

# EXPLORING THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND COMPETITIVE FIRM PERFORMANCE: THE ROLE OF DYNAMIC MANAGERIAL CAPABILITIES

Received: 11. 10. 2023.

Accepted: 9. 8. 2024.

DOI <https://doi.org/10.30924/mjcmi.29.2.6>

Original scientific paper

71

**ABSTRACT** This paper explores the relationship between corporate governance, dynamic managerial capabilities, and competitive firm performance. In particular, we examine the role of dynamic managerial capabilities in the relationship between corporate governance and competitive firm performance. Using a sample of 323 firms, we demonstrate that the relationship between corporate governance and competitive performance is mediated by dynamic managerial capabilities. The research results also show that corporate governance has a positive effect on competitive firm performance. Consequently, firms tend to invest in their employees to improve their individual skills related to dynamic managerial capabilities, with the aim of achieving better results in competitive firm performance. Furthermore, firms tend to have clearer organisational structures, with the board and the top management team playing a crucial role.

**KEYWORDS:** *corporate governance; competitive firm performance; dynamic managerial capabilities; mediation effect*

## 1. INTRODUCTION

Corporate governance has become indispensable for the successful management of firms. It encompasses a wide range of mechanisms, processes, and relationships through which firms are monitored and managed (Tugrul & Cimen, 2016). Studies in Italy (Tron et al., 2022) have shown that the stability of the CEO, the structure of the board of directors, and the firm's chief executive play a crucial role in influencing the chances of an economic and financial crisis. Conversely, effective and efficient corporate governance can be a key factor in strengthening a company's competitive advantage (Strange et al., 2009).

In recent decades, researchers have increasingly adopted the dynamic capabilities framework to investigate the relationship between corporate governance variables and their outcomes (Marinković et al., 2022). Studies adopting this perspective have applied Teece et al.'s (1997) micro-foundation approach, which argues that dynamic capabilities reflect an organisation's ability to combine, develop and reconfigure its external and internal competencies to respond to rapidly changing business conditions. Dynamic managerial capabilities, a subset of dynamic capabilities, have received increasing interest in academia (Kevill, 2021). These competences are critical for organisations to gain and maintain a competitive

\* School of Economics and Business, Kaunas University of Technology, Lithuania; Gedimino g. 50-415, LT 44239, Kaunas, Lithuania, e-mail: [jurgita.sekliuckiene@ktu.lt](mailto:jurgita.sekliuckiene@ktu.lt); ORCID ID: <https://orcid.org/0000-0001-8899-3112>

\*\* School of Economics and Business, Kaunas University of Technology, Lithuania; e-mail: [julius.urbonavicius@ktu.lt](mailto:julius.urbonavicius@ktu.lt)

advantage in a dynamic environment. Dynamic managerial capabilities are defined as a source of organisational performance improvement and are strategically valuable for organisations that successfully deploy them (Helfat, 2007). Furthermore, scholars (Malik & Kotabe, 2009; Li & Liu, 2014; Punziene et al., 2022) have analysed and empirically investigated the impact of dynamic capabilities on organisational performance.

Despite the growing literature addressing the impact of dynamic managerial capabilities on firm performance, little attention has been paid to the link between corporate governance and firms' competitive performance and the role of dynamic managerial capabilities in this relationship. Moreover, prior studies have produced mixed and inconsistent findings on whether dynamic managerial capabilities have a mediating (Hsu & Chen, 2019; Chen et al., 2018) or moderating (Berrone et al., 2013) effect on the relationship between corporate governance and a firm's competitive performance. Due to the limited and fragmented research, there is a need for a comprehensive empirical study.

The aim of the study is to define the interaction between corporate governance, dynamic managerial capabilities and competitive firm performance and to identify the role of dynamic managerial capabilities in the relationship between corporate governance and firm's competitive performance.

The study contributes to the current debate on corporate governance and dynamic capabilities theories, and addresses the lack of studies on the interactions between dynamic managerial capabilities, corporate governance and firms' competitive performance. Furthermore, empirical research to date shows mixed results. We respond to the call by Marinković et al. (2022) to better understand which moderator influences the interaction between a firm's current corporate activities and its outcomes. This understanding could allow firms to determine their weaknesses in the future and map current activities.

Using a mediation-moderation model, we argue that the interaction between corporate governance and the firm's competitive performance is mediated by dynamic managerial capabilities. This approach provides a better understanding of the role that dynamic managerial capabilities can play in improving firms' competitive performance and growth and offers practical implications for managers.

## 2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

### 2.1. Corporate governance and competitive firm performance

Corporate governance (CG) refers to the processes, rules, and structures that control and direct organisations and regulate the interactions between top management, the board, shareholders, and stakeholders (Ching et al., 2006; Becht et al., 2005). Good CG practises improve monitoring and control, which leads to increased growth and performance. Companies with strong CG practises are more likely to achieve favourable financial results and good strategic alignment (Brown & Caylor, 2009; Khongmalai et al., 2010; Hitt et al., 2017). Claessens (2006) emphasises the benefits of CG, including better external financing opportunities, higher firm valuation, lower cost of capital, better resource allocation, and better stakeholder relations. Well-managed firms tend to achieve long-term performance, sustainable growth, and competitive advantage (Singh & Pillai, 2021).

