sustainability reporting obligations, involving nearly 50,000 companies at the European level (in Italy, instead, the number of companies bound to sustainability reporting will increase from about 200 today to about 4–5.000 by 2027).

Corporate social responsibility (CSR) has given rise to a new entrepreneurial model based on an ethical substrate in which the care of social and environmental interests becomes crucial, with the aim of gaining social consensus (Dean & McMullen, 2007; Chenavaz et al., 2023).

Within this context, the logic of the so-called "green economy" is also encouraging the valorization of technologies, products, and production processes that are more environmentally sustainable from the perspective of atmospheric and climate protection. More specifically, it is possible to observe an ever-greater development of "green nanotechnology" (Jones, 2004; Iavicoli et al., 2014; Khan, 2020; Pokrajac et al., 2021), which emerges as a fundamental resource for addressing the challenges of a sustainable economy, offering a wide range of opportunities and solutions in various key sectors such as sustainable agriculture (Singh, 2021; Muraisi et al., 2022; Bhandari, 2023), climate change (Chausali, 2023), renewable energies (Zang, 2011; Hussein, 2015; Ahmadi et al., 2019), water purification (Qu et al., 2013; Mishraet et al., 2020; Punta et al., 2022; Dhanda & Kumar, 2023), eco-friendly materials (Aithal & Aithal, 2022), and healthcare (Anjum et al., 2021; Haleem et al., 2023; Malik et al., 2023).

To this effect, the development of eco-friendly materials is essential for reducing the impact of human activities and negative environmental externalities; furthermore, the creation of lightweight, durable, and biodegradable materials is useful for the production of ecological and biodegradable packaging, thus reducing the use of plastic and waste. Additionally, nanotechnology can contribute to the development of more efficient and durable building materials, reducing the energy required for the production and maintenance of buildings.

In other words, "green nanotechnology" fits perfectly into the perspective of sustainability, allowing the exploitation of nano-innovations in materials science and engineering to generate products and processes that are energy-efficient, as well as economically and environmentally sustainable. This fosters the circular economy, ensures better resource allocation, and reduces emissions, pollution, biodiversity loss, and environmental degradation for a company.

Therefore, it is fundamental to analyze the opportunities that this technology offers for the transition towards a sustainable economy, without neglecting its risks, especially in the absence of adequate regulation. These risks are not only related to environmental, health, and safety issues but also to ethical and social reasons that impose a uniform regulation of the phenomenon across all territories.

The first example is the agricultural sector. Food security and the need to reduce environmental impacts associated with intensive fertilizer and pesticide use are unavoidable goals to which green nanotechnology can offer valid responses to improve the efficiency and sustainability of agriculture. This is achieved through the use of nanomaterials such as carbon nanotubes and silicon nanoparticles to enhance nutrient absorption by plants, increase crop yields, and reduce fertilizer usage.

However, concerns regarding the use of such materials and their potentially harmful effects on humans cannot be ignored due to their hazardous properties, which are not yet fully understood.

It is therefore essential to identify effective rules to ensure responsible and safe use of nanomaterials while respecting people and the environment.

Another relevant usage of nanotechnology is for water purification, using nanomaterials for the removal of organic and inorganic contaminants. Materials such as graphene oxides and cellulose nanofibers can be used to create advanced filters capable of efficiently and sustainably removing pollutants. However, even in this different context, it is important to carefully assess the side effects and risks associated with the use of these materials and their potential environmental impact. It is necessary to balance the need to protect water quality, essential for human health and ecosystem preservation, with the corresponding need to regulate the matter through preventive precautionary measures, including employee training, the use of collective and personal protective equipment, and health surveillance programs to protect workers' health and safety.

The importance of technology in the process aimed at achieving a sustainable economy is also evident in the renewable energy sector, another pillar of a sustainable economy. Also, in this field, green nanotechnology plays a central role: the potential of nanomaterials, such as perovskite nanoparticles, to improve the efficiency of solar cells is evident, making solar energy more accessible and efficient. Additionally, nanotechnology can contribute to the development of more performant and durable batteries for energy storage, reducing dependence on fossil fuels and lowering greenhouse gas emissions.

Lastly, it is also valuable to the enormous potential of nanotechnology in the healthcare field for early diagnosis and treatment of diseases, enabling timely and personalized therapeutic interventions, thus improving the effectiveness of treatments. However, it is crucial to carefully evaluate the safety and efficacy of these tools before their clinical application and, therefore, not to underestimate the risks, even for human health, associated with their indiscriminate and unregulated use.

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THE IMPACT OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE COMMUNICATION DISCLOSURE ON DIVIDEND DISTRIBUTION

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Abstract

Our study aims to explore the impact of environmental, social, and governance (ESG) communication on dividend distribution in the context of the Moroccan financial market. Sustainable development was defined by the United Nations Organization (UNO) in 1987 as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Autorité Marocaine du Marché des Capitaux [AMMC], 2017). The Moroccan financial market began to actively integrate sustainability issues starting in 2014 through the Undertakings for Collective Investment in Transferable Securities (UCITS) that explicitly involve socially responsible investment in their strategies. This research focuses particularly on the impact of ESG criteria, representing environmental, social, and governance factors, on dividend distribution.

ESG is the acronym used by the international financial community to designate ESG criteria, which generally constitute the three pillars of non-financial analysis. Voluntary disclosure of ESG criteria is common in

some countries such as India, China, Indonesia, Pakistan, Malaysia, South Korea, Turkey, and Russia. However, a broader trend shows that governments and global stock exchanges are adopting regulations requiring companies to disclose their ESG performance. This requirement is illustrated by directives such as the European Union's Directive 2014/95/EU.

Companies may respond to mandatory ESG reporting by increasing or decreasing their dividend payments. Our study aims to deepen research in the Moroccan context to address this issue and better understand the impact of ESG disclosure on dividend payments. Our theoretical approach is based on agency theory, which emphasizes the relationships and conflicts between the company and its shareholders. Specifically, we seek to highlight how the company's dividend decisions are influenced by its commitments to sustainability, ethics, and social responsibility.

The sample includes all financial companies listed on the Casablanca Stock Exchange[1], including banks, insurance companies, and financial institutions. The study period extends from 2016 to 2022, allowing for a rigorous analysis of market reactions to these events under different economic and financial conditions.

Finally, it is important to note that ESG analysis is not limited to specific ESG criteria but also extends to the appreciation of the quality of the company's relationships with its external stakeholders such as customers, suppliers, civil society, and others. This proposal and study approach will provide valuable insights into the complex relationship between corporate sustainable practices and shareholder value, with significant potential implications for the Moroccan financial market and beyond.

Between 2016 and 2021, several large listed companies, including CIH Bank[2], Crédit du Maroc[3] (CDM), Bank of Africa[4] (BOA), BMCI[5], Banque Centrale Populaire (BCP), and Attijariwafa Bank[6], demonstrated a sustained commitment to ESG initiatives, covering environmental, social, and governance aspects. CIH Bank implemented measures to reduce its carbon footprint and promote financial inclusion, while maintaining regular dividend payments, despite a decline in 2020 due to the COVID-19 pandemic. CDM adopted rigorous environmental practices, and enhanced continuous training and financial inclusion, contributing to the stability and increase of its dividends. BOA issued Green Bonds and partnered with the European Bank for Reconstruction and Development (EBRD) to finance sustainable projects, regularly increasing its dividends. BMCI maintained partnerships for

[1] https://www.casablanca-bourse.com/fr
[2] https://www.cihbank.ma/
[3] https://www.creditdumaroc.ma/
[4] https://www.bankofafrica.ma/
[5] https://www.bmci.ma/
[6] https://www.attijariwafabank.com/fr/rse

environmental sustainability, stabilizing its dividends despite adjustments during crises. BCP reduced its CO2 emissions and financed green projects, thus strengthening investor confidence and increasing its dividends. Attijariwafa Bank promoted financial inclusion and reduced its ecological footprint, significantly increasing its dividends in 2021. Collectively, these companies have integrated ESG principles into their overall strategies, demonstrating that ESG commitments can enhance investor confidence and contribute to corporate resilience and sustainable growth while maintaining or increasing dividend payments.

Between 2016 and 2021, SALAFIN[7], EQDOM[8], and MAGHREBAIL[9] showed sustained commitment to ESG initiatives, aiming to improve their ESG performance. SALAFIN implemented various initiatives, including the use of low-energy lighting and the promotion of diversity and equality, while maintaining regular dividend payments, despite a temporary reduction in 2020. EQDOM focused its ESG efforts primarily on social and governance aspects, strengthening its strategic partnerships and diversifying its business activities, which allowed it to maintain significant dividends even during the pandemic. MAGHREBAIL, for its part, emphasized efficient resource management, emission reduction, and the promotion of eco-friendly practices, while enhancing transparency and ethical practices. Despite the economic impacts of the pandemic, MAGHREBAIL managed to maintain regular dividend distribution, illustrating a positive correlation between ESG performance and financial results. Collectively, these companies have integrated sustainability into their overall strategies, creating value for shareholders while ensuring resilience and social responsibility.

Between 2016 and 2021, Wafa Assurance[10], AGMA[11], SANLAM MAROC[12], and ATLANTA ASSURANCE[13] demonstrated a significant commitment to ESG initiatives, covering environmental, social, and governance aspects. Wafa Assurance initiated partnerships to promote hybrid vehicles and implemented wellness and workplace safety programs while maintaining regular dividends. AGMA focused on sustainable development, employee training, and governance structuring, although specific data on dividends are not available. SANLAM MAROC emphasized financial inclusion and digital transformation while enhancing waste management and anti-corruption efforts, adjusting its dividend payments in response to the economic impacts of the pandemic. ATLANTA ASSURANCE pursued sustainability and social responsibility initiatives, including promoting eco-friendly vehicles and supporting local communities, while increasing

[7] https://www.salafin.com/
[8] https://www.eqdom.ma/
[9] https://www.maghrebail.ma/index.php
[10] https://wafaassurance.ma/fr
[11] https://agma.ma/
[12] https://sanlam.ma/fr/
[13] https://www.atlantasanad.ma/

its dividends each year. Collectively, these companies have integrated sustainability into their overall strategy, creating value for shareholders and ensuring resilience and social responsibility despite economic challenges.

Between 2016 and 2021, ESG initiatives have been a strategic pillar for many large listed companies, including CIH Bank, CDM, BOA, BMCI, BCP, and Attijariwafa Bank, as well as SALAFIN, MAGHREBAIL, Wafa Assurance, AGMA, SANLAM MAROC, and ATLANTA ASSURANCE. These companies have demonstrated that integrating environmental, social, and governance practices can not only improve company performance and resilience but also strengthen investor confidence, leading to stable and sometimes increasing dividends despite economic challenges, particularly those caused by the COVID-19 pandemic. By adopting measures such as carbon emission reduction, promoting financial inclusion, enhancing transparency and ethical practices, and investing in employee training and well-being, these companies have succeeded in creating value for their shareholders. Their continuous commitment to ESG principles shows that sustainable and responsible practices are essential for long-term success and financial stability, illustrating a positive correlation between ESG performance and financial results.

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THE GOVERNANCE OF CORPORATE DIGITAL RESPONSIBILITY

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Abstract

Sustainable development goals (SDGs) from Agenda 2030 (United Nations, 2015) represent the main challenges that society faces today (De Nicola & Fratini, 2024). Due to the rapid development and massive use of digital technologies in business models (Mancini et al., 2017; Tekic & Koroteev, 2019), numerous debates have emerged about the impacts that digital transformation can have on the interaction between companies and respective stakeholders and, more in general, on society (Bernini et al., 2024). On the one hand, the adoption of smart tools, like artificial intelligence (AI), has improved the quality of goods and services, reduced costs, and increased efficiency, bringing improvements in daily life and models of business also thanks to the generation of new products and services. On the other hand, this phenomenon has led to ethical and social concerns such as privacy and data security, risk of exploitation generated by technologies, negative effects of recruitment decisions taken by algorithms, and respect and protection of human rights (Bednárová & Serpeninova, 2023; Lobschat et al., 2021, Bonson et al., 2023).

To reduce such risks, appropriate regulations should be introduced to encourage responsible management and the development of smart technologies (Mueller, 2022). In this direction, Mäntymäki et al. (2022) defined AI governance as "a system of rules, practices, processes, and technological tools used to ensure that an organization's use of AI

technologies is aligned with its strategies, objectives and the values of the organization; meets legal requirements; and meets the ethical AI principles followed by the organization" (p. 604). Moreover, governance of AI systems is critical to achieving widespread public trust (Falco et al., 2021). At the policy level, many initiatives intended to adjust the development and use of AI systems have been launched in the public and private sectors. Among others, one of the most relevant regulations in the field is the European Commission's Artificial Intelligence Act (European Commission, 2021). However, the legislative intervention is still considered weak, compared to the disruption of technological development and the correlated risks of abuses (Scarpi & Pantano, 2024).

When it comes to the sustainability of continuous development of technology, researchers have introduced a new concept defined "corporate digital responsibility" (CDR) (Herden et al., 2021; Lobschat et al., 2021): the main purpose is the recognition of the new dimension of responsibility (even beyond legal obligation) that organizations should face when they become "digitalized" (Elliott & Copillah-Ali, 2024; Scarpi & Pantano, 2024). CDR is closely related to the concept of corporate social responsibility (CSR): both share similar principles about the responsibilities of companies related to social, environmental, and governance issues (Van der Merwe & Al Achkar, 2022; Carl et al., 2023; Napoli, 2023). Some studies argue that CDR is an extension of CSR, that is, CDR should be studied based on CSR, as it reflects social and sustainability responsibilities (Herden et al., 2021; Van der Merwe & Al Achkar, 2022; Bednárová & Serpeninova, 2023; Carl et al., 2023; Elliott & Copillah-Ali, 2024). Conversely, other investigations consider CDR as separate and autonomous respect to CSR (Elliott et al., 2021; Lobschat et al., 2021; Mihale-Wilson et al., 2022). In addition, the diverse degree of awareness about CDR across various countries generates further differences. In Germany, a CDR Code was introduced in 2021: it is structured in five sections, to counter the risks produced by digital technologies (Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection, n.d.). Recently Spain and France have implemented actions to promote CDR (Merbecks, 2023; Bednárová & Serpeninova, 2023). According to some scholars, there is a need for a more empirical approach to the analysis of CDR (Mueller, 2022; Mihael-Wilson et al., 2022) as there is no evidence about the factors that foster or inhibit such a new sense of responsibility (Merbecks, 2023; Wynn & Jones, 2023; Elliott & Copillah-Ali, 2024). To cover the said knowledge gap, content analyses of CDR-related sections and comments included in sustainability reports could be performed to assess (De Nicola et al., 2024): the type of information, the disclosure strategies adopted by reporters, the effects of the differences of reporting and governance frameworks on informative effectiveness. The objective of similar research projects could be to investigate whether reporters considered any of the eight pillars related to CDR governance according to Herden et al. (2021) and which other distinctive disclosure feature emerges by adopting the methodologies developed by some pioneering studies in the field (De Nicola & Maurizi, 2022; Merbecks, 2023). We suggest, moreover, adapting such approaches with appropriate integrations that consider the most recent innovations in CDR reporting. We expect that very few companies provide information about CDR and so even the governance dimension is expected to be poor. Furthermore, technology-intensive sectors should report more information on CDR governance with respect to traditional industries. Therefore, it is opportune to study what is the level of CDR emerging from companies' disclosure and consequently, promote, if needed, greater awareness of CDR both by standard setters and by users.

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HARNESSING ARTIFICIAL INTELLIGENCE FOR ENHANCED ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORTING: A NEW PARADIGM IN CORPORATE TRANSPARENCY

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Abstract

This article examines the transformative potential of artificial intelligence (AI) in enhancing environmental, social, and governance (ESG) reporting within corporate governance. AI can revolutionize traditional ESG reporting by automating data collection, ensuring accuracy, and enabling real-time processing and predictive analytics. This integration supports a comprehensive, timely, and proactive approach to sustainability reporting, meeting the rising demands for transparency and accountability from stakeholders and regulators. Key benefits of AI in ESG reporting include improved decision-making through better data quality, predictive insights into sustainability practices, and enhanced stakeholder engagement via dynamic reporting formats. However, challenges such as technical barriers, ethical concerns, privacy issues, and regulatory complexities need to be addressed. The article recommends developing robust data governance frameworks, adopting ethical AI practices, and formulating supportive

regulatory policies to overcome these challenges. By doing so, companies can fully leverage AI to achieve better sustainability outcomes and more effective corporate governance.

1. INTRODUCTION

In the current business environment, environmental, social, and governance (ESG) reporting has become crucial, driven by pressures from investors, regulators, and the public to disclose the impacts of corporate operations on sustainability. The recognition of long-term benefits such as improved risk management and innovation opportunities underpins this shift. Despite its strategic importance, many organizations face challenges in collecting accurate and comprehensive ESG data due to the varied sources and types of information, resulting in infrequent and lagging reports that hinder decision-making (Ioannou & Serafeim, 2011).

Artificial intelligence (AI) offers a solution to enhance ESG reporting by automating data collection and analysis using machine learning, natural language processing, and predictive analytics. These technologies can integrate data from multiple sources, providing a holistic and accurate view of ESG performance (Serafeim et al., 2019). Additionally, AI enables real-time data processing, transforming ESG reporting from a backward-looking activity into a proactive strategy that predicts future trends and outcomes.

This article explores the potential of AI to revolutionize ESG reporting, addressing how it can improve the quality and efficiency of these processes, thereby impacting investor trust and corporate accountability. By enhancing data collection and analysis, AI allows for a more nuanced understanding of ESG factors, facilitating informed decision-making aligned with sustainability goals and regulatory demands (Eccles & Krzus, 2010). The article sets out to provide a comprehensive perspective on integrating AI in ESG reporting, enhancing corporate transparency and accountability. It includes a literature review on AI and ESG, examines the requirements for enhanced ESG, discusses AI's role, addresses challenges and limitations, and proposes strategies for overcoming these challenges.

2. LITERATURE REVIEW

Recent research extensively discusses the integration of AI with corporate governance and sustainability, highlighting AI's role in addressing complex environmental and social challenges and enhancing decision-making processes (Marchegiani, 2023). Effective AI governance, including robust regulatory frameworks, is essential to prevent risks such as bias and privacy violations, ensuring ethical AI use and promoting sustainability (Zhao & Gómez Fariñas, 2023; Samarawickrama, 2022).

To evaluate the impact and integration of AI in corporate governance and sustainability, research papers were analysed across six critical dimensions: 1) depth of coverage on AI and corporate governance: evaluates the thoroughness of AI's integration within corporate governance, including AI's role, challenges, and potential to reshape strategies; 2) focus on sustainability outcomes: measures the extent to which papers address sustainability outcomes integral to ESG factors; 3) empirical evidence and case studies: assesses the presence and depth of empirical data, case studies, or real-world examples supporting the papers' conclusions; 4) innovation and future research directions: evaluates contributions towards new ideas, innovative frameworks, and future research directions; 5) interdisciplinary approach: examines the synthesis of technology, management, and environmental science to provide a thorough analysis; and 6) policy implications and recommendations: reviews how findings are translated into practical policy implications or recommendations for various stakeholders.

Findings reveal varying degrees of innovation and empirical support across the literature. Papers like Liao and Wang (2020) propose highly innovative frameworks and interdisciplinary approaches, while others, such as Fitriasari (2023), show limitations in proposing groundbreaking ideas. Strong interdisciplinary analysis is prevalent in studies like Nishant et al. (2020), reflecting a holistic approach to studying AI's impact on corporate governance and sustainability. However, there is a noticeable deficiency in empirical depth, suggesting a need for more robust empirical research to support theoretical models (Zhang et al., 2020; Liao & Wang, 2020).

Practical governance recommendations and policy implications are discussed in many studies, though the depth and detail vary. Overall, the literature indicates a promising yet uneven exploration of AI's integration into corporate governance for enhancing sustainability outcomes, necessitating further empirical research, detailed policy discussions, and innovative approaches.

3. INTEGRATING AI IN ESG REPORTING

Stakeholder expectations for corporate transparency and accountability have evolved, driving the need for enhanced ESG reporting. Investors, consumers, and regulators increasingly demand detailed evidence of companies' impacts on environmental, social, and governance factors, reflecting broader awareness of global issues like climate change and social inequality. Enhanced ESG reporting can improve stakeholder relations, align with investor interests, and attract ethical investors. Regulatory pressures, such as the EU's Non-Financial Reporting Directive, also necessitate robust ESG reporting systems. Benefits include better risk management, early identification of risks and opportunities, and fostering internal accountability (Sullivan & Gouldson, 2017; Cheng et al., 2014).

AI can significantly transform ESG reporting by automating data collection from various sources, ensuring data accuracy, and enabling real-time processing. AI technologies, such as machine learning and natural language processing, streamline data aggregation from diverse sources, providing a comprehensive view of a company's ESG performance. AI improves data accuracy by identifying and correcting errors, ensuring high-quality data for decision-making. Predictive analytics capabilities of AI enable forecasting future trends and impacts, allowing companies to proactively align operations with sustainability goals. AI-powered visualization tools enhance stakeholder engagement, fostering transparency and trust (Peral et al., 2020).

However, implementing AI in ESG reporting faces significant challenges. Data quality and integration issues, substantial computational resources, and expertise requirements are major barriers. Ethical and privacy concerns, such as data misuse and the "black box" problem, can undermine trust in AI systems. The high cost of AI technology and the need for scalable, reliable systems further complicate implementation. The evolving regulatory landscape adds complexity and compliance risks (Ransbotham et al., 2020).

To overcome these challenges, companies should invest in robust data governance frameworks, adopt transparent AI practices, scale AI systems cautiously, and stay informed about regulatory changes. Addressing these issues can maximize the benefits of AI in ESG reporting, enhancing corporate transparency and accountability while driving sustainable business practices.

4. CORPORATE GOVERNANCE STRATEGIC DIRECTIONS

AI presents a significant opportunity for deeper integration with corporate systems like risk management and strategic planning, embedding ESG considerations into all corporate decisions. This holistic integration enables more informed and sustainable decision-making by analyzing and interpreting complex datasets and identifying patterns that might be missed by human analysts.

Emerging technologies such as blockchain can enhance ESG data management by creating more secure and transparent systems. Blockchain's immutable ledger ensures data integrity, providing an additional layer of security and trustworthiness. Furthermore, advancements in quantum computing could revolutionize AI's data processing capabilities, enabling faster and more accurate analyses of large datasets relevant to ESG metrics.

Innovations in AI can also enhance predictive analytics capabilities, particularly in forecasting long-term environmental impacts and social trends. Advanced modeling techniques could help companies predict outcomes of different corporate strategies on sustainability goals, aiding in the selection of effective paths to achieve these targets. This not only improves corporate performance but also contributes to global sustainability efforts, such as the United Nations Sustainable Development Goals (SDGs).

AI can significantly enhance stakeholder engagement around ESG issues. AI-driven platforms could facilitate better communication between companies and stakeholders, offering more interactive and engaging ESG reporting through features like real-time dashboards and AI-generated simulations. These tools make ESG reporting more dynamic and accessible, encouraging greater stakeholder involvement in corporate sustainability efforts.

As AI's role in ESG reporting grows, new policies and governance structures are needed to manage these technologies effectively. These policies should address data privacy, ethical AI use, and the accuracy of AI-generated reports. They should also promote transparency and accountability in corporate governance. Developing such policies will require collaboration between governments, industry leaders, and other stakeholders to ensure responsible and effective AI use in ESG reporting.

The future of AI in ESG reporting holds tremendous potential for innovation and integration. As new technologies emerge, companies can enhance their sustainability reporting and decision-making processes, leading to better outcomes for both businesses and the broader community. Embracing these innovations requires careful consideration of associated challenges, but the benefits could redefine corporate sustainability practices for the better.

5. CONCLUSION

The exploration of AI's role in enhancing ESG reporting highlights its substantial benefits and transformative potential for corporate governance. AI streamlines and improves data collection accuracy, introduces real-time processing, and offers predictive analytics, enabling companies to foresee trends and adapt strategies for sustainable and ethical governance. By integrating vast data sources, AI provides a holistic view of a company's impact on ESG factors, crucial for informed stakeholder decisions, thus enhancing transparency and accountability.

However, implementing AI in ESG reporting presents challenges such as technical issues, ethical concerns, and regulatory complexities. Companies must strategically navigate these obstacles, aligning AI adoption with ethical standards to enhance corporate transparency. Developing robust data governance frameworks and maintaining transparent AI operations are essential for building stakeholder trust.

Future integration of AI into ESG reporting appears promising, with emerging technologies set to further enhance AI capabilities. Continued innovation and regulatory adaptation are necessary, requiring collaboration among policymakers, corporate leaders, and technology developers to foster ethical innovation and widespread AI adoption in corporate governance.

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EARLY EVIDENCE ON MANDATORY SUSTAINABILITY REPORTING ASSURANCE MARKET DEVELOPMENT IN THE EUROPEAN UNION: THE CASE OF LITHUANIA

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Abstract

The rapid growth of corporate sustainability reporting (Eugénio et al., 2022), encompassing environmental, social, and governance (ESG) factors, has become crucial for business transparency (Uyar et al., 2020) and accountability, enhancing companies' reputations, and competitiveness, and reducing capital costs (Hazaea, et al., 2022; Alshbili et al., 2021; Ghitti et al., 2023; Montero-Navarro et al., 2021; Zhou et al., 2023). Despite its benefits, the quality and credibility of sustainability reports vary, with issues like greenwashing undermining stakeholder trust (Bernini & La Rosa, 2024; de Villiers et al., 2024). Traditionally voluntary sustainability reporting is becoming more and more regulated, particularly in the European Union (EU), where the new Corporate Sustainability Reporting Directive (CSRD) mandates comprehensive reporting and assurance standards. This CSRD not only mandates sustainability reporting but also creates a regulated market for sustainability reporting assurance (SRA) services, with EU member states deciding whether these services will be limited to statutory audit firms or include consulting firms (Farooq & de Villiers, 2019; Yan

et al., 2022). With mandatory assurance beginning in 2025, there is uncertainty about the market's readiness, given the historical voluntary assurance landscape and the nature of mandatory sustainability assurance.

This study examines the intentions and readiness of Lithuanian audit firms to provide sustainability reporting assurance services under the new EU Corporate Sustainability Reporting Directive. The research data was collected from a survey of 74 (out of 155) Lithuanian audit companies in April 2024. Results show that 29,73% of sample audit firms have intentions to enter the SRA market. Two profiles of the audit firms intending to provide SRA services were drawn: 1) large audit firms (with 6 or more certified auditors), mostly operating in global professional networks with an existing and expanding (along with CSRD requirements) base of sustainability reporting clients, and 2) small local audit firms with no or low base of sustainability reporting clients, yet aiming to pursue the new business opportunity. Overall, the majority of small audit firms are unwilling or undecided to offer SRA services due to a lack of resources and expertise. Larger firms, particularly the Big 6, demonstrate a higher readiness to enter the SRA market by having specialized departments established and auditors appointed. Their strategies for providing SRA services include partnering with consulting firms, training existing staff, and hiring experts, while the most significant issues are the absence of approved sustainability-specific assurance standards and guidelines and a lack of human resources. All sample companies agreed that there is a need for methodological guidance and training in sustainability reporting and assurance matters, while more than half of them indicated that the lack of assurance standards and guidelines, not yet approved national laws, and the lack of human resources are key issues in the development of SRA services. The findings highlight the anticipated dominance of larger audit firms in the SRA market and underscore the need for methodological guidance, training, and supervision from regulatory and self-governing bodies.

Our study provides valuable insights into the intentions and readiness of Lithuanian statutory audit firms and statutory auditors to offer sustainability reporting assurance services, thus serving as a useful benchmark for other EU countries. By understanding the factors influencing audit firms' decisions to provide SRA services and the challenges they face, policymakers and regulatory bodies in other EU countries can tailor their strategies to support the development of the SRA market.

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INFLUENCE OF THE CORPORATE SUSTAINABILITY REPORTING DIRECTIVE ON THE INSTRUMENTS OF CONTROLLING

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Abstract

The Corporate Sustainability Reporting Directive (CSRD) forces companies to prepare a sustainability report. This has an impact on all functions within the company, including controlling. In order to determine the influence of sustainability reporting on controlling and its instruments, a literature analysis was carried out. It was found that, in principle, all known controlling instruments can be used to manage sustainability aspects. Examples include the balanced scorecard, investment appraisal, or the use of key figures and key figure systems.

