

CORPORATE OWNERSHIP & CONTROL

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CORPORATE GOVERNANCE AND AUDIT QUALITY: FURTHER RECOMMENDATIONS BEYOND THE CODE 8

Salem Alhababsah

The study seeks views of key practitioners regarding possible additions/changes to the current code that they feel are important in promoting audit quality. Questionnaire survey is used to obtain views of the auditors, boards of directors and audit committees' members of the Jordanian listed companies. A number of important recommendations have been put forward by the respondents. The study has an implication for policymakers by providing useful inputs for future governance reform. Also, the study provides insights to companies that are interested in corporate governance quality. The important information gained from the key respondents contributes to the literature and also opens new avenues for future research.

BLOCK OWNERSHIP AND COMPANIES' R&D INTENSITY: THE MODERATING EFFECT OF CULTURE 19

Aws AlHares, Collins Ntim, David King

The paper aims to examine the impact of Block Ownership structure on risk-taking as measured by R&D Intensity in OECD countries. The study uses a panel data of 200 companies from Anglo American and European countries between 2010 and 2014. The ordinary least squares regression is used to examine the relationships. Additionally, to alleviate the concern of potential endogeneity, the authors use fixed effect regression, two-stage least squares using instrumental variables. The results show that there is a negative and significant relationship between block ownership and risk-taking, with a greater significance among Continental European countries than among Anglo American countries. The study extends, as well as contributes to the extant CG literature by offering new evidence on the effect of Block ownership on risk-taking between two different traditions.

APPOINTING FEMALE CEOs IN RISKY AND PRECARIOUS FIRM CIRCUMSTANCES: A REVIEW OF THE GLASS CLIFF PHENOMENON 33

Patrick Velte

Following thirty years of discussion of the "glass ceiling," recent empirical research has focused on the relatively new phenomenon of women on the board of directors - the so-called "glass cliff." This refers to a form of gender discrimination in which women are more often appointed to leadership positions in risky and precarious business circumstances than their male counterparts. Highlighting the key findings of current quantitative and qualitative research, this literature review assesses existing support for the glass cliff hypothesis and the limitations of empirical research and recommendations. In contrast to the existing literature, the present review draws a clear distinction between archival, experimental and qualitative research, so increasing interest and relevance for practitioners, regulators and researchers.

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Felix Thiele, Sven Busse, Stefan Prigge

The study examines private equity minority investors' exit from family firms and its consequences for owner families. The authors theoretically discuss potential conflicts that might influence the exit decision, alternative exit routes, and the intentions of the family owners to exit the business along with the private equity investors. Subsequently, the theoretical insights were tested empirically using a case-based research approach. Four private equity firms provided data on 14 cases of completed minority private equity investments from Germany. Empirical findings reveal that conflicts of interest over the exit of private equity minority investors only rarely arise. Moreover, differences between planned and applied exit routes are mainly caused by changes in the economic situation of the company and/or in the conditions of financial markets and are related to changes in family owners' exit intentions.

FAIR VALUE ACCOUNTING AND MANAGEMENT OPPORTUNISM ON EARNINGS MANAGEMENT IN BANKING SECTOR: FIRST EVIDENCE 59

Marco Tutino, Marco Pompili

Accounting standard boards (IASB and FASB) have chosen fair value accounting (FVA) approach to help financial reporting users in the decision-making process. During recent years, an intense debate arose about the trade-off between relevance and reliability of accounting information in this approach. Even if fair value based information could be considered highly relevant and helpful from an investor's perspective, many authors outline problems related to fair value hierarchy valuation of financial instruments. Stating that, after providing a literature review focused on management behaviour related to FVA, the main objective of the paper is identifying possible relationships between FVA valuations and earning quality observing a sample of US and European banks listed in the period 2011-2016 based on Šodan model (Šodan, 2015). Results show a negative and strong relationship between FVA and earning quality for US banks; results for European listed banks do not provide any strong evidence.