Competitive firm performance (CFP) is the ability of an organisation to achieve superior financial returns through effective resource management, strategic innovation, and a strong corporate culture (Liu et al., 2021). CFP involves maintaining a dominant industry position through the use of resources, innovation, and a culture of collaboration (Chang et al., 2019). Studies have shown that CG practises improve CFP. Bhagat and Bolton (2008) found that firms with better governance have higher market value and greater financial success, and Gompers et al. (2003) found that firms with stronger shareholder rights tend to have higher valuations and growth rates. Similarly, Chen et al. (2012) found that robust governance mechanisms lead to better financial performance in developing markets.

These studies suggest that CG practises positively influence CFP. Companies that prioritise transparency, accountability, and stakeholder engagement achieve higher market value, lower risk, and better financial performance. Based on this discussion, the first hypothesis is formulated:

*H1: Corporate governance positively affects competitive firm performance.*

### 2.2. Dynamic managerial capabilities and its role on corporate governance and competitive firm's performance

Dynamic managerial capabilities (DMC) encompass the cognitive, behavioural, and social processes that

managers use to recognise, assimilate, modify, and utilise new knowledge, skills, and resources (Ambrosini & Altintas, 2019; Huynh et al., 2022). These processes include sensing (e.g., information gathering), seizing (e.g., techniques variety and integration), and transforming (e.g., foresight and strategy linkage) external and internal resources, integrating with organisational goals, and adapting to the dynamic environment (Teece et al., 1997; Ritala et al., 2021; Wang & Ahmed, 2021). DMC enable organisations to innovate and respond to environmental changes, leading to a sustainable competitive advantage (Kewill et al., 2021; Wang & Ahmed, 2021).

Jia et al. (2014) found that executives' competencies directly related to DMC positively influence organisational outcomes. In addition, the DMC of top management teams and board members influences the speed of strategic change in organisations (Huynh et al., 2022). Research shows that top management counselling of board members enables DMC and accelerates strategic initiatives and decisions. DMC enables organisations to adapt quickly and effectively to environmental changes such as market shifts and technological advances, which is critical to maintaining competitiveness and achieving sustainable growth (Sirmon & Hitt, 2009; Zhou et al., 2020; Yu et al., 2019).

Despite numerous studies on DMC, CG, and CFP, there are few empirical studies that address their interactions. The studies show mixed results regarding whether DMC acts as a mediator or moderator between CG and CFP. This gap prompts further research on the role of DMC in this relationship.

### DMC as a Mediator

Hsu and Chen (2019) analysed the influence of CG on DMC and CFP in Taiwanese companies. They found that CG practises such as CEO duality and board independence positively influence DMC, which in turn improves CFP. Similarly, Chen et al. (2018) investigated the relationship between CG, DMC, and CFP in the Chinese setting. They demonstrated that CG practises are associated with better CFP via the mediating effect of DMC.

Thus, the results suggest that DMC can mediate the relationship between CG and CFP. CG practises that promote transparency and accountability improve DMC, which leads to better CFP. On this basis, the second hypothesis is put forward:

*H2: Dynamic managerial capabilities mediate the relationship between corporate governance and competitive firm performance.*

### DMC as a Moderator

Dynamic managerial capabilities also have the potential to moderate the relationship between CG and CFP. Berrone et al. (2013) found that firms with high DMC exhibited a stronger relationship between CG and CFP. Similarly, Jiang and Zhao (2018) investigated the moderating effect of DMC on the relationship between CG and corporate innovation in China. They observed that DMC strengthens the effect of CG on corporate innovation. Hitt et al. (2018) examined the moderating effect of DMC and found that DMC strengthens the relationship between board diversity and CFP.

These results suggest that DMC can enhance the positive effects of CG practises. Therefore, the third hypothesis is proposed:

*H3: Dynamic managerial capabilities moderate the relationship between corporate governance and firm's competitive performance.*

## 3. METHODOLOGY

### 3.1. Research context

Although corporate governance has received considerable attention in academia, most research focuses on large corporations or small and medium-sized enterprises that are internationally mature (Aguilera et al., 2019). Corporate governance in small and medium-sized enterprises is not yet well researched (Audretsch & Lehmann, 2014). Therefore, research on corporate governance in a broader context that also includes small and medium-sized enterprises could provide valuable insights (Aguilera et al., 2019; Puthusserry et al., 2021). We decided to fill this gap, especially since our research was conducted in the Central and Eastern European country of Lithuania. In 2021, there were 298.8 thousand enterprises in Lithuania; most of the enterprises in Lithuania are small (Business in Lithuania, 2022).

### 3.2. Constructs

The constructs of this study were operationalized using measurable scales based on the relevant literature as suggested in Table 1. We used three constructs: 1) the Corporate Governance (CG) construct with 9 items (Khongmalai et al., 2010); 2) the Competitive Firm Performance (CFP) construct with 4 items (Pundziene et al., 2022); and 3) the Dynamic Managerial Capabilities (DMC) construct with 20 items (Pundziene et al., 2022). Table 1 contains the measures used in this study.

