MONDAY 16:00-17:30

GVPSD02

Chair : Dimitrios Gounopoulos Room : **Amphi 6**

Ceo Hedging Opportunities And The Weighting Of Performance Measures In Compensation

Discussant : *Keren Bar-Hava*

Author : *HUNGHUA PAN, NATIONAL TAIWAN UNIVERSITY* EA = Empirical Archival

Co-authors : *Shengmin Hung, Soochow University*
Taychang Wang, National Taiwan University

Ideally, managerial ownership and short-sale constraints make managers bear firm-specific risk, leading them to prioritize shareholder interests. However, corporate managers can easily hedge their ownership positions, thereby avoiding firm-specific risk. In the context of managerial hedging, we examine whether corporate boards take advantage of accounting-based performance measures, which can be observed ex post, to develop efficient incentive schemes ex ante that will induce managers to take desired actions. We first investigate the effect of CEO hedging opportunities or hedging cost and performance measures on compensation, considering the relative weighting of accounting- and stock-based performance measures. We find that when managerial hedging cost is low, compensation is more sensitive to accounting-based than stock-based performance measures. Additionally, the effect of the interaction between managerial hedging opportunities and accounting-based performance measures on compensation increases with managerial hedging needs (represented by managerial ownership and firm-specific risk). Overall, our study relies on the contract theory to provide evidence that given managerial hedging, accounting information plays an important role in compensation design.

MONDAY 16:00-17:30

GVPSD02

Chair : Dimitrios Gounopoulos Room : **Amphi 6**

Do Powerful Ceos Influence Compensation Contract Design?

Discussant : *Raul Barroso Casado*

Author : *BO QIN, UNIVERSITY OF GRONINGEN/ FACULTY OF ECONOMICS AND BUSINESS* EA = Empirical Archival

Co-authors : *Margaret Abernethy, The University of Melbourne*
Yu Kuang, University of Amsterdam

We test the three tenets that underpin managerial power theory; namely outrage, power and camouflage, and assess the implications for compensation contract design. Our results, based on a sample of 220 U.K.-listed firms, provide an alternative explanation for compensation design choices. We examine one component of CEO pay, namely the use of performance-vested stock option (PVSO) plans and find that powerful CEOs (or firms with weak boards) adopt PVSO plans early and are more likely to do so when faced with public outrage over executive compensation. Thus while mitigating agency problems is one rationale to explain compensation choices our findings provide an additional factor that adds to our understanding of the determinants of these choices.

TUESDAY 16:00-17:30

GVPSD03

Chair : Martin HOOGENDOORN Room : **Amphi 5**

Company Reputation And The Cost Of Equity Capital

Discussant : *Favere-Marchesi Michaël*

Author : *YING CAO, THE CHINESE UNIVERSITY OF HONG KONG* EA = Empirical Archival

Co-authors : *Ying Cao, Chinese University of Hong Kong*
Linda Myers, University of Arkansas
James Myers, University of Arkansas
Thomas Omer, Texas A&M University

n this study, we investigate whether companies benefit from reputation by considering the cost of equity financing. Using a sample of 9,956 large U.S. companies from 1987 through 2010 and the reputation rankings from Fortune's "America's Most Admired Companies List", we find strong evidence that companies with higher reputation scores enjoy a lower cost of equity capital even after controlling for other factors that determine the cost of equity capital. In addition, we find that the effect of reputation on the cost of equity increases with the degree of uncertainty in the information environment. We also find that increases (decreases) in reputation are associated with subsequent increases (decreases) in the company's investor base. These results suggest that better reputation reduces the cost of equity because reputation is a signal of company quality. This reduces information asymmetry between the company and its shareholders and increases investor recognition, resulting in more efficient risk sharing. We contribute to the cost of capital literature by identifying a unique determinant of the cost of equity capital, and to the reputation literature by demonstrating an important benefit that derives from creating and maintaining a high reputation.

TUESDAY 16:00-17:30

GVPSD03 *Chair : Martin HOOGENDOORN* Room : **Amphi 5**

Outsider Board Tenure And Firm Performance

Discussant : *Li Brooks*

Author : *STERLING HUANG, INSEAD* EA = Empirical Archival

Co-authors : *,*

In this paper I study the link between outsider board tenure and firm performance. Outsider board tenure matters as it reflects the underlying trade-off between knowledge and independence over time, even when there is no change in board composition. I find that outsider board tenure, measured as the average tenure of all outside board members, exhibits an inverted U-shaped relationship with firm value and various corporate policies. Empirically, the highest firm value is observed at a board tenure of nine years. To address endogeneity issues, I use a sample of sudden deaths of outside directors and find that sudden deaths that move board tenure away from (toward) nine years are associated with a negative (positive) announcement return. The results are consistent with the interpretation that for an additional year of tenure, learning effects prevail for 'younger' boards, while entrenchment costs dominate for 'older' boards.