1. INTRODUCTION

The Corporate Sustainability Reporting Directive (CSRD) will significantly expand the group of companies that are required to publish a sustainability report. It also specifies and expands the mandatory content to be reported in sustainability reports (Lanfermann & Scheid, 2021; Scheid & Reinke, 2021). On the one hand, this expansion of reporting obligations causes a great deal of effort for companies in terms of implementation. On the other hand, they also offer added value for companies if the information generated is used wisely and with foresight (KPMG, 2023a). In order to fulfil the requirements of the CSRD, companies are currently busy creating structures and processes to implement them. This will also have an impact on some of the corporate functions. As was the case with the integration of the International Financial Reporting Standards (IFRS), the CSRD will also affect the area of accounting and controlling. One reason for this is the procurement of the necessary data, some of which must be generated by controlling. On the other hand, this information and therefore also the reporting should serve as a basis for decision-making. This would make the company more sustainable, more successful, and more resilient at the same time (KPMG, 2023a, 2023b; Weißenberger, 2017). So far, however, it is not yet clear to what extent and in what form mandatory sustainability reporting will have an impact on controlling and its instruments.

2. THEORETICAL FOUNDATION

The underlying concept of controlling is the value-added-orientated controlling concept according to Becker et al. (2014). Here, value creation in the company serves as the starting point (Becker et al., 2014). This pursues the goal of securing the long-term existence of the company, which is achieved by controlling the effectiveness and efficiency of the company's actions (Petzold & Westerkamp, 2018). Controlling fulfills the locomotion function as an original function. This means that controlling ensures that the focus on value creation is taken into account in all management considerations, decisions, and actions (Becker et al., 2014; Becker, 2022). Therefore, controlling is an integral part of corporate management, as the locomotion function is based on the purpose of entrepreneurial activity, which is characterized by value creation. The tasks of controlling can be derived from the functions or the perception of the functions of the business model of a company. For example, the locomotion function leads to the implementation of measures and decisions that are necessary to achieve the set goals. These tasks are performed by management and supported by the two derivative functions performed by controllers. On the one hand, they serve to procure the necessary information and, on the other, to coordinate the necessary actions and control behavior. In principle, all methods, procedures, and techniques known in business management can be used to fulfill these tasks (Becker, 2022).

3. METHODOLOGY

The starting point for this study is the requirements of the CSRD, which, for example, requires companies to document and explain how they deal with the social and environmental impacts of their own business activities. It also requires information on the impact on internal management and control processes. It will therefore certainly have an impact on corporate management and therefore on controlling and its instruments (KPMG, 2023b). In order to identify these effects on controlling instruments, a literature analysis was carried out. The main focus was on articles in German trade journals that deal with the topics of 'controlling' and 'sustainability'. On this basis, it was analyzed which of the instruments currently used in controlling could also be relevant for sustainability reporting.

4. RESULTS

In the following, only a few examples of the influence of sustainability reporting on controlling and the associated instruments will be discussed. In general, all existing instruments can also be used for sustainability reporting and the associated management if they are expanded to include non-financial aspects. A prominent example is the balanced scorecard, which can be used to implement and monitor a (sustainability) strategy (Vollmar, 2022; Endenich & Trapp, 2022).

A look at the tools used in controlling shows that in general they only need to be expanded to include environmental and social perspectives. With regard to the tools used, there is a need to link data and systems of financial and non-financial information (Oehler & Kämmler-Burrak, 2024). One example of this is investment appraisal: it is used to assess various investment alternatives and helps to select the most favourable one. The CSRD, for example, demands that companies disclose sustainability-related investments. However, in order to be able to assess the sustainability performance of different investment alternatives, ecological and social aspects must be integrated into the calculation, as investment projects must fulfil two requirements in the future: on the one hand, they must contribute to improving the company's sustainability performance, but on the other hand, they must also be economical (Endenich & Trapp, 2022).

A further challenge that arises from sustainability reporting is the increasing amount of data resulting from the linking of financial and non-financial information. This poses major challenges for data architectures, as the growing number of sustainability initiatives and reporting requirements increase the need for heterogeneous and complex data sets for information provision and successful management. Powerful, integrated information systems are needed to meet this challenge, as the analysis of financial and non-financial data must be interlinked (Hoffmann, 2024).

These large volumes of data also have an impact on the management reporting process and therefore also on the key figures and indicator systems frequently used in this process. In the future, sustainability reporting will require a large number of environmental and social indicators, which should also be incorporated into the management/steering of the company. The long-term challenge here is to raise the quality of non-financial indicators to the level of financial indicators (Möhrer & Vanini, 2022). These key figures are to be added to the existing key figure systems (Endenich & Trapp, 2022). This is necessary so that controlling can determine the extent to which the measures taken contribute to the achievement of objectives and thus support the strategy (Fifka, 2016).

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SESSION 3: ACCOUNTING, AUDITING, FIRM PERFORMANCE

DOES CORPORATE GOVERNANCE INFLUENCE FIRM PERFORMANCE?

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Abstract

Corporate governance (CG) practices have evolved significantly in different economies, with the aim of protecting companies' stakeholders. In the last decades, it has been recognized by investors, regulators, and authorities in the capital markets that it has a vital role in the success of firms, namely impacting on firm performance. Financial scandals, such as those involving Banco Espírito Santo, Enron, and Lehman Brothers, further highlighted its importance. CG definitions typically emphasize protecting stakeholder and shareholder interests. Effective CG reduces risk, enhances capital market access, increases foreign investment, and maximizes firm value (Worokinasih & Zaini, 2020). However, previous studies find inconsistent results about the CG impact on firm performance due to various factors (Michelberger, 2016).

In this context, we try to address these inconsistencies, focusing on a small European market (Euronext Lisbon) for the 2010–2022 period, introducing some new CG variables, like the board of directors' compensation and diversity.

In what concerns the impact of board size on firm performance, Anderson et al. (2004) suggest that larger boards are better at supervising managers, offering more expertise and resources. However,

Jensen (1993) maintains that larger boards lead to inefficiencies and higher agency costs. Some empirical studies (Koji et al., 2020; Akhter & Hassan, 2024) report a positive impact of board size on firm performance, while others (Detthamrong et al., 2017) find no significant relationship, and some (Mak & Kusnadi, 2005) report a negative relationship between the two variables. Considering the opinion of Anderson et al. (2004), and the recent empirical results, we expect that board size has a positive impact on firm performance.

In relation to the board member compensation, the agency theory suggests higher board compensation aligns interests with shareholders, enhancing performance. On the contrary, stewardship theory posits that board members may, despite compensation, behave in the companies' best interests. Empirical research is limited, and the results are not consensual. Although some studies (Jensen & Murphy, 1990) find a positive impact of board compensation on performance, Denis and McConnell (2003) find no evidence of a significative impact. Considering the assumptions of the agency theory, we anticipate a positive relationship between board member compensation and firm performance.

Regarding board meeting attendance, Koji et al. (2020) argue that frequent board meetings can reduce information asymmetry, enhance oversight, and mitigate conflicts. Nevertheless, the few studies on this topic reach different conclusions. Vafeas (1999) reports a negative relationship between board meetings and firm performance, Chou et al. (2013) find a positive relation, and Moreno Gomez et al. (2017) find no significant association between the two variables. Based on Koji et al. (2020), we anticipate that board meeting attendance impacts positively on firm performance.

The presence of female directors on the board improves board effectiveness through diverse expertise and sensitivity to social issues (Detthamrong et al., 2017; Toukabri & Jilani, 2023). Empirical studies generally support a positive correlation between female representation on boards and firm performance (Akhter & Hassan, 2024; Imes et al., 2024), though some studies (Kalita & Tiwari, 2023) show no significant influence. The theoretical arguments and the main empirical results lead us to look for a positive impact of gender diversity on firm performance.

Chief executive officer (CEO) duality (when the chairman of the board is also the CEO) can lead to agency conflicts and hinder oversight. Research typically concludes that CEO duality has a negative influence on firm performance (Bhagat & Bolton, 2008). Consequently, we have in prospect that duality has a negative impact on firm performance.

Finally, cultural diversity on boards enhances problem-solving, stakeholder relationships, and firm performance. The most of the empirical studies (Dodd et al., 2024) find evidence of a positive impact of foreign board members on firm performance. Thus, we expect a positive signal for the board's cultural diversity variable.

In order to perform our study, we adopt a panel data methodology, considering first the best model among the pooled ordinary least squares, the fixed effects model, and the random effects model, and after, adopting the two-step technique generalized methods of moments.

Overall, the results show that CG does not affect company performance in a consistent way, suggesting that the relation between CG characteristics and firm performance depends on the proxy employed to measure performance, which agrees with Michelberger's (2016) conclusion.

According to previous research on board size (Detthamrong et al., 2017), board compensation (Yermack, 1996; Denis & McConnell, 2003), meeting attendance (Moreno Gomez et al., 2017), gender diversity, and CEO duality (Kalita & Tiwari, 2023), our results show that CG does not significantly affect firm performance when we use the return on equity to measure firm performance. Considering the return on assets, the findings indicate that CEO duality has a negative influence on ROA and that board size and gender diversity have a beneficial impact on firm performance, which gives support to the results of Akhter and Hassan (2024) and Imes et al. (2024), among others.

This study sheds some light on the function of CG and adds to the continuing discussion over the impact of CG attributes on business performance.

Analyzing other CG dimensions, as well as understanding if the effects of CG on firm performance are linear or not can be beneficial to firms, society, and CG institutions.

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CORPORATE GOVERNANCE REPORTING WITH VALUE ADDED STATEMENTS: CONCEPTUAL ARGUMENTS AND EMPIRICAL EVIDENCE FROM GERMAN LISTED COMPANIES

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Abstract

The value added statement (VAS) is a monetary statement with a long history. Over time, it has been used for different purposes and at varying intensity across different countries. Unlike metrics like accounting profit and economic profit, the metric value added does not focus solely on shareholders but takes a multi-stakeholder perspective. Therefore, VAS fit very well into the concept of corporate governance reporting. An empirical analysis is performed among German listed companies to analyze the current use of VAS.

1. THE ROLE OF VALUE ADDED IN THE GERMAN CORPORATE GOVERNANCE CODE

The German corporate governance system relies on a few cornerstones: in addition to the dualistic corporate constitution with a management board and supervisory board, the decision was made to introduce a comply-or-explain rule analogous to the UK instead of the stricter regulation in the USA.

The German Corporate Governance Code (GCGC[1]) is one of the core sources of corporate governance in Germany. While its immediate applicability is limited to corporations whose shares and/or bonds are publicly traded, it can be considered the best practice for good and responsible governance in general. The GCGC was developed by an expert commission installed by the German federal government, and its first version was published in 2002, in the aftermath of the Enron scandal in the USA. Since then, the expert commission has published an updated version of the GCGC every one to two years, and the current version is as of 2022[2].

The GCGC can be considered soft law, as the German Stock Corporation Act[3] as well as the German Commercial Code[4] refer to it and require the affected companies to issue a declaration of conformity each year. The declaration needs to be included in the management commentary and published in the annual report of the single entity or group.

Based on the German dual board system, the GCGC covers various topics concerning the management board and/or the supervisory board. The regulations fall into three categories:

- Principles that need to be adhered to because they are copied from different laws into the GCGC.
- Recommendations that do not necessarily be adhered to, but in case of non-adherence, a justification has to be given (compliance or explain-rule).
- Suggestions that are non-binding.

Before the actual regulations, the GCGC is introduced by a foreword. In this preamble, the joint responsibility of the management board and the supervisory board is defined as follows:

"The Code highlights the obligation of Management Boards and Supervisory Boards — in line with the principles of the social market economy — to take into account the interests of the shareholders, the enterprise's workforce and the other groups related to the enterprise (stakeholders) to ensure the continued existence of the enterprise and its sustainable value creation (the enterprise's best interests)" (GCGC, 2022, p. 2).

The management board and supervisory board thus have to act in the best interests of the company to ensure its continued existence, which

[1] The original German name of the GCGC is "Deutscher Corporate Governance Kodex".
[2] The current as well as all previous versions of the GCGC are publicly available both in German and in English on the following website: https://www.dcgk.de/en/home.html
[3] Aktiengesetz (AktG) §161.
[4] Handelsgesetzbuch (HGB) §289f (single entities) and §315d (groups) respectively. Both AktG and HGB are publicly available in German and English on the following website: https://www.gesetze-im-internet.de/

can be realized by sustainable value creation. The concept of value added[5] is therefore the fundamental and overarching idea of corporate governance. It has to be noted that value added is not limited to the narrow perspective of shareholders, but has to be understood from the broad perspective of all stakeholders of the company.

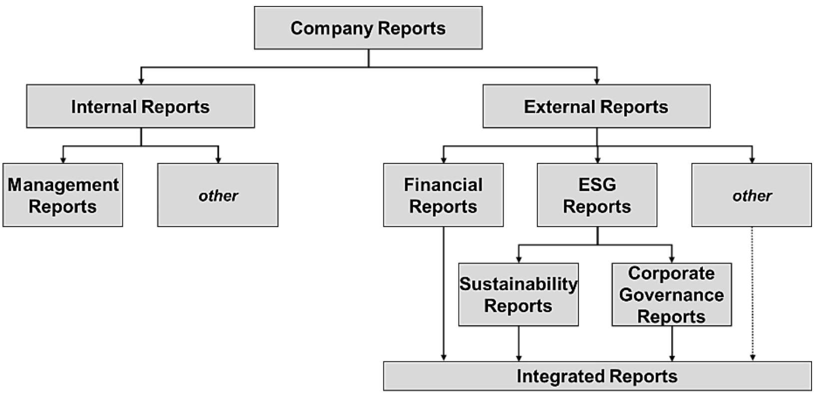
While well-established metrics like the Economic Value Added® (see Chapter 4) exist for quantifying value added from the shareholder perspective, the quantification of value added from a multi-stakeholder perspective is far more demanding. In the remainder of this article, the VAS will be presented as a suitable solution to this challenge.

2. CONCEPTUAL ARGUMENTS FOR THE USE OF VALUE ADDED STATEMENTS

2.1. Value added statements in the company reporting system

Companies are involved in various types of reporting, both to recipients inside and/or outside the company. Figure 1 provides an overview of the most important types of company reports.

Figure 1. Types of company reports



Source: Adapted from Freidank and Hinze (2014, p. 454).

VAS do not fall exclusively into one of those categories but can be used both in internal reports as well as in external reports (Haller & Stolowy, 1998)[6]. In Germany, VAS have been used both in management reporting as well as in financial reporting since the 1930s. The 1970s and 1980s have been the heyday for VAS in social reporting, which is today

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[5] The term used in the original German version is "Wertschöpfung", which can be translated into English as value creation, added value or value added.
[6] Besides, VAS are also used in macroeconomic national reports.

considered a part of sustainability reporting. Indeed, the use of VAS in sustainability reporting has gained new attention recently (Haller et al., 2016). Moreover, VAS have also been discussed from the perspective of integrated reporting (Haller & van Staden, 2014). Despite the importance of value added for corporate governance reporting as explained above, we have not seen a discussion of VAS from the perspective of corporate governance reporting, with the notable exception of Lingnau and Kreklow (2011).

2.2. Ensuring connectivity of value added statements

As external recipients will typically read the reports published by a company in parallel, connectivity between those reports is an important requirement. Wagenhofer (2024) discusses the (missing) connectivity between sustainability reports and financial reports and explains that connectivity needs both consistency and coherence of assumptions and data.

The requirement of connectivity with financial reports has also to be fulfilled if VAS are to be used in corporate governance reports. In the case of VAS, however, connectivity can easily be reached as VAS are developed out of the profit and loss statements of financial reporting. Table 2 compares the positions of a (highly simplified) profit and loss statement with the positions of a (also simplified) VAS.

Table 2. Comparison of profit and loss statement and value added statement

Positions of profit and loss statement (by nature)		
	Revenues	1
-	Material expenses	2
-	Personnel expenses	3
-	Depreciation and amortization	4
+	Other operating income	5
-	Other operating expenses	6
=	**Operating profit**	
+	Financial income	7
-	Financial expenses	8
-	Income tax expenses	9
=	**Profit**	

Positions of value added statement		
	Revenues	1
+	Financial income	7
+	Other operating income	5
-	Material expenses	2
-	Depreciation and amortization	4
-	Other operating expenses	6
=	**Value added**	
-	Personnel expenses	3
-	Interest expenses	8
-	Income tax expenses	9
=	**Profit**	

It is obvious that VAS are generated by rearranging the positions of the profit and loss statement to create new meaning (which will be explained in the next chapter). It needs to be noted, however, that this is only true if the profit and loss statement is prepared by nature[7]. Indeed, the International Accounting Standard (IAS) 1.14 explicitly mentions

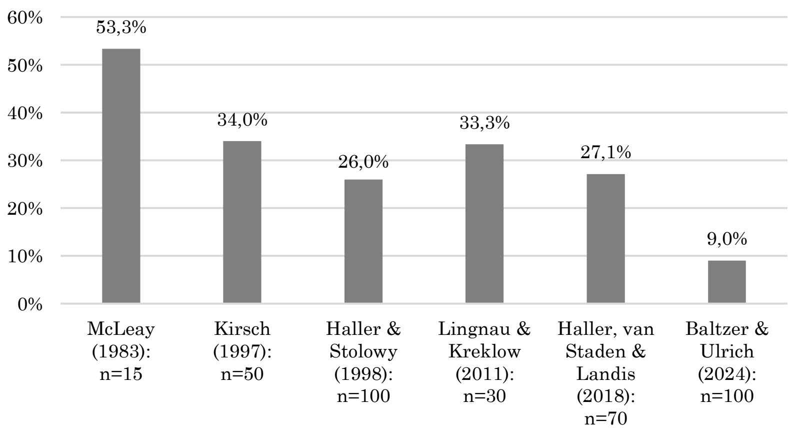
[7] Linking VAS to profit and loss statements by function is not completely possible.

the VAS as an example of reports that may be published next to the International Financial Reporting Standards (IFRS) financial reports.

3. DISCUSSION

It has to be stated that the use of VAS for corporate governance reporting among large public companies in Germany is quite limited. It suggests that the use of VAS among smaller, private companies will not be higher. When comparing this result with the results of previous studies among German companies (see Figure 2), it also needs to be stated that there seems to be a clear downward tendency[8]. As mentioned above, the publication of VAS was quite popular among German companies in the 1970s and 1980s, which explains the result by McLeay (1983) that more than every second company presented a VAS. While every third to every fourth company presented a VAS according to later studies, this number has declined to less than every tenth company in the current study.

Figure 2. Comparison of studies



From a conceptual point of view, companies are missing out on the possibility of providing relevant information to the external readers of their reports. Unlike much of the information that is typically presented in sustainability reports[9], VAS are fully connected to financial

[8] It needs to be noted that the data base of the studies is not completely comparable concerning number and type of companies that were analyzed.
[9] As main reasons, Wagenhofer (2024) lists missing aggregation, missing accruals, no limitation to the company, double counting and anticipation of distant effects.

reports as the information is generated by rearranging the positions of the profit and loss statement. One could argue then, that there is little additional information to be gained from preparing a VAS, as the information is already available in the profit & loss statement. This is not true, however, because VAS take a completely different perspective on the company's performance. The profit & loss statement shows the profit as the bottom line and thus takes a shareholder perspective. The underlying message is that companies exist to generate shareholder value. Opposed that, the VAS presents value added as the key performance metric and shows how this value added is distributed to the stakeholder groups of employees, debt lenders, communities, and shareholders. Value added can thus be interpreted as a way to quantify stakeholder value. The underlying message is that companies are a 'joint venture' of stakeholder groups.

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OPERATIONAL EXCELLENCE: EMPIRICAL INSIGHTS IN GERMAN FAMILY OFFICES

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Abstract

This study explores the operational excellence of German family offices, organizations that exclusively manage the assets of wealthy families. Despite their discretion, family offices play a crucial role in sustainable and long-term asset management. The research utilized a standardized survey with 112 participants, focusing on the internal processes, digitalization, and sustainability within these offices. Findings reveal that while most family offices independently model their processes, there is a significant push towards digitalization and professionalization. However, challenges such as data management and transformation expertise persist. Future research should investigate the pace and effectiveness of these transformations, particularly in digital and sustainable practices.

1. INTRODUCTION

A family office is a distinctive form of governance for family businesses. It is an organization that exclusively oversees the assets of the owner's family, free from conflicts of interest (Canessa et al., 2018, p. 1). It is common for wealthy families and entrepreneurs to act in a discreet manner in order to avoid recognition (Jandt, 2021). The number of single-family offices in Germany is estimated to be between 400 and 500, while the number of multi-family offices is estimated to be between 45 and 50 (Schaubach, 2019, p. 331).

In Germany, there are 28,396 ultra-high net worth individuals (UHNWI) with assets of more than USD 30 million in 2020, representing a 43% increase between 2015 and 2020. Forecasts indicate that the number of UHNWI will increase by a further 32% by 2025 (Knight Frank Research, 2021, p. 81). Furthermore, if we consider profitable German family businesses with an annual turnover of over one million euros, there are a total of 200,000 such companies. Of these, 70,000 business families represent potential clients for family offices (Brückner, 2016, p. 222). This shows us that there is definitely a relevance for this topic.

In this research, we want to gain deeper insights into the internal processes and operational excellence of family offices. Given that family offices operate very discreetly, the research available to date in this field is very limited.

2. METHODOLOGY

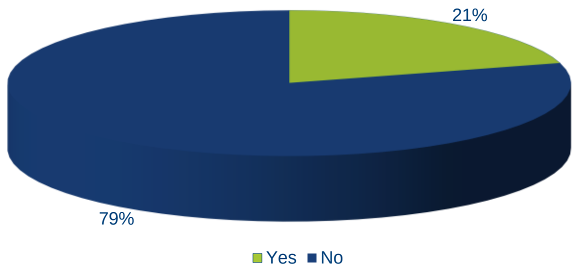
In order to gain further insights into the organization and advice offered by shareholders and shareholder families/family offices, a standardized survey in the form of an online questionnaire was conducted (Döring & Bortz, 2016, p. 348). The survey received a considerable level of interest, with a total of 112 participants. While not every individual answered all questions, a high level of engagement was evident. The sample consisted mainly of family offices, with the majority operating in-house. Additionally, we surveyed private equity firms, given their capacity to provide detailed insight through their extensive engagement with entrepreneurial families and family businesses. Triangulation was achieved through conducting interviews with managing directors of family offices.

3. EMPIRICAL RESULTS

The review of operational excellence, i.e. the internal functionality of processes is always subject to the tension between the need for as little formalization as possible and the simultaneous need to increase efficiency.

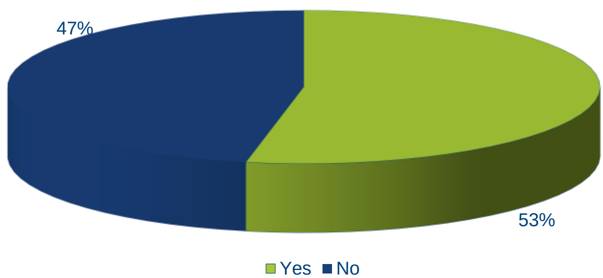
As a first step, we asked to what extent existing processes have already been reviewed or optimized by external organizations. It can be seen that over 3/4 of the family offices have modelled processes completely independently to date.

Figure 1. Checking the functionality of processes and mechanisms



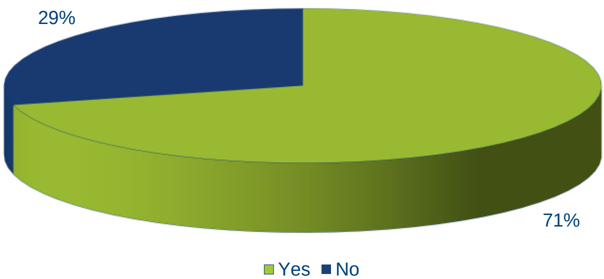
As outlined in the introduction, one of the main tasks of family offices is to allocate the owner family's assets sensibly over the long term. This means that sustainable and long-term investments must be sought that secure the assets in the long term. Only around half of family offices have a standardized process for selecting and evaluating investments. The respondents stated that these processes are expressed in practice through the involvement of external experts, internal asset managers, a catalogue of criteria, or the corresponding investment strategy.

Figure 2. The existence of a standardized process for the selection and evaluation of investments



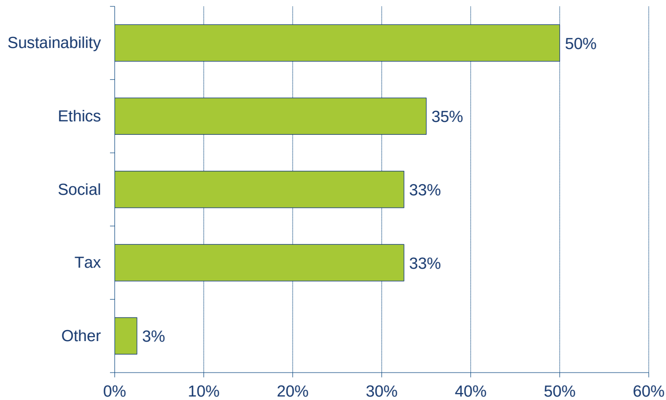
Seventy-one percent of participants have an asset reporting system in place. These take various forms, such as regular/weekly reports, a separate reporting system, or financial plans. In some cases, the respondents also described that this takes place across all asset classes. The reports described are available in the organizations in all forms, in print and digital.

Figure 3. Existence of asset reporting



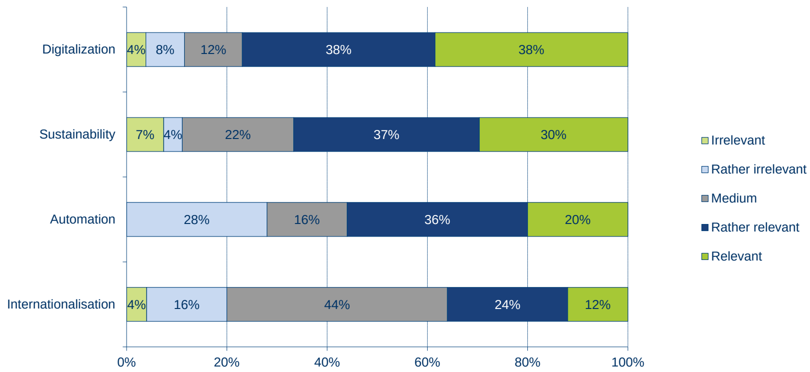
We surveyed various focus topics in the current alignment of processes in family offices. The focus here is on sustainable management. Ethical, social, and tax aspects follow in second place with almost similar relevance. In addition, the subject of "information security" was also raised by the respondents as a currently very relevant topic.

Figure 4. Current focus topics



Finally, we asked which aspects are relevant for the future development of the family office. It can be seen that digitalization is seen as rather relevant or relevant by 76%. Sustainability also continues to be a very relevant aspect, with 67% seeing it as rather relevant or relevant. Automation and internationalization follow some way behind in terms of priority.

Figure 5. Relevance of various aspects to the future direction



For the purpose of triangulation, four additional interviews were conducted with managing directors of family offices. We were able to derive relevant insights from these: Family offices are confronted with a variety of challenges on a day-to-day basis, which they try to translate into internally manageable processes. It was also confirmed to us that — as in the above survey — digitalization plays a very important role in the process optimization of family offices. In practice, however, we were told that this poses massive challenges in terms of data, software tools, and transformation expertise. In general, professionalization, automation, and formalization are constantly being sought, which brings great benefits, especially for the shareholders to be supported.

4. CONCLUSION

Overall, the study showed that most family offices tend to stick to their existing structures and processes and that restructuring and optimization tend to take place selectively and in small steps. Digitalization and sustainability are leading focus topics for family offices. This is not surprising, as these megatrends are currently driving strategic issues for a large number of companies. It will be interesting for future research to find out how family offices are performing in the transformation towards more digitalization and sustainability and how quickly presentable successes can be expected here.

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CONNECTIVITY AND ANNUAL REPORT: A MODEL OF ANALYSIS

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Abstract

Stakeholder information on sustainability is becoming increasingly important at the international level. Following the issuance of international sustainability standards by the International Sustainability Standards Board, ISSB (IFRS Sustainability Standards), and European Sustainability Reporting Standards (ESRS) by the European Financial Reporting Advisory Group (EFRAG), there is a focus on how these standards relate to financial standards (IFRS). Greater attention is being given to their connectivity, recognizing that sustainability information often complements and anticipates the effects of financial information in the medium to long term.