**Table 1.** Measurement items

Constructs	Measurement items
Corporate Governance	The items measured were based on the statements of Khongmalai et al. (2010). The items included statements related to expertise in financial or economic areas, progress in board decisions, effective management system, strategic planning, experience in relevant industries, exchange of important information, understanding of the operating environment and business processes, and independence in decision-making.
Competitive Firm Performance	The items measured were based on the studies by Pundziene et al. (2022). The items included the comparison of the company with its competitors in terms of indicators such as the company's sales, new products/services, product/service evaluations and annual sales growth.
Dynamic Managerial Capabilities	The items measured were adopted on the basis of the studies by Pundziene et al. (2022). The items covered the firm's capabilities, which relate to a range of cognitive, behavioural, and social processes that involve sensing, seizing, and transforming external and internal resources. Thus, the items reflected the company's practises in evaluating competitors and their products/services, understanding the business environment, local and international market trends, customers' experiences and needs, technological development trends, environmental changes, innovation techniques and integration, commercialisation and scaling, learning, foresight and strategy.

74

**TABLE 2.** Number of employees

Number of employees	Count	% of total number
5-9	71	22
10-49	95	29,4
50-249	78	24,1
=>250	79	24,5
<b>Total</b>	<b>323</b>	<b>100</b>

Each statement was presented sequentially, and respondents were asked to choose one response option for each statement. The constructs and items were assessed using a Likert – scale, with 1 being ‘strongly disagree’ and 5 being ‘strongly agree’.

**3.3. Sample and data collection**

Our original sample consisted of 385 small (5-9 and 10-49 employees), medium (50-249 employees) and large enterprises (more than 250 employees) to represent the entire sample of profit enterprises in Lithuania. These cases were taken from the Lithuanian Enterprise Database; company sizes were classified according to Lithuanian law and industries were classified based on the Classification of Economic Activities (EVRK, Order No. 226 of 31 October 2007 of the Director General of Statistics of Lithuania). The inclusion criteria for the survey required respondents to hold a managerial position (first– , middle – and senior level managers and/or board members) and to

have some professional experience in these positions (Khongmalai et al., 2010). To provide a comprehensive approach, we used a cross-industry sample.

However, some companies did not respond because they were acquired by (or merged with) other firms. Thus, our final sample comprises 323 firms operating in Lithuania.

Table 2 illustrates the size of the firms based on the number of employees. The data shows that the majority of the sample consists of very small and small firms, namely 71 and 95 respectively; 78 medium-sized firms and 79 large firms.

The largest proportion of respondents represented firms operating in the retail, wholesale or repair of motor vehicles and motorbikes (19.5%, n=63). Other important sectors were the service sector (n=55; 17%), healthcare (n=29; 9%), agriculture, forestry or fish farming (n=18; 5.6%), manufacturing (n=18; 5.6%), construction (n=16; 5%), finance and insurance (n=16; 5%) and the remaining sectors with less than 4% each.

A questionnaire survey was conducted to col-

TABLE 3. Results of the corporate governance factor analysis

Items	Factors	
	1	2
Possessing experience in finance or economic fields	,809	
Tracking the advancements of board decisions	,784	
Ensuring effective management system	,659	
Engaging in the strategic planning	,636	
Possessing experience in the relevant industries	,616	
Exchanging critical information and comments		,838
Understanding the operational context		,818
Understanding the business process		,741
Being independent in decision-making		,484
Factor dispersion, pct.	48,6	12,0
Cronbach's Alpha	0,819	0,768

lect the quantitative data. The survey was conducted using the online survey platform [www.qualtrics.com](http://www.qualtrics.com). This open source survey software enabled the creation of a web-based survey instrument and facilitated the monitoring of the progress of the data collection. The data was analysed using the statistical data analysis software SPSS. The descriptive statistics module was used to analyse the data. The survey was conducted between March 2023 and April 2023. The online questionnaire was distributed to specific target persons via LinkedIn and Facebook as well as via special groups and personalised emails.

### 3.4. Factor analysis results, adequacy and reliability

For the factor analysis, the Kaiser–Meyer–Olkin coefficient (KMO) was used for sampling adequacy to assess the appropriateness of the data. The CG, CFP and DMC characteristics were segmented using principal factor selection with Varimax rotation and Kaiser normalisation. Correlations of less than 0.5 were not evaluated in the factor analysis. The results of the factor analysis were divided into quartiles and used to determine the relationship to other factors. The method of association analysis was used to assess the strength of these relationships. The phi coefficient was used to assess the strength of the relationships between the factors. Statistical differences were considered significant within a 5% margin of error.

Factor analysis (KMO 0.872) was performed for the CG attributes and resulted in a two-factor matrix

with an overall variance of 60.6%. After examining the relationships between the items specific to each factor, they were grouped as follows: factor 1 was labelled ‘Strategic CG items’ and factor 2 was labelled ‘Behavioural CG items’. All factor loadings were above 0.50. The results of the factor analysis show that the most informative factor in the CG structure is the Strategic CG attributes factor, which explains almost half of the total variance of all factors. The second factor, Behavioural CG items, explains the remaining variance. The coefficients of agreement between the scales of the two extracted factors are satisfactory (Cronbach’s Alpha = 0.819 and 0.768 respectively). When assessing construct reliability, the Cronbach’s alpha values for the two factors varied between 0.768 and 0.819, indicating that the constructs meet the recommended threshold of 0.7 (Hair et al., 2012). Thus, we found an acceptable reliability of the constructs.

