CORPORATE OWNERSHIP & CONTROL

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SECTION 1: ACADEMIC INVESTIGATIONS & CONCEPTS

RISK MANAGEMENT OF ISLAMIC BANKS: A SEARCH FOR EMPIRICAL EVIDENCES

Sayed M. Fadel, Jasim Al-Ajmi

The objectives of this study are to determine 1) the effect of global economic and financial crisis on risk management, 2) the severity of different types of risk facing Islamic banks, 3) the risk levels of Islamic financial modes, 4) risk assessment techniques, and 5) risk management techniques. This paper is the first to study the risk management practices of Islamic banks operating in Bahrain. It also provides evidence about these practices after the global financial crisis that affected all countries, including Bahrain.

INVESTOR PROTECTION AND CEO COMPENSATION IN FAMILY FIRMS

Stefano Bozzi, Roberto Barontini, Ivan Miroshnychenko

This paper investigates the relationship between investor protection and CEO pay in family-controlled corporations. The sensitivity of pay to the institutional context is higher for family-CEO than professional-CEO, a result that corroborates the hypothesis that CEO compensation contracts in family firms are influenced by familiar connections. These results are more consistent with the hypothesis of rent extraction than with the perspective of optimal remuneration contracts.

STRATQUAL: MEASURING THE DENSITY OF THE STRATEGIC MANAGEMENT DELIBERATE PROCESS IN MICRO AND SMALL COMPANIES PERFORMANCE 30

Cid Gonçalves Filho, Carlos Alberto Gonçalves, Vera Helena Lopes, Marcos Ferreira Santos

This paper aims to contribute to the study of the impact of strategic management concepts in micro and small company performance using the StratQual measuring. Micro and small companies are, in the Brazilian economic scenario, responsible for a considerable amount of jobs created, GDP's formation, income generation and the capacity of adapting to the market's necessities with agility and flexibility. Studies that were carried out by SEBRAE - "Serviço Brasileiro de Apoio às Micro e Pequenas Empresas" showing that micro and small companies formulate their strategies according to the perception that the entrepreneurs have of possible markets reactions.

GOVERNMENT-LINKED BANKS' PERFORMANCE IN JORDAN

Mohammad Ahid Ghabayen, Ahmad Omar Hardan, Zaid Jaradat, Mohannad Alshbiel

The main objective of this study is to examine the relationship between government ownership and bank performance in Jordan. The banking sector has been widely ignored in the past corporate governance studies due to its strict system. Using a panel data from 2004 to 2013 (147 observations/years), the multiple regression analysis shows that increasing the percentage of shareholdings leads to higher profitability. Additional government-linked banks (GLBs) generally outperform their unlinked counterparts. However, their outperformance is contingent to the significance percentage of the shareholdings. On other words, if the government shareholdings are not significant (less than 10%) the government ownership does not make a significant difference in the performance.

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DOES A HIGH DIVIDEND PAYOUT RATIO SIGNAL PROPER CORPORATE GOVERNANCE OR HIGH AGENCY COST OF DEBT? 51

Imad Jabbouri, Abdelillah El Attar

This paper examines the relationship between dividend policy and the cost of debt in Morocco. The results show that high dividend payments reflect a low level of agency costs of equity and low information asymmetries. Consequently, creditors demand lower return for providing their capital to high dividend-paying firms. The findings reveal that creditors are less concerned with agency costs of debt. The study shows that the negative relationship between dividend payout ratios and cost of debt is more pronounced in firms with higher information asymmetries.

DETERMINANTS OF VOLUNTARY DISCLOSURE OF INTERNAL CONTROL WEAKNESSES IN TUNISIA

Hamed Kharraz, Jihene Ferchichi

The main objective of this research is to examine the determinants which can push the auditors to reveal the weaknesses of the internal control system in companies listed on the Stock Exchange Securities of Tunisia. The conceptual framework referred to this work is the agency theory. The probability of disclosure of internal control weaknesses was not significantly associated with corporate governance and ownership structure. However, some other company characteristics, e.g. the size are strongly related with probability of firms disclosing internal control weaknesses.

