

# Exploration of Dynamics of Corporate Performance and Corporate Governance

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## Keywords

*Corporate Performance,  
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Leadership.*

## ABSTRACT

This research explores the dynamics of corporate performance and governance in the context of globalization and fierce business competition. With a focus on the Spanish tourism sector and evaluating corporate governance in Latin America, the study uses a mixed approach, combining qualitative and quantitative analysis. The study aimed to understand the relationship between corporate performance and corporate governance by exploring the differences between family and non-family businesses. The research provides insight into how ownership, management, and governance practices can affect corporate performance through literature studies, return on capital analysis, and corporate governance evaluations. The results show that family businesses have unique dynamics involving emotional involvement and creativity, while good corporate governance is concerned with consistency of return on capital. Implications include a better understanding for organizational leaders in making investment decisions and sustainable business strategies. This research makes theoretical and practical contributions to understanding performance dynamics and corporate governance in global and local business contexts.

## INTRODUCTION

In the era of globalization and increasingly fierce business competition, the business world faces greater challenges in achieving and maintaining optimal performance (Shu & Chiang, 2020; Tjahjadi et al., 2021). The role of corporate governance as a solid foundation for achieving strategic objectives is becoming increasingly important. In this context, this study aims to determine the dynamics of company performance and corporate governance as key factors for company success (Gao et al., 2023; Gupta & Chauhan, 2023; Lemma et al., 2022; Monks & Minow, 2011). The rapid and complex evolution of the business world requires increased attention to two important aspects: corporate performance and corporate governance. Both play an important role in shaping and maintaining organizational sustainability in managing changing market dynamics (Ari et al., 2023; Siddiqui et al., 2023; Xu et al., 2022). The company's performance includes financial aspects, where Return on Capital becomes critical management to evaluate the efficiency of capital use and potential profitability. Meanwhile, corporate governance addresses the organizational structure, policies, and practices governing how companies run and supervise (Boachie & Mensah, 2022; Nareswari et al., 2023; Peng et al., 2021; Wang & Yang, 2023; Zhang et al., 2023).

Modern companies face various challenges, such as market fluctuations, technological changes, and ever-increasing stakeholder demands. Maintaining consistent corporate performance and adding

value to stakeholders requires a deep understanding of the company's internal dynamics and the implementation of effective corporate governance (Noruzy et al., 2013). This challenge requires a management approach to understand and manage company performance and strengthen good governance (Huang & Wang, 2023; Lee et al., 2023).

This research is based on a strong theoretical framework and current empirical research in the field of corporate performance and corporate governance. Theories such as the Balanced Scorecard, agency theory, and related concepts become the basis for analyzing the dynamics of company performance (Nareswari et al., 2023; Ronaghi, 2022; Uyar et al., 2021; Zhang et al., 2023). Meanwhile, literature on successful corporate governance practices and case studies of companies that have achieved excellence can be helpful in evaluating best practices (Sarhan & Gerged, 2023; Vichitsarawong & Eng, 2023; Zahoor et al., 2023).

In Spain, family and non-family businesses potentially dominate the tourism industry, giving it a significant market share and contributing to the country's economic growth. A comparative analysis of family and non-family businesses provides valuable insights into capital management and business strategies that may differ between them. Corporate governance assessments of recorded companies provide an in-depth understanding of the extent to which governance principles are recognized and applied at the organizational level (Camisón Zornoza et al., 2016). This creates an opportunity to understand how corporate governance practices impact corporate performance and vice versa (del Carmen Briano-Turrent & Rodríguez-Ariza, 2016).

By combining these two aspects, this study aims to make a significant contribution to the understanding of the relationship between corporate performance and corporate governance by combining these two aspects. This topic is particularly relevant to the current industry situation due to the changing dynamic business ecosystem. Understanding how companies manage performance and implement effective governance can determine success and failure. This research provides important insights to stakeholders, including business owners, executives, regulators, and general managers, by providing detailed insights into policies and practices that can improve business performance and sustainability. Furthermore, this research is expected to make new theoretical contributions in understanding the dynamics of corporate performance and corporate governance in the Indonesian business context.