A further factor analysis (KMO 0.774) was conducted for the CFP, which yielded a single factor matrix with a total factor variance of 63.5% and a satisfactory internal consistency of the scale with a Cronbach’s Alpha = 0.805 (see Table 4).

Factor analysis (KMO 0.914) of the DMC resulted in a three-factor matrix with a total factor variance of 54%. The first factor extracted was labelled ‘Sensing/assessing items’ and was assigned to items 1-7, the second was labelled ‘Seizing/engagement items’ and was assigned to items 8-15. The third factor was labelled ‘Transforming/learning items’ and assigned to items 16-20. All results of the factor analysis and the internal consistency of the scales are listed in Table 5.

**TABLE 4.** Results of the factor analysis for competitive firm performance

Items	CFP summarized
Our firm’s sales increase more quickly than our rivals’ sales	,855
Our firm produces more goods/services annually than its rivals	,814
Our firm’s new offerings receive more favourable evaluations compared to those of our rivals	,781
Our firm’s sales increase of over 20% annually	,732
Cronbach’s Alpha	0,805

**76 Table 5.** Dynamic managerial capabilities factors’ analysis results

Items	Factors		
	1	2	3
Regularly evaluates competitors and their offerings	,725		
Allocates sufficient time for observing and assessing the business environment	,692		
Regularly evaluates local and global market trends	,685		
Regularly evaluates customers’ experiences and evolving requirements	,685		
Regularly keeps track of trends in technology development	,675		
Identifies impending environmental shifts in advance	,635		
Understands that there is a database accessible for information storage	,475		
Mostly are initiators of innovation initiatives		,791	
Dedicates own time to focus on innovation initiatives or offerings		,746	
Focuses on high-value financial projects despite their risks		,631	
Encourages to take measured risks when implementing innovative ideas		,630	
Regularly submits innovative offerings		,570	
Develops and commercializes innovative products/services		,535	
Takes bold actions in seeking new opportunities		,528	
Looks for unique and novel ideas		,467	
Able to scale up and commercialize successful innovative products/services in the local market			,670
Constantly looks for innovative measures to address the barriers to consumption			,660
Excited about success of innovative products/services			,660
Project failure is perceived as an opportunity to learn and improve			,627
Considers continuous learning as an important component of work activities			,529
Factor dispersion, pct.	37,8	10,2	5,9
Cronbach’s Alpha	0,840	0,855	0,790

**Table 6.** Association analysis

	<b>Pearson Chi-Square</b>	<b>Cramer's V</b>	<b>df</b>	<b>Sig.</b>
CG F1 * CFP	27.522	0.169	9	0.001
CG F2 * CFP	19.890	0.143	9	0.019

The results of the factor analysis show that the most informative factor in the DMC structure is factor F1, which explains more than half of the total factor variance. The other factors, F2 and F3, explain the rest of the total factor variance. The coefficients of agreement between the scales of all extracted factors are quite high (Cronbach's Alpha = 0.840, Cronbach's Alpha = 0.855, Cronbach's Alpha = 0.790). All three factors met the threshold, so that we were able to establish adequate reliability for all constructs.

The results of the factor analysis were divided into quartiles and used to determine the relationship with other factors. The Pearson chi-square test was used to assess the relationship (see Table 6). The strength of the relationship between the identified factors was assessed using Cramer's V coefficient. Statistical differences were considered reliable within a margin of error of 5%.

The association analysis method was used to analyse the relationship between CG and CFP factors. The analysis of the association between CG and CFP factors showed a moderate association between CG F1 and CFP factors (Cramer's V=0.169, p<0.05). The analysis of the relationship between CG and CFP factors revealed a weak relationship between CG F2 and CFP factors (Cramer's V=0.143, p<0.05).

**4. DATA ANALYSIS AND RESULTS**

**4.1. Relationship between corporate governance and firm's competitive performance**

Relationship between CG and CFP items was analysed using correlation analysis (Spearman's correlation coefficient), correlations below 0.5 were not assessed. The correlation results are presented in Table 7.

The data in Table 7 show that almost all variables are statistically significantly correlated (p < 0.001 or p < 0.05). All statistically significant relationships are positive, only the strength of the relationship varies. Based on the interpretation of the correlation coefficients, it can be said that the model is dominated by a slight or low correlation, which means that the relationships between the constructs under study are very weak (0.00 >= r <= 0.19) or weak (0.2 >=

r <= 0.39). Furthermore, all correlation coefficients between the different variables are positive, which means that the relationship between CG and CFP is positive. Thus, the H1 hypothesis that corporate governance has a positive effect on competitive firm performance was supported.

**4.2. The role of managerial dynamic capabilities on the link between corporate governance and firm's competitive performance**

To determine whether dynamic managerial capabilities are a mediator between corporate governance and competitive firm performance and to test the H2 hypothesis, a regression-based pathway analysis was conducted using PROCESS v3.4.1, a software add-in for SPSS (Hayes, 2012), with 5000 self-reported replicates. The results of the regression analyses are presented in Table 8 and Table 9.

