Guest editorial

Corporate governance

This special issue focuses on corporate governance topics, which affect all firms and stakeholders. The policies and guidelines which govern a firm's practices have a direct impact on firm outcomes. The issue highlights many important topics such as board diversity, controlling shareholders, institutional ownership, and the impact of governance principles on performance. Overall, the research in this issue echoes much of the existing governance research which suggests that a "one size fits all" approach is not sufficient, but rather, continued research is warranted.

Diversity on the board

Three studies in the issue address board diversity issues, a topic that continues to receive a great deal of attention. Vähämaa (2017) finds that firms with female CEOs and CFOs have higher quality governance practices, as measured by the Corporate Governance Quotient. Examining boards in Russian firms, Ilina *et al.* (2017) document a positive relation between board diversity and Tobin's *Q*. Dewally *et al.* (2017) find that the number of women on boards has increased, but this increase is due to simply an increase in board size. They also find that in areas where religiosity is high, female board participation is lower, while a more educated female population is associated with greater women board participation. These studies contribute to the growing literature on the effects of board diversity.

Governance principles and impact on performance

Safari (2017) finds that when firms adhere to board and audit committee principles (as suggested by the Australian Securities Exchange Corporate Governance Council), the firm engages in less earnings management. These findings support the idea that board and audit committee structures enhance financial reporting quality. Olsen and Tamm (2017) find that when firms experience bankruptcy, their governance characteristics change substantially. These changes include smaller boards, greater independence, and the separation of the CEO and chairman positions. While these changes are, in theory, beneficial, they do not result in better performance following the emergence from bankruptcy.

Ownership issues and emerging markets

Jory *et al.* (2017) find that firms with large, stable institutional ownership favor dividend paying companies. This ownership structure is also associated with a persistent payout policy, and when firms change their payout policy frequently, their institutional ownership structure is less stable. Lassoued *et al.* (2017) find evidence that banks with more concentrated ownership are more likely to use discretionary loan loss provision to manage earnings. Block ownership is associated with greater discretionary loan loss provisions, suggesting that concentrated shareholder ownership encourages earnings manipulation.

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Finally, Garner *et al.* (2017) provide a literature review of issues mostly related to board size and composition, including diversity as well as election issues. Their paper suggests that continued works in these areas are necessary as institutions and governance policies continually evolve.

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