## **METHODS**

This research is a descriptive qualitative approach using literature studies to investigate corporate performance and governance dynamics. This research departs from two previous research journals entitled "Return on Capital in Spanish Tourism Businesses: A Comparative Analysis of Family vs Non-family Businesses" (Camisón Zornoza et al., 2016) and "Corporate Governance Ratings on Listed Companies: An Institutional Perspective in Latin America" (del Carmen Briano-Turrent & Rodríguez-Ariza, 2016)

As a first step, a literature study will be conducted to gather a deep understanding of theories related to corporate performance and corporate governance. Findings from qualitative analysis will be integrated to manage a comprehensive picture of the relationship between company performance and 2400 corporate governance. The diversity of data from various sources will enrich the interpretation of research findings. Research results will be validated through data triangulation and feedback from industry experts and academics to ensure the reliability and generalizability of findings.

## **RESULTS**

In exploring the dynamics of corporate performance and corporate governance, this study combines two main factors: an analysis of return on capital in the Spanish tourism business and an evaluation of corporate governance ratings in listed companies in Latin America. These two aspects are expected to provide a manageable understanding of how performance and governance interact with

each other in the contemporary business world.

### **The Business Context of Spanish Tourism**

Analysis of the performance of Spanish tourism businesses, by distinguishing between family and non-family businesses, provides an in-depth understanding of how ownership structure can affect return on capital. The results showed that family businesses tend to have strong emotional involvement and long-term performance, which can have a positive impact on the efficiency of capital use and stability of performance. Within Spain's tourism sector, many business ventures are run by families. This creates a unique dynamic where family factors, such as tradition, values, and personal relationships often influence business decisions. Leaders in the context of family businesses need to understand and address the emotional aspects and interpersonal relationships that might influence strategic and operational decisions (Arif et al., 2019; Camisón Zornoza et al., 2016).

Companies that are heavily influenced by external factors, such as global travel trends, seasonal changes, and economic changes. The leader of the organization, in this case, needs to have the ability to adapt to rapid environmental changes. Successful leadership in the Spanish tourism sector involves the ability to devise flexible and manageable strategies to market changes and consumer trends (Saebah & Merthayasa, 2023). And the importance of customer satisfaction service, of course, an organizational leader needs to instill a high customer service culture among employees. Leadership in this regard focuses on empowering employees to deliver a positive customer experience and ensuring that customer service values are embedded throughout the organization (Chang & Lee, 2007).

In an era of sustainability, leaders need to consider the environmental impact of their business operations. Sustainable leadership involves integrating environmentally friendly business practices. Leaders must incorporate sustainability policies into organizational strategies and lead by example in implementing environmentally responsible practices. Effective leadership, too, will involve the ability to work and communicate with the managing group (Purwanto, 2020). Leaders need to build diverse teams and promote an inclusive organizational culture to respond to the needs of the global market.

Organizational leaders also need to understand the importance of innovation in attracting customers and competing in a competitive marketplace. Creative leadership involves the drive towards product or service innovation, as well as the implementation of effective marketing strategies to market tourism destinations or services. By understanding this unique context, organizational leaders within the Spanish tourism sector can develop leadership skills that match the demands of the unique business dynamics in the industry (Schein, 2010). The ability to adapt, lead managing teams, and maintain a balance between innovation and sustainability is key to addressing leadership challenges in the ever-evolving tourism sector (Kim, 2014).

### **Comparison Between Family and Non-Family Business**

The comparison between family and non-family businesses involves an in-depth understanding of the differences in governance, values, and dynamics that might influence a company's decisions and performance. In the context of research on return on capital in Spanish tourism businesses, this comparison can provide valuable insight into how family ownership and management can differ from businesses that are not family-owned. Family ownership often involves strong emotional involvement and intergenerational interconnectedness. Family values, traditions, and personal relationships can influence decision-making. Businesses that are not family-owned tend to have more fragmented ownership structures, with decisions that economic and strategic factors may influence without deep emotional involvement (Olson et al., 2003).