The data presented (see Table 9) show that there is a statistically significant relationship between all constructs. The results showed the direct, indirect and sum effects (significant impact) of DMC in the relationship between CG and CFP. We have illustrated the nature of the significant interactions analysed in Figure 1. The results show that the confidence intervals for the indirect effect (a\*b) are non-zero, which proves that DMC is a mediator in the relationship between CG and CFP.

According to the results of the analysis, hypothesis H2 – the relationship between corporate governance and the firm's competitive performance is mediated by dynamic managerial capabilities, such that better corporate governance management leads to an increase in the quality of dynamic managerial capabilities, which in turn has a positive effect on the firm's competitive performance - was supported.

Based on the theoretical assumption that dynamic managerial capabilities act as a moderator between corporate governance and the firm's competitive performance is further tested. Hypothesis H3 was tested using the SPSS software add-in PROCESS v3.4.1 model 1 with 5000 self-selection replications. The results of the regression analyses are shown in Table 10.

TABLE 7. Correlation between corporate governance (CG) and competitive firm performance (CFP)

		<b>Our firm's sales increase of over 20% annually</b>	<b>Our firm's sales increase more quickly than our rivals' sales</b>	<b>Our firm produces more goods/services annually than its rivals</b>	<b>Our firm's new offerings receive more favourable evaluations compared to those of our rivals</b>
Understanding the operating environments	Correlation Coefficient	,183**	,289**	,243**	,298**
	Sig. (2-tailed)	,001	,000	,000	,000
	N	323	323	323	323
Understanding the business process	Correlation Coefficient	,181**	,264**	,162**	,227**
	Sig. (2-tailed)	,001	,000	,003	,000
	N	323	323	323	323
Exchanging critical information and comments	Correlation Coefficient	,165**	,199**	,215**	,153**
	Sig. (2-tailed)	,003	,000	,000	,006
	N	323	323	323	323
Being independent in decision - making	Correlation Coefficient	,120*	,192**	,109	,133*
	Sig. (2-tailed)	,032	,001	,051	,017
	N	323	323	323	323
Possessing experience in the relevant industries	Correlation Coefficient	,106	,241**	,118*	,188**
	Sig. (2-tailed)	,058	,000	,033	,001
	N	323	323	323	323
Engaging in the strategic planning	Correlation Coefficient	,088	,184**	,164**	,182**
	Sig. (2-tailed)	,117	,001	,003	,001
	N	323	323	323	323
Possessing experience in finance or economic fields	Correlation Coefficient	,205**	,240**	,219**	,210**
	Sig. (2-tailed)	,000	,000	,000	,000
	N	323	323	323	323
Tracking the advancements of board decisions	Correlation Coefficient	,147**	,146**	,188**	,191**
	Sig. (2-tailed)	,008	,009	,001	,001
	N	323	323	323	323
Ensuring the effective management system	Correlation Coefficient	,161**	,225**	,190**	,213**
	Sig. (2-tailed)	,004	,000	,001	,000
	N	323	323	323	323



TABLE 8. Mediation of DMC

R	Dependent variable											
	M: DMC				Y:CFP				Y:CFP			
	→	Koef.	SE	p	→	Koef.	SE	p	→	Koef.	SE	p
Constant	$i_M \rightarrow$	1.4454	0.1966	0,0000	$i_Y \rightarrow$	0.8678	0.2722	0.0016	$i_Y \rightarrow$	1.5154	0.2664	0.0000
X: CG	a →	0,6322	0,0478	0.0000	c' →	0.1889	0.0762	0.0136	c →	0.4722	0.0648	0.0000
M: DMC	-	-	-	-	b →	0.4481	0.0715	0.0000	-	-	-	-
Model	$R^2=0.3523$ ; $F(1;323)=174.6027$ ; $p=0.0000$				$R^2=0.2356$ ; $F(1;323)=49.3113$ ; $p=0,0000$				$R^2=0.1418$ ; $F(1;323)=53.0305$ ; $p=0.0000$			

CG – Corporate governance; DMC – Dynamic managerial capabilities; CFP – competitive firm performance; R – Regressors.

TABLE 9. Mediation effect size

Direction	Effect (EF)	95% confidence interval	
		LLCI	ULCI
<b>Direct</b>			
CG → CFP (c')	0.1889	0.0391	0.3388
<b>Indirect</b>			
CG → DMC → CFP (a*b)	0.2833	0.1632	0.4191
<b>Total</b>			
CG → CFP (c)	0.4722	0.3446	0.5998

