EDITORIAL

Dear readers!

The recent issue of the journal *Corporate Ownership and Control* is devoted to the questions of banks performance, governance of family-controlled firms, quality assurance audit, corporate social responsibility, financial development of emerging markets, firm ownership structure and behaviour, IFRS and equity, independent directors, institutional and managerial ownership, and explores the key elements of human capital development.

Shame Mugova and Paul R. Sachs investigate financial development of emerging markets as an institutional force that shapes financing and governance of firms in emerging markets. Debt and equity are viewed as alternative governance instruments. Trade credit is part of debt and therefore treated as such in corporate governance. The authors use a fixed effect regression of financial sector development and trade credit of firms listed on the Johannesburg Stock Exchange to ascertain the relationship between financial sector development and trade credit and analyze the Socially Responsible Index (SRI) which measures corporate governance. The study concludes that good corporate governance practices do not result in substituting trade credit, despite its high implicit costs, with bank loans for working capital financing.

Simona Alfiero, Umberto Bocchino, Alfredo Esposito, and Ruggiero Doronzo discuss Italian Savings Banks (SBs) as full commercial competitors and players of the Italian banking sector. The study points out the strong link between efficiency performance and the evolution of the sector characterised by a transition from a territorial proximity to a regional brand and thus to a partial collapse. Via the non-parametric Data Envelopment Analysis – Slack Based Model methodology, the evaluation of the SBs efficiency score is carried out over the 2010-2015 period. The results show that SBs belonging to a Bank Group regularly outperform the Stand-Alone ones. Thus, generally increasing technical efficiency, managerial efficiency and scale efficiency confirm the sectorial evolution. The study is innovative for considering the question of SBS and territorial branding of banking groups. Moreover, its results help to understand how to avoid the same mistakes of the past in the future, therefore, under current circumstances, it is particularly important for scholars, managers, people of local communities, and decision-makers.

Massimo Cecchi develops a new model of leverage that directly measures the degree of expropriation using financial statements and by focusing on the consolidation perimeter. This deepening methodology offers significant advantages as, within the consolidation perimeter, the chain of control is detected by accounting standards, and the sources of data are official statements that can be verified objectively. The paper constructs a mathematical leverage model that relates a group's financial structure to its revenue with respect to majority shareholders, minority shareholders and lenders. Then, the model is applied to analyze 1575 non-finance Italian groups. The results show that in Italy, at least within the consolidation perimeter, minority shareholders' funds are on average significantly fewer and well paid; nonetheless, the greatest debt leverage allows majority shareholders to increase profits and retain earnings. The paper also explores the relationship between the holding company and the group and the likelihood that we can infer the features of the underlying group from those of the holding company, thus producing interesting results.

A. T. Lious Ntoung, Ben C. Outman, Jorge Eduardo Vila Biglieri, Eva Masárová, Aziz Babouniae and Cacilia Mesonge Kome provide an empirical evidence on the impact of family-controlled firms on corporate performance, using financial information of 47590 family firms from 2010 to 2014. From the overall sample, approximately two-third of family firms have concentrated ownership, meanwhile, the remaining one-third have dispersed and unknown ownership. With respect to generation, 76% of the family firms were in the first generation, 21% for the second generation and approximately 3% for the third generation. The main findings are that ownership structure of family firms have a positive impact on their performance. Specifically, family firms with concentrated ownership outperformed family firms with dispersed ownership; however, family firms in the 1ª generation outperform family business in the 2ª and 3ª generation. Also, aggressive incentive policy negatively affects the performance of family business for the 1ª generation and has no impact on performance for 2ª and 3ª generational firms. Unlisted family firms have lower performance than listed family firms. Lastly, medium size family businesses outperform than small and large size family businesses.

Collins C. Ngwakwe and Modikana A. Ngoepe view quality assurance in service organisations such as the universities is a vital component of the audit process. Therefore, this paper evaluates the quality assurance audit and corporate governance issues in higher degrees. The paper became necessary given rising concern over apparent external assurers' subjectivity and domination of the higher degree assurance process. The paper inclined on three main objectives, namely to determine how external assurers' objectivity relate with assurance outcome on higher degrees, to know how the clarity of institutional assurance rubric relate with external assurance outcome and to determine how supervisors' neutrality relate with external audit assurance outcome on higher degrees. The paper adopted a mixed methodology of qualitative and quantitative approaches, which firstly reviewed the literature on the impugned issues in higher degree quality assurance and thereafter proceeded to use Chi-square statistics to conduct a quantitative analysis of questionnaire responses on higher degree assurance process. Findings suggest that existing quality assurance of higher degrees is asymmetrically inclined more on the external assurer, which thus dominate internal corporate governance process of quality assurance, leaving only a mere ratifying role to the institutional corporate governance process. The Chi-Square statistical finding on all the three objectives showed a P value less than the alpha of 0.05 ($P<0.05$), which indicates the following: external assurers' objectivity relates with the assurance outcome; the clarity of institutional assurance rubric relates with the assurance outcome; similarly, anonymity of the supervisor does relate with the assurance outcome. The paper contributes to the literature by suggesting a framework to improve higher degree quality assurance-audit, which includes supervisor and institutional neutrality, a balance between external assurers' decisions and internal governance control decisions.

Zonke Njapha and Lawrence Mpele Lekhanya aim to evaluate the impact of company corporate social responsibilities on the development of local communities. The primary data was collected using the quantitative technique. Data was collected from selected areas of Richards Bay in the Northern region of KwaZulu-Natal (KZN) province. The sample consisted of 129 respondents from the members of communities. The reliability data of this study found to be significant at 0.782. The results reveal that the majority of respondents believe that they do benefit from a local company in many ways. The findings also indicate that the benefits include creation of jobs, capacity building, technology, contracting and business opportunities and social investment. The finding of this study is limited by the study's exploratory and quantitative nature. Generalizing should be done with care and further research with larger samples and consideration of the other provinces is therefore recommended.