Studies refer to connectivity in information (reports) to mean the connection of information on strategy, business model, risks, and opportunities to metrics and targets and financial statements information via adherence to the principles of coherence, complementarity, and consistency of data, assumptions, and qualitative information (EFRAG Secretariat, 2024).

The document that encompasses sustainability and financial information is the annual report, which includes various documents such as the sustainability report and the financial statements. The benefits of appropriate connectivity between the documents comprising the annual report are numerous for both the company and stakeholders. Connectivity means coherence of information across documents,

reconciliation of values reported, complementarity of information, creation of links between documents, and coordinated analysis of the same topic from various perspectives.

Well-structured and implemented connectivity can thus lead to more effective corporate communication, making the company's value-creation communication more understandable and complete. From this perspective, connectivity should help avoid duplication or information gaps, reducing greenwashing situations. Reconciling sustainability and financial information should provide significant contributions in this regard.

Thus, there is a need for an appropriate conceptual framework to structure how connectivity should be achieved. This provides a tool for researchers and stakeholders to evaluate connectivity and for companies to improve their external communication.

The objective of this research is to propose a model that defines the parameters to evaluate the degree of connectivity in the information provided by companies concerning sustainability and financial information.

Currently, there is a lack of contributions in this area. Existing studies are limited and primarily focused on more specific aspects. Current research is more focused on analyzing connectivity concerning environmental risks in financial statements.

In a study, EFRAG Secretariat (2023) highlighted that investments and commitments related to environmental issues are often not reflected in financial statements, and sustainability information is challenging to reconcile with financial information. Forvis Mazars (2024) examined the financial statements of 72 companies, noting that about one-third discuss the impacts of environmental issues on financial items, but only a minority reference their contributions to carbon neutrality in financial statements.

Given the need for a study that systematically analyzes connectivity, a model is proposed that applies to public information provided by a sample of listed companies, starting from ESRS standards and extending to IFRS standards. The aim is to verify areas of commonality between the required information and different presentation methods, as well as where ESRS-required information impacts or could impact financial information.

The starting point for the content analysis is the information required by the ESRS and the three possible types of links identified between this information and financial information: direct link, where sustainability information is also quantitatively presented in financial statements; indirect link, where connecting information is only partially provided in financial statements; and other forms of link, such as the potential impacts of environmental variables on the business. Identifying possible types of links, the study will assign a score to evaluate the usefulness or complexity this link creates for stakeholders.

It will also highlight areas most impacted by voluntary connectivity today to preview which IFRS might require greater attention and possibly some modifications in the future.

The complexity of the research arises from the numerous areas impacted by connectivity: from business models to strategies, from the valuation of tangible and intangible assets in terms of amortization and impairment to revenue segmentation, from the presentation of human capital data to the respect for human rights, to governance.

When the ESRS standards come into force, the model can be tested on the annual reports of companies. In any case, this theoretical model is designed to evaluate whether financial statement readers can objectively assess the level of connectivity by companies and thus derive the greatest possible benefit from the presented environmental, social, and governance (ESG) data.

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SESSION 4: GENERAL CORPORATE GOVERNANCE ISSUES

INTENTION TO PURCHASE ORGANIC FOOD: HEALTH CONSCIOUSNESS, ENVIRONMENTAL CONCERN, AND THEORY OF PLANNED BEHAVIOR

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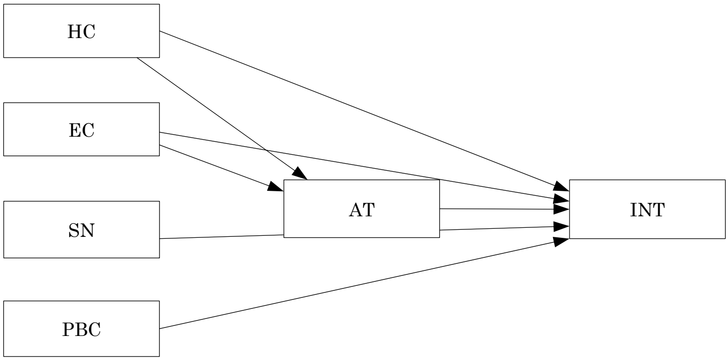
Abstract

The purpose of this study is to examine the indirect effect of health consciousness and environmental concern on the intention to purchase organic food through attitude and the direct effect of health consciousness, environmental concern, and the theory of planned behavior (TPB) (attitude, subjective norms, and perceived behavioral control) on the intention to purchase organic food.

This study employed a questionnaire that consisted of 18 items in order to collect data. The study sample includes 210 randomly selected Greek individuals (118 female and 92 male). The data were analyzed with the use of SPSS version 24 and the Jamovi program. To test the linear components in the data, the principal component analysis (PCA) with Varimax rotation was used. The weights of the components, for each variable was above 0.7 (KMO = 0.764, x^2 = 1216, p-value < 0.01). Cronbach's alpha reliability rated for attitude 0.86, subjective norms

0.912, perceived behavioral control 0.703, intention to purchase organic food 0.776, health consciousness 0.777, and environmental concern 0.845. Figure 1 displays the model diagram.

Figure 1. Model diagram



The results (Table 1) indicate that health consciousness affects indirectly and positively the intention to purchase organic food through attitude. Attitude, subjective norms, and perceived behavioral control have a positive and direct relationship with the intention to purchase organic food. Furthermore, health consciousness and environmental concern affect positively attitude.

Table 1. Effects

			95% C.I.			
Effect	***Estimate***	***SE***	***Lower***	***Upper***	***β***	***p***
HC ⇒ AT ⇒ INT	**0.095**	**0.032**	**0.033**	**0.157**	**0.119**	**0.003**
EC ⇒ AT ⇒ INT	0.096	0.050	-0.002	0.195	0.073	0.056
HC ⇒ AT	**0.195**	**0.060**	**0.076**	**0.313**	**0.244**	**0.001**
EC ⇒ AT	**0.197**	**0.100**	**0.001**	**0.393**	**0.149**	**0.049**
AT ⇒ INT	**0.488**	**0.061**	**0.368**	**0.609**	**0.488**	**<0.001**
HC ⇒ INT	0.002	0.052	-0.100	0.104	0.002	0.975
EC ⇒ INT	0.119	0.082	-0.043	0.280	0.090	0.150
SN ⇒ INT	**0.156**	**0.048**	**0.062**	**0.249**	**0.201**	**0.001**
PBC ⇒ INT	**0.196**	**0.055**	**0.089**	**0.304**	**0.219**	**<0.001**

According to the findings reported in this study, it is possible to predict consumers' purchasing behavior of organic food using their intentions to buy organic food, which can be further predicted by combining the components examined (Tarkiainen & Sundqvist, 2005).

An expectancy-value model commonly used to predict and explain food choice is the TPB. According to this theory, human behavior is determined by behavioral intention, which consists of attitudes, subjective norms, and perceived behavioral control (Ajzen, 1991; Dean et al., 2008; Tsaknis et al., 2022). This study contributes empirical evidence to the existing literature regarding the effectiveness of an extended TPB in predicting or explaining the intention to purchase organic food (Nystrand & Olsen, 2020).

Health is an important parameter that consumers consider when purchasing food items and they are interested in food-related health topics. More health-conscious consumers are more likely to purchase organic products (Paul & Rana, 2012; Yadav & Pathak, 2016). A fundamental component of environmental research is an individual's concern for the environment, which is directly related to environment-friendly behavior. Consumers' intention to purchase eco-friendly products is directly and positively impacted by environmental concerns (Pagiaslis & Krontalis, 2014; Yadav & Pathak, 2016).

The results of this study can help organizations, policymakers, and society overall, to understand the key factors that are responsible for the intention to purchase organic food. Consuming organic food will have a strong environmental impact (organic farming practices lead to reduced use of fertilizers, conserve water, and preserve biodiversity), health benefits for consumers (lower exposure to chemicals and higher nutrient content), and promote sustainability (preserve resources for next generations). Society, organizations, and policymakers should support organic food producers (support local economies, provide fair wages, the well-being of farmers, and safe working conditions) and communicate to consumers about the benefits of the consumption of organic food.

There are several limitations in this study that must be considered. The study does not measure actual purchasing behavior in relation to organic food; instead, it measures purchase intentions (Yadav & Pathak, 2016). Before making more conclusive generalizations, the results of this study should be evaluated across different socio-demographic or different ethnic groups (Tsaknis et al., 2024). A further limitation of the study is that it measured organic food in general, whereas earlier studies showed that organic food consumption varied among products, such as organic fruit, organic milk, etc. (Yadav & Pathak, 2016). Future studies could explore the validity of these findings in different contexts using additional variables, not included in this study, and investigate whether there are latent variables confounding the relationships discussed above (Sahinidis et al., 2020).

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PAYMENT GATEWAY SELECTION FOR ONLINE PURCHASES: EVIDENCE OF AN EMERGING MARKET

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Abstract

The objectives of this research are to study attitudes that affect payment gateway selection for online purchases in Thailand and to study various variables that affect payment gateway selection for online purchases in Thailand, especially payments through banks.

The research adopts a quantitative data collection and analysis. Quantitative data was gathered from 1,635 respondents with closed-ended questionnaires through social media, statistical analysis software, and binary regression to explore the relationship between independent and dependent variables.

This study provides a brief overview of how consumers decide on payment gateway selection for online purchases in Thailand, focusing on banks and non-banks. The selection of payment methods is a new and interesting issue that has made people interested in and has become more and more popular until now. Therefore, this is the reason to raise this issue and from researching information, there is no research topic regarding the selection of payment gateway selection for online purchases in Thailand. Nowadays, the use of the Internet is growing rapidly. As a result, the rate of access to mobile and internet banking services through PromptPay has increased, which is considered the most convenient payment method. Therefore, mobile banking reduces consumers' cash holdings, reduces transaction costs for each payment,

stimulates consumption, and creates opportunities for startups and small and medium-sized enterprises (SMEs). It also promotes access to financial services and stimulates economic growth (Suwanragsa et al., 2020).

1. INTRODUCTION

Since 2019, the world has faced and been affected by the COVID-19 pandemic. The world economy is recovering rather slowly and various countries around the world need to urgently find new economic growth points. This has resulted in major changes in many business industries. One of the changes is modern businesses have transformed their operations from cash-based to cashless and digital by promoting online and electronic payment transactions to play an increasingly important role in today's business (Chaveesuk el al., 2022). Thailand is one of the countries that are entering the digital economy. This online payment gateway is considered the best solution to stimulate the economy. Every business in the country must enter a payment channel that integrates with their business or lifestyle to support the future (Izhar et al., 2011).

A payment gateway is a national connection point and bank network in which all online transactions must pass through a payment gateway to be processed. As such, payment gateways act as a bridge between the merchant's website and the financial institution processing the transaction with a safer and faster online transaction experience (Gulati & Srivastava, 2007). Therefore, payment gateways are an inevitable part of helping businesses succeed and undoubtedly become a necessity when doing business online in Thailand (Zheng, 2022).

2. METHODOLOGY

The participants in this study were people who use payment gateway selection for online purchases in Thailand. The sampling method was a closed-ended questionnaire. Data were collected from 1,635 people who responded to the survey via social media such as Email, Facebook, and Line application. The duration for data collection was between November 2023 and March 2024 (4 months). The online questionnaire was designed with a Google Form, which could be accessed by sharing through social media to disseminate the questionnaire widely and obtain a wider range of statistical information (Mohamed et al., 2021).

3. RESULTS AND DISCUSSION

3.1. Results

From this research study, the dependent variable is set to be a binary variable with values of 1 and 0. Those who decide on online payments that are directly connected to the bank have a value equal to 1 and those who decide to pay through non-bank financial service providers have a value equal to 0. Therefore, the statistics used is binary logistics regression. The experimental results from using the significant independent variables are as follows.

Table 1. Classification for back-testing

Observed			***Predicted***		
			Payment gateway		***Percentage correct***
			Bank (0)	*PromptPay-mobile banking (1)*	
Step 1	**Payment gateway**	Bank (0)	358	151	70.3
		PromptPay-mobile banking (1)	75	1051	93.3
Overall percentage					86.2

As shown in Table 2, the classification results showed that the significant model in payment gateway selection in Thailand is 86.2%.

Table 2. Variables in the model using independent variables in payment gateway selection for online purchases in Thailand

Variables		***B***	***S.E.***	***Wald***	***df***	***Sig.***	***Exp(B)***
Step 1	Gender	-1.887	0.177	112.977	1	0.000	0.152
	Age	0.890	0.097	84.846	1	0.000	2.436
	Income	-0.550	0.095	33.612	1	0.000	0.577
	Monthly savings	0.208	0.088	5.604	1	0.018	1.231
	Social presence	1.247	0.131	90.448	1	0.000	3.481
	Trust	0.918	0.157	34.082	1	0.000	2.505
	Perceived Risk	-0.713	0.155	21.304	1	0.000	0.490
	Perceived ease of use (using a platform is easy and convenient)	0.708	0.226	9.791	1	0.002	2.029
	Attitudes toward using (feel time-saving and convenient)	1.029	0.199	26.820	1	0.000	0.357
	Consumption (consider using the platform service)	0.431	0.161	7.166	1	0.007	0.650
	Constant	0.973	0.639	2.314	1	0.128	2.645

3.2. Discussion

It can be seen that the selection of payment gateway selection for online purchases in Thailand has two main variables: the dependent variable (including payment gateway with non-bank and bank) and the independent variable (including gender, age, income, monthly savings, social presence, trust, perceived risk, perceived ease of use, attitudes toward using and consumption). These variables are important to these findings. It emphasizes the importance of accessibility in choosing payment gateway selections. This is a new and interesting issue that makes people pay attention and is becoming more popular nowadays.

From Table 2, the results of the payment gateway selection for online purchases in Thailand can be summarized as follows.

3.2.1. Demographic factors

Demographic factors were found as below:

Gender: The results found that females use payment gateways for online purchases more than males. Female consumers are more likely to use payment gateway linked to banks (Bian et al., 2023). Gender is an important factor that can influence a consumer's buying decision. Females tend to have a desire to send and receive news more than males, while males do not have the desire to send and receive news (Adekoya & Laksitamas, 2024).

Age: The results found that age affects the use of payment gateways for online purchases. According to Foltýnová and Brůha (2024), the age of the population influences the purchase of essential goods and other products online, especially after the COVID-19 outbreak. This shows that age continues to be a factor affecting the strength of online activity (Drummond & Hasnine, 2023).

Income: The results found that the less income of the population, the less use of payment gateway for online purchases. Customer income affects behavior, attitudes, and purchasing decisions. On the other hand, customers with higher salaries will have more affordability and freedom to make environmentally conscious choices (Srisathan et al., 2023).

3.2.2. Data evaluating of payment gateway selection

Among the data evaluating of payment gateway selection are:

Social presence: The results found that the more social presence, the more use of a payment gateway. Leong et al. (2020) stated that social presence with sellers is a hallmark of commerce on social media. Moreover, social media commerce is an important form of promoting social presence. Thus, a social presence provides an opportunity for sellers and buyers to build good relationships with each other (Lu et al., 2016).

Trust: The results found that the more confidence the user has, the more they use payment gateway for online purchases. The findings suggest that consumers in the sample group are receptive to online shopping and technology. They are aware of product quality and value and consider factors such as convenience, personal lifestyle, and recommendations from trusted sources in their decision-making process (Siwasutham et al., 2023).

Perceived risk: The results found that greater or less perceived risk affects the use of payment gateways for online purchases. According to Siwasutham et al. (2023), there are many aspects of risk associated with online shopping, such as financial risk, which refers to losses that may occur during online payment transactions, and privacy risk, which refers to the potential loss of personal information, such as unauthorized disclosure of customer information (Jain & Kulhar, 2019). Therefore, consumers' risk perception affects online shopping behavior when consumers are aware of the risks that will occur (Siwasutham et al., 2023).

Perceived ease of use: The results found that the more users perceive the ease of use, the more users of payment gateways for online purchases. Customers will be more interested in using mobile banking if the level of usefulness, ease of use, security, and trust provided by the bank is in accordance with what the customer wants (Hartono et al., 2023).

Attitudes toward using: The results found that the more users feel like they save time and are more comfortable, the more they shop online through a payment gateway. According to Ibrahim et al. (2023), the expansion of online purchasing is caused by many factors such as price, saving time, and connection to online payment systems. People started shopping on the Internet because it is cheaper price, easier, and more convenient to search for products and services online before making a purchase.

Consumption: The results found that the use of various platforms has resulted in an increase in payment gateways for online purchases as de Blanes Sebastián et al. (2023) said buying and selling products and services is now more flexible. Exchanges between service providers and customers in a shared platform, where services are agreed between service users. There are many channels for transferring money to purchase products and services, such as through mobile phones, Internet banking, and online social networking platforms.

4. CONCLUSION

From the research objectives, the research results can be summarized as follows. There are 10 independent variables (gender, age, income, monthly savings, social presence, trust, perceived risk, perceived ease of use, attitudes toward using and consumption) and 2 dependent variables (payment gateway with non-bank and bank). These variables influence the decision of payment gateways for online purchases. In this study, it was found that these factors direct variation according to online purchases.

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THE MISFORTUNES OF STATE-OWNED COMPANIES: A CASE OF THE DEVELOPING MARKET

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Abstract

Over decades ago, the state-owned companies (SOCs) in South Africa were the most efficient and high-performing firms that were the center of employment epitome and contributed to increasing the country's economy. SOCs play a critical role in the South African communities, industrialization, and the economic growth of the country through effective service delivery, governing fiscus public funds, reducing the unemployment rate, controlling the domestic economy limiting privatization and foreign transactions (Thabane & Snyman-van Deventer, 2018). However, corruption, politics, maladministration, and poor corporate governance in these sectors have brought the SOCs into near collapse resulting in the majority being placed under business rescue (Nyatsumba, 2021). For example, South African Airways (SAA) which was once a world-class airline has been undergoing a business rescue process since December 2019 (Ward, 2021). This abstract highlights the impact of maladministration, corruption, and political involvement in SOCs' corporate governance and firm performance then concludes with the key insights and critical lessons to be learned by all organizations to ensure financial sustainability and sound corporate governance.

Moletsane (2023) investigated the financial performance of the SOCs and discovered that the SAA has not been performing since 2010

and the firm started reporting constant financial losses between 2010 and 2019. According to Nyatsumba (2021), the government is to blame for the firm performance because of poor management. The poor management and chronic leadership at SAA are evident in the failure to implement the turnaround strategy successfully as the firm has been involved in four turnaround strategies since 2004 (Nyatsumba & Pooe, 2023). This abstract used a systematic literature review (SLR) methodology to synthesize the misfortunes of the South African SOCs. This approach was excellent in providing the critical lessons to be learned by all companies whether it be private or public in ensuring sound and effective corporate governance that will guarantee sustainable firm performance. Szarzec et al. (2021) suggest that the SOC's performance is dependent on the country's economic growth. In contrast, the narrative is completely different in South Africa. For example, the state-capture revelation uncovered by the Zondo Commission revealed that politics and corruption are the root cause of the SOC collapse (Nyatsumba, 2021). SAA had 14 chief executive officers (CEOs) between 1994 and 2020 of which half of the CEOs were in an acting position (Nyatsumba & Pooe, 2023). The evidence of chronic leadership instability further manifested in financial performance as the organization reported a R 26,9 billion loss between 2007 and 2019 (Vermooten, 2020).

SAA is not the only challenged SOC that the Minister of the Department of Public Enterprises is trying to resuscitate to save thousands of jobs currently, South Africa has the highest unemployment rate within the Southern African region as the rate is around 30% (Ward, 2021; Galal, 2023). However, other entities such as the Post Office, Eskom, Passenger Rail Agency of South Africa (PRASA), South African Broadcasting Corporation (SABC), and Transnet are also on the verge of collapse as they are experiencing poor management, poor corporate governance, poor performance, poor supply chain management resulting to fraud and corruption, maladministration, bankruptcy, and financial instability.

Political interference resulting in a conflict of interest and corruption, lack of management skills resulting in poor decision-making, and unhealthy and incompetent board dynamics are the root causes of poor corporate governance and financial instability in SOCs (Thabane & Snyman-van Deventer, 2018; Moletsane, 2023; Nyatsumba & Pooe, 2023). Therefore, the researcher highly recommends the appointment of board members be strictly based on competencies, skills, talent, and experience in the field, not political alliances. Furthermore, the organization must have and implement a combined assurance framework and ensure the independence of each line of defense when providing the assurance function. For example, Internal Audit, Compliance, Revenue Assurance, and Fraud Management teams must not report to the same executive as Ethics, Forensic, And Whistleblowing teams. Even though these functions support the executive committees such as the Audit, Risk, and Compliance Committee and Ethics Committee, however, there must be a clear segregation of duties to ensure accountability and prevent conflict of interest. Lastly, adhering to governance codes, and standards such as King IV to ensure leadership stability, accountability, and consequence management are key to ensuring good corporate governance and successful firm performance that will yield shareholder value.

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GOVERNANCE OF CYBERSECURITY COMPANIES IN COMBATING CYBERCRIME

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Abstract

This research study aims to analyze the policies, procedures, and processes adopted by cybersecurity companies for managing and predicting cyber risks and combating cybercrimes. To achieve the research objective the inductive approach. The study concludes that government laws are no longer able to confront cyber threats without the private sector's participation, specifically cybersecurity companies, and investment therein, and the adoption of governance policy by those companies may obtain reasonable flexibility in preventing cybercrimes.

1. INTRODUCTION

Companies heavily depend on modern technology in conducting their various transactions. Given their fundamental role in building communities in all fields, the enhanced role of those companies in the prevention of risks, especially in the cyber environment is undeniable.

The topic of this research is particularly significant in understanding the policies, procedures, and processes adopted by cybersecurity companies under the concept of governance, establishing a general framework for managing and predicting risks and compliance in the cyber environment in line with cybercrime prevention issues and the extent of its flexibility in contributing to building partnerships between government agencies and civil society. Investing in cybersecurity companies is one of the issues that enhances the stability of the general cybersecurity situation and even boosts confidence among those dealing with this environment, which may be observed in the huge amounts spent to develop that system.

Government laws are no longer able to confront cyber threats, especially after they developed their methods and the high cost of the losses they cause, to the point that investing in cybersecurity, to combat cybercrimes, has become a necessity and not just an option. Therefore, this research tackles several questions:

RQ1: What is the volume of cyber threats at present?

RQ2: Do cybersecurity companies undertake a key role in preventing cybercrimes?

RQ3: To what extent governance policies can manage cyber risk prevention mechanisms and predict them?

2. METHODOLOGY

An inductive approach is adopted in presenting this study to achieve the objective intended therefrom. Hence, several questions were raised based on the solutions provided by cybersecurity companies that rely on governance policy in organizing and managing risks and compliance as mechanisms for cybercrime prevention and those mechanisms' success in reducing their impacts. Under that methodology, we divided the plan into several requirements: the First Requirement explains the basic concepts of research, the Second Requirement tackles the key and volume of cyber threat risks, and the Third Requirement indicates the significant role of cybersecurity companies in confronting those threats and the extent of the governance policy's success in risks management and prediction.

3. CONCLUSION

The research concludes with several crucial results that demonstrate the inability of governments and civil society to confront cybercrimes without the private sector's participation, specifically cybersecurity companies, and investment therein. It is also found that the adoption of governance policy by those companies may achieve sufficient flexibility in cybercrime prevention.

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ORGANIZATIONAL STRUCTURES OF THIRD SECTOR ENTITIES

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Abstract

The study analyzes the internal organizational structures of third sector entities and compares them with those of commercial enterprises. First of all, a definition of the third sector is given based on the North American and European models. After that, the organic regulations governing non-profit organizations in some countries such as Poland, Ireland, Spain, and Germany are analyzed. In light of this international framework, the study refers to the regulations contained in the Italian Third Sector Code (Legislative Decree 117/2017). This regulation brings the discipline of the internal structure of non-profit entities closer to that of profit-making entities. Also, in the interpretation, some management issues of third sector associations are resolved through references to the Civil Code regulations. In particular, the study deals with two fundamental issues concerning the functioning of the administration body addressed by the Italian Ministry of Labour and Social Policies: the first is the institution of co-optation, which aims to compensate for the forfeiture of some of the members of the management body, and its applicability to third sector entities; the second is the possibility of providing for a monocratic administration body within third sector associations. The process of professionalization of third sector organizations reaches its culmination in the liability regime of administrators: the new third sector code refers to the rules concerning corporations and parameters of the diligence required of managers according to the nature of the office to the specific skills possessed by

those holding the office. In conclusion, the study highlights the similarities between the internal structure of commercial companies and third sector entities: the organs of commercial companies can be transposed to non-profit entities, provided that they do not betray their social function.

The next few pages will be devoted to an analysis of some regulatory references to corporate law that have been included within Legislative Decree 117/2017. Next, two corporate institutions will be identified that are applied to third sector associations through the general referral in Article 3(2) of Legislative Decree 117/2017. Finally, through the analysis of the differences in the liability regime of the management body between the First Book and Legislative Decree 117/2017, the reasonableness of applying the rules of Book V of the Civil Code to non-profit entities will be highlighted.

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MERGERS AND ACQUISITIONS — THE SPECIAL CASE OF GERMAN FAMILY FIRMS: RESEARCH NEEDS

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Abstract

Family firms represent the predominant business organization in Germany, accounting for 90% of all active companies. Despite the growing significance of family business research, mergers and acquisitions (M&A) involving these firms remain underexplored. This study addresses the unique characteristics and success factors pertinent to M&A transactions involving German family firms. By systematically reviewing the existing literature and conducting primary empirical research, this study aims to uncover specific success factors for these transactions. The findings will aid family businesses in navigating M&A activities to ensure long-term sustainability, especially in light of challenges such as business succession. Initial results suggest that family firms prioritize different values, such as socio-emotional wealth and sustainability, over purely financial indicators during M&A decisions. The study concludes with recommendations for future research to further elucidate these dynamics.

1. INTRODUCTION

The most prevalent business organization in the contemporary global economy is the family firm (De Massis & Rondi, 2020, p. 1727). Over the last decade, the significance of family business research has grown considerably (Rovelli et al., 2022, p. 1). Notably, family businesses are particularly important in Germany. Indeed, 90% of all active companies in Germany are family businesses, as reported by the Foundation for Family Businesses in Germany and Europe (Gottschalk et al., 2019, p. 2). It can be seen that the overriding goal of family firms is to secure their existence. This encompasses both the need to maintain liquidity in the short term as well as achieving an appropriate and sustained level of profitability over the long term. To achieve this, management must add value and act with a view to targeting (effectiveness) and resource savings (efficiency) (Becker & Ulrich, 2019, p. 20).

In light of the rapidly evolving business environment, companies are compelled to undergo constant evolution to maintain their value-creating capacity. In particular, over the past 50 years, the corporate environment has become significantly more complex, volatile, and unpredictable. This differs both gradually and structurally from the environment of the 1970s, for example, due to factors such as globalization and digitalization (Koch, 2017, p. 7; Prodoehl, 2019, p. 15). As a consequence of the enhanced access to information regarding consumer demand, it has become increasingly important to identify and satisfy specific customer requirements to generate value (Becker et al., 2016, p. 98). This can be achieved in two ways: organically through novel business models (Schumpeter, 1987, p. 100) and inorganically through mergers and acquisitions (Henke, 2015, p. 48). Mergers and acquisitions (M&A) describe transactions in which companies or parts thereof are sold or acquired, and are characterized by a change in the ownership of equity (Lucks & Meckl, 2015, p. 5).

2. THEORETICAL BACKGROUND

The year 2021 saw a remarkable surge in M&A activities, with a total of 57,94 transactions recorded globally, representing an investment of approximately USD 5.218 trillion (Institute for Mergers, Acquisitions & Alliances, 2023b). Additionally, a substantial number of transactions were conducted in Germany during this same period, though the nation ranked second in absolute transactions, after 2018 (Institute for Mergers, Acquisitions & Alliances, 2023a). These transactions encompassed 3,267 transactions with a total volume of EUR 221.943 billion (Institute for Mergers, Acquisitions & Alliances, 2023b). Notwithstanding the substantial number of family businesses, transactions involving medium-sized family businesses receive minimal attention in the media and research. Thus far, no specific success factors for M&A transactions involving medium-sized family businesses have been researched (Becker et al., 2016, p. 17). As family businesses possess a fundamentally distinct set of values compared to non-family businesses (Becker &Ulrich, 2008, p. 265), it is plausible that additional success factors are more pertinent for M&A transactions than for large, capital market-focused enterprises.