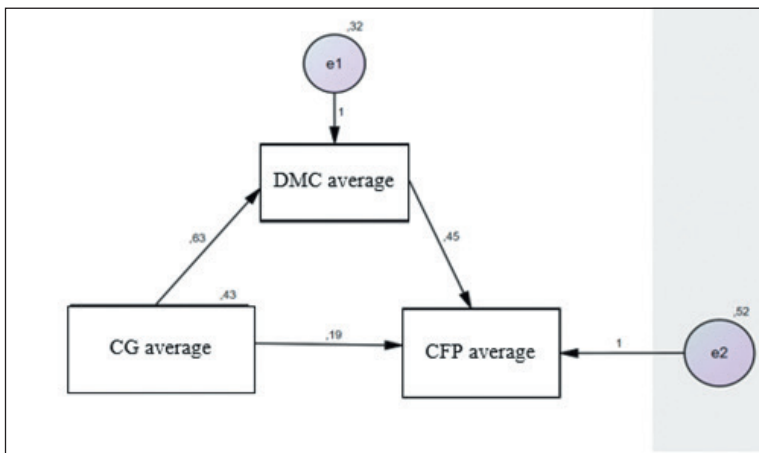


FIGURE 1. The mediating effect of dynamic managerial capabilities

**TABLE 10.** Moderation results

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	,847	,302		2,803	,005
DMC avg.	,450	,072	,382	6,226	,000
CG avg.	,192	,079	,153	2,444	,015
ZCG and ZDMC	,005	,028	,009	,164	<b>,870</b>
Characteristics of the regression model: R2=0,236; N=323; p=0,000					

The data in Table 10 shows that the model explains 23.6% of the variance in DMC around the mean by linear regression on the frequency of positive affect for CG and CFP. Furthermore, the data show that while the DMC mean and CG mean are statistically significant, the relationship between CG and DMC is not statistically significant (B=0.005, Beta=0.009, t=0.164, p=0.870). Therefore, H3 - that dynamic managerial capabilities play a moderating role between corporate governance and competitive firm performance - was rejected and further regression analysis was deemed unnecessary and not conducted.

**5. CONCLUSION AND DISCUSSION**

The paper examines the relationships between corporate governance (CG), dynamic managerial capabilities (DMC), and competitive firm performance (CFP). We found that corporate governance influences competitive firm performance and that a relationship exists between these constructs. However, the relationships are generally of medium, low, or very low strength, but most of the results are statistically significant. In addition, the factor analysis revealed that the relations between CG F1 and CFP have medium effect size and between CG F2 and CFP have low effect size, so it can be assumed that CG has a positive effect and positive relationship with CFP, so H1 was supported. Factor analysis revealed that CG had 2 factors, DMC had 3 factors and CFP had only 1 factor. To test H2 and H3, a regression-based pathway analysis was conducted. The results showed that DMC has a statistically significant mediating relationship between CG and CFP. The analysis revealed that DMC takes the mediating role in the schema and CG has a statistically significant indirect positive effect on CFP when it mediates DMC, i.e. when CG improves, the propensity to DMC increases, which in turn has

a positive effect on CFP. The results also show that there are no statistically significant relations between the constructs testing DMC as a moderator, so H3 was rejected.

The results of our study regarding dynamic managerial capabilities as a mediator are consistent with results from other countries such as Taiwan (Hsu & Chen, 2019) and China (Chen et al., 2018). However, they do not support the assumption that dynamic managerial capabilities are a moderator between corporate governance and competitive firm performance, as was the case for Spanish firms (Berrone et al., 2013). We therefore hypothesise that country context may also influence the results; however, further research in this direction is needed. This is in line with Tron et al. (2023, p. 428), as the researchers argue that “corporate governance mechanisms can differ significantly from one country to another, which is one of the reasons why extending the analysis to other geographical contexts is necessary”.

**5.1. Theoretical and managerial implications**

This study has contributed to the literature and practise in several ways. First, it addresses organisational change and transformation in the for-profit, non-profit, and public sectors by examining theories of corporate governance and dynamic capabilities. There is limited research on the interactions between dynamic managerial capabilities, corporate governance, and competitive performance of organisations. Moreover, the existing empirical studies shows inconsistent results. Thus, the results of our study support the empirical evidence on the role of dynamic managerial capabilities as a mediator between corporate governance and competitive firm performance in Lithuania in the Central Eastern European economic context.

The results of this study have important implica-

tions for corporate governance in practise. This empirical research confirms the essential role of dynamic managerial capabilities in improving competitive firm performance and their relationship with firm growth and overall performance. The results confirm that it makes sense in corporate practise to support employees in improving their individual skills and managerial competencies associated with the capabilities to achieve better results. Furthermore, empirical research has shown that competitive organisational performance is influenced by corporate governance. Companies tend to have clearer organisational structures, but need to emphasise the consistent involvement of the board and the top management team – firm company's executives - in the company's processes and their crucial role in improving competitive business performance. It is consistent with the study by Ozbek (2023) that ownership structures have an important impact on corporate governance and influence the behaviour and decision-making process of the company's executives.

## 5.2. Limitations and future research

Although this study has made several contributions to the literature on corporate governance, it is not with-

out limitations. The study is based on correlational methods which do not allow us to confirm causal relationships — this is one of the main limitations of the study. Therefore, future research should aim to establish causal relationships, possibly through longitudinal studies as recently analysed by Ozbek (2023) in corporate governance studies. Future research would benefit from using other sampling methods such as criterion or maximum difference sampling, or conducting the study as an experiment, which could provide more insightful data. As our study only refers to Lithuanian for-profit firms, future research could focus on a contextual empirical analysis of firms in other countries, paying more attention to the specific intra-organisational characteristics (formal, cultural, and contextual management aspects) in both developed and emerging countries and/or specific industries. Finally, further studies could examine the causal relationships between specific constructs and analyse the different characteristics of corporate governance and dynamic managerial capabilities to explain under which conditions (internal or external) mediating or moderating factors are most influential.

