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Editorial

Corporate Finance

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Corporate finance deals with the financing and investment decisions set by the corporations' management in order to maximize the value of the shareholders' wealth. However, due to the separation of ownership and control, managerial goals are pursued at the expense of the shareholders. Stockholder prosperity is enlarged through financial managers making rational investments, financing, and dividend resolutions. Moreover, for the longstanding success of the corporation, the board should be operative and be jointly accountable.

Corporate finance is concerned with the efficient and effective administration of the company funds so as to accomplish the aims of that business, comprising forecasting and monitoring the supply of capital (where funds are brought up), the distribution of funds (where resources are directed), and the supervision of resources (whether funds are being used effectively or not) (Watson and Head 2016). Corporate finance is grounded on three principles, namely the investment principle (establishes where corporations invest their funds), the financing principle (manages the mixture of funding—debt and equity—laid down to finance the investments), and the dividend principle (sets the amount of earnings that should be reinvested back into the firm and how much should be repaid to the owners of the corporation) (Damodaran 2014). The supreme objective is to augment wealth for the supplier of capitals, especially stockholders (Vernimmen et al. 2018). Therefore, the secret of triumph in financial management is to increase value (Brealey et al. 2018). Legally, managers have a fiduciary obligation to the owners, which imply that management should prioritize the interests of the shareholders over their own (Parrino et al. 2011). However, due to the split of ownership and control, corporations encourage managerial goals at the expense of shareholders (Ross et al. 2015). Such a dispute is an entitled agency problem (Ross et al. 2017). Corporate governance addresses the challenges that ensue from the division of proprietorship and management, being focused on the internal structure and guidelines of the board of directors, the formation of independent audit committees, standards for information reporting to stockholders and lenders, as well as management oversight (Fernando et al. 2018). Therefore, corporate governance regulates and monitors corporate behavior, considers the interests of stakeholders, pledges for a trustworthy enterprise conduct, and has the final purpose of reaching the utmost level of efficiency and profitability for the company (Plessis et al. 2011). In this regard, corporations are responsible to the entire society, upcoming generations, and the natural world (Solomon and Solomon 2004).

This book comprises 19 papers published in the Special Issue entitled "Corporate Finance", focused on capital structure (Kedzior et al. 2020; Ntoung et al. 2020; Vintilă et al. 2019), dividend policy (Dragotă and Delcea 2019; Pinto and Rastogi 2019) and open market share repurchase announcements (Ding et al. 2020), risk management (Chen et al. 2020; Nguyen Thanh 2019; Štefko et al. 2020), financial reporting (Fossung et al. 2020), corporate brand and innovation (Barros et al. 2020; Błach et al. 2020), and corporate governance (Aluchna and Kuszewski 2020; Dragotă et al. 2020; Gruszczyński 2020; Kjærland et al. 2020; Koji et al. 2020; Lukason and Camacho-Miñano 2020; Rashid Khan et al. 2020), covering companies worldwide (Cameroon, China, Estonia, India, Japan, Norway, Poland, Romania, Slovakia, Spain, United States, Vietnam), as well as various industries (heat supply, high-tech, manufacturing).

Capital structure policies are among the essential part driving the orientation of decisions that fulfill several contradictory objectives which demanding stakeholders place before a financial director (Agarwal 2013). With regard to the papers concerning capital structure, Vintilă et al. (2019) established that factors such as tangibility, growth, size, or liquidity have an important influence on long-term and short-term debt rates of corporations part of the technology industry and listed on the New York Stock Exchange. Furthermore, Kedzior et al. (2020) concluded that liquidity, firm age, and investments in innovativeness determine capital structure of companies listed in the Warsaw Stock Exchange that are classified as high-tech firms. For a sample consisting of 888 Spanish unlisted small and medium size firms, Ntoung et al. (2020) proved that most family companies use less debt financing than non-family firms, and therefore preserve a lower level of debt.

Dividend decisions are a kind of financing decision that influence the amount of earnings that a corporation allocates to stockholders against the portion it holds and reinvests (Baker 2009). Amid the topic of dividend policy, Dragotă and Delcea (2019) suggested an agent-based model for assessing the duration of systematically making bad decisions and noticed that this period can be very long. For a balanced data covering 424 companies out of the NIFTY 500 NSE-index, Pinto and Rastogi (2019) found that corporations with a larger size, higher interest coverage ratio and profitability, but low business risk and debt, are likely to distribute higher dividends in India. In addition, a different way to pay cash to investors is through a share repurchase or buyback (Berk and DeMarzo 2017), the frequent method being open market share repurchase whose approval is granted by the board of directors or subsequent to a shareholders meeting (Vermaelen 2005). The paper of Ding et al. (2020) documented for the case of the United States that, compared with companies which do not repeat share repurchase announcements, corporations that reiterate their share repurchase programs register higher growth opportunities, have more free cash flows, are more profitable, less undervalued, larger, and show significantly lower cumulative abnormal announcement period returns.