WEDNESDAY 14:00-15:30

GVPSD01 *Chair : Patrick Hopkins* Room : **Amphi 6**

Institutional Discipline Of Insider Trading Through Shareholder Litigation

Discussant : *Maria Correia*

Author : *CS AGNES CHENG, THE HONG KONG POLYTECHNIC UNIVERSITY* EA = Empirical Archival

Co-authors : *C.S. Agnes Cheng, The Hong Kong Polytechnic University; Louisiana State University*
Henry He Huang, Prairie View A&M University; University of Houston
Yinghua Li, The City University of New York

This paper examines whether and how private securities litigation led by institutional and individual investors elicits changes in subsequent stock trading by corporate insiders. We hypothesize that compared with other lawsuits, lawsuits with institutional lead plaintiff likely have stronger deterrence effects on opportunistic insider trading through their ability to impose larger financial penalties and improve defendant firms' governance. Using a large litigation sample from 1996 to 2009, we find significant decreases in volumes of insider stock sales following shareholder litigation when institutional investors (especially public pension funds) serve as lead plaintiffs. Further analysis indicates that the decreases mainly come from opportunistic insider selling and are conditional on the governance strength of the defendant firms. We also find that institutional lead plaintiffs are able to more effectively use the evidence of insider selling during class period to litigate against defendant firms and obtain larger settlements. Our paper provides first evidence that institutional investors impose effective discipline on insider trading through shareholder litigation.

WEDNESDAY 14:00-15:30

GVPSD01 *Chair : Patrick Hopkins* Room : **Amphi 6**

Are Securities Class Action Lawsuits Supplemental To Sec Enforcement? An Empirical Analysis

Discussant : *Michael Stich*

Author : *MARIA CORREIA, LONDON UNIVERSITY / LONDON BUSINESS SCHOOL* EA = Empirical Archival

Co-authors : *Michael Klausner, Stanford Law School*

We examine the "supplemental" role of securities class action lawsuits with respect to SEC enforcement in terms of targeting and penalties imposed on individual defendants. We find some evidence that the targeting of class actions is adversely affected by the incentives of plaintiff's lawyers, but still takes into account the merit of the cases, as measured by different accounting variables. We find that individual defendants rarely pay in class action lawsuits, but face other ancillary costs. CEOs, CFOs and other officers experience an increased likelihood of turnover, and conditional on leaving the firm, have a lower probability of finding a comparable position in a public company.

GVPS01 *Chair : Dan Segal* Room : **C104**

Earnings Quality, Corporate Governance, And Earnings Quality

Author : *VASILIKI ATHANASAKOU, THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE*

Co-authors : *Vasiliki Athanasakou, London School of Economics*
Per Olsson, Duke University

EA = Empirical Archival

There are two seemingly contradictive perspectives in the literature on the relation between corporate governance and earnings quality. One perspective predicts that firms compensate inherent limitations in the ability of accounting information to reflect underlying economics (i.e., poor earnings quality) with stronger governance mechanisms. The other perspective predicts that stronger governance structures constrain earnings management, leading to better earnings quality. These two perspectives have been largely examined in isolation, and empirical results are often inconsistent also within each perspective. We develop a framework to separate the innate and discretionary portions of earnings quality. Unlike traditional models that identify managerial discretion as a residual in a regression of accruals or earnings quality on firm fundamentals, we model discretionary earnings quality directly on managerial incentives. We find that poor innate earnings quality is associated with more effective governance structures, and that more effective governance structures are associated with better discretionary earnings quality. Both perspectives can thus be accommodated within a single framework, provided a valid separation of the innate and discretionary portions of earnings quality. The analysis shows how earnings quality shapes and is shaped by corporate governance, depending on its source.