Moreover, there is no discernible distinction between family and non-family businesses. Furthermore, there is a dearth of empirical evidence investigating how the aforementioned distinctive values of family businesses affect the success factors in M&A transactions in comparison to non-family businesses. It is, for example, conceivable that family businesses may attach relatively low importance to financial indicators in acquisition decisions due to socio-emotional wealth. This may, in turn, result in a prioritization of other aspects, such as sustainability, over these indicators. This leads us to the following research questions:

RQ1: What are the special characteristics of M&A transactions involving family businesses as opposed to non-family businesses?

RQ2: What are the specific success factors for M&A transactions involving German family businesses?

3. FURTHER RESEARCH METHODOLOGY

Firstly, it is necessary to conduct a systematic literature review. A multi-step process was chosen for the systematic literature review. Beginning, the framework was defined from the databases (WISO, JSTOR, EBSCO, EconBiz, Scopus) used, the filter (Academic Journals, Peer reviewed), and the keyword search. To reflect the state of the very specific literature, a systematic literature review (SLR) was selected as the method. This is following the guidance set forth by Tranfield et al. (2003, p. 207) and Wohlin (2014, p. 3). The planned filtering process is described below:

Figure 1. The planned filtering process

1) Initial research in selected databases using search term permutations;
2) Filtering for duplicates;
3) Filtering by language (German & English);
4) Filtering according to VHB-JOURQUAL;
5) Check the title for thematic relevance;
6) Check the abstract for thematic relevance;
7) Analysis of the full paper;
8) Snowballing.

Following the completion of the systematic literature analysis, a number of hypotheses will be derived, which will then be subjected to testing using primary empirical data. The research will adopt a quantitative approach, with qualitative aspects incorporated through a triangulation process (Döring & Bortz, 2016, p. 348).

The study is still at an early stage, although an initial unstructured literature review has demonstrated the high relevance of the subject matter (see introduction and theoretical background). As part of the ongoing systematic literature analysis, the most suitable databases have already been identified, and search terms have been defined, including permutations of the terms "mergers", "acquisitions" (German/English), and "family" (German/English) and the initial search has been conducted within the databases (step 1).

Table 1. Systematic literature review

Database	*Permutation 1*		*Results*	*Permutation 2*		*Results*	*Permutation 3*		*Results*	*Permutation 4*		*Results*
WISO	Merger*	Family*	1	Acquis.*	Family*	10	Merger*	Familie*	18311	Acquis.*	Familie*	18
JSTOR	Merger*	Family*	15	Acquis.*	Family*	143	Merger*	Familie*	4	Acquis.*	Familie*	0
EBSCO	Merger*	Family*	17005	Acquis.*	Family*	69664	Merger*	Familie*	1935	Acquis.*	Familie*	17
EconBiz	Merger*	Family*	1870	Acquis.*	Family*	3347	Merger*	Familie*	977	Acquis.*	Familie*	254
Scopus	Merger*	Family*	908	Acquis.*	Family*	14218	Merger*	Familie*	256	Acquis.*	Familie*	0

*Note: * Placeholder.*

4. DISCUSSION

It appears that family businesses are frequently reluctant to pursue inorganic growth through the acquisition of other companies. This may be due to a lack of expertise and a reluctance to pay for expensive external advice. This research aims to identify practical success factors for company acquisitions that can be applied by family businesses in a low-threshold manner to secure their long-term existence by supporting inorganic growth. The research examines the success factors on the buyer's side when family businesses realize an acquisition to ensure the continued existence of the family business. It should be noted, however, that business succession is an urgent issue for 190,000 German family businesses (a rising trend) in the period 2022–2026 (Institut für Mittelstandsforschung Bonn, 2021). In particular, this is because only 0.8% of the children of entrepreneurs in Germany can envisage taking over the family business directly after graduation (4.2% would take it over 5 years after graduation) (Ernst & Young, 2015, p. 7). In light of the aforementioned circumstances, it is imperative to consider the possibility of selling the family business to safeguard the company's continued existence, if no successor is available.

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THE COMPARISON BETWEEN THE UNITED STATES AND CANADA: FINDINGS FROM INTER-RELATIONSHIP AMONG CORPORATE GOVERNANCE, ARTIFICIAL INTELLIGENCE, AND INNOVATION

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Abstract

Although research in the field of corporate governance has been exhaustive recently many scholars have focused on the relationship between corporate governance attributes and artificial intelligence (AI), corporate governance attributes, and corporate innovation, few studies combine corporate governance, AI, and corporate innovation. The main reason is due to the quantitative difficulties in measuring and distinguishing AI activities and corporate innovation activities in enterprises. This study examines the relationships among corporate governance attributes, AI, and corporate innovation in the context of the United States and Canada. Adopting a new perspective, we have tried to help resolve the issue using a content analysis that integrates data from over 100 companies that trade on National Association of Securities Dealers Automated Quotations (NASDAQ) and TSX to analyze the relationship between board attributes, practice of AI and firm innovation for the time 2018–2022. The results suggest that particular aspects of boards, such as board size, board diversity, and ownership concentration show significant correlations with firm AI development and innovation for overall industries, but the levels of associations also vary depending on different innovation measurements and samples considered in specific industries. Moreover, the mediating effects of AI and innovation are examined, respectively. Lastly, we also discovered changes in the industry's attention to AI development before and after COVID-19 (2020). This research offers implications to corporate decision-makers as to how to proceed if the intent is to offer commercialized AI advancements and successful breakthrough innovations.

1. INTRODUCTION

While most previous research focused on the impact of internal governance on firm performance and value, in recent years, scholars have increasingly studied the influence of governance mechanisms on managerial innovation decisions (Tribo et al., 2007). Scholars believe that innovation efforts and outcomes depend on factors influenced by corporate governance, such as ownership structure or board composition. Ortega-Argils et al. (2005) found that highly concentrated ownership and reliance on debt financing hinder firms' investment in research and development (R&D) and do not yield favorable R&D outcomes. Asensio-López et al. (2019) argued that different internal corporate governance mechanisms may even be determining factors for firm innovation. In addition to ownership structure, the board structure also has a certain impact on firm innovation and its efficiency. Feng and Wen (2008) found a significant positive relationship between the proportion of independent directors on the board and innovation investment, the lower the proportion of independent directors, the relatively less innovation investment by the firm. It can be found that in recent years there has been a growing interest in the literature regarding the role played by boards and the characteristics of boards that are most conducive to promoting corporate innovation. However, the empirical evidence is not conclusive, and the results are sometimes contradictory. This is mainly because previous studies focused on a single variable related to the board, the variables were defined in different ways, or innovation was not considered from both input and output dimensions. Therefore, it is necessary to integrate all corporate governance elements that may have an impact on innovation activities.

Previous studies also proved that the effect of corporate governance on artificial intelligence (AI) existed, and there is an inherent connection mechanism between the two. However, the current research on this impact mechanism is still in the exploratory stage, few scholars have researched this aspect, and academics have not formed a unified view of the measurement of AI. Our study will also analyze the empirical mechanism of corporate governance affecting artificial intelligence and test the impact in terms of specific governance elements.

Moreover, our findings also highlight the existence of the mediating effect of AI or innovation. Most of the previous literature analyzed AI and innovation separately. By observing the variables measured by previous scholars, we found that the measurement indicators of AI and innovation are relatively fixed and have undetermined overlaps. Therefore, it can be inferred that due to the inefficiency in quantitatively distinguishing the two variables, scholars have not yet analyzed the two in a unified manner. Subsequently, we innovatively used the frequency of text words related to the two, extracted from financial reports as an indicator to measure the difference in the company's focus on AI development and innovation activities, which is also combined with traditional measurements (Coluccia et al., 2020), thereby confirming the effect and difference in the role of the two as mediating variables.

2. THEORETICAL BACKGROUND AND RESEARCH HYPOTHESES

Based on the above discussion, the present study proposes and tests the following hypotheses:

Existing literature largely suggests that an excessively large board size has a negative impact on corporate innovation. In contrast, a smaller board size leads to more corporate innovation, ultimately resulting in sustainable development (Chindasombatcharoen et al., 2022).

H1: There is a negative correlation between board size and AI practice or innovation efforts.

Some scholars argue that independent board members are essential for company development as they can provide resources for innovation activities (Mi Choi et al., 2012). Additionally, studies have found that higher board independence positively influences an increase in patent numbers for companies, stimulating their innovative spirit (Coelho, 2015).

H2: Board independence is positively related to corporate innovation decisions and AI-related activities.

Diverse board compositions in terms of gender, age, etc., have a positive impact on various forms of innovation. As the decision-making center of a company, diverse boards offer a broader range of viewpoints and perspectives, enhancing advisory capabilities and supporting exploratory innovation (Zhu et al., 2020).

H3: Board diversity is positively correlated with corporate innovation decisions and AI-related activities.

Ownership concentration and the identity of investors holding substantial ownership have an impact on innovation (Lee, 2005). The distribution of ownership in a company determines the control that decision-makers have over resource allocation and the incentives they must invest in innovation (Miozzo & Dewick, 2002; Aghion et al., 2009).

H4: Concentrated ownership is negatively related to AI development and innovative activities.

Italian listed companies operating in the industries and the frequency of meetings held by the board assume a relevant role in supporting investments in innovation (Bianchi Martini et al., 2012). Board meeting frequency was put up to play a significant impact on eco-innovation as one significant demographic factor (Zaman et al., 2023).

H5: Board meeting frequency is positively related to AI development and innovative progress.

Innovation performance could be promoted by corporate social responsibility via employee involvement and supplier collaboration (Zho et al., 2020)

H6: Corporate social responsibility has a positive correlation with AI and innovation within companies.

Chief executive officer (CEO) compensation has a significant regulating effect on the company's innovation capabilities, and the establishment of a compensation committee has a significant constraining effect on CEO compensation (Akram et al., 2022).

H7: Nomination committee and compensation committee are positively related to AI and innovation development within a company.

AI is a discipline centered around knowledge, encompassing the representation, acquisition, and utilization of knowledge. The application of AI in business model innovation has been increasing (Reim et al., 2020), reshaping the way companies innovate and the nature of innovations.

H8: AI plays a positive role in corporate governance and innovation efforts, so as for innovation.

3. FURTHER RESEARCH METHODOLOGY

3.1. Sample description and data

To test our hypotheses, we analyze annual reports and other financial statements from 2018 to 2022 of the American companies listed on the NASDAQ Composite Index and Canadian companies listed on the TSX Composite Index of our sample. These companies are from 5 different industries according to the classification of NAICS. Companies with missing observations and outliers (based on 1st and 99th percentiles) were excluded. After matching and examining the data from the different sources the final sample consisted of 60 American companies and 50 Canadian companies listed on the NASDAQ Composite Index, TSX Composite Index from 2018 to 2022.

Data for this study was collected from different databases. Firstly, accounting and financial data were manually extracted and collected from the EDGAR and Eikon database. Secondly, data regarding board characteristics, ownership information, and environmental, social, and governance (ESG) from 2018 to 2022 were collected from the Eikon database, with our definition of concentrated ownership structure when the top 20 shareholders accounted for over 45% of shares. Lastly, annual reports were downloaded from the SEDAR online database and analyzed by our Python code. This study examines the relation between corporate governance systems and AI, innovation. More specifically, we analyze how corporate governance attributes, and particularly board characteristics, can affect AI, innovation efforts in the context of American listed companies.

Furthermore, due to the widespread adoption of AI in recent years, with frequent mentions in annual reports, we calculated a company's AI application index through text analysis. To be more specific, we construct an AI-related vocabulary and use Python to automatically extract and count words that share similar attributes, with common characteristics of word expressions considered. This process involves the extraction of about 20 commonly used AI-related terms based on shared attributes, forming the sub-dictionary for this study. Included terms like big data, intelligence, authentication, automation, integration, digitization, virtual, algorithm, cloud computing, blockchain, machine learning, integration, etc. Due to the broad and general nature of these terms, expressions not relevant to AI are manually excluded. Finally, the word frequencies of each phrase are summed to obtain the total word frequency, which is then considered to represent the AI application index for publicly listed companies. Moreover, the same procedures are also applied to innovation measurement as one main variable of the innovation index.

We utilize the content-analysis research method, using multiple regression analysis to examine our hypotheses. More specifically, we incorporate corporate governance variables, ESG score, and ownership structure characteristics into different regression models, to analyze the overall impact on AI practice and innovation. Additionally, based on existing studies (He & Tian, 2013; Chen & Wang, 2014), we control for other determining factors of innovation, including firm size and leverage. Apart from that, we establish another model to examine the mediation effect of AI and innovation indexes separately, aiming to prove the mediating effect played by one specific variable to another.

3.2. Corporate social responsibility index: ESG score

Since the ESG score is easy to access, it is often used as a proxy for corporate sustainability performance (Drempetic et al., 2020). There are three categories of ESG indicators in the Thomson Reuters Eikon database: ESG score, ESG controversies, and ESG combined score. We chose the ESG score as our measurement, which is based on publicly available data in ten thematic areas. To make the ESG score easier to conduct analysis, we code it into 1–12 according to the ESG score from D- to A+ in the Eikon database.

3.3. Measures of explanatory variables

Table 1 presents the different measures of board characteristics, board committees, ESG scores, AI, innovation, and control variables. These measures and variables will be used to test our research hypotheses and to check the interactions between corporate governance, innovation, and AI.

Table 1. Measures of board characteristics and control variables

Variables	***Description***
BS	Board size: Number of directors comprising the board of directors
BD	Board diversity: Percentage of female directors on the board
BM	Board meeting: Number of meetings held by the board of directors in a calendar year
ESG	ESG scores: Comprehensive scores in environmental, social, and governance to evaluate social responsibility.
BI	Board independence: Percentage of independent directors on the board.
OC	Ownership concentration: measured by dichotomous variable.
C1	Nomination committee: Present whether the company has a nomination committee
C2	Compensation committee: Present whether the company has a compensation committee
MAI	Mere AI: Number of words directly related to AI in annual report
R1	Ratio 1: Percentage of number of direct AI words to pages of annual report
AI	AI: Number of words broadly related to AI in annual report
R2	Ratio 2: Percentage of number of overall words to pages of an annual report
INN	Innovation: Number of words related to innovation in annual report
R3	Ratio 3: Percentage of number of innovation words to pages of annual report
R&D	R&D investment: Number of investments put into research and development
TA	Total assets: Logarithm of the total assets
Lev	Leverage: Total debts/total assets
IND	Industry: measured by five dichotomous variables for the five major industries under the classification of NAICS: *IND1* (manufacture), *IND2* (information), *IND3* (credit), *IND4* (insurance), *IND5* (professional service)

4. RESULTS ANALYSIS

4.1. Descriptive results

The descriptive results reveal that the average board size is around 11 directors in both countries and ranges from 5 to 22 directors. An in-depth search into board diversity indicates that, among the five industries in our research, the mean proportion of women on board in the cases of Canada is around 32%, which is higher than 28% in the United States. The maximum figure could be found up to 67% of board directors are made up of women in Canada. These results also show that boards of United States companies meet at least 1 time during a year, up to 32 times a year, with an average of 10 meetings per year.

The results reveal that the ESG scores vary from 2 to 12, in accordance with their D- to A+ level, with an average of 8 points. In terms of board independence, approximately 84% of directors are independent according to the requirements of the U.S. Securities and Exchange Act. Almost 70% of firms in this sample have a concentrated ownership structure, 77% of firms own nomination committees, and 89% of firms have compensation committees. In the detailed search into the industry by industry, we found the credit and insurance industries are the two which own the highest record of board size, with 13 and 14 directors on average respectively, and the credit industry also has the largest average number of women on board compared to other industries, around 33%.

4.2. Regression results

For our regression results, our first two models examined the effect of board characteristics and composition on their emphasis on AI and innovative activities. The data of American companies show higher explanatory power in our first model, with the R-square of 53.5%, while Canada shows higher explanatory power in our second model with the R-square of 48.7%. The results show that ownership concentration has a negative impact on carrying out both AI-related and innovation index, which shows that the more concentrated the ownership, the more shareholders tend to be conservative and less willing to carry out innovative activities. And our control variables of *IND2*, *IND3*, and *IND4* also reveal negative influence. By contrast, *IND1* and *IND5* defined as manufacturing and professional services show a strong positive impact on referring two dependent variables. Meanwhile, the result of board size shows that the more directors on a board, the less likely for a company to put up innovation, suggesting that boards with fewer directors will be more willing to take innovation-related activities, confirms our first research hypothesis (*H1*).

In a more detailed analysis of individual industries, we found that there are significant differences in the corporate governance variables that play a significant role in different industries, which also show satisfactory statistical results with significant statistical coefficients. Specifically, board independence has a significant positive impact on AI and innovation in manufacturing companies; however, for the information industry, the proportion of independent directors has a significant negative impact on AI and innovation. Looking at the credit industry, board meeting has a significant positive effect on AI, and ESG score has a significant positive effect on innovation. As for the insurance carriers, ESG scores and the establishment of two committees have a significant positive impact on innovation, while board size and board diversity have a significant negative effect on AI. Finally, in the service industry, the R-square is the highest (0.83). Interestingly, *committee 1* and ESG score have a significant negative impact on AI, though board meeting has a significant positive impact on AI. However, other significant variables were observed in this innovation index: board size and board diversity have a significant positive effect on innovation, which is exactly the opposite of the insurance industry.

4.3. Mediating regression results

Our two mediation models respectively test the impact of AI as an intermediary variable on the relationship between corporate governance and innovation in the manufacturing and service industries and are applied to both countries. The results show that under these models, the mediating effect of AI shows significant effects in the American manufacturing industry and the Canadian professional industry.

It is worth noting that in the discussion of the intermediary mechanism of these two industries, ownership concentration always has a significant negative impact in the United States, while ESG scores positively impact innovation in Canadian companies. For specific manufacturing industry analysis, ownership structure could positively impact innovative practices in both countries. Moreover, board size and nomination committee could lead to more effort in innovation and relative investment in innovative practices in the context of the United States. In terms of the professional industry, it is found that board size has a significantly positive impact on innovation in both countries.

5. CONCLUSION

Corporate governance elements such as board characteristics and shareholder structure play a significant role. The results of this study verify the important impact of board characteristics and ownership structure, especially the importance of individual indicators such as board structure on the company's investment in AI development, innovation, and R&D investment. For different industry characteristics, the stronger the individual board characteristics, the more attention it will pay to the development of AI, and the stronger its promotion effect on innovative activities. Vice versa, the more investment in innovation, the stronger the joint effect on AI development.

The research results help to enrich the literature in the field of corporate governance and demonstrate the importance of key features of corporate governance in promoting AI development and innovation in the digital era. This study determines a research structure method with text research as the core, supplemented by traditional variables, and the effectiveness is cross-checked through the successful extraction of word frequency from lots of annual reports and the results of different variables of the same indicator.

This study shows that an overly concentrated ownership structure and a high number of directors have a negative impact on innovation progress and the development of AI in multiple industries, and this conclusion could be found in both the United States and Canada. There are apparent differences in the specific variables that affect AI and innovation activities in different industries. Therefore, companies are encouraged to adapt to their local conditions and choose corporate governance improvement methods suitable for their own industry characteristics to better adapt to the trend in the context of big data and AI transformation, thus promoting the company's performance in digitalization, intelligent upgradation, and innovative sustainable prosperity.

Our first contribution to industries is to provide statistical support to board directors and shareholders to reconsider board activities and structure, which could provide insights to facilitate the improvement and enhance efficiency of corporate governance. Moreover, further analysis also presents the financial market and relative authorities with the potential impact of AI on governance characteristics, aiming to help modify or upgrade supervising policies according to the dynamic changing technology.

Taking the 5-year data into analysis, we also found that AI development in various industries experienced a short-term surge from 2020 to 2021, and gradually fell back to the original average after 2021. Therefore, we speculate that COVID-19 would promote innovation activities and the application of artificial intelligence in various industries. However, this needs to be further explored and confirmed by subsequent research.

This study includes the main characteristics of the main corporate board and shareholder structures, but there are other characteristics that were not considered. Therefore, further research in the future will incorporate other corporate governance elements such as major shareholder types, board tenure, etc. into combined discussions. We will also explore the similarities and differences in the impact of corporate governance factors on AI and innovation between countries.

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CONFERENCE FORUM DISCUSSION

VARIABILITY IN THE RELATIONSHIP BETWEEN DEMOGRAPHIC DIVERSITY IN COMPANIES' BOARDS AND FINANCIAL PERFORMANCE BASED ON FACTOR SELECTION: A SYSTEMATIC LITERATURE REVIEW

by Daniel Tubik and Tim Alexander Herberger

Alexander Kostyuk: Dear Daniel and Tim, welcome to our conference forum. You addressed a focus toward the most interesting issues of corporate governance. You concluded that there is a clear dominance of a handful of theories utilized for hypothesis development in empirical research. Do you have any thoughts on why this dominance happened for many years before?

Daniel Tubik: Dear Alexander, thank you for your question. The major driver behind this focus of demographic diversity research can be explained by two factors. For once, data in empirical research is crucial, and gender data is way easier to acquire than any other demographic diversity dimension. Additionally, public interest regarding gender diversity is also significantly higher due to socio-political developments in many markets, leading to regulatory action in several jurisdictions globally. This then automatically raises research demand, data availability, and output for this factor, etc. Other dimensions, (e.g., age, education field or level, nationality, religion, etc.) are usually harder to acquire data fields and are less in the focus of public interest and legislative action.

Alexander Kostyuk: Dear Daniel, I see your point of view. Do you support a point of view that regulation is still the top-driver of the changes related to gender diversity on the boards?

Daniel Tubik: Well, that is a hard question we did not focus on in this paper, but there is definitely a clear trend towards more gender diversity around the globe since Norway started with quota regulations for companies in the 2000s. Whether this is a manifestation of regulatory action, or the regulation is only a sign of changing views in society and boardrooms is unclear. What I see in research is that even in countries with laxer or no quota regulation the gender diversity increases, only much slower in pace. In the end, I would say regulation is a top driver, but maybe not the only one.

Alexander Kostyuk: Thank you, Daniel. I agree with you — regulation is a top driver. This is a dynamic for the last 20 years. You mentioned that this is not only one driver. What drivers could you mention too?

Daniel Tubik: Well, as I wrote general changes in society and the views towards women in business constantly change everywhere. Also, laborforce participation keeps improving.

Alexander Kostyuk: I see. It seems that various groups of stakeholders could contribute to this dynamic too.

Daniel Tubik: Absolutely, Alexander. Consumers, major shareholders, etc., all can develop a certain sublime pressure to create more representative and diverse boards.

Alexander Kostyuk: I agree with you, Daniel.

Sunita S. Rao: Hi Daniel and Tim. You say in your paper that you consider research created from 1990 to 2022 for a sample of 152 publications. This is a huge number of papers. How did you organize these papers?

Daniel Tubik: Hi Sunita! We used a citation software and Excel to track the data in the individual studies and worked through every publication, one by one. It was actually really a lot of work, but the systematic nature of it allowed for speed after a while. Once you have the factors you look for (e.g., markets covered by study, relationship dimensions, variables used, variable types, outcomes, etc.) it actually is quite efficient.

Regarding how we got to these papers: we started with a data bank search with multiple keyword combinations and also screened existing meta-papers for relevant research. From there we looked at further cited papers in each paper, reaching the number 152.

Magdi El-Bannany: Dear Dániel and Tim, thanks for the interesting study. Kindly, I have some queries:

1. Given that 46% of empirical test runs found no significant connection between leadership diversity and financial performance, what might be the underlying factors contributing to this lack of significance?
2. How can company leaders and policymakers apply the findings from your research to improve the effectiveness of board diversity initiatives in enhancing financial performance?

Sabrina Pucci: Dear Daniel and Tim, thank you for this interesting paper. I agree that the diversity in the board has to be evaluated considering more variables. For example, not only the gender or the age but also the seniority in the role and other aspects you highlighted.

It could be really interesting to verify the impacts of all these aspects on financial variables and equity performances.

Daniel Tubik: Absolutely, Sabrina! We see that the effects are different from factor to factor. As a factor, age seems, for example, to be much less relevant.

Thank you for your question, Magdi.

1. Excellent question, we don't really see a clear pattern related to factor types or any other specifics to research design. This could be a good target for the next paper.
2. I guess it is important to concentrate on more relevant diversity factors when creating regulatory structures trying to enhance diversity. It is also an important finding that there is no need to shy away from diversity-related regulation, as it mostly leads to positive or neutral performance effects on company levels.

THE MODERATING EFFECT OF FEMALE DIRECTORS IN THE RELATIONSHIP BETWEEN BOARD CHARACTERISTICS AND BOARD REMUNERATION

by Inmaculada Bel Oms and Alfredo Juan Grau Grau

Alexander Kostyuk: Dear Inmaculada and Alfredo, we are happy to see you at our conference forum. You made several interesting conclusions through your conference presentation. For example, the findings show that the supervisory role of female directors with independent directors tends to reduce the board remuneration of European sustainable companies. Does the share of the female directors on the board influence this dynamic too?

Inmaculada Bel Oms: Good morning Alexander, thank you for your question. Yes, the direct effect between female directors and board remuneration is negative. So, women's presence on corporate boards reduces the board remuneration due to the fact that females are more conservative, risk-averse, and provide more perspective which helps to mitigate the higher remuneration of the positions of responsibilities.

Magdi El-Bannany: Dear Inmaculada and Alfredo, thanks for the interesting topic of study. Kindly I have some queries:

1. One of your key findings is that female directors tend to decrease board remuneration in bank-dependent countries. What mechanisms do you think to drive this outcome?
2. The study shows that female directors moderate the relationship between independent directors and board remuneration. What are the practical implications of this finding for companies looking to optimize their board composition?

Inmaculada Bel Oms: Dear Magdi El-Bannany, thank you for your questions.

1. We consider the fact that female directors are more worried about ethical and social issues, and their concerns are focused on detecting bad practices.
2. So, this study may help companies to increase the proportion of female directors in positions of responsibility since their participation in the decision-making process may reduce the board remuneration. So, regulators should increase the number of female directors on corporate boards.

Adam Samborski: Dear Inmaculada and Alfredo, in your article titled "*The moderating effect of female directors in the relationship between board characteristics and board remuneration*" you address extremely important and timely issues. I understand that this is currently an outline for a future article. I will, therefore, point out its merits that can be developed and those issues that I believe can be improved. The main strengths of the article include the timeliness of the topic, the broad scope of the research, the relevance of the results to business practice and the extensive theoretical analysis. You have attempted to look at the research problem in a comprehensive manner — which in my opinion is the value of your approach. However, this creates some challenges for you. I would include among these challenges: the need to formulate hypotheses clearly and precisely; a clear definition of the research approach; additional control variables can also be included. In a future article, you need to develop a section on discussion and reference to the current state of knowledge.

Inmaculada Bel Oms: Dear Mr. Adam Samborski, thank you very much for your suggestion. We will take into account your suggestions for modifying our research.

Alexander Kostyuk: Dear Inmaculada, I support your conclusion. The presence of women on the boards can deliver a disciplinary function to the board itself. This is what at least minority shareholders want to see.

GOVERNANCE DIMENSIONS AND COMMITMENT TO SHARIAH GOVERNANCE IN SAUDI BANKS: THE MEDIATING ROLE OF EXECUTIVE PROCEDURES FOR GOVERNANCE FRAMEWORK

by Mohamed Sharif Bashir, Muslichah Muslichah, and Abdo Aglan Babiker

Alexander Kostyuk: Dear Mohamed and colleagues, that is great to see you taking part in our conference forum. You concluded in your study that organizational structure exhibited a minor decrease in its direct effect on Shariah compliance (0.041) compared to the previous model (0.163). This is a very promising finding. Could you describe this finding in more detail?

Mohamed Sharif Bashir: Dear Alexander, thank you for your question. The organizational structure is one of the elements of the Shariah governance framework in Saudi banks. This result reflects the reality more in terms of the lack of impact of the organizational structure on Shariah compliance, due to the fact that the framework itself is not binding in terms of application, but rather applied in a voluntary manner, and this may require work on developing the Shariah governance framework and making it mandatory.