THE EFFECT OF CYBER-ATTACKS ON STOCK RETURNS 70

Maria Cristina Arcuri, Marina Brogi, Gino Gandolfi

A widely debated issue in recent years is cybercrime. Breaches in the security of accessibility, integrity and confidentiality of information involve potentially high explicit and implicit costs for firms. This paper investigates the impact of information security breaches on stock returns. Using event-study methodology, the study provides empirical evidence on the effect of announcements of cyber-attacks on the market value of firms from 1995 to 2015. Results show that substantial negative market returns occur following announcements of cyber-attacks. Financial entities often suffer greater negative effects than other companies and non-confidential cyber-attacks are the most dangerous, especially for the financial sector. Overall findings seem to show a link between cybercrime and insider trading.

PROVIDING A FRAME OF REFERENCE FOR EMPOWERING ORGANIZATIONS' MANAGEMENT AND CONTROL 84

Piero Lolli, Renato Giovannini, Bruno Marsigalia

The tools for the definition, implementation and tracking of organizational measures, such as strategy, have become much more advanced in recent years and today's information technologies, especially WEB2.0 technologies and their ability to integrating with conventional ERP systems, make the vision of the "integrated organization", at least from an IT perspective, feasible. Management science and practice, after attaining a sound basis for integral organizational design, control and development in the 1970s through the thought leaders of cybernetics and constructivism, has taken a step back. This has led to a massive misuse of IT and to a resource obliteration that sustainably inhibits organizations from reaching market potentials and customer demands. The study provides scholars and managers with an introduction to a framework that allows them to answer the organization's issue of "what do we do?" from an integrated business perspective and thereby enables them to realize their full potential of "how do we do it?". Being able to derive this, managers can actually incorporate IT to support the organization's progress rather than the other way around.

DETERMINANTS OF COMPLIANCE WITH MANDATORY DISCLOSURE: RESEARCH EVIDENCE 91

Sónia Fernandes, Isabel Lourenço

The study analyses research evidence on the determinants of compliance with mandatory disclosure requirements, classified in four main areas: business characteristics, country characteristics, enforcement and corporate governance. The literature concerning the compliance with mandatory disclosure requirements is a relatively recent field of research when compared to the literature on voluntary disclosure. This review provides several insights. First, although the business characteristics found in different studies as explanatory factors for the level of compliance are not always the same, there are four business characteristics that predominate as explanatory factors of the level of compliance with disclosure requirements: the firm's size, the firm's profitability, the type of auditor, and the level of internationalization. Second, the country characteristics and the enforcement have always proved to be relevant when analysing the level of compliance with mandatory disclosure requirements, independently of the approach used. Third, some corporate governance characteristics (including the nature of the board members and the type of ownership/control) begin to emerge as determinants of the level of compliance with mandatory disclosure.

INVESTORS' EXPECTATION ON RATE OF RETURN AND MORAL IMAGE OF COMPANIES

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Ho-Yin Yue, Shirley Mo Ching Yeung, Kenneth Hoi Ki Chung, Choi-Ling Tong

The purpose of the paper is to reflect the relationship between moral and immoral images of companies in relation to investors' expectations on the rate of return of companies. Newspaper cuttings and fact sheets of selected companies were provided to participants to study their perception on the moral/immoral images of companies and investment attitude with questionnaires verified participants' involvement in reading materials provided. Quantitative analysis of the questionnaires showed that an immoral premium was found in the expected returns of the participants. After the investment attitudes were induced on the participants, the participants gave a higher expected return on the company with a poor moral image ($M=0.91$, $SD=1.05$) than a company with a good moral image ($M=0.46$, $SD=0.44$). Immoral premium found in the expected returns for both before and after the time that the investment attitudes were induced to the participants. This research is managerially and strategically relevant and topical about the suggestion of immoral premium. However, longitudinal and qualitative analysis from the finance and social perspectives are required to support findings of this study.

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Magdi El-Bannany

The aim of the paper is to investigate the determinants of financial reporting quality for banks in Egypt and the UAE over the period 2008 to 2013. Multiple regression analysis is used to test the relationship between financial reporting quality as a dependent variable and certain independent variables. The results indicate that international financial reporting standards, global financial crisis, accounting conservatism, market structure in terms of concentration and intellectual capital performance for banks in Egypt and the UAE have a significant impact on financial reporting quality but bank size and market structure in terms of efficiency have not. These results might help the banking and accounting regulators to address the factors affecting financial reporting quality. In addition, the study provides useful comparative information for investors and hence helps them to make informed decisions. It is, for the first time, exploring whether intellectual capital performance may be an underlying determinant of financial reporting quality.