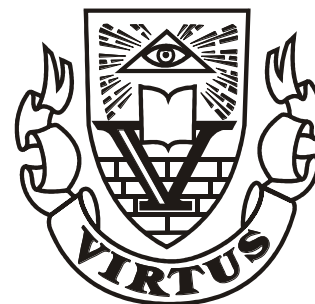


CORPORATE OWNERSHIP & CONTROL

VOLUME 11, ISSUE 3, SPRING 2014

CONTENTS



EDITORIAL

4

SECTION 1. ACADEMIC INVESTIGATIONS AND CONCEPTS

BOARD CHARACTERISTICS AND FINANCIAL REPORTING QUALITY: EVIDENCE FROM JORDAN

8

Ebraheem Saleem Salem Alzoubi

In this paper, author shows that outspreading preexisting researches by assessing practically and empirically how board characteristics play a vibrant role in magnitude of earning management (EM) for the Jordanian listed companies. The findings suggested that the board character has an effective role in detecting EM and in turn improve financial reporting quality (FRQ). In real fields, the discoveries of this paper portray valuable information for the regulators in different countries. The results also provide useful information for investors in assessing the impact of board characteristics on FRQ.

MEASURING THE AGENCY COSTS OF DISPERSED OWNERSHIP: THE CASE OF REPURCHASE INITIATIONS

30

Ruth Gesser, Rony Halman, Oded Sarig

The authors suggested that the extent of the problem be measured as theory suggests: by the wealth that managers commit to their firms. They examined the relative performance of different measures of the agency problem of dispersed ownership in the context of changes in payout policy affected by repurchase initiations. Also the authors found that the suggested measure – managerial equity wealth – can explain better than any other measure the market reaction to repurchase initiations.

STUDY ON HUMAN CAPITAL OF DISPATCHED WORKERS IN HIGH-TECH INDUSTRY – EVIDENCE FROM TAIWAN

50

Yi Hua Hsieh, Yi Lung Yang

From perspective of scholars, experts, dispatched work agencies and supervisors of enterprises which need dispatched workers, the authors divided dispatched workers into core and non-core dispatched workers and probes into the difference of human capital of these two types of workers from dimensions and indicators. Regarding four dimensions of human capital, this study demonstrates that high-tech industry pays more attention on capability, affection & motive and uniqueness of core dispatched workers. As to indicators of dimensions of human capital, there are still significant differences between core and non-core dispatched workers. The main aim of this research is to probe into high-tech industry, human capital and dispatched workers. The results and contributions of this study offer academia, enterprises which need dispatched workers, dispatched work agencies, and dispatched workers.

ORGANIZATIONAL STRUCTURE, OWNERSHIP STRUCTURE AND CREDIT RATINGS: EVIDENCE FROM SMEs **63**

Neveen Ahmed, Omar Farooq, Mohammed Bouaddi

The authors underlined that credit ratings of closed corporations depended on their organizational structure and ownership structure (family management and family control). Using the data from the Survey of Small Business Finance (SSBF), they illustrated that S-Corporations had higher credit ratings than C-Corporations. The authors argued that lower information asymmetries inherent in S-Corporations led to better credit ratings. Also this paper shows that ownership structure – as explained by family control and family management – is also associated with higher credit ratings. The authors argued that increased monetary stake of a single entity – family – translated into his altruistic commitment and increased effort, thereby improving credit ratings.

THE EFFECT OF PRESS VISIBILITY ON VOLUNTARY DISCLOSURE: CROSS-COUNTRY EVIDENCE **72**

Maria Prokofieva, Colin Clark

The purpose of this paper, is to investigate the effect of press coverage on voluntary disclosure in the narrative sections of annual reports of Australian and Chinese listed companies. A combination of the legitimacy theory and media agenda setting theory is employed to examine their application in the context of different country-level governance mechanisms, in particular in Anglo-Saxon (Australia) and Asian (China) economies. The study is based on a sample of 200 listed companies and employs multiple regression analyses. The authors showed that press coverage was positively and significantly associated with voluntary disclosure suggesting that closer media attention increased voluntary disclosure. The effect of press coverage is mediated by country-level governance mechanisms, suggesting stronger association in countries with stronger legal enforcement mechanisms.