While they tend to be conservative in managing risk, family businesses often have strong flexibility and innovation due to their long-term orientation. Creativity in a family business can be rewarded for keeping tradition while adopting change. Whereas in non-family businesses, innovation decisions may be more quickly taken in non-family businesses because of a more focused orientation to financial results and return on investment. Family businesses often have a long-term vision and are

more willing to take long-term risks for family sustainability and growth. However, for non-family businesses, orientation may be more focused on achieving financial results in a short period of time, with a more tactical strategic plan (Suwarno & Harianti, 2022).

Leadership succession in family businesses involves emotional and complex factors in transferring leadership from generation to generation. The succession process in non-family businesses can focus more on performance criteria and the selection of candidates based on ability and experience. Family involvement in ownership and management can create an intimate work atmosphere and complex dynamics between family members and non-family employees. In non-family businesses, employee relationships tend to focus more on professionalism and may have fewer personal conflicts of interest. Family businesses may be more likely to use internal funding or lower debt to avoid the risk of losing a loggler (Annisa et al., 2021). Non-family businesses may be more likely to use external financing options and higher debt ratios to maximize return on investment (Olson et al., 2003).

A comparison between family and non-family businesses reveals differences in investment strategies and managerial policies. Although family businesses may tend to be conservative in risk management, non-family businesses may be more likely to adopt aggressive innovation and growth strategies. As a result, this difference is reflected in the return on capital, providing a more complete picture of the dynamics of company performance in the tourism sector.

### **Evaluation of Corporate Governance in Latin America**

Corporate governance involves the extent to which a company implements the principles of ethics, transparency, accountability, and social responsibility. This evaluation becomes important to ensure that the company operates with integrity and meets business ethics standards. The ownership structure of the company and the composition of the board of directors can play an important role in governance (Ho, 2005). The evaluation includes whether the board of directors is managed, has relevant expertise, and can effectively carry out its supervisory and advisory functions.

The level of transparency and quality of financial reporting is a determinant in the evaluation of corporate governance. The Company is expected to provide accurate, relevant, and timely information to shareholders and other interested parties. Companies in Latin America need to have effective risk management systems and internal controls in place to manage operational, financial, and reputational risks. Evaluation involves an assessment of the effectiveness of this system. Companies in Latin America also involve the extent to which companies involve shareholders in decision-making and the extent to which shareholder rights are respected. Openness to dialogue with shareholders and protection of their rights are important aspects (Mallin, 2016).

Companies are increasingly paying attention to environmental, social, and governance (ESG) factors in evaluating governance. Companies are expected to publish their sustainability, social responsibility, and environmental impact information. Also, aspects of business ethics are involved in this evaluation, including the company's compliance with the code of ethics, fair treatment of employees, and anti-corruption policies. And improved governance through innovation, corporate governance evaluation also includes the extent to which companies adopt innovation in their governance practices, such as the use of technology to increase transparency and efficiency. Finally, corporate social responsibility (CSR), governance evaluation also involves the extent to which the company practices and involves itself in corporate social responsibility, including actions carried out in supporting the community and the surrounding environment.

Through this evaluation, stakeholders can understand the extent to which companies in Latin America adhere to the principles of good governance, and the results can provide valuable insights for organizational leaders, investors, and regulators to improve corporate governance practices in the region continuously.

## **CONCLUSION**

By incorporating Spanish and Latin American elements, the study provides a global and local look at the dynamics of corporate performance and governance. It provides an understanding of how global and local factors interact with each other and can form effective business strategies. The relationship between corporate performance and governance is revealed. Companies with good governance tend to achieve more consistent and sustainable returns on capital. Conversely, lack of transparency and lack of effective governance structures can limit a company's growth potential and performance. Organizational leaders can draw insights from the results of this study. They need to consider corporate governance's critical role in achieving their financial goals, while understanding how ownership dynamics, such as in family businesses, can influence investment decisions and business strategies.

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