## REFERENCES

82

1. Aguilera, R.V., Marino, V., & Hexi, I. (2019). International corporate governance: A review and opportunities for future research. *Journal of International Business Studies*, 50, 457-498.
2. Ambrosini, V., & Altintas, G. (2019, June 25). Dynamic managerial capabilities. In *Oxford Research Encyclopedia of Business and Management*.
3. Audretsch, D. B., & Lehmann, E. E. (2014). Corporate governance and entrepreneurial firms. *Foundations and Trends in Entrepreneurship*, 10 (1–2), 1-160.
4. Becht, M., Bolton, P., & Roell, A. (2005). *Corporate governance and control*. In A. Constantinides, M. Harris, & R. M. Stulz (Eds.), *Handbook of the economics of finance* (Vol. 1, 1-109). Amsterdam, Netherlands: Elsevier.
5. Berrone, P., Fosfuri, A., Gelabert, L., & Gomez-Mejia, L. R. (2013). Necessity as the mother of 'green' inventions: Institutional pressures and environmental innovations. *Academy of Management Journal*, 56 (5), 1314-1338.
6. Bhagat, S., & Bolton, B. (2008). Avenues of influence: On the political expenditures of corporations and their directors and executives. *Journal of Corporate Finance*, 14 (5), 585-598.
7. Brown, L. D., & Caylor, M. L. (2009). Corporate governance and firm valuation. *Journal of Accounting and Public Policy*, 28 (4), 327-345.
8. Business in Lithuania (2022) <https://osp.stat.gov.lt/>
9. Chang, S. L., Wu, Y. J., & Huang, C. Y. (2019). The effects of knowledge management on firm performance: A knowledge-based view perspective. *Sustainability*, 11 (3), 708.
10. Chen, J. J., Chen, Y. H., & Wei, K. C. J. (2012). The effect of audit quality on earnings management and cost of equity capital: Evidence from Taiwan. *Journal of Business Finance & Accounting*, 39 (1-2), 162-187.
11. Chen, Y., Zhang, G., Huang, Y., & Zhang, J. (2018). Corporate social responsibility, media attention and firm value: Evidence from China. *Pacific-Basin Finance Journal*, 49, 13-28.
12. Ching, K.W., Tan, J.S. & Chi Ching, R.G. (2006). *Corporate governance in East Asia. The road ahead*. London: Prentice Hall. Chhaochharia, V. and Laeven. L. A.
13. Claessens, S. (2006). Corporate Governance and Development. *The World Bank Research Observer*, 21(1), 91–122.
14. EVRK, Order No 226 of 31 October 2007 of the Director General of Statistics Lithuania on the approval of the Classification of Economic Activities (Official Gazette, 2007, No 119-4877), *Ekonominės veiklos rūšių klasifikatorius (EVRK 2 red.) - Oficialiosios statistikos portalas*
15. Gompers, P. A., Ishii, J. L., & Metrick, A. (2003). Corporate governance and equity prices. *Quarterly Journal of Economics*, 118 (1), 107-155.
16. Hair, J.F., Ringle, C.M. & Sarstedt, M. (2012). Partial least squares: the better approach to structural equation modelling? *Long Range Planning*, 45 (5–6), 312-319.
17. Hitt, M. A., Ireland, R. D., & Hoskisson, R. E. (2018). *Strategic management: Concepts and cases: Competitiveness and globalization* (12th ed.). Boston, MA: Cengage Learning.
18. Helfat, C. E., Finkelstein, S., Mitchell, W., Peteraf, M. A., Singh, H., Teece, D. J., & Winter, S. G. (2007). *Dynamic capabilities: Understanding strategic change in organizations*. Oxford, UK: Blackwell Publishing.
19. Hsu, C.-C., & Chen, M.-C. (2019). Entrepreneurial orientation, dynamic managerial capability, and innovation performance. *Journal of Business Research*, 99, 314-324.
20. Huynh, Wilden, R., & Gudergan, S. (2022). The interface of the top management team and the board: A dynamic managerial capabilities perspective. *Long Range Planning*, 55 (3), 102194.
21. Jiang, F., & Zhao, S. X. B. (2018). Board gender diversity, corporate innovation and firm performance. *Journal of Business Research*, 89, 201-214.
22. Jia, J., Wang, G., Zhao, X. & Yu, X. (2014). Exploring the relationship between entrepreneurial orientation and corporate performance: The role of competency of executives in entrepreneurial-oriented corporations. *Nankai Business Review International*, 5 (3), 326-344.
23. Kevill, A., Trehan, K., Harrington, S., & Kars-Unluoglu, S. (2021). Dynamic managerial capabilities in micro-enterprises: Stability, vulnerability and the role of managerial time allocation. *International Small Business Journal*, 39 (6), 507-531.
24. Khongmalai, O., Tang, J. C.S., & Siengthai, S. (2010). Empirical evidence of corporate governance in Thai state-owned enterprises. *Corporate Governance*, Vol. 10 (5), 617-634.
25. Li, D.Y. & Liu, J. (2014). Dynamic capabilities, environmental dynamism, and competitive advantage: Evidence from China. *Journal of Business Research*, Vol. 67 (1), 2793-2799.
26. Liu, Y., Xu, J., & Zhang, X. (2021). How do dynamic capabilities drive green innovation and environmental performance? Evidence from China's manufacturing industry. *Journal of Cleaner Production*, 312, 127882.
27. Malik, O.R. & Kotabe, M. (2009). Dynamic capa-