On the other hand, there are other factors such as organizational culture, management policies and practices — rather than organizational structure itself — likely to have a greater impact on the company's level of compliance with Shariah governance.

Magdi El-Bannany: Dear colleagues, thanks for the valuable study. Kindly, I have some questions:

1. The mediation analysis showed that executive procedures did not significantly mediate the relationship between governance dimensions and Shariah compliance. Can you discuss potential reasons for this finding?
2. Your results indicate that organizational structure has a minimal direct effect on Shariah governance. What are the implications of this finding for bank management practices?

Mohamed Sharif Bashir: Dear Magdi, thank you for your important questions. One of the most essential possible reasons that the executive procedures did not mediate significantly the relationship between the dimensions of governance and Shariah compliance is due to the non-mandatory Saudi Shariah governance framework, as it is applied voluntarily. Furthermore, there is a difference between Saudi banks in the levels of commitment due to the fact that the practices of Shariah governance in many Saudi banks have recently begun, especially conventional banks that have Islamic banking windows.

In response to your second question, the significant impact of a slight organizational structure on governance is the low level of Shariah compliance and commitments in many banks, especially conventional banks with Islamic windows. This leads to shaky customer confidence in Islamic banking practices. Therefore, the most important policy implication is the need to train professionals in the field of Islamic banking and finance, activating the role of Shariah compliance units to be more effective and efficient, and the Shariah governance framework in Islamic banking operations in Saudi needs to take urgent action for development.

Tariq H. Ismail: Dear authors, thanks for participating in the conference and the paper presented. I do recommend you to refer in your work to the differences between the Islamic implementation of the Anglo-Saxon model of corporate governance and the Shariah corporate governance code of conduct.

Mohamed Sharif Bashir: Dear Tariq, thanks so much for your helpful recommendation. This will enrich discussions on the topic and bring mutual benefits among practitioners of both models.

TYPES OF LEADERSHIP AND THEIR IMPACT ON THE EFFECTIVENESS AND EFFICIENCY OF THE PUBLIC ORGANIZATIONS: A LITERATURE REVIEW

by Vassilis Vyttas and Panagiota I. Xanthopoulou

Alexander Kostyuk: Dear Vassilis and Panagiota, welcome to our conference forum. You concluded through your presentation that your study, through empirical analysis and theoretical exploration, uncovers a nuanced connection between the aforementioned leadership styles and the transformative processes within public sector environments. Could you disclose the most critical substances of the nuanced connection between the aforementioned leadership styles and the transformative processes within public sector environments?

Panagiota I. Xanthopoulou: Dear Alexander, thank you for your very interesting questions. The study reveals a nuanced connection between various leadership styles and transformative processes within public sector environments. Transformational leadership positively correlates with organizational performance by motivating employees to exceed expectations and promoting a culture of commitment and participation in decision-making. Charismatic leadership, effective in bureaucratic structures, aids public sector leaders in adapting to economic and social pressures, fostering administrative reforms, and handling political risks. Transactional leadership, while focusing on routine management and performance, also plays a crucial role in setting clear goals and rewards, contributing to organizational stability and efficiency. Authentic leadership enhances job satisfaction and engagement by promoting transparency, ethical standards, and trust among employees, which is vital for the successful implementation of public sector transformations. These leadership styles collectively facilitate the alignment of organizational goals with public values, driving significant improvements in public sector performance and adaptability.

Alexander Kostyuk: Thank you for your answer, Panagiota. I see that this is a question of the corporate strategy of what leadership style to follow. Does the culture influence this choice and to what extent?

Panagiota I. Xanthopoulou: Yes, culture significantly influences the choice of leadership style in the public sector and its effectiveness. Transformational leadership thrives in cultures that value innovation, flexibility, and employee empowerment, allowing leaders to inspire and motivate employees to embrace change. Charismatic leadership is more effective in cultures that appreciate strong, visionary leadership, providing followers with a sense of purpose and direction. Transactional leadership suits cultures that prioritize structure, clear expectations, and routine management, ensuring stability and efficiency. Authentic leadership flourishes in environments that value transparency, ethical standards, and trust, enhancing job satisfaction and engagement. Overall, the alignment between organizational culture and leadership style is crucial for the successful implementation of public sector transformations.

Alexander Kostyuk: Thank you for the detailed answer, Panagiota. This is a truly strategic issue.

Panagiota I. Xanthopoulou: You're welcome! Indeed, aligning leadership styles with organizational culture is a strategic issue that significantly impacts the effectiveness of public sector transformations. By understanding and leveraging the cultural context, leaders can choose the most appropriate leadership style to drive change, enhance performance, and achieve organizational goals successfully.

Magdi El-Bannany: Dear Vassilis and Panagiota, thanks for the interesting topic. Kindly, I have some questions:

1. Your study emphasizes the role of leadership during crisis conditions. Could you share some examples of how different leadership styles have either succeeded or failed in crisis management within the public sector?
2. The study highlights several key traits of effective leaders, such as communication and adaptability. How can public sector organizations cultivate these traits in their leadership development programs?

Panagiota I. Xanthopoulou: Dear Magdi, thank you for giving us the chance to discuss these questions.

Regarding the first one, in crisis conditions, various leadership styles have demonstrated different levels of effectiveness. For example, transformational leadership has succeeded in crisis management by inspiring and motivating employees to meet high expectations and adapt to rapidly changing situations. Leaders using this style effectively communicated a clear vision and empowered their teams to innovate and respond proactively to challenges. Conversely, transactional leadership, which focuses on routine management and adherence to established protocols, sometimes failed in crises requiring rapid and flexible responses, as it could not address the need for innovative solutions and quick decision-making. Charismatic leadership has also seen both successes and failures; charismatic leaders have successfully rallied and unified their teams during crises, but overreliance on a single leader's vision without inclusive decision-making processes has sometimes led to failures when rapid, collective action was required.

Regarding your second question, public sector organizations can cultivate essential leadership traits such as communication and adaptability through structured leadership development programs. These programs should include comprehensive training modules that focus on enhancing communication skills, such as active listening, clear and persuasive communication, and crisis communication strategies. Role-playing scenarios and simulations can be particularly effective in preparing leaders to handle real-world challenges. Additionally, fostering adaptability can be achieved by exposing leaders to diverse situations and problem-solving exercises that require flexibility and innovative thinking. Mentorship programs, where experienced leaders guide and support emerging leaders, can also be instrumental in developing these traits. Encouraging a culture of continuous learning and professional development, along with providing opportunities for leaders to take on varied roles and responsibilities, further enhances their ability to adapt and communicate effectively in dynamic public sector environments.

BOARD OF DIRECTORS AND SUSTAINABILITY PERFORMANCE IN THE AEROSPACE INDUSTRY

by Francesca Romana Arduino

Inmaculada Bel Oms: Dear Ms. Arduino, congratulations on your research. I have a question based on the findings obtained. What should be the reason why independent directors have a positive impact on ESG performance on the listed on the STOXX Europe 600?

Alfredo Juan Grau Grau: Dear Francesca, how do you think your results might change if the study were replicated for each of the three pillars that constitute the ESG variable? Could you infer which of the three pillars might be most determinative of the previous results obtained for the ESG variable?

Daniel Tubik: Dear Francesca, thank you for this insightful contribution. Could you elaborate on your diversity independent variable measurement type? Did you use percentages, blau diversity indexes, or something else?

Elisabete Vieira: Dear author. You are working on a hot topic. I enjoy to read your paper, and I think you can go further, increasing the sample to other countries.

Francesca Romana Arduino: Dear Inmaculada, thank you for your interest in this study. Independent directors typically bring a set of diverse expertise and perspectives to the boardroom. This can lead to more robust oversight of ESG-related risks and opportunities, as they are more likely to challenge management and ask critical questions.

Dear Alfredo, thank you for your interest and your comments. In the study, I included also the environmental and the social pillar scores as robustness. While the results remain significant for the social pillar, it is worth noting that some variables lose significance for the environmental pillar.

Dear Daniel, thank you for your interest in our study. The board gender diversity variable has been collected from the LSEG database, and it is quantified as the percentage of female directors on the board.

Dear Elisabete, thank you for your interest in the topic of this study. I agree that extending the analysis to other contexts would provide interesting additional insights.

Daniel Tubik: Thank you. Do you think other diversity dimensions (age, education, nationality, etc.) would yield similar results?

Marco Venuti: Dear authors, my compliments on your work. It is an important contribution to the extensive literature on the influence of gender on the board of directors. I suggest completing it by framing it, if possible, within a solid theoretical framework (e.g., legitimacy theory, neo-institutional theory, etc.), improving the literature, and providing solid explanations for the results obtained. I look forward to reading your paper in a top-ranked journal.

Magdi El-Bannany: Dear Francesca, thanks for the interesting topic of study. Kindly, I have some questions:

1. Your study highlights several board characteristics that impact sustainability performance. Could you elaborate on how gender diversity and the presence of independent directors specifically contribute to enhanced ESG performance?
2. The study found that CEO-Chairman duality negatively affects sustainability performance. Can you discuss the mechanisms behind this finding and suggest ways companies can mitigate these negative effects?

Francesca Romana Arduino: Dear Marco, thank you for your interest. I appreciate your insightful comments and suggestions in relation to the improvement of the study.

Dear Magdi, thank you for your interest in this study. The positive impact of board gender diversity and independence on ESG performance is consistent with prior research. In fact, sustainability-related matters seem to receive higher attention by female directors and independent directors may provide robust oversight of ESG-related risks and opportunities.

While, as indicated in the paper, CEO-Chairman duality could potentially lead to conflicts of interest, a lack of checks and balances, and a diminished focus on long-term sustainability goals, thereby undermining the overall ESG performance of aerospace companies.

Paolo Capuano: Dear Francesca, this research study is very interesting and also close to my research areas. I also had a similar idea in mind but referring to the banking sector. I ask you if there are specific reasons for choosing companies from the aerospace industry as the analysis sample.

Chan Du: Dear Francesca, thank you for the interesting and important research. I wonder if you have looked at the impact of the CSR committee on the sustainability measures. It might be included as a control variable.

Francesca Romana Arduino: Dear Paolo, thank you for your interest in this study. The aerospace industry is one of the industries increasingly facing sustainability-related challenges. In particular, due to the industry's environmental impact, regulatory bodies are imposing stricter regulations on the aerospace sector, while stakeholders expect aerospace companies to demonstrate environmental responsibility and social accountability.

Dear Chan, thank you for your interest and your comments. I will consider your suggestion about including the CSR committee.

Paolo Capuano: Dear Francesca, thanks for your interesting response.

Tariq H. Ismail: Dear Francesca, I believe that the following paper might enrich your findings.

Ismail, T. H., & Obiedallah, Y. R. (2023). Does climate risk disclosure shape conservatism? The role of earnings quality in the Egyptian context. *Future Business Journal, 9*(1), Article 96. https://doi.org/10.1186/s43093-023-00278-1

CAN ETHICAL BEHAVIOUR REDUCE CREDIT RISK? FOCUS ON THE MODERATOR ROLE OF THE BOARD OF DIRECTORS

by Caterina Cantone and Alessia Spignese

Magdi El-Bannany: Dear Caterina and Alessia, thanks for the valuable study. Please, I have some queries:

1. Your study highlights the moderating role of board characteristics such as gender diversity and independent directors. Could you elaborate on how these board features influence the relationship between LR and credit risk?
2. The findings indicate a positive association between women on the board and the EM-score. Can you discuss why gender diversity might enhance a company's credit risk profile?

Caterina Cantone: Hi Magdi, thank you for your question. Mainly a heterogeneity of the board leads to:

Better ethical supervision as different perspectives lead to sound decision-making, ensuring adherence to LR standards.

A risk-weighted approach of female directors leads to conservative financial strategies, reducing credit risk. Improved stakeholder confidence due to gender diversity enhances the company's reputation and builds creditor confidence, reducing credit risk. The presence of independent directors makes it all the better as there can be objective oversight of independent directors providing impartial governance, ensuring ongoing compliance with LR standards, improving transparency and accountability, reducing information asymmetries, and thus reducing credit risk. Their presence increases creditor confidence and ensures prudent risk management, reducing credit risk. In summary, gender diversity and independent directors enhance the positive impact of LRs on a company's credit risk, ensuring ethical behavior, sound oversight, and increased stakeholder and creditor confidence.

For the second question, gender diversity improves the credit risk profile because women on boards promote higher ethical and compliance standards, reducing financial risks. The conservative approach of women on boards leads to prudent financial management, reducing credit risk and prioritizing sustainable growth and stability, improving the company's financial health. Gender diversity builds trust and improves the company's reputation, leading to favorable credit terms, and the presence of women on boards enhances governance, transparency and accountability, increasing credibility with creditors. Thus, gender diversity on boards contributes to more stable financial performance and lower perceived credit risk.

Sunita S. Rao: Hi Caterina and Alessia. Your paper is very interesting. Do you use OLS regressions to reach your conclusions?

Caterina Cantone: Hi Sunita, yes, we use OLS regression to reach our conclusions.

Sunita S. Rao: Thank you for your response. Have you thought about including firm profitability as a control variable?

Daniel Tubik: Hi Caterina, great work and really insightful research. Did you somehow check for or consider endogeneity issues in your panel regression? Like lagged variables?

Caterina Cantone: No, but being a work in the embryonic stage we will think about it, thanks for your interesting cue.

Hi Daniel, no but being a work in development we will consider this to deepen and make the work more robust. Thank you for your question.

THE DOWNSIDE OF BOARD DIVERSITY: LANDSCAPES AND CHALLENGES

by Pedro B. Água and Anacleto Correia

Pongsakorn Limna: The paper excels in its detailed examination of various cultural dimensions and models (e.g., Hofstede, Trompenaars, Hall) and their impact on boardroom dynamics. This comprehensive review is crucial for understanding the nuanced ways in which culture influences corporate governance. Although the paper discusses the downsides of board diversity, it could benefit from a more balanced view by also considering how these challenges are being successfully addressed in some organizations. This would provide a fuller picture of the landscape.

Tanpat Kraiwanit: Thank you for sharing your valuable conference proceeding. In my opinion, this paper contributes significantly to the understanding of the challenges posed by cultural diversity in corporate boards. It opens up several avenues for further research and provides a foundation for both academic and practical advancements in the field of corporate governance.

Mohamed Sharif Bashir: Thanks for the valuable research contribution. What the paper discusses of the downsides of board diversity, will help how to respond positively to challenges in companies and develop appropriate policy implications for potential difficulties.

Patrick Ulrich: Thank you for the great contribution that sheds light on the importance of cultural diversity in boards.

Valentina Santolamazza: Dear authors! This is a fascinating topic, and your approach is truly insightful! Could you share how you defined the domains listed in Table 1, from the literature that you analysed in the paragraph? I think it could help in following your reasoning.

Alexander Kostyuk: Dear Pedro and Anacleto, that is great to see you at our conference forum. At the beginning of your presentation, you mentioned a need to promote board diversity. What mechanism of such promotion do you consider relevant? What groups of promoters should be at the forefront of such promotion?

Marco Venuti: Dear authors, my compliments on writing a draft paper that goes against the grain. The use of extensive references to empirical research results that lead to non-uniform outcomes on the gender topic could be helpful. Additionally, as you mentioned, *ad hoc* research supporting your considerations would be necessary. I look forward to reading the final version of your paper in a top-ranked journal.

Magdi El-Bannany: Dear Pedro and Anacleto, thanks for the valuable topic of study. Kindly I have some questions:

1. Your study suggests that increased board diversity can lead to more conflicts. Can you elaborate on the types of conflicts that are most common and how they impact board dynamics?
2. You discuss several cultural models (e.g., Hofstede, Hall, Trompenaars). Which model do you find most applicable for understanding boardroom conflicts, and why?

Pedro B. Água: Hi Magdi, we didn't focus on increasing board diversity, but raised the need to address "non-intended" consequences of diversity (as is in the title). As for which models are more suitable, I'm afraid (some literature on decision-making even suggests it), that multiple models promote better decisions. Therefore, one model covers blind spots of other models and so on. We as humans like to keep things simple, and we would like to have a "one size fits all". However, I'm afraid that may not be wise. Moreover, in a parallel with "*The Wisdom of Crowds*", we believe we have to use multiple models, regardless of the increase in complication.

Dear Alexander, thank you for your question. Even if we didn't address research towards increasing diversity, and perhaps using "quotas" isn't the best approach, what at this early stages of research. I could suggest would be to have a framework specifying more compatible cultures and less compatible cultures. Apart from dangerous stereotypes which sometimes we fall when following cultural models, it would theoretically be possible to produce a matrix (potentially enormous) of which cultures can be easily blended and which ones may be more prompt to conflicts. A culture model is like a lens, which dictates the way we see the world and interrelate with each other. As a consequence such may have a closer cause-and-effect (even correlation) with the rise of conflicts within a certain board, affecting board dynamics and ultimately making board sessions more productive/effective or not.

Hi Valentina, we defined the contents of Table 1 based on diverse pieces of literature from the references and beyond (the well-known literature on culture models). This is the first cut in a line of research on the intersection of national cultures and the impacts on board dynamics and effectiveness. Obviously, we have planned further research on designing solutions, such as compatibility clarity, so we can end up with guidelines regarding which cultural diversity is adequate and which mixes are less desirable. Obviously, there's not such a thing as a good culture or a bad culture; cultures are simply different, and some are more compatible and some less (in the sense they may raise higher levels of conflicts) and impact board dynamics differently.

Dear Pongsakorn, you are right. This is a new research line we started with culture models in a broad sense and with distinct scopes. However, we saw either from some boards we have been participating in that the dynamics are often affected negatively by cultural differences (actually it goes beyond merely country cultures; it also happens in M&A with different organizational cultures). In future research, we intend to dive into findings about compatibility. Our starting hypothesis is that "too" different cultures may be counter-productive, however, we also know that diversity is a source of innovation and problem-solving... as long as they are minimally on the same page.

DO GOOD GOVERNANCE PRACTICES, MODERATED BY GENDER PARITY, STRENGTHEN ENVIRONMENTAL, SOCIAL, AND GOVERNANCE PERFORMANCE FOR EUROPEAN COMPANIES?

by Alfredo Juan Grau Grau, Manuel Castelo Branco, and Inmaculada Bel Oms

Alexander Kostyuk: Dear Alfredo and colleagues, you are welcome to take part in our conference forum. Could you specify the most sensitive indicators of ESG performance to the GGGI?

Marco Venuti: Dear authors, my compliments on the paper you have written. I suggest completing it by framing it, if possible, within a solid theoretical framework (e.g., legitimacy theory, neo-institutional theory, etc.) and strengthening the explanations given for the results obtained. For example, the sentence: "Contrary to expectations and existing literature, the combined effect of board gender diversity and national-level gender parity on ESG performance is negative. This suggests that in countries with high gender parity, firms may compensate for low board diversity by engaging more with ESG practices", seems more like a factual statement than a technical explanation of the results obtained.

Alfredo Juan Grau Grau: Dear Alexander, the most sensitive parameters are board gender diversity, busy directors and stakeholders engagement. The role of the pillar related to good corporate governance practices stands out with respect to the other two pillars (environmental and social).

Dear Marco, thank you very much for your suggestion. Legitimacy theory and neo-institutional theory seem like good proposals for improvement. The current version of the paper incorporates agency theory and stakeholder theory. It could be complemented by the two theories you propose.

Magdi El-Bannany: Dear colleagues, thank you for the interesting study. Kindly I have some questions:

1. Your study found that the combined effect of board gender diversity and national gender parity on ESG performance is negative. Can you elaborate on why this might be the case, despite the generally positive expectations?
2. Your study highlights the positive impact of stakeholder engagement on ESG performance, especially in countries with higher gender parity. Can you provide more details on how stakeholder engagement practices differ in such environments?

Alfredo Juan Grau Grau: Dear Magdi, first of all, thank you for your kind words. I would like to point out that in national contexts characterized by lower gender parity, the consequences in terms of firm legitimacy of having a low proportion of women on the board are likely to be less. This means that in countries with high levels of gender parity, such as the ones in our sample, having low proportions of women on boards may threaten firm legitimacy. Given that ESG engagement is itself a legitimacy-building instrument, it may be the case that in countries with higher levels of gender parity, firms with lower levels of women on the board will engage with ESG more thoroughly as a means of compensating the loss of legitimacy of lower board gender diversity.

DO BOARD COMMITTEES CONTRIBUTE TO ENVIRONMENTAL, SOCIAL, AND GOVERNANCE PERFORMANCE: THE MODERATING ROLE OF GLOBAL GENDER GAP INDEX

by Alfredo Juan Grau Grau, Inmaculada Bel Oms, and Janny Magdeline Núñez Almonte

Alexander Kostyuk: Dear Alfredo and colleagues, you are welcome to take part in our conference forum. Could you specify the most sensitive indicators of ESG performance to the GGGI?

Alfredo Juan Grau Grau: Good morning, Alexander. Thank you for your inquiry. The most relevant indicators in the context of the Global Gender Gap Index are primarily gender diversity on the board, board member affiliations, and the influence of stakeholders. If we examine the study according to the ESG pillars, we can see that the relevance of these variables is mainly justified by the efforts of these European sustainable companies from the perspective of good corporate governance. Aspects related to environmental preservation and social aspects still seem to have a lower weight.

Alexander Kostyuk: Thank you, Alfredo. Could you describe in more detail the board member affiliation as the most relevant indicator in the context of the Global Gender Gap Index?

Alfredo Juan Grau Grau: The member affiliations is the percentage of the average number of other corporate affiliations for the board member.

Magdi El-Bannany: Dear colleagues, thank you for the interesting study. Kindly I have some questions:

1. Your study highlights the impact of corporate governance and CSR committees on ESG performance. Can you discuss the specific functions of these committees that contribute most significantly to ESG outcomes?
2. The study finds that higher gender parity at the national level positively influences ESG performance. How do you think companies can leverage this external factor to enhance their ESG initiatives?

Janny Magdeline Núñez Almonte: Dear Magdi, thank you for your inquiry. Our study shows that the existence of CSR committees improves ESG performance of European sustainable companies. This result is in line with resource dependence theory and stakeholders theory, the experience and specific knowledge of the CSR committee members provide advice to the board of directors on ESG issues, improving the development of ESG strategies and consequently ESG performance.

Furthermore, the country-level gender parity as an institutional factor can influence the firm environment. In countries with higher gender parity, there is greater equality of opportunities and conditions for both males and females. As a result, stakeholders in these countries tend to have a more socially and ethically oriented approach, which companies must respond to in order to maintain the legitimacy and reputation of their ESG activities. Companies operating in such environments are likely to face higher expectations for ethical behavior and social responsibility, making it crucial for them to adopt inclusive and equitable practices that align with stakeholder values and societal norms.

CORPORATE GOVERNANCE AS THE CORNERSTONE OF CORPORATE SUSTAINABILITY AND THE ROLE OF ADEQUATE ORGANIZATIONAL STRUCTURES

by Guia Coppola

Alexander Kostyuk: Dear Guia, welcome to our conference platform. What are the main obstacles on the way to improve the corporate sustainability of companies in Italy? Is the board of directors of companies actually attributed to these problems too?

Sara Fratini: How could objectives and indicators be incorporated into the decision-making process? For small businesses, especially present in Italy, isn't it too difficult to change their organizational structure without incentives that support them?

Guia Coppola: Thank you for welcoming me to the discussion. In my opinion, some of the main obstacles on the path to improving corporate sustainability in Italy include a lack of awareness and understanding of the importance of sustainability practices beyond just environmental issues, limited resources for small and medium-sized enterprises, and financing, as well as a lack of effective regulatory incentives and clear standards for companies. Implementing these elements, I believe, would help prioritize corporate sustainability in Italy.

It is also possible that company boards of directors may contribute to these obstacles by not placing enough importance on sustainability within their strategic decision-making processes. Without strong leadership and commitment from the highest levels, it can be extremely difficult for companies to fully integrate sustainability into their operations and long-term planning.

Overall, I believe that increasing awareness, providing incentives, and fostering a culture of sustainability within companies are fundamental steps to overcoming these obstacles and driving meaningful change towards corporate sustainability in Italy.

Alfredo Juan Grau Grau: Dear Sara, thank you for raising this issue. The truth is that implementing ESG criteria is complicated, especially for SMEs, as it involves a significant economic effort. This is why institutional support is crucial. However, SMEs can implement ESG principles by setting specific objectives, selecting relevant indicators, involving stakeholders, and publishing transparent reports. It is important to train employees and regularly review strategies to ensure continuous improvement in sustainability, social responsibility, and good corporate governance.

Dear Guia, I fully agree with your remarks.

Guia Coppola: Thank you for bringing up this question to me. Including objectives and indicators in the decision-making process is less complex than one might think. I agree that it may be more challenging for small and medium-sized enterprises, but based on my professional experience (gained at Lo Studio Associato Coppola in Naples), I can assure you that even in small companies, by making small adjustments and enhancing what is already in place, it is possible to improve sustainability performance in terms of governance.

Firstly, it is important to clearly define the sustainability and corporate social responsibility objectives that you want to achieve. These objectives should be specific, measurable, achievable, relevant, and time-bound (SMART).

Next, it is necessary to identify the indicators that will allow monitoring of the achievement of these objectives. The indicators should be quantifiable, verifiable, reliable, relevant, and consistent with the established objectives.

Once the objectives and indicators are defined, it is important to integrate them into the company's decision-making process. This can be done by incorporating these parameters into action plans, investment plans, company policies, and daily decision-making processes.

Moreover, it is crucial to involve all stakeholders of the company in defining sustainability and corporate social responsibility objectives and indicators. Only through a participatory and inclusive approach will it be possible to achieve real and lasting change in the company.

Lastly, it is important to constantly monitor the results obtained through the defined indicators and make any necessary changes and improvements to the decision-making process based on the feedback received.

In conclusion, including objectives and indicators in the company's decision-making process to improve sustainability and corporate social responsibility performance is possible even for small and medium-sized enterprises, as long as a structured approach is followed and all stakeholders are involved.

Valentina Santolamazza: Dear Guia, this is indeed a very interesting theme. I completely agree that the proper mechanisms of corporate governance, particularly through well-structured organizational frameworks, are crucial for sustainability. We see this importance reflected in listed companies with the introduction of new corporate governance codes, which prioritize sustainable success, and the emergence of benefit corporations and B-Corps.

How do you plan to further develop this topic, and what future directions do you foresee for integrating these governance structures into corporate sustainability strategies?

Guia Coppola: Thank you for your insightful comment, Valentina! I plan to further develop this topic by delving deeper into the effectiveness of different corporate governance structures in promoting sustainability. I also aim to explore case studies of companies that have successfully integrated these governance mechanisms into their sustainability strategies, highlighting best practices and lessons learned.

In terms of future directions, I foresee a continued shift towards greater transparency and accountability in corporate governance, with a focus on long-term sustainability rather than short-term financial gain. I believe that integrating these governance structures into corporate sustainability strategies will not only benefit companies by enhancing their reputation and competitiveness but also contribute to creating a more sustainable and responsible business environment overall.

Alfredo Juan Grau Grau: Thank you very much for your contributions and conclusions. A practical view from a professional standpoint is always interesting and closer to the real world.

Guia Coppola: I'm glad you found my perspective valuable. It's important to consider practical implications in any discussion, especially when it comes to professional matters. I strive to provide insights that are realistic and applicable to real-world situations. Thank you for your appreciation!

Magdi El-Bannany: Dear Guia, thanks for the valuable study. Please, I have some queries:

1. Can you elaborate on how you define "corporate sustainability" in your study and how it is linked to corporate governance?
2. How should companies integrate ESG (environmental, social, governance) principles into their corporate strategies to ensure long-term sustainability?

Guia Coppola: Thank you for your interest in my study on corporate sustainability. To address your queries:

1. In my study, corporate sustainability is defined as the integration of economic, environmental, and social factors into a company's business operations and decision-making processes. This includes adopting sustainable practices that minimize negative impacts on the environment, society, and stakeholders, while also creating long-term value for the company.

Corporate governance plays a crucial role in driving corporate sustainability by providing the framework and guidelines for how a company should operate ethically and responsibly. Strong corporate governance practices can help ensure that sustainability considerations are embedded into the company's strategy, risk management, and disclosure practices.

2. Companies can integrate ESG principles into their corporate strategies by incorporating sustainability goals and targets into their business plans, setting up governance structures that prioritize sustainability, and measuring and reporting on ESG performance. Some ways to do this include:

Investing in renewable energy sources and reducing carbon emissions to mitigate environmental impact.