Corporations encounter an extensive variety of risks that can influence the outcome of their activities (Hopkin 2017). Nevertheless, the financial risk that ensues from uncertainty can be handled (Crouhy et al. 2006). In addition, to pay off purchases of resources and services for the daily operation of business, companies require cash (Paramasivan and Subramanian 2009). Concerning the papers regarding risk, Nguyen Thanh (2019) explored 306 non-financial companies listed on the Vietnam Stock Exchange and highlighted that a proportion of cash holding within a threshold of 9.93% can contribute to improvement of the company's efficiency. By means of a sample of 1625 multinational companies out of the United States, Chen et al. (2020) proved that pension incentive should promote executives to more actively manage firms' risk. For 497 companies operating in Slovakia in the heat supply industry, Štefko et al. (2020) supported that the data envelopment analysis (DEA) method is an appropriate alternative for predicting the failure of the explored sample.

Inside and outside stakeholders use the financial reports for taking decisions (Gibson 2007). With reference to the manuscripts regarding financial reporting, Fossung et al. (2020) emphasized, based on a questionnaire distributed to 80 professional accountants drawn mostly from the Institute of Chartered Accountants of Cameroon (ONECCA), that financial statements prepared in conformity with the International Financial Reporting Standards (IFRS) are more suitable in presenting a true and fair view.

The essential features that outline the corporate brand as a distinct field are intangibility, complexity, and responsibility (Ind 1997), whereas its subjects are the whole persons interested in the merchandise offer (Ormeño 2007). Corporate branding enables companies to use their culture and values as an advertising instrument and as a guarantee of value to the market (Roper and Fill 2012). In this respect, the study of Barros et al. (2020) demonstrated that the concept of brand relationships covers three dimensions: trust, commitment, and motivation. Furthermore, the transformation of governance structure can influence the outcomes regarding innovation by assigning managers focused on innovation, by supporting investments in the scientific and technological sector, and by appealing associates in the share capital so as to take on fresh business initiatives and hence alleviate perils (Rangone 2020). The paper of Błach et al. (2020) focused on small and medium-sized enterprises (SMEs) in the European Union and found that SMEs from the new member states try to catch up with SMEs from nations with a higher level of development, concentrating on product innovations.

With the purpose of preserving rightfulness and reliability, corporate management needs to be effectively responsible to some independent, experienced, and inspired delegate (Monks and Minow 2004) so as to balance the interests of varied stakeholders (Minciullo 2019). In this respect, corporate governance deals with how the board of a corporation acts and specifically how it sets the values of the firm (Simpson and Taylor 2013). The board of directors manage and govern a company and, accordingly, an effective board is vital to the success of the corporation (Mallin 2013). Among the papers related to the corporate governance, Dragotă et al. (2020) investigated 36 companies listed on the Bucharest Stock Exchange and noticed the political inference in Chief Executive Officer (CEO) turnover decision. Furthermore, Aluchna and Kuszewski (2020) explored declarations of conformity for a sample of 155 companies listed on the Warsaw Stock Exchange and revealed a negative and statistically significant association among corporate governance compliance and company value. Lukason and Camacho-Miñano (2020) explored 77,212 private SMEs from Estonia and showed that the presence of woman on the board, higher manager's age, longer tenure, and a larger proportion of stock owned by board members lead to less-likely violation of the annual report submission deadline, but in turn, the presence of more business ties and existence of a majority owner behave in the opposite way. With reference to boardroom gender diversity, the manuscript of Gruszczyński (2020) explored 1194 companies out of 18 European countries and found that female presence on a board is not significantly related to firm performance. As regards the influence of corporate governance on earnings management, Kjærland et al. (2020) found for a sample of 168 companies listed on the Oslo Stock Exchange that board independence and share ownership by directors positively influence earnings management, whereas board activity and directors as majority shareholders did not reveal a statistically significant effect. With reference to the impact of corporate governance on firm performance, Koji et al. (2020) explored 1412 Japanese manufacturing firms and established that institutional shareholding and foreign ownership promote the performance of both family and non-family companies. Rashid Rashid Khan et al. (2020) concluded for 2248 Chinese A-listed firms a positive moderating effect of corporate governance quality and ownership concentration on the connection between agency cost and firm performance, whilst non-state (state) ownership of companies positively (negatively) moderates the agency–performance link.

As a final remark, the set of manuscripts covered by this Special Issue broadened the knowledge on corporate finance worldwide and proposed fascinating future research directions.

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