Mamdouh Abdulaziz Saleh Al-Faryan and Everton Dockery examine the ownership structure of 169 firms listed on the Saudi Arabian stock market from 2008 to 2014. The analysis uses the testing methodology described by Demsetz and Lehn (1985) to examine the effects of firm and market instability on Saudi ownership structure and the effect of systematic regulation that imposes constraints on the behaviour of the selected listed firms. We find evidence, for the majority of the ownership structures considered, in favour of the view that firm size, regulation and instability affects ownership structure. The results suggest that the size variable has a positive effect on ownership concentration. The analysis also shows that instability had some effect on ownership concentration and structure when using the non-linear specification, particularly when using firm specific instability, albeit the effect was stronger when the instability measure was accounting profit returns. Lastly, there is evidence that government-owned firms were mostly affected by regulation while diffused owned firms were affected most by instability than non-government owned firms.

Manel Hessayri and Malek Saihi address the question of whether firms' IFRS adoption translates into increases in equity ownership for large shareholders. Using a sample of 55 non-financial firms and 23 financial firms from three emerging market countries, namely Morocco, South Africa and Turkey, the authors find evidence that top shareholders invest more heavily in firms' stocks after their commitment to IFRS and report opposite findings for ownership by blockholders in financial and non-financial firms displaying different incentives.

Bambang Bemby Soebyakto, Kencana Dewi, Mukhtaruddin and Shendy Arsela aim to see the effect of Investment Opportunity Set (IOS) to earnings quality and firm value with corporate governance mechanisms (frequency of audit committee meeting, the composition of Independent board of commissioners, institutional ownership, and managerial ownership) as the moderating variable. In this study, population was manufacturing companies listing from 2009 until 2012. The samples were selected by using purposive sampling method. After the selecting population based on the certain criteria, there are 15 companies sampled. The data analysis technique used in this study is multiple regression analysis. The result frequency of audit committee meeting, the composition of Independent board of commissioners, institutional ownership, and managerial ownership) does not influence the earnings quality but significantly influence the firm value. Based on the testing of partial, IOS does not effect on the earnings quality but significantly effect on the firm value and IOS which moderated by corporate governance mechanisms (frequency of audit committee meeting, the composition of Independent board of commissioners, institutional ownership, and managerial ownership) does not effect on the earnings quality and the firm value.

Eko Suyono, Subba Reddy Yarram, and Riswan Riswani set out to discover: 1) the influences of company lifecycle (i.e., pioneer, growth, mature, and decline) and set of control variables (i.e, tax level, interest rate, institutional ownership, and managerial ownership) on capital structure; 2) the influence of capital structure on company performance; and 3) the moderating role of each stage of the company life cycle on the relationship between capital structure and company performance. Implementing quantitative approach by using OLS Regression Analysis and Moderated Regression Analysis (MRA) on a set of the sample that consists of 157 Indonesian non-financial listed firms for 2010-2015 periods (942 firm years), findings show that company life cycle has a significant influence on capital structure. While for control variables, tax level and institutional ownership have a positive influence on the capital structure, wherein interest rate and managerial ownership have a negative effect on capital structure. Moreover, capital structure ratio influences positively on company performance. The finding documents that pioneer and growth stages have a moderating role in strengthening the influence of capital structure on company performance, while mature and decline stages have a moderating role in weakening the influence of capital structure on company performance. This study provides important implications for corporations and business practitioners with regard to the best choice in the composition of capital structure which is able to improve company performance. This study is innovative in testing the moderating role of company life cycle on the relationship between capital structure and company performance.

Shirley Mo-Ching Yeung reflects on the commitment of organizations in sustainability and Corporate Social Responsibility (CSR) and explores the key elements of human capital development through a case study of Kalmar Asia, integrating vision, mission, strategy, core values and good practices for sustainable development. Based on the literature search on human capital development from 2007 to 2014 on 27 articles from different countries, it is found that developing a concept human capital development is crucial for corporate sustainable development. This paper intends to highlight the type of leadership in facilitating human capital development; desirable attitude and behavior. A case of Kalmar Asia has been used to link up the output of actualizing UN Principles of Responsible Management Education (PRME) principles – purpose, values, methods, research, partnership, and dialogue into the process of implementing people-related strategy that focus on exploring and developing potential to serve organizations and the community.

Michele Fabrizi and Silvia Pilonato investigate the relationship between pay-for-performance compensation and organizational performance in the setting of Italian local governments. Pay-for-performance systems have been introduced in the majority of the OECD's countries as part of their performance management systems, but research on their effects is still in its infancy. This study contributes to fill this gap by using a sample of Italian local governments to empirically determine whether variable compensation translates into higher future performance. The research methodology uses a unique hand-collected database. The study uses the measures of the local governments' performance defined along six key dimensions (standard of living, services and environment, employment level, law and order, population, leisure), over the period 2010-2013, provided by an independent source. Detailed data on managers' compensation for each local government is obtained from Italy's Treasury Department, and other variables on local governments were hand collected by official documents. A multivariate analysis is conducted on 398 observations. The main results show a positive association between future performance and the percentage of variable compensation granted to local managers. Moreover, additional analyses show that this result is not driven by managers' total compensation but it depends on the composition of managers' compensation. Overall, empirical evidence reported in this study suggests that public organizations might benefit from the introduction of pay for performance systems.