Implementing fair labor practices, promoting diversity and inclusion, and supporting community development programs to enhance social impact.

Encouraging transparency, accountability, and ethical behavior in all aspects of the business to strengthen overall governance practices.

By integrating ESG principles into their corporate strategies, companies can create long-term value, improve brand reputation, enhance stakeholder relationships, and ensure the sustainability of their business operations. I hope this helps clarify your queries.

Adam Samborski: Dear Guia in your article you refer to highly topical sustainability issues. You rightly emphasize the importance of governance in a company for its sustainability. I also like the concept of your forthcoming article's skilful reference to relevant legal solutions relating to "sustainable governance". You also rightly refer to the experiences of other countries in this area. In your future article, in my opinion, you should dispel the theoretical part of the considerations. You might also consider a broader discussion of the role of "sustainable governance" of company bodies. It is also worth developing the issue of "success indicators". You might also consider giving some practical examples.

Guia Coppola: Dear Adam, thank you for your feedback on my article. I appreciate your recognition of the importance of governance in achieving sustainability within a company. I will definitely take into consideration your suggestion to incorporate more practical examples and dispel some of the theoretical aspects in my future article on "sustainable governance".

I agree that a broader discussion on the roles of company bodies in sustainable governance would be beneficial, as well as exploring and developing the concept of "success indicators" in this context.

I will strive to make the upcoming article as informative and engaging as possible, drawing on the experiences of other countries and relevant legal solutions to provide a well-rounded perspective on sustainable governance.

Thank you for your valuable input, and I look forward to incorporating your suggestions in my future work.

THE INFLUENCE OF CORPORATE GOVERNANCE ON ENVIRONMENTAL, SOCIAL, AND GOVERNMENT DISCLOSURE: EMPIRICAL EVIDENCE ON THE EUROPEAN UNION BANKING INDUSTRY

by Paolo Capuano

Alexander Kostyuk: Dear Paolo, I am pleased to see you at our conference forum. Your study evaluates the impact of corporate governance on ESG (environmental, social and governance) disclosure in the banking industry. What features of ESG disclosure do you find specific to the banks compared to the industrial companies?

Paolo Capuano: Thanks Alexander, it is always a pleasure to be able to participate in the international conferences organized by Virtus, which increasingly stimulate the development of new research ideas. ESG disclosure takes on, in the context of banking activity, particularly complex connotations given that, in this sector, the parameter of "sound and prudent management" plays a systemic role, indicating a rule of conduct for the bank's administrators that goes into a different direction than the one they could take in the industrial companies.

If the latter allows, in fact, not to discourage risk-taking by directors, on the contrary, the canon of "sound and prudent management" fulfills, not only for the individual bank but at a systemic level, the function of inducing "prudence" in taking risks in carrying out banking activities.

Inmaculada Bel Oms: Dear authors, congratulations on your research. I have a question based on the findings obtained. What should be the reason why independent directors have an unusual impact on ESG disclosure in the EU banking industry? Because I think the association between board independence and ESG disclosure should be positive.

Paolo Capuano: Dear Inmaculada, thanks for the interesting observation. My view is that independent directors are uniquely positioned to support ESG integration. They offer unbiased perspectives and diverse expertise, ensuring that companies find a balance between profitability and responsible practices. Additionally, independent directors strengthen board oversight by actively engaging in ESG discussions. Their critical examination of ESG strategies holds companies accountable, promoting transparency and ethical behavior. Therefore, I agree with the theoretical idea of the positive impact of these directors on ESG disclosure. In fact, the objective of the research is to empirically verify the existence and sign of this relationship.

Magdi El-Bannany: Dear Paolo, thanks for your valuable study. Please I have some queries:

1. You utilized a dynamic generalized method of moments (GMM) and quantile regression analysis. Can you elaborate on why these methods were chosen and how they enhance the robustness of your findings?
2. Your study finds that board gender diversity and board size positively influence ESG disclosure levels. Can you discuss the possible reasons behind these findings?

Alexander Kostyuk: Dear Paolo, I see your point. So, the role of regulator, probably the Central Bank, should not be underestimated. ESG disclosure is a case to provide common guidance to banks. All the rest of these later should be mandatory to follow or not. It seems to me that the market is now not ready to provide certain benefits to those banks following ESG disclosure with strict discipline.

Yan Wang: Dear authors, it is interesting to see that you are using quantile regression in addition to GMM to test the nexus between corporate governance mechanisms and ESG disclosure. I want to ask what are the main findings of QR and whether are they consistent with GMM results. Have you looked the the impact of regulations on these relations?

Sara Fratini: Very interesting to have analyzed the disclosure of ESG issues in banks. Banks today are paying a lot of attention to the issue of sustainability, also rigorously selecting the subjects to whom they provide financing. Particular attention in Italy to ESG aspects is certainly provided by cooperative credit banks.

Paolo Capuano: Dear Magdi, thank you for the interesting questions.

In reference to the first question, the use of the generalized dynamic method of moments (GMM) allows us to include the lagged dependent variable among the regressors. In this way, it is, therefore, possible to also capture the time lag effects of the independent variable on the dependent variable. This is particularly important as the time dimension for which data is available expands. Quantile regression analysis, on the other hand, is useful because it aims to estimate the conditional median or other quantiles of the dependent variable. An advantage of median regression is that parameter estimates are more robust to extreme values, just as the median is to the mean. Comparing median regression estimates to mean regression estimates can reveal whether outliers are influencing your results.

With reference to the second question, academic literature agrees that diversity in an organization fosters problem-solving, improves leadership effectiveness and stimulates global collaborations. Particular attention should be paid to diversity on boards of directors regarding gender representation, as men and women have different cultural, social and personal traits. Consequently, the presence of women directors balances the attitudes and characteristics of men, improving the independence of the board and the quality of managerial monitoring which in turn favors higher levels of transparency and responsibility. Agency theory provides two contrasting views on the influence of board size on ESG disclosure. The first suggests that a board's monitoring capacity increases as the number of directors increases because larger boards are less likely to be influenced by managers or affected by workload problems. On the other hand, agency theory predicts that when a certain threshold of board size is exceeded, board communication and coordination become more effortful, hindering the effectiveness of monitoring tasks and slowing decision-making.

Dear Alexander. Exactly, the Central Bank plays a fundamental role in ESG disclosure by defining common rules and monitoring their correct application.

Dear Yan, the questions are very interesting and stimulating. The empirical analysis carried out so far shows consistency in the results of the two statistical methodologies used, although further robustness checks will need to be carried out. I also thank you for the second question which helps me improve the data analysis. In fact, in the final version of the paper, the possible impact of the legislation on the relationships analyzed will also be examined.

Paolo Capuano: Dear Sara, thank you for the interesting observations. In fact, a possible development of the analysis could also be conducted for cooperative credit banks. If you are interested, after the conference, we could discuss together a specific research project aimed at verifying the ESG disclosure of Italian credit cooperative banks.

Tariq H. Ismail: Dear Paolo, nice to see your work. I do recommend to carry out a robustness test to consider the moderating role of some related variables as bank capital requirements. For more details, please consult the following papers:

Samy El-Deeb, M., Ismail, T. H., & El Banna, A. A. (2023). Does audit quality moderate the impact of environmental, social and governance disclosure on firm value? Further evidence from Egypt. *Journal of Humanities and Applied Social Sciences, 5*(4), 293–322. https://doi.org/10.1108/JHASS-11-2022-0155

Ismail, T. H., & Ahmed, E. A. (2022). Impact of risk governance on performance and capital requirements: Evidence from Egyptian banks. *Corporate Ownership & Control, 19*(2), 179–193. https://doi.org/10.22495/cocv19i2art14

Paolo Capuano: Dear Tariq, thank you very much for your comments and suggestions which I will take into consideration during the research and when writing the final paper.

THE POTENTIAL OF "GREEN NANOTECHNOLOGY" FOR A BETTER SUSTAINABLE ECONOMY: A PRELIMINARY ANALYSIS

by Lucia Martiniello, Talita Rossi, and Marco Sorrentino

Alexander Kostyuk: Dear Lucia and colleagues, you are welcome to take part in our conference forum. Sustainability in the context of green nanotechnologies is a promising research stream. How do you see the potential of "green nanotechnology" to be applied within companies for a better sustainable economy? What is the role of the board of directors and shareholders? What is the role of regulation?

Magdi El-Bannany: Dear colleagues, thanks for the interesting study. Kindly I have some questions:

1. Your study mentions the importance of combining economic efficiency with environmental protection. How does green nanotechnology achieve this balance, and what are some real-world applications where this balance is evident?
2. How does the recent Corporate Sustainability Reporting Directive (CSRD) in the EU influence the adoption and reporting of green nanotechnology practices by companies?

THE IMPACT OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE COMMUNICATION DISCLOSURE ON DIVIDEND DISTRIBUTION

by Mohammed Lamtiri Laarif, Nahid Bikhzazen, and Hassan Bassidi

Tanpat Kraiwanit: The focus on ESG factors is extremely pertinent in today's investment landscape where sustainability has become a critical issue. The paper's exploration of how these factors influence dividend distributions in Morocco is both relevant and timely, contributing significantly to both academic and practical understandings of corporate governance. The discussion could extend beyond the corporate and financial implications to consider the potential policy implications. This would be particularly valuable for policymakers looking to encourage more sustainable business practices through regulations and incentives.

Alexander Kostyuk: Dear Mohammed and colleagues, it is great to see you at our conference forum. You stated that companies may respond to mandatory ESG reporting by increasing or decreasing their dividend payments and your study aims to deepen research in the Moroccan context to address this issue and better understand the impact of ESG disclosure on dividend payments. It seems that you consider the issue of ESG reporting through a prism of mandatory reporting. What do you think about the role of the voluntary ESG reporting? Is it powerful or not?

Inmaculada Bel Oms: Dear authors, congratulations on your research. I have a question based on the distribution of dividends. How do you calculate the value of dividends? Is it a categorical variable, dummy or is the total amount of dividends?

Alfredo Juan Grau Grau: Dear Mohammed and colleagues, why did you focus on the financial sector, and how do you think this same study could impact other key sectors of the Moroccan economy, such as the technology sector?

Mohammed Lamtiri Laarif: Dear Tanpat, thank you very much for your interest in my topic. Indeed, my study focuses on the impact of ESG communication on dividend payments. In our statistical analysis, we did not take the political aspect into account. However, this point could be explored by other researchers in future studies.

Dear Alexander, thank you for this opportunity. I am very happy to have the chance to participate with you in this conference. Indeed, in the Moroccan context, ESG reporting in annual reports has only become mandatory after the European Parliament Directive 2014/95/EU. It is important to specify that this obligation applies only to publicly listed companies.

However, it is also relevant to note that some companies started voluntarily applying ESG principles as early as 2003 in their organizations, strategies, and structures. This highlights the importance of this topic and its evolution over time.

Dear Inmaculada, thank you for your kind words and for your question. The value of dividends in our study is not calculated by us. Each company listed on the Casablanca Stock Exchange declares the amount of dividends they wish to distribute to shareholders. We collected these declared dividend amounts for our analysis. In our dataset, dividends are represented as the total amount of dividends distributed by each company. Thank you again for your interest in our research.

Lucky T. Musikavanhu: Dear Mohammed and team, in your analysis, did you factor in the effect of COVID-19 on the results considering the time frame of your analysis? COVID-19 posed some structural breaks to the majority of the studies.

Mohammed Lamtiri Laarif: Dear Alfredo, thank you for your insightful question.

We focused on the financial sector because it plays a crucial role in the Moroccan economy and has a significant impact on overall economic stability and growth. Additionally, the financial sector is highly regulated and transparent, making it easier to obtain reliable data for our analysis.

However, we believe that the insights gained from this study can be valuable for other key sectors of the Moroccan economy, such as the technology sector. The principles of ESG reporting and its impact on dividend policies can be applied across various industries. In the technology sector, for example, companies might benefit from ESG practices by enhancing their innovation capabilities, improving their brand reputation, and attracting a more diverse investor base.

Further research could explore the specific dynamics of ESG disclosure and dividend payments in different sectors to provide a more comprehensive understanding of how these practices impact various areas of the economy.

Thank you again for your question and for engaging with our research.

Dear Lucky, thank you for your thoughtful question. Yes, we did take into account the effect of COVID-19 in our analysis. The time frame of our study overlaps with the period of the pandemic, which posed significant structural breaks and economic challenges globally. We have included specific considerations and adjustments in our methodology to account for the potential impact of COVID-19 on the financial performance and dividend policies of the companies analyzed. Thank you again for your question and for engaging with our research.

Marco Venuti: Dear authors, on the basis of which logic did you choose agency theory in your research rather than other theories, e.g., stakeholder or resource dependency theory? Does your chosen theory provide an overall explanation of your results?

Mohammed Lamtiri Laarif: Dear Marco, thank you for your insightful question.

We chose to use agency theory in our research because it provides a robust framework for examining the relationship between ESG disclosure and dividend payments, particularly in the context of publicly listed companies. Agency theory focuses on the conflicts of interest between managers (agents) and shareholders (principals), which is particularly relevant when analyzing how corporate governance practices, such as ESG disclosures, can influence dividend policies.

While agency theory offers a strong foundation for our study, we recognize that other theories, such as stakeholder theory or resource dependency theory, could also provide valuable perspectives. Our chosen theory does provide a comprehensive explanation of our results, particularly in the context of how ESG disclosures can mitigate agency problems and align the interests of managers and shareholders. However, incorporating insights from other theories in future research could further enrich the understanding of the impact of ESG practices on dividend policies. Thank you again for your thought-provoking question.

Magdi El-Bannany: Dear colleagues, thanks for the valuable study. Kindly I have some queries:

1. Your study covers the period including the COVID-19 pandemic. How did the pandemic affect ESG initiatives and dividend policies among the companies in your sample?
2. Your research mentions the quality of a company's relationships with external stakeholders. How do you measure these relationships, and what impact do they have on dividend distribution?

Sara Fratini: Was there any event that pushed companies to pay more attention to ESG principles between 2016 and 2021?

Chan Du: Dear authors, thank you for the important research on the impact of required ESG disclosure on dividend distribution. I wonder what regressions you use to test the impact. I found a recent article by Chen, Li, Torsin, Tsang (2024), published in the *Journal of International Financial Markets, Institutions & Money*, that used a staggered difference-in-differences method, which might be used as a robust test.

Sunita S. Rao: Hi Mohammed, Nahid and Hassan. Is there something similar to the SEC climate disclosure rule in Morocco?

Mohammed Lamtiri Laarif: Dear Sunita, thank you for your question.

In Morocco, the equivalent of the SEC (Securities and Exchange Commission) in the United States is the AMMC (*Autorité Marocaine du Marché des Capitaux*). The AMMC is responsible for regulating and supervising the capital markets in Morocco, including the implementation of disclosure requirements.

While there isn't an exact equivalent to the SEC's Climate Disclosure Rule in Morocco, the AMMC has been actively working to enhance ESG (environmental, social, and governance) reporting standards. The AMMC encourages listed companies to disclose their ESG practices, and there is a growing emphasis on sustainability reporting in line with international best practices. Thank you for your interest in this topic.

Dear Sara, thank you for your question.

Moroccan companies started integrating ESG concepts, specifically CSR, well before 2016. For instance, BOA and Lydec began incorporating these principles into their structure and organization as early as 2003. However, starting in 2014, we witnessed significant regulatory changes. The 2014/95/EU directive from the European Parliament, which influenced Moroccan companies, also played an important role.

These changes encouraged companies to adopt better ESG practices, meeting the growing expectations of investors and aligning with global sustainability trends.

Thank you again for your question and for your interest in our research.

Dear Chan Du, thank you for your insightful question and for highlighting the recent article by Chen, Li, Torsin, and Tsang (2024).

In our research, we utilized multiple regression analysis to test the impact of required ESG disclosure on dividend distribution. Specifically, we employed ordinary least squares (OLS) regression models to examine the relationship between ESG disclosure and dividend payouts, controlling for various firm-specific characteristics such as size, profitability, and leverage.

We are aware of the staggered difference-in-differences method mentioned in the article you referenced. This method could indeed provide a robust test by accounting for potential endogeneity issues and capturing the causal impact of regulatory changes on ESG disclosure and dividend policies. While we did not use this specific method in our current study, it represents a valuable approach that could be considered in future research to further validate our findings.

Thank you again for your question and for pointing out this relevant methodology. We appreciate your engagement with our work.

Dear Magdi, thank you for your thoughtful questions and for your interest in our study.

1. Impact of COVID-19 on ESG initiatives and dividend policies

The COVID-19 pandemic had a significant impact on ESG initiatives and dividend policies among the companies in our sample. During the pandemic, many companies faced financial uncertainty and operational disruptions, which led to a heightened focus on sustainability and corporate governance. We observed that companies with strong ESG practices were better equipped to navigate the challenges posed by the pandemic, maintaining or even enhancing their ESG initiatives despite the adverse conditions.

In terms of dividend policies, some companies opted to reduce or suspend dividend payments to preserve liquidity during the pandemic. However, firms with robust ESG frameworks were often able to maintain stable dividend distributions due to their resilient business models and strong stakeholder relationships.

2. Measuring relationships with external stakeholders

In our research, we measure the quality of a company's relationships with external stakeholders using several indicators, including:

Stakeholder engagement: The extent and effectiveness of a company's engagement with various stakeholder groups, such as customers, suppliers, and the community.

Transparency and disclosure: The level of transparency in a company's communications and its adherence to best practices in ESG reporting.

Stakeholder satisfaction: Surveys and feedback mechanisms to gauge the satisfaction and trust of stakeholders in the company's actions and policies.

The impact of these relationships on dividend distribution is significant. Companies that maintain strong, positive relationships with their stakeholders tend to experience greater stability and support during turbulent times, which can lead to more consistent and sustainable dividend policies. Effective stakeholder engagement also contributes to a company's reputation and long-term success, further enhancing its ability to provide reliable returns to shareholders.

Thank you again for your questions. We appreciate your engagement with our research.

THE GOVERNANCE OF CORPORATE DIGITAL RESPONSIBILITY

by Manuel De Nicola and Sara Fratini

Janny Magdeline Núñez Almonte: Dear Manuel and Sara, thank you for the work done, I was happy and surprised at the same time to learn about CDR, it is a new topic. It is necessary to promote companies to apply CDR activities to their sustainability reports. What do you think would be the challenges and risks of not considering CDR activities in sustainability reports?

Sara Fratini: Companies that do not consider the topic of CDR could have a negative effect on customers who ask for and need greater transparency.

One of the main challenges in my opinion is to integrate ESG issues from a digitalisation perspective. Many companies still have not integrated this aspect into their sustainability reports.

Phindile R. Nene: Dears, thank you for introducing the concept of CDR it is very critical considering the evolving technologies. Should you wish to add more advantages and disadvantages of AI you may check my latest publication on the link and the research question was "*Can artificial intelligence replace assurance, governance and risk management professionals?*"

As a telecommunication (Telco) subject matter expert (SME), CDR means something else as it refers to call data records. Therefore, I find the concept of corporate digital responsibility very interesting to read your entire research. Lastly, it will be good that you include all the acronyms' descriptions to ensure that the reader is not making any assumptions, e.g., SASB was not stated in full in your abstract.

Sara Fratini: Dear Phindile, thank you for this suggestion. CDR is a topic that receives greater attention in the telecommunications sector but not only. A fundamental aspect of CDR is, for example, the protection and transparency in the privacy of customer data without using it for economic purposes.

Magdi El-Bannany: Dear Manuel and Sara, thanks for the interesting topic. Kindly I have some queries:

1. What motivated you to explore corporate digital responsibility (CDR) in the context of SASB adopters' sustainability reports? Were there specific trends or gaps in the literature that prompted this research?

2. The concept of AI governance is critical to your study. Can you discuss how AI governance practices are being incorporated into CDR and their impact on sustainability reporting?

Sara Fratini: The SASB standard was considered because it is one of the main standards that affirms reporting principles on a wide range of sustainability-related topics, such as governance, social responsibility and environmental effects.

In the literature, there is a call for further empirical research on the topic and the request for methods to measure the level of CDR in companies.

Governance practices in CDR-related topics are key to our research as the topics are defined based on the ESG framework.

Unfortunately, still few companies disclose issues related to CDR governance in their reports. Furthermore, most information is concentrated in the ICT sector.

Manuel De Nicola: Dear Janny, thanks for your comment. The digital transformation (DT) disruptively impacts on the business models. Even if you produce tomatoes, the role played by data is really relevant, if not more impactful than other (traditional) resources, both in input stages and in output stages including the goods/service consumption one. Such impacts cannot be immediately and directly narrated in financial reporting. So, every stakeholder (mostly investors) requires non-financial reports (or other disclosure) to represent, among other drivers, how companies create/destroy value through DT, which are the hidden risks, etc.

Dear Phindile, many thanks for your suggestion. We will consider for sure your work. AI is more and more used in many fields, including decisional (support) systems, reporting, disclosure (think to chatbot used by companies, etc. For sure CDR impacts many fields (ethics, quality of reporting, competitive advantage gaining, sustainability, etc.). It will be a pleasure to share the paper once is completed. About the Sustainability Accounting Standards Board, for sure we will clarify its story and role. We are open to working together too, about the effectiveness of SASB standards or GRI standards or IFRS S1 and or S2 and similar.

Dear Magdi, thanks for your comments. Beyond what Sara already shared, I would add that among others, the following studies invoke CDR as an extension or as a mechanism of corporate social responsibility (CSR) and so suggest to investigate whether and how reporting is changing to meet with a new driver of accountability. The same research gap is similarly pointed out by those studies that state that CDR is something separate from CSR. However, really few studies investigated the presence of DT-related comments in non-financial disclosure; while most studies investigated how DT is used as a means to produce reports. Consider also that recently there was the merging between the Value Reporting Foundation and the IFRS Foundation to support the new ISSB, and so even companies non-fin reporting practices are going to turn.

Manuel De Nicola: Dear Magdi, thanks for this comment too and sorry for having missed the respective answer. Here are some brief considerations. Our first findings show that a small number of companies have introduced information on CDR-governance in their sustainability reports. The most commented keywords/topics regard "data collection" (91 out of 298), "data privacy" (97 out of 298) and "data security" (76 out of 298): the more "qualitative" part of the system of rules, practices, processes regulating the usage of digital technologies (mostly AI) is missing. No mentions, no transparency at all about 2/8 relevant points included in the CDR framework we referred to: n.1. Reliability of system and n.8 Robot ethics. Moreover, Telco is the sector disclosing more information than others, confirming the expectation and previous studies' assumption according to which technology-intensive sectors should reveal much more information than others. Many research gaps remain open, notwithstanding our attempts to contribute to the need for more empirical evidence on companies' disclosing/reporting behaviors/strategies. First of all, one could wonder whether the missing information is voluntarily planned and deliberated or just depends on difficulties in setting opportune rules, accounting for respective impacts, and so on. Other valuable investigations could cover:

- comparisons with companies using other reporting standards (GRI);
- assessing disclosure of CDR-related activities over time;
- investigating possible factors influencing/driving our results (e.g., size, geographic area, voluntary disclosure theory VS SABS/IFRS standards).

Tariq H. Ismail: Dear Manuel and Sara, your topic is very interesting and promising. Your work seems to be an exploratory study and this aim is enough at the current stage; due to lack of empirical research. Hence, no need to test relationships between variables. Pinpointing the extent to which companies disclose CDR and its determinants is more than enough.

HARNESSING ARTIFICIAL INTELLIGENCE FOR ENHANCED ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORTING: A NEW PARADIGM IN CORPORATE TRANSPARENCY

by Anacleto Correia and Pedro B. Água

Magdi El-Bannany: Dear Anacleto and Pedro, thanks for the interesting study. Please I have some queries:

1. How do predictive analytics capabilities of AI transform ESG reporting from a backward-looking activity to a proactive strategy? Can you provide examples of how companies can benefit from these insights?
2. Your study emphasizes the importance of robust data governance frameworks. Can you provide examples of what these frameworks should include to ensure effective and ethical AI usage in ESG reporting?

Sunita S. Rao: Hi Anacleto and Pedro, this is a very interesting topic. However, AI structures/models are sometimes prone to hallucinations, i.e., they create false information. How can an organization reduce the effects of patterns that might turn out to be nonsensical?

Anacleto Correia: Dear Magdi, thank you for your insightful inquiries.

1. AI's predictive analytics capabilities are transforming ESG reporting into a forward-looking strategic tool. Here's how:

a) AI can analyze vast amounts of data to predict the potential impact of various sustainability initiatives. This allows companies to model different strategies and choose the ones with the most positive ESG outcomes. For instance, an energy company could use AI to predict the environmental and financial benefits of investing in renewable energy sources compared to traditional fossil fuels.

b) AI can identify emerging ESG risks before they become major problems. By analyzing news articles, social media sentiment, and regulatory trends, AI can flag potential issues like changes in environmental regulations or consumer preferences. This allows companies to take proactive steps to mitigate these risks, improving their ESG performance and reputation.

c) Predictive analytics can uncover hidden opportunities to improve a company's ESG profile. AI can analyze data to pinpoint areas where a company can reduce its carbon footprint, improve labor practices, or strengthen its governance structure. This foresight allows companies to make strategic investments that enhance their ESG standing and attract investors with a focus on sustainability.

2. Effective data governance frameworks are essential for ensuring ethical AI usage in ESG reporting. The frameworks should include:

a) ensuring data accuracy, consistency, and completeness across all sources;

b) protection of sensitive information and compliance with data protection regulations;

c) implementation of transparent AI processes to build trust among stakeholders and allow for auditability of AI decisions;

d) adoption of guidelines to prevent biases and ensure fairness in AI algorithms;

e) involve diverse stakeholders in the development and oversight of AI applications to address concerns and incorporate feedback.

Hi Sunita, thanks for your question. You're absolutely right, AI models can be susceptible to hallucinations. Examples of strategies that organizations can employ to reduce the impact of nonsensical patterns in AI-powered ESG reporting are:

a) Incorporate domain knowledge from ESG specialists into the model development process. This can involve using expert-defined features or filtering model outputs through a human review process to identify and remove nonsensical patterns.

b) Compare AI-generated predictions with established ESG metrics and historical data. This helps to identify outliers and potential hallucinations that deviate significantly from expected trends.

Sara Fratini: Your work is really very interesting. Find an important connection with my paper on the topic of CDR.

Anacleto Correia: Thank you Sara. I will check it.

EARLY EVIDENCE ON MANDATORY SUSTAINABILITY REPORTING ASSURANCE MARKET DEVELOPMENT IN THE EUROPEAN UNION: THE CASE OF LITHUANIA

by Daiva Raudonienė and Renata Legenzova

Magdi El-Bannany: Dear Daiva, thanks for the interesting study. Please I have some queries:

1. How has the introduction of the EU Corporate Sustainability Reporting Directive (CSRD) influenced the sustainability reporting and assurance landscape in Lithuania?
2. Larger firms, particularly the Big 6, demonstrate higher readiness for the SRA market. What strategies are these firms employing to ensure their readiness?

Dmitriy Govorun: Hi Daiva and thanks for presenting your ideas at the conference. I will also add more questions concerning audit readiness in Lithuanian context. How might the readiness and intentions of audit firms to provide SRA services differ in other EU countries with different regulatory environments and market dynamics?

INFLUENCE OF THE CORPORATE SUSTAINABILITY REPORTING DIRECTIVE ON THE INSTRUMENTS OF CONTROLLING

by Patrick Ulrich and Jasmina Metzger

Magdi El-Bannany: Dear Patrick, thanks for the valuable topic. Please I have some queries:

1. How does the requirement for sustainability reporting under the CSRD influence the overall strategy and decision-making processes within companies?
2. How should companies adjust their investment appraisal processes to incorporate sustainability-related investments effectively?

Sunita S. Rao: Hi Patrick, this is an important topic. Are you going to gather survey data on the instruments of control?

DOES CORPORATE GOVERNANCE INFLUENCE FIRM PERFORMANCE?

by Elisabete Vieira and Mara Madaleno

Gladys Gamariel: Thank you and congratulations to Elisabete and Mara for an interesting study. I believe the issue of corporate governance and firm performance is very relevant in our times. There are several papers in the literature that have discussed endogeneity issues on the firm performance. How have your study/estimation techniques addressed this issue? I believe failing to fully control for all forms of endogeneity can lead to spurious results.

