

SPECIAL ISSUE ARTICLE

Introduction to the special issue: “Current challenges of corporate governance: Reputation, risk and sustainability”

Myriam García-Olalla¹  | Camilo José Vázquez-Ordás² 

¹Department of Business Administration,
Universidad de Cantabria, Santander,
Spain

²Department of Business Administration,
Universidad de Oviedo, Oviedo, Spain

Correspondence

Myriam García-Olalla, Department of
Business Administration, Universidad de
Cantabria, Santander, Spain.

Email: myriam.garcia@unican.es

Abstract

In the modern business landscape, the challenges of corporate governance have become increasingly important. In particular, those related to reputation, risk, and sustainability are today crucial to the well-being of both individual organizations and the global economy and society at large. For these reasons, corporate governance today plays a more important role than ever before in shaping the strategies and operations of companies.

With respect to reputation, the need to keep it high and positive, avoiding events with a negative impact, has been growing to become an invaluable asset in the business world. In today's age of instant information and social media, a company's reputation can be affected by a single misstep. Stakeholders, including customers, investors, and employees, closely monitor a company's ethical behavior, environmental practices, and commitment to social responsibility. Therefore, corporate governance plays a pivotal role in safeguarding and enhancing a company's reputation. Companies that prioritize ethical governance and sustainability are more likely to attract and retain customers, investors, and top talent.

Risks in the corporate world are multifaceted and constantly evolving. From cyber threats to geopolitical instability, businesses face a diversity of risks that can disrupt operations and undermine shareholder value. In this regard, effective corporate governance involves identifying, assessing, and managing these risks. Boards and executives must be vigilant in their oversight of risk management to protect the interests of shareholders and stakeholders as poor risk management can lead to financial losses and, again, damage to the company's reputation. Additionally, the integration of environmental, social, and governance (ESG) considerations into risk management has become increasingly important as companies attempt to meet

sustainability goals and comply with evolving ESG reporting standards.

Lastly, sustainability is no longer an optional aspect for businesses. As environmental and social issues become more prominent, companies must incorporate sustainable practices into their corporate governance frameworks. This involves making long-term decisions that take into account environmental impact, social responsibility, and ethical behavior. This way, companies that embrace sustainability not only contribute to a better world but also position themselves for long-term success. In addition, investors and consumers are increasingly demanding transparency and accountability when it comes to sustainability, making it an integral part of corporate governance in the 21st century.

In conclusion, the importance of addressing today's corporate governance challenges, especially those related to reputation, risk, and sustainability, cannot be underestimated. These challenges are closely linked to a company's core operations, affecting its financial results, stakeholder relationships, and overall longevity. Forward-thinking companies recognize that good governance practices are essential not only to adapt to today's complex business environment but also to ensure a prosperous and sustainable future.

This special issue of *Global Policy Journal* aims to contribute to the debate by analyzing the new challenges posed to the corporate governance.

This is an open access article under the terms of the [Creative Commons Attribution](https://creativecommons.org/licenses/by/4.0/) License, which permits use, distribution and reproduction in any medium, provided the original work is properly cited.

© 2024 The Authors. *Global Policy* published by Durham University and John Wiley & Sons Ltd.

The paper by Carbó-Valverde et al. "Digital Innovation and De-Branching in the Banking Industry: Customer Perception and Satisfaction" explores the evolving landscape of the banking industry, which is undergoing a significant digital transformation. The banking sector is increasingly adopting digital technologies and information systems while concurrently reducing the prominence of traditional branch networks. The primary objective of this study is to investigate the connection between technological innovation within the banking sector and the perceptions and satisfaction of banking customers. This is achieved through an in-depth analysis of a comprehensive consumer finance survey, which assesses how customers view the ongoing digital transformation efforts of banks and how these efforts affect their overall satisfaction. The findings of the research suggest a positive correlation between customer perceptions of a bank's digital innovativeness and the effectiveness of its digital transformation initiatives. It appears that customers tend to express higher levels of satisfaction with banks that have embraced a more robust digitalization strategy. Furthermore, the study reveals an important observation: customers tend to perceive banks as more innovative when there has been a more significant reduction in the number of physical bank branches, particularly in the context of the pandemic. This finding underscores the impact of external events on the perception of a bank's technological adaptation and innovation.