MONDAY 16:00-17:30

GVPS01 *Chair : Dan Segal* Room : **C104**

Spillover Effects Of Restatements On The Financial Reporting Behavior Of Board-Interlocked Firms

Author : *CHIH-YING CHEN, SINGAPORE MANAGEMENT UNIVERSITY*

Co-authors : *Beng Wee Goh, Singapore Management University*
Yu-Chen Lin, National Cheng-Kung University
Guan-Syun Wu, Chung Yuan Christian University

EA = Empirical Archival

This study examines the spillover effects of restatements on the financial reporting behavior of firms that share common directors with the restating firms ("interlocked firms"). Using a sample of firms that restate earnings from 1997-2006, we find that interlocked firms suffer stock price decline when the restatements are disclosed, and this decline is exacerbated when these firms have higher industry-adjusted accrual. This result suggests that restatements trigger investors' concerns over the financial reporting among interlocked firms. We find that these reporting concerns induce the directors associated with the restatement ("tainted directors") to improve the financial reporting quality at the interlocked firms. Specifically, interlocked firms exhibit lower discretionary accruals in the year after the restatement events than do control firms, and this effect is more pronounced when the tainted directors also sit on the audit committees of the interlocked firms or when the tainted directors continue to serve in the interlocked firms in the year following the restatement. Our study extends the literature on the consequences of restatement and the governance implications of board interlocks.

MONDAY 16:00-17:30

GVPS01 *Chair : Dan Segal* Room : **C104**

Accounting Quality Effects Of Imposing Quotas On Board Of Directors

Author : *MARIANO PABLO SCAPIN, CARLOS III UNIVERSITY, MADRID*

Co-authors : *Juan Manuel García Lara, Universidad Carlos III de Madrid*
Jose Penalva Zuasti, Universidad Carlos III de Madrid

EA = Empirical Archival

This paper studies the consequences on accounting quality of imposing gender quotas on boards of directors. We use a Norwegian law from 2003 requiring that 40 per cent of directors be women as a unique setting for test whether the imposition of board members affects firms' monitoring. The Gender Quota was an exogenous shock for the Norwegian firms, and they were heterogeneously affected by this quota. We test our hypothesis estimating differences in the level of earnings management on firms. We find that firms undertaking greater board changes to fulfill the 2003 quota are more likely to record abnormal levels of the accrual component of earnings after the passage of the law. Given the differences between the skills and experience of new and exiting board members after the Gender Quota, we conclude that quotas may lead to boards with lower monitoring capability that, in turn, are less able to constrain earnings management.

GVPS02 *Chair : Stephani Mason* Room : **C104**

Breaking the Myth of the Long-term Compensation

Author : *TERHI CHAKHOVICH, AALTO UNIVERSITY*

Co-authors : *Tytti Niiva, Aalto University*

IC = Interdisciplinary / Critical

Much of prior research equates "share-based compensation" with "long-term compensation". The present study terms this relation "the myth of the long-term compensation". In the study, share-based compensation is investigated in one case company. The in-depth data consists of interviews with executives, board members, analysts following the company, and representatives of owners possessing a stake in the company, as well as archival data on the performance measurement and compensation practices of the company. It is shown that multiple features of share-based plans, characteristics of the management in question, and contextual factors of the company and its governance affect whether such compensation can be considered long-term oriented. Multiple contradictions and irregularities within the literature on share-based compensation are found and analyzed. It is proposed for the terms "share-based compensation" and "long-term compensation" to be separated from each other for analytical and practical purposes. By relying on the work of Barthes on mythology, it is shown how the long-term share price is a myth contributing to the wider-reaching myths of ownership and capitalism.

MONDAY **17:45-19:15**

GVPS02 *Chair : Stephani Mason* Room : **C104**

Accounting For Ritual Sites In Shareholder Activism

Author : *UCHE CHINYERE, GLASGOW UNIVERSITY / BUSINESS SCHOOL*

Co-authors : ,

IC = Interdisciplinary / Critical

Research studies consider shareholder activism at certain institutional prescribed public sites as empty ritual compared to private meetings because of their symbolic function, the absence of new information and power differences between small shareholders and corporate managers. Yet, public sites like annual general meetings have gained popularity amongst shareholders' associations. Through ritual theory, this paper seeks to explain why shareholders' associations find ritual practices at public sites attractive in promoting their corporate agenda through a study of the Nigerian context. Given, the power dynamics between shareholders' associations and corporation, the paper examines whether public sites hold meaning beyond their symbolic value. This study provides an account of how ritual practices are deployed in shareholder activism in sustaining corporate communication and making corporations more accountable. The argument put forward is that traditional ritual sites in the ordered cycle of shareholder activism are strategically selected by shareholders' associations for their symbolic and substantive value in conveying shareholder displeasure. Balance of power is found to rest on psychological gamesmanship displayed by shareholders' associations in their dealings with corporate managers and a reliance on the strategic manipulation of institutional structures. These performances illustrate the potency of their artful practices in reducing power distance.