Janny Magdeline Núñez Almonte: Dear Elisabete and Mara congratulations on this interesting research study, that provides relevant information to the literature on the relationship between corporate governance and firm performance. Based on your results, what would be the main implications of your study for the Portuguese business context?

Elisabete Vieira: Dear Gladys, thank you so much for your comment. Although the GMM model controls better the sources of endogeneity, it is a good suggestion to control for all forms of endogeneity. We can do additional robustness tests considering instrumental variables, and the 2SLS estimation.

Dear Janny, thank you for your question. Our results are not what we have expected, maybe because of the small size of the Portuguese market, and the high levels of ownership concentration. The best results are from the accounting measure of performance (ROA), which can be justified by the fact that, as you have a concentrated ownership, the actual shareholders are more interested in the firms performance, than the potential ones.

Dmitriy Govorun: Hi Elisabete and Mara, congrats on the conference. Thanks, colleagues for questions and comments. I would like also to ask what additional CG attributes you believe could be important to study in future research to gain a more comprehensive understanding of their impact on firm performance.

Elisabete Vieira: In addition, in the business context, it is interesting to be aware that BD board size, gender diversity and duality influence the firm performance, and companies can adapt these ratios. For example, as gender diversity impacts positively on performance, and we have not yet reached the recommended quotas, some firms must try to reinforce this ratio.

Janny Magdeline Núñez Almonte: Thank you very much, Elisabete. I understand that this study offers the opportunity to be expanded to other sectors and to a larger sample, including other European countries.

Elisabete Vieira: Dear Dmitriy, thank you for your question. We think that some of the relevant CG attributes can be, for example, the board independence, as well as the background education of the board members. It will be also relevant, in our point of view, to control for the ownership concentration, since the Portuguese market has high levels of equity concentration, even in the listed firms.

Magdi El-Bannany: Dear Elisabete and Mara, thanks for your interesting study. Please I have some questions:

1. Your findings indicate a positive impact of gender diversity on firm performance. Can you discuss the mechanisms through which gender diversity enhances firm outcomes?
2. How does cultural diversity within the board affect firm performance? Can you provide examples of how culturally diverse boards enhance decision-making and firm outcomes?

CORPORATE GOVERNANCE REPORTING WITH VALUE ADDED STATEMENTS: CONCEPTUAL ARGUMENTS AND EMPIRICAL EVIDENCE FROM GERMAN LISTED COMPANIES

by Björn Baltzer and Patrick Ulrich

Gladys Gamariel: Congratulations on putting up a strong argument on the holistic approach of VAS in terms of stakeholder (rather than shareholder) approach. This research makes a significant contribution not only in the corporate governance space but in other spheres as well such as finance.

Dmitriy Govorun: Hi Björn and Patrick, and welcome to the conference. Great to hear and read about reporting, stakeholders and CG practice. Can you also bring us an idea of how might the adoption of VAS influence the transparency and accountability of corporate governance practices in other countries except Germany?

What challenges do you foresee in the widespread implementation of VAS in corporate governance reporting?

Moreover, VAS sounds like an alternative concept to traditional statements. However, is the demand from stakeholders should be the initial trigger to start the implementation? And having this in mind — what are your thoughts on the complexity of such reporting for different stakeholders to understand and accept such a way to raise transparency?

Patrick Ulrich: Thank you, Gladys and Dmitriy.

To Gladys: Thank you for your kind words. I'm glad you found the argument on the holistic approach of the value added statement (VAS) through a stakeholder perspective compelling. This approach indeed extends beyond traditional corporate governance and has meaningful implications in various domains, including finance. By focusing on stakeholders rather than just shareholders, organizations can achieve more sustainable and inclusive growth, ultimately benefiting a wider array of participants and contributing to long-term success and stability in the financial sector and beyond.

To Dmitriy: Adopting VAS can significantly enhance transparency and accountability by providing a comprehensive view of how value is generated and distributed among various stakeholders. This holistic approach can foster trust and credibility in corporate governance practices, as it aligns with the broader interests of employees, customers, suppliers, and the community, rather than focusing solely on shareholders. However, several challenges may arise in the widespread implementation of VAS in corporate governance reporting:

Standardization and adaptation: Different countries have varying regulatory frameworks and corporate governance norms. Creating a standardized approach to VAS that can be adapted across diverse legal and cultural environments can be challenging.

Education and training: Companies and stakeholders may need education and training to understand and implement VAS effectively. This process can be resource-intensive and time-consuming.

Data collection and reporting: Gathering the necessary data to prepare a comprehensive VAS can be complex, particularly for multinational corporations with operations in various jurisdictions.

Regarding your point on stakeholder demand, it's indeed crucial for stakeholders to recognize and demand such transparency. Their engagement can act as a catalyst for adopting VAS, ensuring that the shift towards this reporting method is driven by a genuine need for greater accountability and transparency.

As for the complexity of VAS reporting, it does present a learning curve. Different stakeholders may have varying levels of financial literacy, making it essential to present the information in a clear and accessible manner. Simplifying the reporting format and providing explanatory notes can help stakeholders understand and accept this approach, thereby enhancing transparency and fostering trust.

Thanks in advance for your insights on this topic.

Magdi El-Bannany: Dear authors, thanks for the valuable study. Kindly I have some questions:

1. How do value added statements differ from traditional financial metrics like accounting profit and economic profit in terms of stakeholder focus and reporting?
2. VAS have a long history and were particularly popular in the 1970s and 1980s. What factors contributed to their decline in use, and why might they be gaining attention again in the context of sustainability reporting?

Adam Samborski: Dear Björn and Patrick, I very much like the outline of your article. In it, you raise very important issues of corporate governance reporting. The use of VAS allows you to look at the company's activities through the lens of the interests of different stakeholder groups. This reporting approach is very valuable from a management perspective. The value of your article is also its practical dimension. In my opinion, in the final version of the article, it would be worthwhile for you to consider making a comparison between VAS and other reporting methods. It is also worth developing the article towards showing how VAS affects different stakeholder groups within the company. You could also consider how to improve the methodology for creating VAS.

OPERATIONAL EXCELLENCE: EMPIRICAL INSIGHTS IN GERMAN FAMILY OFFICES

by Patrick Ulrich and Felix Stockert

Gladys Gamariel: A very interesting study. Congratulations to the authors. I find it very impressive that ethical issues are among the top focus topics for the respondents. Together with the result on the relevance of sustainability, family offices can leverage ethics and governance for their sustenance.

Lucky T. Musikavanhu: Very insightful study considering the role family business plays in various economies. However, I would appreciate it if you could include some cross-tabulations on your results providing linkages on whether gender plays a role in the results. You may continue and test the strength of such linkages using tests like Chi-square. This might make your results more robust.

Dmitriy Govorun: Dear colleagues, thanks for your paper on the conference and topic of family offices. How do you think the discreet nature of family offices influences their operational strategies and decision-making processes?

It would be also great to look at what additional factors should be considered when evaluating the operational excellence of family offices.

Patrick Ulrich: Dear colleagues, thanks for your questions and comments. We indeed did not expect such a great impact of ethical questions. The gender angle is very interesting and we have not thought about that before. Thanks also Dmitriy for the additional ideas.

Magdi El-Bannany: Dear author, the topic of your study is interesting. Please I have some queries:

1. How do family offices differ from traditional corporate governance structures, and what unique challenges do they face in achieving operational excellence?
2. Sustainability was highlighted as a key focus area. How are family offices incorporating sustainability into their investment strategies and operational processes?

Patrick Ulrich: Thank you for your feedback and queries. Family offices, privately controlled by a single family, focus on long-term wealth preservation and face challenges like succession planning and conflict of interest management, unlike traditional corporations with diverse shareholders aiming for short-term profits. They incorporate sustainability by integrating ESG criteria into investments, engaging in impact investing, and adopting sustainable practices. Additionally, they support philanthropic initiatives and advocate for sustainable business practices within their networks.

CONNECTIVITY AND ANNUAL REPORT: A MODEL OF ANALYSIS

by Sabrina Pucci and Marco Venuti

Gladys Gamariel: Such great thoughts well packaged, well done. I hope to access the full paper once the work is complete.

Marco Venuti: Thank you for the compliments. We are completing the empirical analysis and hope to publish it in a reasonably short time.

Dmitriy Govorun: Hi Sabrina and Marco! Thank you very much for your paper and for outlining the ideas on annual report and connectivity analysis. What challenges do you or even companies see in achieving effective connectivity and usefulness score? How might regulatory changes influence the adoption of the model in practice? It will be also good to look into the full paper after the empirical analysis is done.

Marco Venuti: Dear Dmitriy, thank you for your comments. The added value of our work lies in the creation of a model that takes into account the informational requirements of the new European sustainability standards: the ESRS. Based on these standards, we have identified the areas to be examined. From the perspective of the ESRS, our work aims to be the first study to conduct an empirical investigation on the use of different types of connectivity by a sample of companies: connectivity with direct links, connectivity with indirect links, and other forms of connectivity. Once the ESRS comes into force, the model can be tested on the annual reports of companies. At the moment, we are analysing if and how that information is currently provided by the companies.

Magdi El-Bannany: Dear Sabrina and Marco, thanks for the interesting topic. Kindly I have some questions:

1. Your study proposes a conceptual framework for evaluating connectivity. Can you elaborate on the main components of this framework and how it can be applied in practice?
2. How do international standards like IFRS Sustainability Standards and European Sustainability Reporting Standards (ESRS) influence the connectivity of annual reports?

Sabrina Pucci: Dear Magdi, thank you for the questions. We are not in this stage proposing a conceptual framework for connectivity because there are a lot of studies and interpretations issued by IASB and EFRAG and also the boundaries for financial statements and sustainability report's areas of information are not yet well defined. To start from some empirical cases can be a good point to understand how in practice connectivity is working and after this, we could try to propose a conceptual framework following a bottom-up approach. Referring to the second question, the starting point of our model is the information required by ESRS1 and ESRS2 in four areas of connectivity: strategies I, people II, evaluation of tangibles and intangibles assets III, revenues segmentation IV. For each area, we evaluate the kind of connectivity — direct, indirect, other — by looking at the information presented in financial statements and sustainability reports. In this way, we will try to forecast the effects of ESRSs on future annual reports.

Sunita S. Rao: Hi Sabrina and Marco. Is connectivity a qualitative measure? Could you let us know more about connectivity and its operationalization?

Marco Venuti: Hi Sunita, thank you for your comment. In our research, we used a qualitative measure based on the European Sustainability Reporting Standards (ESRS). The types of connections identified between sustainability information and financial information are as follows: a) direct link (same data in both reports), b) indirect link (complementary or connected information on certain aspects), c) other forms of connection (e.g., use of the same assumptions but for different purposes).

INTENTION TO PURCHASE ORGANIC FOOD: HEALTH CONSCIOUSNESS, ENVIRONMENTAL CONCERN, AND THEORY OF PLANNED BEHAVIOR

by Panagiotis A. Tsaknis, Aliki A. Tsakni,Alexandros G. Sahinidis, and Georgia J. Tsakni

Dmitriy Govorun: Dear authors, thank you very much for contributing to the conference and discovering the behavioural aspect of organic food consumption intentions. We would be glad if you may share your view on how might cultural differences influence the relationship between health consciousness, environmental concern, and the intention to purchase organic food in other countries except Greece. What additional factors, not covered in this study, could play a role in influencing consumer intentions to buy organic food?

Pedro B. Água: Hi Dmitriy, that's an interesting question. I believe this is a subject under the topic of strategic marketing. Having said this companies' boards will have a say regarding a "push" towards promoting "organic food consumption" regarding agro-industrial/food companies. Obviously, culture models are from one viewpoint a stereotype, while from another point a huge domain, as culture includes many facets or dimensions. A lot of dimensions influence food habits (nonetheless religion, for example, which is also a subdimension of the macro-concept of culture). There are other cultural influences grounded on lifestyles (urban/less urban lifestyle). Therefore, I foresee that at a more tactical level strategic marketing leaders may shape messages (and strategic product development) while at a more strategic level, boards in the relevant industries might start looking at it and putting it into their agendas. We didn't however consider such a question in our research.

Magdi El-Bannany: Dear authors, thanks for the valuable study. Kindly, I have some queries:

1. Your results indicate that health consciousness indirectly affects the intention to purchase organic food through attitude. Can you explain the mechanisms behind this indirect effect?
2. Based on your findings, what practical recommendations would you make to policymakers and organizations to encourage the purchase of organic food?

Karen Hogan: Dear authors, thank you for contributing to this research stream. I would be interested to know if the survey participants were separated by income, age, education, etc. In the US organic and regenerative are becoming more popular but are difficult for many given location (living in a food desert) or cost prohibitive. I agree that intention to purchase organic and actually being able to do so are two different things. It would be interesting to know what the consumer would give up in order to actually be able to purchase that which they intend to purchase.

Tariq H. Ismail: Dear authors, I do recommend to test the influence of gender diversity on the intention to purchase organic food through attitude. Additionally, a further test is required to pinpoint the influence of demographic characteristics (such as age, living stander level, education, etc.) on the intention to purchase organic food through attitude.

Panagiotis A. Tsaknis: Dear Dmitriy Govorun, Pedro B. Água, Magdi El-Bannany, Karen Hogan and Tariq H. Ismail, your insights and suggestions are greatly appreciated.

We agree that exploring gender diversity's influence on the intention to purchase organic food would be a valuable contribution to our study. Our research framework will incorporate this aspect.

We recognize the importance of exploring the influence of various demographic characteristics on the intention to purchase organic food, such as age, ethnicity, income, and education. To provide a comprehensive understanding of the topic, our future tests will include these factors

Also, dear Magdi, policymakers and organizations can increase the levels of customers' purchase intention of organic food, by providing subsidies and tax incentives to make organic options more affordable, launching educational campaigns about the benefits of organic food, improving access through support for local markets and partnerships with retailers. Research and infrastructure investments for organic farming can further support these efforts and make organic farming more attractive to consumers.

Furthermore, our analysis is a path analysis, the indirect effect means that health consciousness impacts the intention to purchase organic food not directly, but through attitude.

The intention to purchase is, therefore, influenced indirectly through the formation of an attitude driven by health consciousness.

Once again, I want to thank you for your constructive comments, which will enhance our research.

PAYMENT GATEWAY SELECTION FOR ONLINE PURCHASES: EVIDENCE OF AN EMERGING MARKET

by Ranida Buranasujja and Tanpat Kraiwanit

Pongsakorn Limna: The study provides empirical data specific to Thailand, a rapidly growing digital economy, enhancing understanding of consumer behavior in emerging markets. This is particularly valuable as much of the existing literature on digital payment systems is often focused on more developed economies. In short, the paper is a substantial contribution to understanding digital payment preferences in Thailand. Enhancing the literature review with more global comparisons and discussing broader implications for international markets could further increase its relevance and impact.

Dear Ranida Buranasujja, could you briefly explain how the security features and privacy policies of different payment gateways influence consumer trust and preference in Thailand.

Ranida Buranasujja: Starting with customers purchase products or services on a website or merchant that is connected to a payment gateway. When customers order products on the merchant's website. The customers have already collected the desired products. All details are then forwarded to the payment application in a secure way. After the customer has completed payment through the payment gateway, the amount paid by the customer is immediately displayed in the seller or merchant's system. This method is the most popular today because it is fast and safe. Importantly, it helps your business close sales more easily.

Nowadays, people use mobile to pay for products. Mobile payment gateway is another payment option that has attracted people and many of them consider credit card payments to be an unsafe payment transaction method because users are afraid of information being stolen or leaked by third parties, such as credit card details and personal information. Therefore, mobile payment gateways have the most important role and it is a payment option that users feel safe about their personal information. In addition, this method is also convenient and fast, and trust in the merchant where they trade.

Alexander Kostyuk: Dear Ranida and Tanpat, welcome to our conference forum. You explored 10 independent variables: gender, age, income, monthly savings, social presence, trust, perceived risk, perceived ease of use, attitudes toward using and consumption. These variables influence the decision of payment gateways for online purchases. Could you choose the most important among these then variables to influence the attitudes mentioned above?

Ranida Buranasujja: 1. *Social presence*: The results found that the more social presence, the more use of a payment gateway. The social presence of an interaction with a seller is how consumers perceive the interaction with the seller such as the seller's characteristics and having a caring attitude. This is the hallmark of social media commerce apart from traditional electronic commerce.

Moreover, social media commerce is a format that promotes presence in society, which is a feature that is different from electronic commerce. Social media gives consumers the opportunity to express themselves and recognize the identities of sellers and other consumers, including awareness of relationships between people. The interactions will lead to trust and relationships between consumers and sellers and between consumers themselves.

2. *Perceived ease of use* (using platform is easy and convenient): The results found that the more users perceive the ease of use. The more users of payment gateways for online purchases will also increase.

Basically, customers will be more interested in using mobile banking if the level of usefulness, ease of use, security and trust provided by the bank is in accordance with what the customer wants.

Ease of use is defined as the extent to which a person believes that using information technology will be easy and does not require much effort for the users. This perceived ease of use will have an impact on consumer behavior, if a person's perception of the ease of using the system is higher, then consumers will be increasingly interested in using this technology

3. *Attitudes toward using* (feel time-saving and convenient): The results found that the more users feel like they save time and are more comfortable, the more they shop online through a payment gateway. Expansion of online purchasing is caused by many factors such as price, saving time and connection to online payment systems. People started shopping on the internet because it is cheaper price, easier and more convenient to search for products and services online before making a purchase. Therefore, online technology, search engine optimization and user experience are additional factors that result in lower search costs. This will increase online purchases.

Pongsakorn Limna: Agreed! This is a good point. Thank you for your reply.

Dmitriy Govorun: Dear Ranida and Tanpat, thanks for sharing your experience and analysis of the payment gateway in Thailand. How might the findings differ if the study were conducted in a different country with a different digital payment infrastructure? Does this infrastructure and the country context influence user preferences?

The other question would be also regarding the factors like legal environment. I mean to what extent the law and regulations may or influenced the behavioural patterns of users?

Have you also discovered the possible relations between the internet/cell coverage (various options) and the consumer choices?

Ranida Buranasujja: The government promotes the development of Thailand's payment system to be more efficient and secure in order to achieve development results. In addition, governments are encouraged to accept and adapt to the rapidly changing environment). For this reason, they have been trying to encourage Thai people to adopt a national electronic payment system called PromptPay since 2015, which plays an important role in the government's strategy to use technology to drive the economy. PromptPay is a national ID card linking system. The number or mobile number linked to the owner's bank account. PromptPay account holders can transfer money or receive money from other people with PromptPay accounts for a small fee or maybe not at all.

Currently, e-payments are very popular in Thailand. The growth of the Internet and mobile phone are expected to increase significantly. At the same time, the use of debit cards will decrease significantly in the future, especially during the COVID-19 pandemic. Consumers are encouraged or forced to make purchases using cashless payments. There are also alternative electronic payments such as e-money and e-wallets and consumers are interested to use them.

Magdi El-Bannany: Dear Ranida and Tanpat, thanks for the interesting study. Kindly I have some questions:

1. Your study indicates that gender, age, income, and monthly savings significantly influence payment gateway selection. Can you provide more details on how these demographic factors specifically affect consumer choices?

2. Based on your findings, what practical recommendations would you make to businesses and policymakers to improve the adoption of payment gateways in Thailand?

Ranida Buranasujja: The study was conducted on the basis of a quantitative research design. An online questionnaire was used as a data collection tool and statistical analysis software using binary logistic regression was used to analyze the data and summarize the findings with a significance level of 0.05. The goal of quantitative research is to use tools to evaluate measurable statistical data to identify statistically significant differences between groups of data. Statistics also help turn quantitative data into useful information that can be summarized into clear explanations to help with decision-making.

Binary logistics regression is used to explore the relationship between independent variables (including gender, age, education, occupation, income, monthly expenses, monthly savings, frequency of use, the social media platform currently used, social influence social presence, trust, perceived risk, reliability, perceived usefulness, perceived ease of use, attitudes toward using, income and consumption) and dependent variables (including payment gateway with non-bank and bank through mobile banking or PromptPay). This applies to the criterion variable that is divided into 2 subgroups, namely the group that appears to have an event of interest with a value of 1, which is Promptpay-Bank. Another group that does not appear in the event of interest with a value is 0, which is non-bank. The results indicate that all the independent variables used in the analysis can help users understand the benefits and payment mechanisms of payment gateway selection.

The participants in this study were people who use payment gateway selection for online purchases in Thailand. The sampling method was a closed-ended questionnaire. Data were collected from 1,635 people who responded to the survey via social media such as email, Facebook, and Line application. The duration for data collection was between November 2023 and February 2024 (3 months). The online questionnaire was designed with a Google Form, which could be accessed by sharing through social media such as email, Facebook, and the Line application to disseminate the questionnaire widely and obtain a wider range of statistical information.

THE MISFORTUNES OF STATE-OWNED COMPANIES: A CASE OF THE DEVELOPING MARKET

by Phindile R. Nene

Phindile R. Nene: Greetings from South Africa! I would like to hear your thoughts:

In your country, how effective are the state-owned companies (SOC) in the context of corporate governance? In my country, corruption, politics, maladministration, and poor corporate governance have brought the SOCs into near collapse resulting in the majority of them being placed under business rescue.

Dmitriy Govorun: Hi Phindile R. Nene! Welcome to the conference. Thank you very much for sharing your ideas with us. What are the key challenges in transitioning from politically influenced appointments to competency-based board member selections in SOCs?

Having read your previous comment it should be noted that SOCs in many contexts and environments are not so effective due to factors mentioned. However, CG and sound practices could minimize the impact. Of course, there should be an appropriate institutional environment or stimulus created. Meantime, it would be great to hear your thoughts on key actions/directions to be done to improve the destiny of SOCs.

Phindile R. Nene: Dear Dmitriy, thank you for your comments and I fully agree with you that responsible corporate governance should mitigate the risk of SOC inefficiencies and ensure that executive appointments are only based on competencies (experience, qualifications, talent, and skills). However, like any designed controls in the organization if no one is executing them to ensure that they remain sound and do not produce any false positives then the existence of those controls may be ineffective. Lastly, accountability is key!

In my view, the following can improve SOCs' performance:

1. Each organization should have an independent executive chairperson who is not working for any organ of the state entities and if possible should not be involved in politics to ensure objectivity and independence in decision-making.

2. As per point 1 above, this chairperson must be responsible for the appointment of the CEO, approve the appointment of the board of directors, and chairperson of other governance committees such as audit, risk and ethics committees. Furthermore, the majority of the board of directors must also be independent with the majority not working for the organs of the state and must have appropriate experience, qualifications, talent, and skills.

3. The political executives such as the President, Ministers, etc. must not be part of the appointment of the SOC executives and board members.

4. The SOC executive team must have clearly defined key performance indicators (KPI) and be held accountable for non-performance. Furthermore, consequence management should be part of the SOCs' performance agreements for until such a radical transformation in dealing with poor performance, incompetencies, fraud, and corruption is done then we will continue to see SOC crumble into bankruptcy.

What are your thoughts, do you think there is more that can be added to this list?

Alexander Kostyuk: Dear Phindile, corporate governance in state-owned enterprises is a still disputable issue from the point of view of the hybrid nature of the state — owner and regulator at the same time. You wrote that corruption, politics, maladministration, and poor corporate governance in these sectors have brought the SOCs into near collapse resulting in the majority being placed under business rescue. What was the reason for the remarkable downgrade of the corporate governance in the SA state-owned companies?

Phindile R. Nene: The critical aspects and the root cause emanate from the board members and SOC executive team not being appointed based on their competencies, experience, qualifications, and skills. However, the appointments were based on political affiliation. Subsequently, the delinquent leadership focused on enriching themselves through corruption and maladministration as corporate governance was not even considered. For example, in the past years in South Africa, the biggest fraud and corruption in the SOC have been on the poor supply chain process as the tenderpreneurs have been optimizing their political contacts to obtain business government procurement contracts. In South Africa, government procurement contracts are well known as "tenders".

In the abstract, I spoke about the once world-class airline referring to South African Airways (SAA) is among the SOCs that are undergoing the business rescue process. On May 27, 2020, the Pretoria High Court declared the SAA Chairperson Dudu Myeni to be a delinquent director for life because of poor management and chronic leadership.

Magdi El-Bannany: Dear Phindile, thanks for the interesting study. Please I have some questions:

1. How do you envision the findings from your study impacting public policies and corporate governance practices in South Africa?

2. How can SOCs implement effective turnaround strategies to achieve sustainable financial performance and stability?

Phindile R. Nene: Dear Magdi, thank you for your questions, below is my feedback:

1. The results of the study challenge the status quo and demand that public policies and corporate governance practices not only be on paper but be implemented, observed, and adhered to by all stakeholders. Furthermore, the governing bodies must apply consequence management in order to lead by example and ensure effective leadership.

2. An assessment must be done first to determine the root cause that led to the SOC's ineffectiveness then as part of the turnaround strategy, the executive team ensures that the following is in place in order to achieve sustainable financial performance and stability.

2a. Appoint an independent experienced and competent consultant to manage the business rescue to ensure objectivity and the turnaround planned timelines must be adhered to in order to prevent unnecessary delays or extensions.

2b. The SOC executives must not interfere with the business rescue process but allow the appointed independent consultant to run the entire process. However, provide support with respect to the matters that impact their positions directly without influencing the execution or outcome of the process.

2c. The identified issues after performing the root cause analysis must be dealt with accordingly and eliminated, implement controls where there were control gaps and where there was a mismanagement then apply consequent management including paying back the state's money that was lost due to mismanagement or fraud.

2d. Lastly, cut down excessive spending where there is no value for money by optimizing artificial intelligence (AI) and machine learning (ML) in order to improve efficiencies and reduce manual work.

GOVERNANCE OF CYBERSECURITY COMPANIES IN COMBATING CYBERCRIME

by Muaath S. Al-Mulla and Mariam H. Al Dhubaiee

Pongsakorn Limna: Given the escalating severity and sophistication of cyber threats, the paper's focus on cybersecurity governance is extremely timely and crucial. The exploration of how cybersecurity firms can play pivotal roles in cybercrime prevention is particularly pertinent.

Tanpat Kraiwanit: The authors adopt a holistic view, discussing not only the technical aspects but also the organizational and governance strategies needed to combat cybercrime effectively. This multidisciplinary approach is essential for understanding the complexities involved in cybersecurity. As cybersecurity is a rapidly evolving field, further research into how emerging technologies such as artificial intelligence and machine learning are integrated into governance frameworks would be valuable.

Sara Fratini: I fully agree that governments and societies are incapable of dealing with cybercrime. The legislation is still too far behind. Greater harmonization is needed for all companies.

Manuel De Nicola: The theme of cybersecurity is really relevant also in terms of risks of value destruction. It will be interesting to investigate whether a "mandatory approach" could/could not be better with respect to a "voluntary approach" regarding the principles that companies adopt for cybersecurity assessment and management. Similarly, there are many research gaps about the effectiveness of practices adopted to measure the impacts of such a factor and also how companies disclose information about their approach to prevent, assess, mitigate, recover, etc., such risks.

Mariam H. Al Dhubaiee: Thank you all for your comments. We are in the process of preparing a study after reviewing experiences regarding the practices of companies in cybersecurity and their effectiveness in supporting government policies in protection against cybercrimes.

Muaath S. Al-Mulla: The topic of governance is very important to control the course of business, and our topic discussed an important part of this issue, which is the governance of cybersecurity companies and combating cybercrime.

Dmitriy Govorun: Dear Muaath S. Al-Mulla and Mariam H. Al Dhubaiee, thanks for participating in the conference. The topic is really important taking into account that all of today's transactions are information transactions in a cyber environment. How do you propose governments and private sectors can collaborate more effectively to enhance cybersecurity governance? We would be happy to read your thoughts on this.

Sabrina Pucci: Thank you for this interesting paper. I fully agree with the importance of good governance in managing cybersecurity. I am also very interested in the relation between the IT and cybersecurity functions of a company and the board of directors. On the basis of your analysis do you believe that the presence of an expert in cybersecurity could be useful or necessary in a board of a cybersecurity company?

Magdi El-Bannany: Dear Muaath and Mariam, thanks for your valuable study. Kindly, I have some queries:

1. Can you explain the inductive approach you adopted for this research and why it was suitable for your objectives?
2. Can you discuss the key components of a robust cybersecurity governance framework?