Redondo and Aracil's article "Climate-related credit risk: Rethinking the credit risk framework" investigates the critical financial risks posed by climate change and the challenges associated with the transition to a zero-carbon economy. These climate-related risks (CRR) have indirect repercussions on banks, primarily through their loan portfolios. The study aims to examine how CRR is integrated into the credit risk assessment and monitoring processes of banks. To do so, the research employs quantitative bibliometric techniques and conducts content analysis on 145 academic documents, including those from policymakers and financial supervisors. The literature review highlights four main thematic areas: CRR drivers, CRR tools, CRR data, and CRR pricing. It emphasizes the complexities arising from the uncertain nature of climate risks, their non-linear characteristics, their dependence on geographical and industrial factors, and their non-reversibility, which makes assessing climate-related credit risk a challenging task. Additionally, the research underscores issues related to the comparability, availability, and reliability of CRR data, suggesting that artificial intelligence (AI) can play a pivotal role in improving these aspects. Furthermore, the study reveals that the current financial market prices do not fully reflect the extent of climate-related credit risk. This finding holds significant implications for policymakers as it underscores the necessity of assessing the financial impacts

of climate transition regulations proactively. It also highlights the potential need for prudential regulatory measures and the importance of developing supra-national policies that facilitate access to reliable and comparable climate data.

The paper "Sustainable Banking and Trust in the Global South" by Forcadell et al. examines the crucial link between trust in the banking sector and financial inclusion, particularly in the context of developing countries. The research centers on the potential of multinational banks (MNBs) to bolster trust by embracing sustainable banking practices encompassing Environmental, Social, and Governance (ESG) principles. It examines the impact of MNBs' adoption of these sustainable practices on trust in banking within 38 developing nations. To examine this relationship, the study employs a rigorous instrumental variable approach and control function estimation. The findings of the research reveal a significant and positive association between the implementation of sustainable ESG practices by commercial MNBs and an increase in trust in the banking sector. Importantly, this relationship holds consistently across various samples, lending robustness and credibility to the research findings.

Fernández-Sánchez et al. analyze "How the method for delivering loans affects the economic efficiency of Microfinance Institutions." They put the focus on evaluating the impact of lending methods on the cost efficiency of microfinance institutions (MFIs), given the recent innovations in the sector, and the lack of empirical studies to assess their actual influence. The study underscores the significance of enhancing the cost efficiency of MFIs as a key factor in achieving financial self-sufficiency and long-term sustainability. The research draws on data from an unbalanced panel encompassing 1017 MFIs over the period from 2008 to 2018, sourced from the Microfinance Information Exchange (MIX) database. The results of the study reveal that community or group lending methods, such as village banking and solidarity groups, have a positive impact on the cost efficiency of MFIs when compared to traditional lending methods. This finding suggests that innovative lending approaches can enhance the overall financial efficiency of microfinance institutions. Furthermore, the research highlights that MFIs with a higher proportion of borrowers in rural markets tend to exhibit greater cost efficiency compared to those with a larger urban borrower base. Interestingly, it is observed that the positive impact of community or group-lending methods on cost efficiency is more pronounced in urban areas than in rural regions.