- bilities, government policies, and performance in firms from emerging economies: evidence from India and Pakistan. *Journal of Management Studies*, 46 (3), 421-450.
28. Marinković, M., Al-Tabbaa, O. and Khan, Z. & Jie, W (2022). Corporate Foresight: A Systematic Literature Review and Future Research Trajectories (February 10, 2022). *Journal of Business Research*, Vol. 144, 289-311.
  29. Ozbek, V.O. (2023). **Examining effects of managerial and institutional ownerships on the market value of corporate spinoffs.** *Management: Journal of Contemporary Management Issues* (Jan, 2023).
  30. Pundziene, A., Nikou, S., & Bouwman, H. (2022). The nexus between dynamic capabilities and competitive firm performance: the mediating role of open innovation. *European Journal of Innovation Management*, 25 (6), 152-177.
  31. Puthusserry, P., Khan, Z., Nair, S.R., & King, T. (2021). Mitigating Psychic Distance and Enhancing Internationalization of Fintech SMEs from Emerging Markets: The Role of Board of Directors. *British Journal of Management*. 32, 1097–1120 (2021) DOI: 10.1111/1467-8551.12502
  32. Ritala, P., Golnam, A., Huotari, P., & Juntunen, M. (2021). Dynamic managerial capabilities and firm performance: A systematic review and future research agenda. *Journal of Business Research*, 131, 1-13.
  33. Singh, K. & Pillai, D. (2021). Corporate governance in small and medium enterprises: A review. *Corporate Governance*, 22, 23–41.
  34. Strange, R., Filatotchev, I., Buck, T. & Wright, M. (2009). Corporate governance and international business. *Management International Review*. 49 (4), 395-407.
  35. Sirmon, D. G., & Hitt, M. A. (2009). Contingencies within dynamic managerial capabilities: Interdependent effects of resource investment and deployment on firm performance. *Strategic management journal*, 30 (13), 1375-1394.
  36. Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic management journal*, 18 (7), 509-533.
  37. Tron, A., Dallochio, M., Ferri, S. Colantoni, F. (2023). Corporate governance and financial distress: lessons learned from an unconventional approach. *Journal on Management and Governance*, 425–456 (2023).
  38. Tugrul, B., & Cimen, S. (2016). Importance of Corporate Governance for Energy in Sustainable Development and Evaluation with Quantitative SWOT Analysis. *Acta Physica Polonica*, a., 130 (1).
  39. Wang, C., & Ahmed, P. K. (2021). The relationship between dynamic managerial capabilities and firm performance: A meta-analytic review and future research agenda. *Journal of Business Research*, 126, 232-247.
  40. Yu, W., Ramanathan, R., & Nath, P. (2019). Dynamic managerial capabilities and firm performance: A study of the technology industry. *Journal of Business Research*, 99, 365-377.
  41. Zhou, L., Wu, A., & Barnes, B. R. (2012). The effects of early internationalization on performance outcomes in young international ventures: the mediating role of marketing capabilities. *Journal of International Marketing*, 20 (4), 25-45.

## ISTRAŽIVANJE ODNOSA IZMEĐU KORPORATIVNOG UPRAVLJANJA I KONKURENTNE UČINKOVITOSTI PODUZEĆA: ULOGA DINAMIČKIH MENADŽERSKIH SPOSOBNOSTI

84

**SAŽETAK**

Ovaj rad istražuje odnos između korporativnog upravljanja, dinamičkih menadžerskih sposobnosti i konkurentne učinkovitosti poduzeća. Posebno se ispituje uloga dinamičkih menadžerskih sposobnosti u odnosu između korporativnog upravljanja i konkurentne učinkovitosti poduzeća. Na uzorku od 323 poduzeća pokazali smo da je odnos između korporativnog upravljanja i konkurentne učinkovitosti posredovan dinamičkim menadžerskim sposobnostima.

Rezultati istraživanja također pokazuju da korporativno upravljanje ima pozitivan učinak na konkurentnu učinkovitost poduzeća. Sukladno tome, poduzeća nastoje ulagati u svoje zaposlenike kako bi unaprijedila njihove individualne vještine povezane s dinamičkim menadžerskim sposobnostima s ciljem postizanja boljih rezultata u konkurentnoj učinkovitosti. Nadalje, poduzeća teže imati jasnije organizacijske strukture, pri čemu upravni odbor i najviši menadžment igraju ključnu ulogu.

**KLJUČNE RIJEČI:** *korporativno upravljanje; konkurentna učinkovitost poduzeća; dinamičke menadžerske sposobnosti; posrednički učinak*