SECTION 2. CORPORATE BOARD PRACTICES

DETERMINANTS OF DIVIDEND PAY-OUT POLICY: A CASE OF THE SOUTH AFRICAN GOLD MINING INDUSTRY **83**

Busisiwe Carol Ringane, Patricia Lindelwa Makoni

This paper sought to shed light on dividend policy within the gold mining industry in South Africa. Several cause-and-effect variables of dividend policy are discussed, in order to lay down the theoretical framework for the research. These are size, managerial ownership and foreign ownership. To meet the objectives of the study, data from seven mining companies listed on the Johannesburg Stock Exchange (JSE) was analysed for a 5 year (2008-2012) period. As found in earlier studies, there is a positive correlation ($r = 0.59$) between the dividend policy and the size of the organisation. This was expected as no cashflow is available for distribution during the early stages of exploration, hence no dividends are paid. As the organisation grows and profit increases, there is free cashflow which can be distributed to shareholders. Managerial ownership negatively correlates with dividend pay-out ($r = -0.53$). Contrary, a weak correlation was observed between foreign ownership and dividend pay-out.

CORPORATE PAYOUT POLICY IN FOUNDER AND FAMILY FIRMS **95**

James Lau, Joern H. Block

The authors investigate the tax and agency explanations of corporate payout policy by investigating the likelihood, the level and the method of payout in founder and family firms. Controlling founders and families are both subject to the tax disadvantage of dividends arising from their substantial shareholdings, but family firms are arguably subject to more severe agency conflicts than founder firms due to their susceptibility to wasteful expenditure and the adverse effects of intra-family conflicts. Results indicate that founder firms on average are less likely and pay a lower level of dividends than family firms. Moreover, founder firms prefer share repurchase over dividends as the

main method of payout whereas family firms prefer dividends over share repurchase. Overall, our findings are consistent with the agency explanation of corporate payout policy.

SECTION 3. CORPORATE GOVERNANCE IN DEVELOPING COUNTRIES

INDEPENDENT DIRECTORS' RESOURCE PROVISION CAPABILITY IN PUBLICLY-LISTED COMPANIES IN MALAYSIA 113

Saeed Pahlevan Sharif, Yeoh Ken Kyid

This work explores the notion that independent directors' primary role in developing capital markets is to act as key providers of distinctive resources and/or networks that are valuable to their respective firms. These resource provision capabilities become even more crucial in times of financial crisis. With a random sample of 289 companies listed on Bursa Malaysia, we test a set of hypotheses using paired sample *t*-test (for both pre-crisis (2007) and onset-of-crisis (2008) periods). Research results show that in times of crisis, companies exhibit a greater tendency to appoint more independent directors, especially those who (i) possess certain skills/resources that their firms specifically lack, and/or (ii) have strong political connections to secure government projects/funding/support.

TRENDS OF VOLUNTARY IC DISCLOSURE IN CHINESE FIRMS 122

Yi An, Harun Harun, Umesh Sharma

This research examines the trend of voluntary intellectual capital (IC) disclosure in China between 2006 and 2009, using content analysis of corporate annual reports of 100 top listed A-share Chinese companies. The results indicate that there was a generally upward trend for the disclosure of IC items, categories and the overall IC over the investigated period. Internal capital was the most highly reported IC category whereas external capital was the least reported for year 2008 and 2009. For disclosure items, "management processes" was the best performer during the time while "licensing agreements" for 2006 and "research collaborations" for 2008 and 2009 were the poorest. It is believed that our research should have some contributions to the existing literature on IC disclosure.