Karen Hogan: Dear Muaath S. Al-Mulla and Mariam H. Al Dhubaiee, thank you for giving us a sneak peek at your ideas regarding cyber breaches and where the cyber security firms and the government fit into the picture. As I'm sure you are aware cyber threats are identified as the number one threat by many CEO's this year. Many firms out of necessity do take a holistic approach. Given that each industry has a different level of internal risk associated with cyber it makes sense that your conclusion is that we need the cybersecurity companies to do what they specialize in. For example, financial service companies would need to rely heavily on working with cybersecurity firms to identify the daily assault of possible threats. Not to mention these firms are also usually heavily regulated by the government for regulatory compliance and security. On the other hand utilities, while holding less financial data could have major issues with cyber causing a loss of life via cyber hack into a portion of the countries infrastructure. This potential cyber issue would also then trigger issues for the company in other insurance-related areas. The idea of governance for the firms would be similar in some ways, but very different in others and also the potential cyber hacks and the type of hacks would probably vary depending on the firm and its potential resources that the bad actor looks at as valuable or useful. As all hacks are not motivated by money as we know. Firms are also reluctant in many cases to share too much information to the public or government depositories because of confidential information, etc. Also, firm size would be highly related to your hypothesis. The smaller the firm the less money and resources to allocate to this issue. All firms should have some form of governance structure to deal with potential cyber threats. Having the government specify what that structure is would be difficult because there is not a one-size-fits-all all for all firms. Cybersecurity firms can work in tandem with both the individual firms and insurance companies who the firms are transferring some of the risk to in order to identify and mitigate their relevant risks. Prevention is required in the market today in order to be able to transfer some of the risk and while governments appear to be starting to bring some requirements of firms the reality might be that it would be difficult to qualify what would be appropriate governance except the obvious issues of cyber hygiene. I would be interested to see the paper when it is done.

Tariq H. Ismail: Dear authors, thanks for your participation in this conference and attracted my attention to your work. I wonder if you strengthen your findings by considering a survey of a sample of related and examining whether the existence of a chief risk officer, an information technology committee, and an ownership structure would mitigate the governance of cybersecurity risks.

ORGANIZATIONAL STRUCTURES OF THIRD SECTOR ENTITIES

by Raffaele Calugi

Valentina Santolamazza: Dear Raffaele, this is a very intriguing topic, particularly as it explores an area that is still not fully understood or standardized globally. How do you plan to approach this theme in your future analyses? I would suggest integrating discussions on values, as it could provide deeper insights into the governance of third sector entities. Considering the extensive literature on public sector reform that examines how tensions between differing value systems (public vs. private) influence ongoing reforms, applying a similar lens to the third sector could be very fruitful.

Raffaele Calugi: Dear Valentina, thank you very much for your advice. The nature and founding values of the third sector are extremely important in order to explain the organisational difference and similarities with for-profit organizations. The transposition of the organisational structure of profit-making entities into the organisational of the third sector must be filtered according to the needs of this particular type of entity (e.g., the prohibition of profit distribution and internal democratisation). Thanks again for your advice.

Dmitriy Govorun: Dear Raffaele Calugi, thanks for participating in the conference with your paper and ideas. What are the key challenges in transitioning from politically influenced appointments to competency-based board member selections in SOCs?

Raffaele Calugi: Dear Dmitriy, and thank you for your intervention. In Italy, some board members must still be part of the association, as they represent the ideal purpose of the organisation. The shift to a selection partially based on competence allows a professionalisation of the activity that is indispensable when sensitive activities such as those of general interest carried out by third sector entities are being considered.

Magdi El-Bannany: Dear Raffaele, thanks for your interesting study. Please I have some queries:

1. How does your definition of the third sector differ from the traditional North American and European perspectives?
2. What are the primary governance challenges faced by TSEs, and how can these be addressed through improved organizational structures?

Raffaele Calugi: Dear Magdi, thank you for your questions. With regard to the first question, in the European Union's legal system, there is a greater emphasis on the social role carried out by third sector organisations, whereas in the USA the role of non-profit organisations is relegated to being merely a supplementary tool for government and market failures. With regard to the second question, improved organisational structures produce two positive effects: the first is certainly a better use of the organisation's resources; the second is a more transparent relationship with the public administration, which is the natural partner of third sector organisations in carrying out activities of general interest.

MERGERS AND ACQUISITIONS — THE SPECIAL CASE OF GERMAN FAMILY FIRMS: RESEARCH NEEDS

by Patrick Ulrich and Felix Stockert

Valentina Santolamazza: Dear colleague! Thank you for sharing this very interesting and relevant topic, particularly significant in Italy (my country) where it is of great current interest. Your observation about the initial data is quite pertinent; it seems there is a broad field of data to explore. Have you considered using bibliometric analysis as your initial approach to delve into this?

Dmitriy Govorun: Hi Patrick! Thanks for sharing your thoughts on M&A in German Family Firms. What additional success factors might be relevant for M&A transactions in family businesses that were not covered in this study?

How might the findings of this study apply to family businesses in other countries with different economic and cultural contexts? Especially concerning the algorithm you've mentioned for language models.

Patrick Ulrich: Dear Valentina, thank you for your kind words and for recognizing the relevance of this topic, especially in Italy. I appreciate your suggestion about using bibliometric analysis. Indeed, bibliometric analysis can provide valuable insights into the research landscape and trends, helping to identify key studies, authors, and thematic clusters in the field of M&A in family firms. By mapping the existing literature, I can better understand the breadth and depth of available data, which will inform the development of a more comprehensive research framework. I will certainly consider incorporating this approach in the initial stages of my research. Thank you for the insightful suggestion, and I look forward to further exploration in this area.

Patrick Ulrich: Dear Dmitriy, thank you for your feedback on my study on M&A in German family firms. Regarding additional success factors for M&A transactions in family businesses, several aspects come to mind that were not covered in this study. These include:

Cultural fit: Ensuring a strong cultural alignment between merging entities can be crucial for the long-term success of the M&A.

Succession planning: Effective succession planning within family firms can influence the success of M&A by ensuring leadership continuity and stability.

Emotional attachment: Managing the emotional ties of family members to the business can impact decision-making and integration processes during M&A.

Advisory board: The presence of an independent advisory board can provide valuable guidance and oversight during M&A transactions.

As for applying the findings to family businesses in other countries, it's essential to consider the varying economic and cultural contexts. For example, family firms in countries with different regulatory environments, business practices, and cultural attitudes towards family and business may experience different challenges and opportunities during M&A transactions.

Regarding the algorithm and language models mentioned in the study, these can be adapted to different languages and cultural contexts by incorporating localized data and fine-tuning the models to account for regional variations. This adaptability ensures that the insights derived from the study are relevant and applicable to family businesses globally, despite the differences in economic and cultural contexts.

Thank you for your thoughtful questions. I look forward to discussing these points further.

Magdi El-Bannany: Dear Patrick, thanks for the interesting study. Please I have some queries:

1. How do socio-emotional wealth considerations impact the decision-making process in family firms during M&A transactions?
2. How can family firms overcome the reluctance to engage in M&A due to a lack of expertise or the cost of external advice?

Tariq H. Ismail: Dear authors. I am very interested in your work. Please consult the following related papers that might be of interest to you:

Ismail, T. H., Abdou, A. A., & Magdy, R. M. (2011). Review of literature linking corporate performance to mergers and acquisitions. *Review of Financial and Accounting Studies Journal, 1*. https://alqashi.com/wp/wp-content/blogs.dir/2/files/2012/02/Review-of-Literature-Linking-Corporate-Performance-to.pdf

Ismail, T. H., Abdou, A. A., & Magdy, R. M. (2011). Exploring improvements of post-merger corporate performance: The case of Egypt. *IUP Journal of Business Strategy, 8*(1), 7–24. https://ssrn.com/abstract=1879088

THE COMPARISON BETWEEN THE UNITED STATES AND CANADA: FINDINGS FROM INTER-RELATIONSHIP AMONG CORPORATE GOVERNANCE, ARTIFICIAL INTELLIGENCE, AND INNOVATION

by Raef Gouiaa and Run Huang

Inmaculada Bel Oms: Dear authors, congratulations on your research. I have a question based on the findings obtained. The results suggest that board size, board diversity, and ownership concentration show significant correlations with firm AI development and innovation for overall industries. How did you verify the AI information in the reports?

Dmitriy Govorun: Dear Raef Gouiaa and Run Huang, thanks for sharing a paper on AI and CG. AI and ML actually are topics quite actively in discussion in recent years. What additional factors could mediate the relationship between corporate governance and innovation that were not explored in this study?

I would also like to know more about your vision about what actually drives the AI and innovations development — the CG structure (characteristics) or let's say the external environment?

Chan Du: Dear authors, thank you for sharing this interesting research on corporate governance, AI, and innovation. I have a question regarding the different results between the United States and Canada. For example, Tables 3 and 4 show that board size has a negative impact on innovation for U.S. firms but has a positive impact on innovation for Canada firms. The mediation results also show some differences. I wonder if you could please provide some discussions on the different results from the two countries.

Sunita S. Rao: Hi Raef and Run, good paper! I can see that you have used ownership concentration as one of the explanatory variables. How did you measure this? If you obtained this data from a database, which data was it?

Raef Gouiaa: Dear Inmaculada, we calculated a company's AI application index through text analysis. To be more specific, we construct an AI-related vocabulary and use Python to automatically extract and count words that shared similar attributes, with common characteristics of word expressions considered. This process involves the extraction of about 20 commonly used AI-related terms based on shared attributes, forming the sub-dictionary for this study. Included terms like big data, intelligence, authentication, automation, integration, digitization, virtual, algorithm, cloud computing, blockchain, machine learning, integration, etc. Due to the broad and general nature of these terms, expressions not relevant to AI are manually excluded. Finally, the word frequencies of each phrase are summed to obtain the total word frequency, which is then considered to represent the AI application index for publicly listed companies.

Dear Sunita, ownership information, and environmental, social and governance performance (ESG) from 2018 to 2022 were collected from the Eikon database, with our definition of concentrated ownership structure when the top large 20 shareholders account for over 45% of shares.

Dear Dmitriy, we incorporate corporate governance variables, ESG score and ownership structure characteristics into different regression models, to analyze the overall impact on AI practice and innovation. Additionally, based on existing studies, we control for other determining factors of innovation, including firm size and leverage. Apart from that, we establish another model to examine the mediation effect of AI and innovation indexes separately, aiming to prove the mediating effect played by one specific variable to another. We think also that both corporate governance attributes, and external environment factors such as new technologies and AI can impact innovation investments and innovation level.

Magdi El-Bannany: Dear Raef and Run, thanks for the interesting study. Please I have some queries:

1. How did you address the differences in regulatory environments and cultural norms between Chinese and Western companies in your analysis?
2. What are the most significant differences in corporate governance practices between Chinese and Western companies that your research uncovered?

Run Huang: Dear Magdi El-Bannany, thank you for your question. As a Chinese researcher, I tried my best to overcome the prejudice or stereotypes caused by cultural differences in my research. In addition, in this paper, we did not conduct a direct comparative analysis between China and Western countries, such as Canada or the United States, but chose two Western countries with similar cultural backgrounds for research. In the next more in-depth research, we will try to include Eastern countries, such as China and Japan in our analysis.

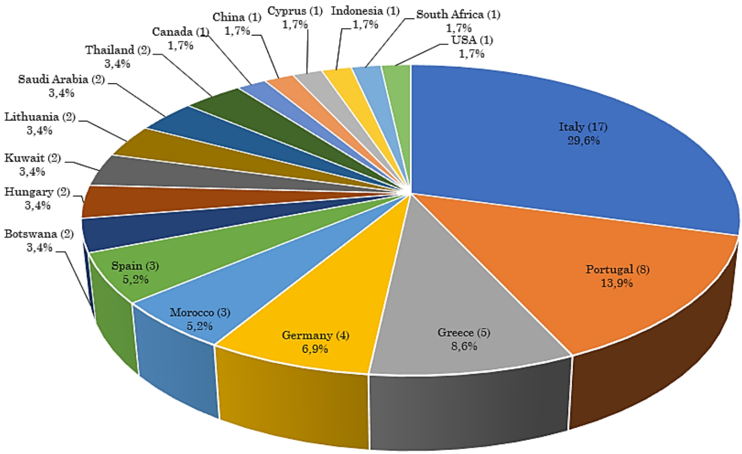
Dear Sunita S. Rao, thank you for your attention to this detail. We queried the shareholders and share structure of each company from the Ekion database. Referring to previous scholars' literature and definitions, we determined that the ownership structure of a company is concentrated if the top 20 shareholders account for over 45% of shares.

Dear Chan Du, thanks for your detailed question about our paper. That's an interesting conclusion after our analysis of the sample. The results of Tables 3 and 4 are the analysis of all data collected from the United States and America, which indicates that board size just plays a contrary effect on innovation. However, in our detailed analysis of different industries in both countries, we find there are other positive or negative on innovation. Therefore, we assume that the intrinsic characteristics in different industries would probably affect the role of board size in the relationship with innovation.

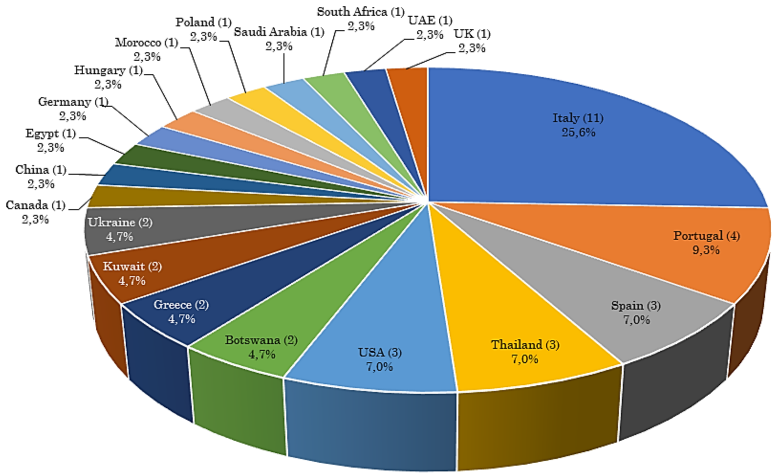
CONFERENCE INFOGRAPHICS

1. Conference forum participants, discussants, attendees

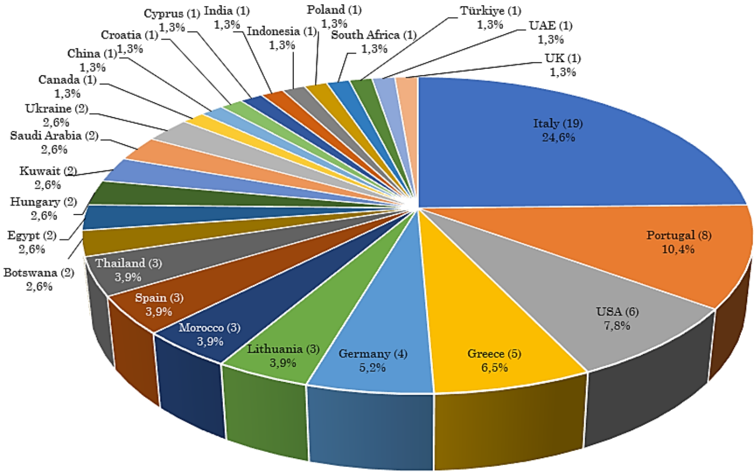
Conference forum presentations authorship — geographical representation



Conference forum comments authorship — geographical representation

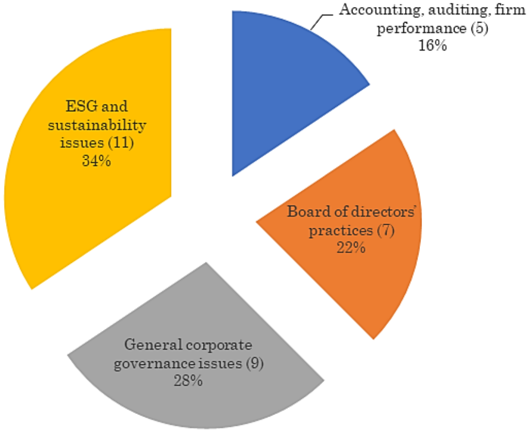


Conference forum attendees — geographical representation

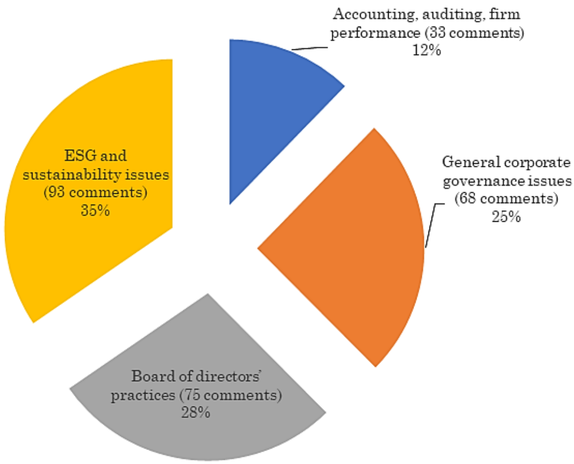


2. Conference forum presentations and comments

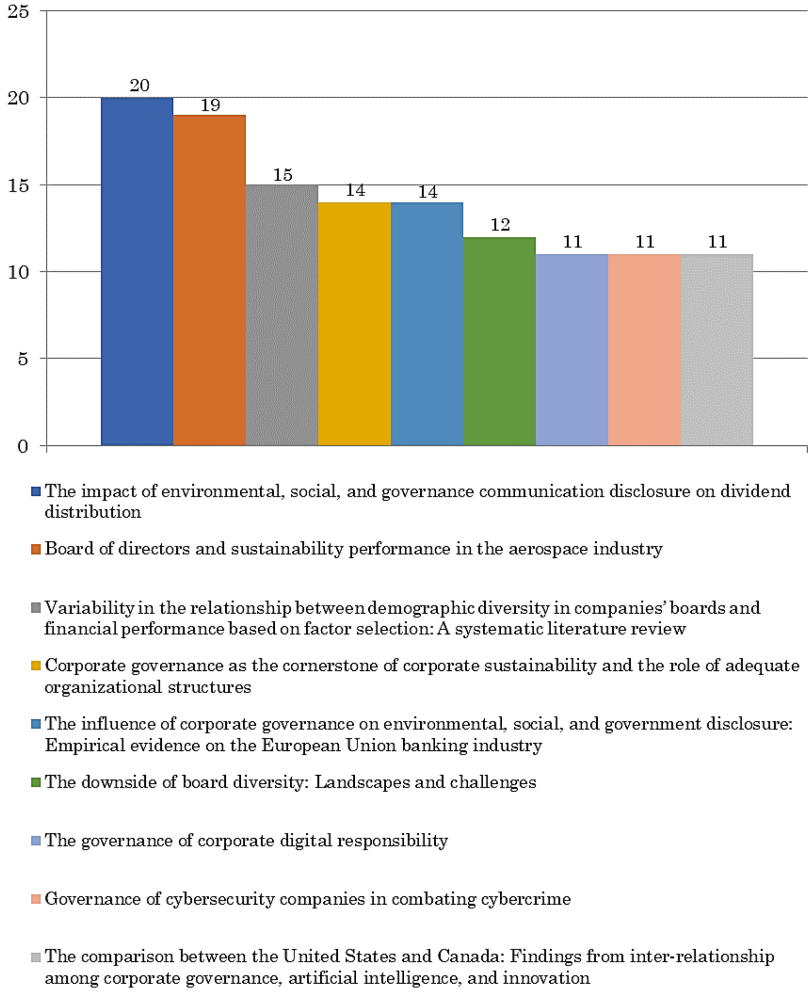
Topics of the conference forum presentations



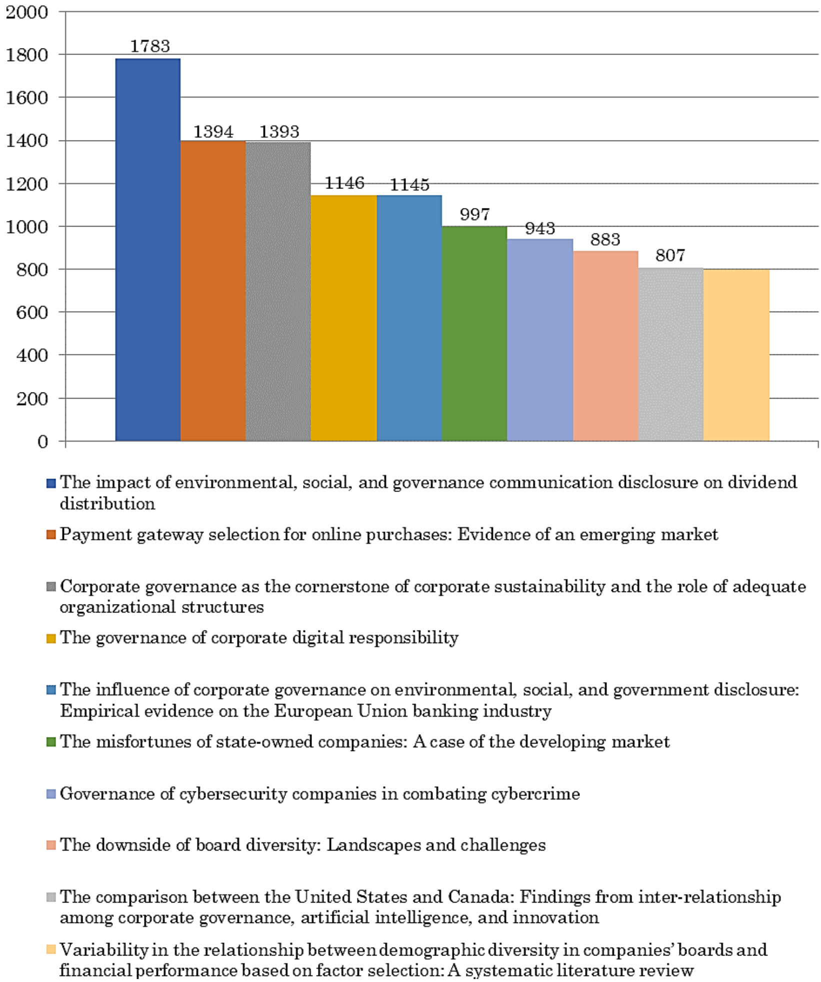
Conference forum comments — topics discussed



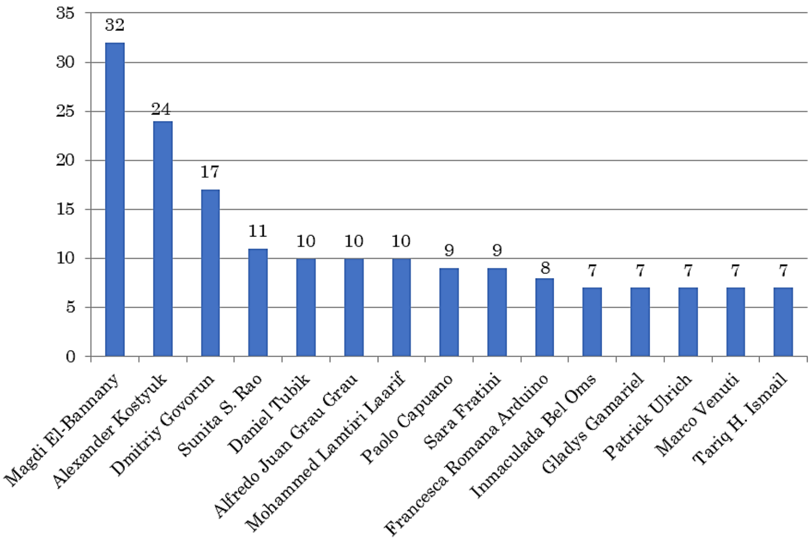
Conference forum comments — top most discussed presentations (by number of comments)



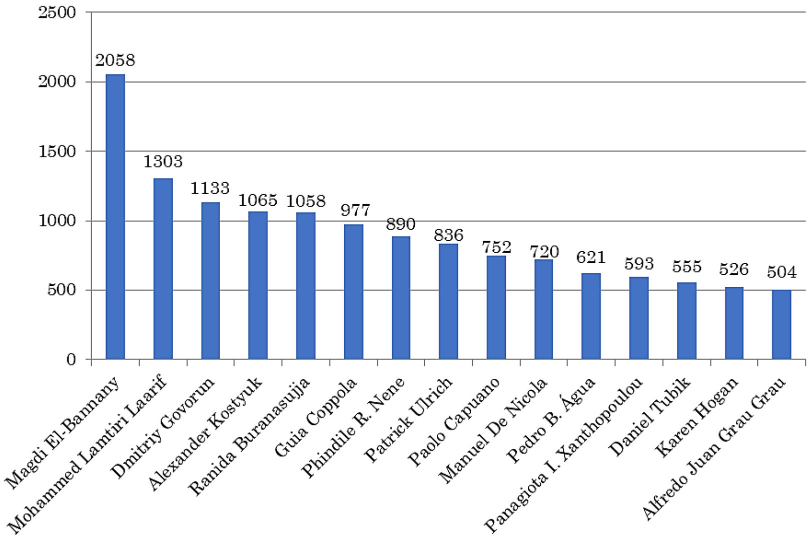
Conference forum comments — top most discussed presentations (by volume of comments (words))



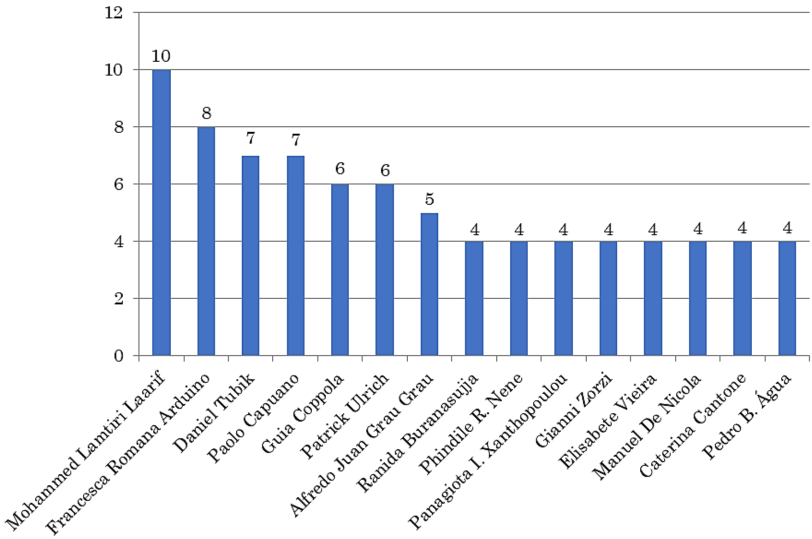
Conference forum comments — top-15 most commenting discussants (by number of comments)



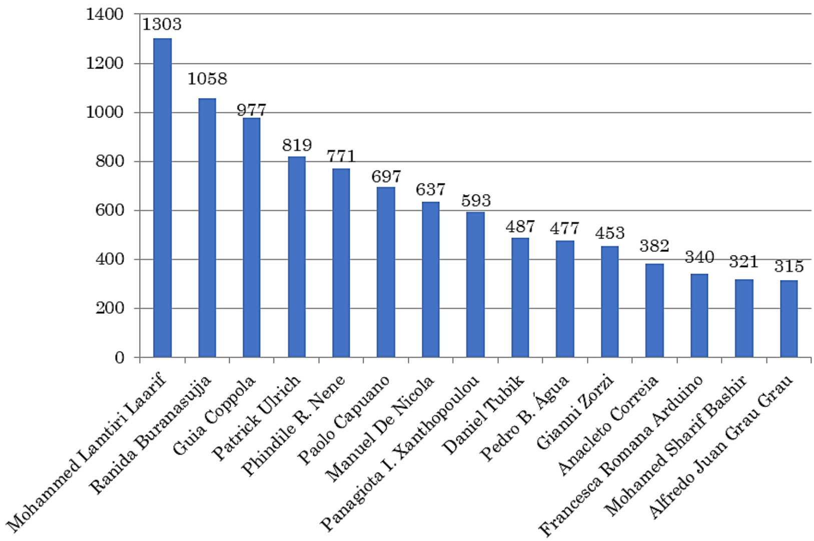
Conference forum comments — top-15 most commenting discussants (by volume of comments (words))



Conference forum comments — top-15 most commenting presenters (by number of comments)



Conference forum comments — top-15 most commenting presenters (by volume of comments (words))



CONFERENCE FORUM DISCUSSANTS INDEX

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