CEO DUALITY AND CORPORATE SOCIAL RESPONSIBILITY REPORTING: EVIDENCE FROM MALAYSIA

Nurulyasmin Binti Ju Ahmad, Afzalur Rashid, Jeff Gow

This study aims to examine the impact of CEO duality on Corporate Social Responsibility (CSR) reporting by public listed companies in Malaysia. Content analysis was used to determine the extent of CSR reporting. A reporting level index consisting of 51 items was developed based on six themes: General, Community, Environment, Human Resource, Marketplace and Other. In order to determine the relationship between CEO duality and CSR reporting, an Ordinary Least Square regression was employed. The finding of the study is that, there is no significant association between CEO duality and CSR reporting. CEOs have little interest to promote CSR as it is not cost free and may lead to loss of individual wealth.

ARE RATING AGENCIES STILL CREDIBLE AFTER THE SUBPRIME CRISIS?

Eleonora Isaia, Marina Damilano

Reputational concerns should discipline credit rating agencies (CRAs), eliminate any conflicts of interest, and motivate them to provide unbiased ratings. However, the recent financial crisis confirms models of CRAs' behavior that predict inflated ratings for complex products and during booms. The stock price reaction to rating revisions is significantly lower after the financial crisis, particularly in the financial sector. In multivariate tests, the stock price reaction is lower, on average, in the post-crisis period by 2.3%.

SECTION 2: CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

COMPOSITION OF BLOCKHOLDERS IN PUBLICLY TRADED FIRMS

Halil D. Kaya, Nancy L. Lumpkin-Sowers

The outside blockholder has become an important agent in the corporate governance literature in the United States. Understanding how his monitoring role changes as economic circumstances deteriorate is rarely considered. In this study, the number and type of blockholder, as well as their ownership concentrations, during recession was examined. By categorizing blockholders by type: affiliated, outside, employee (through Employee Stock Ownership Plans), non-officer director, and officer director, we are able to track how blockholder composition changed within firms when the economy moved from expansion in 1999 to recession in 2001.

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DIRECTOR REMUNERATION, FAMILY OWNERSHIP AND FIRM PERFORMANCE: AN ANALYSIS FROM MALAYSIAN LISTED FIRM FOR PERIOD OF 2005 TILL 2013 98

Nazrul Hisyam Ab Razak, Salmi Huwaina Palahuddin

This study examines the association between directors' remuneration, corporate governance structures and firm performance of 140 Malaysian listed firms which 70 firms are family firm and 70 firms are non-family. Data has been collected through annual reports in Bursa Malaysia's database from 2005 till 2013. The results show that firm performance is positively and significantly related to directors' remuneration, firm's growth and size measured by ROA, ROE and Tobin's Q. However, firms' performance in this study is not responsive to anticipated future market valuations in Stock returns. The study also finds that family ownership leads to lower performance than non-family owned firms on accounting measurement (ROA and ROE) and market measurement (Tobin's Q) after controlling company specific characteristics.

THE EFFECT OF FINANCIAL INSTITUTION OWNERSHIP ON FIRM VALUE

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Linda Wimelda, Sylvia Veronica Siregar

This research aims to examine the effect of financial institution ownership (bank institution and non-bank institution) on firm value and also whether there is a difference of the effect between financial institution ownership in form of bank institution and non-bank institution on firm value. Total observations are 270 listed firms on Indonesia Stock Exchange in 2012-2014, resulting to 809 observations. The result of this research shows that financial institution ownership in the form of bank institution has no influence on firm value while financial institution ownership in the form of non-bank institution has a positive influence on firm value.

SECTION 3: CORPORATE GOVERNANCE IN GERMANY

SELF-CONTROL THROUGH BOARD CONTROL: FORMALIZED GOVERNANCE IN CONTROLLING OWNER FAMILY BUSINESSES 123

Matthias Baumann, Stephan Stubner

This study examines the role of board control tasks in mitigating self-control problems in controlling owner family businesses. It challenges the common perception that controlling owners do not require and use board control because of the concentration of ownership and management in a single individual. Self-control problems, that is agency problems with oneself, have often been overlooked by existing studies on the relevance of control tasks. By using a multiple case study design, we demonstrate that controlling owners frequently use board control as a self-governing mechanism and develop several propositions on favorable board processes and compositions.

PRIVATE SHAREHOLDERS AND EFFICIENCY OF GERMAN MUNICIPAL UTILITIES

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Christian Kammlott, Jens J. Krüger, Dirk Schiereck

The aim of this paper is to investigate whether and to what extent ownership structure affects cost efficiency in a sample of mainly state-owned but partially privately controlled municipal utilities in Germany. Using an empirical approach which permits the joint measurement of efficiency and assessment of the effect of ownership structure we find significantly, sizeable and robustly larger efficiency of utilities when private control is present.

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