Teleworking in the banking sector has experienced a substantial increase, mainly attributable to the outbreak of the COVID-19 pandemic. The research "Work environment and health of bank employees working from home: lessons learned from the COVID-19 pandemic" by Azpiroz-Dorronsoro et al. focuses on the significance of the home workspace and the support mechanisms

within the organization with regard to the well-being of bank employees who found themselves compelled to transition to remote work during the public health crisis. To accomplish this, the authors propose and put to the test a structural equation model and a moderated serial mediation model, employing a sample of 1037 bank employees in Spain, which was gathered via an online, self-administered survey. The findings underscore both the direct and indirect impacts of the quality of the home working environment on an individual's health. These effects are intermediated by two key factors: family interference with work and technological overload. Notably, the research also illuminates that the support provided by the organization for telecommuting amplifies the influence of home physical conditions on family interference and technological overload. Additionally, it is evident that the indirect consequences of physical working conditions on health are contingent upon the extent of support the organization offers for teleworking. This comprehensive investigation thus contributes to a more profound comprehension of how the home environment shapes the health of telecommuters and identifies effective strategies for enhancing the well-being of bank employees who opt for remote work.

The paper "Mapping research on corporate misconduct in banking: lessons from literature on preventive and punitive actions" by Rodríguez-Arrojo et al. explores the landscape of corporate misconduct studies, with a specific emphasis on the banking sector. To achieve this, a selection of relevant papers from the Web of Science is analyzed through a comprehensive bibliometric approach. The study aims to understand the role of research specifically oriented towards the banking industry, and it subsequently conducts a systematic review to distinguish between articles that deal with the measurement of impact and those that concentrate on preventive actions. The results of this research provide insights into unanswered questions surrounding the distinct characteristics of the banking industry, which necessitate independent analysis, as well as the ongoing debate about whether current regulations have led to unintended consequences. One particularly significant lesson emerges from this investigation: a consensus among many studies points to the importance of emphasizing efficient preventive methods, such as education for fostering more ethical corporate and individual behavior, as a key strategy in addressing corporate misconduct.

Finally, Rodríguez-Sanz et al. investigate "Risk analysis of Spanish companies". The paper explores the determinants of various types of market risk faced by Spanish firms from 2012 to 2019. It employs Fama and French's three-factor model, which encompasses total risk, diversifiable risk, and systematic (non-diversifiable) risk across three dimensions: market risk, size risk, and valuation risk. The study derives risk determinants from economic and financial variables extracted from financial statements and employs factor analysis to address

correlation issues between these measures. The research demonstrates that Fama and French's systematic risk factors, as outlined in their 1993 three-factor model, effectively encompass dimensions of systematic risk that are pertinent to investors. Moreover, the set of economic and financial variables proposed in the study can account for and explain these risks. Of these variables, profitability and the market-to-book ratio are found to exert the most significant influence in explaining a company's risk profile. Conversely, factors such as operating and financial leverage, growth, and company solvency have a relatively smaller impact as explanatory factors for risk.


At this point, we are grateful to Banca March for their support of all our projects, this one in particular; to the authors for their contributions; and also, especially, to Eva-Maria Nag and the editorial team at Global Policy Journal for invaluable guidance, patience, and advice given to us.

DATA AVAILABILITY STATEMENT

Data sharing is not applicable to this article as no new data were created or analyzed in this study.

ORCID

Myriam García-Olalla  <https://orcid.org/0000-0001-5106-8820>

Camilo José Vázquez-Ordás  <https://orcid.org/0000-0003-1162-6802>

AUTHOR BIOGRAPHIES

Myriam García-Olalla is a Full Professor of Finance at the University of Cantabria and a Visiting Researcher at the universities of Berkeley (USA) and Bangor (UK). Her main research interests are banking and corporate finance, areas in which she has published scientific books and articles in relevant international economics and finance journals.

Camilo José Vázquez-Ordás is a Full Professor of Business Organization at the University of Oviedo and a Visiting Researcher at Bangor University (UK). He has contributed to a number of topics in business management, especially on mergers and acquisitions, innovation, growth strategies, organizational learning, and safety culture and climate.

How to cite this article: García-Olalla, M. & Vázquez-Ordás, C.J. (2024) Introduction to the special issue: "Current challenges of corporate governance: Reputation, risk and sustainability". *Global Policy*, 15(Suppl. 1), 5–7. Available from: <https://doi.org/10.1111/1758-5899.13319>