MONDAY **17:45-19:15**

GVPS02 *Chair : Stephani Mason* Room : **C104**

One Hand Or Two? Ifrs Meets Guanxi

Author : *ROLF UWE FÜLBIER, BAYREUTH UNIVERSITY*

Co-authors : *Ferdinand Balfoort, Victoria University Wellington*
Rachel F. Baskerville, Victoria University Wellington

IC = Interdisciplinary / Critical

We hypothesize that IFRS are socioeconomic and cultural artefacts reflecting a specific Anglo-American context: Largely a market-oriented financial reporting environment with regulatory systems underpinned by classical and neo-classical contracting theories. Although accounting is regularly shaped by and embedded in a socioeconomic environment, it is the IASB's ambition to develop "globally accepted" accounting standards which may be challenged by our hypothesis. Our study offers a two-pronged literature review, illustrating that (1) the IASB has developed a primarily market-oriented financial reporting system based on the belief in the efficacy of the "invisible hand" and of market as well as trilateral governance structures. Thus, (2) the IFRS adoption in economies dominated by relational transactions such as China may provoke country-specific frictions. To support the different (relational) character of economic activities in China we refer to the role and function of Guanxi as a typical Chinese culture element. Our results may alert regulators to possible underlying causes of some types of implementation issues when IFRS are transferred to other jurisdictions.

MONDAY **16:00-17:30**

GVPS10 — *Chair : Paul Tanyi* — Room : **C108**

Earnings News, Managerial Talent, And Information Transfer

Author : *XIN WANG, HONG KONG UNIVERSITY*

EA = Empirical Archival

Co-authors : *Eric Yeung, Cornell University*

We examine whether earnings news triggers significant information transfers between firms linked by managerial talent. We find that the stock prices of a firm are positively associated with the news in the management forecasts issued by another firm that hires its CEO as an outside independent director (i.e., the advisee). Consistent with a market learning process, we find that the strength of information transfers is a function of the perceived influence of the CEO as an outside director as well as the uncertainty about CEO ability. Analyses on pseudo firms rule out any potential industry linkages as an alternative explanation. Supplemental evidence of reverse information transfers further confirms the learning effects.

MONDAY **16:00-17:30**

GVPS10 — *Chair : Paul Tanyi* — Room : **C108**

Board Effectiveness And The Voluntary Disclosure Of Climate Change Information

Author : *WALID BEN AMAR, UNIVERSITY OF OTTAWA*

EA = Empirical Archival

Co-authors : *Philip Mcilkenny, University of Ottawa*

Recent environmental disasters have resulted in the demand for increased reporting of climate change related risks and improved corporate governance. Drawing on agency theory predictions, this paper examines the relationship between board of directors' effectiveness and the voluntary disclosure of climate change information. Given that environmental reporting falls under the board's responsibility, we relate board effectiveness to the firm's decision to voluntary respond to the Carbon Disclosure Project (CDP) annual questionnaire as well as the quality of climate change disclosures over the period 2008-2011. Canada offers an interesting setting in which to examine this issue given its principles-based corporate governance regime and the managerial discretion in the reporting of climate change related risks. Our results show a positive association between board effectiveness and the firm's decision to answer the CDP questionnaire as well as its carbon disclosure quality. We also find that firm size, profitability and NYSE cross-listing have a positive effect on the likelihood to answer the CDP questionnaire. The paper contributes to the debate on voluntary climate change disclosure for firms in a principles-based corporate governance regime. Our findings support the importance of the board of directors' role in enhancing the transparency of climate change disclosures.

MONDAY **16:00-17:30**

GVPS10 — *Chair : Paul Tanyi* — Room : **C108**

Information Leakage And Wealth Transfer In A Connected World

Author : *HAI LU, UNIVERSITY OF TORONTO*

EA = Empirical Archival

Co-authors : *Wenli Huang, Boston University*
Hai Lu, University of Toronto
Xiaolu Wang, Iowa State University

We examine whether information leakage occurs and persists between institutional investors and firms. We document that institutions trade ahead of other investors before the public revelation of option backdating and gain significantly. Based on these trades, we develop a proxy for the likelihood of information leakage for each institution-firm pair and examine institutional trades on connected firms outside the backdating setting. We find that institutions trade more actively on connected firms, gain from their trades prior to earnings announcements of connected firms, and consistently perform better on connected firms. Our results are consistent with information leakage resulting in wealth transfer.

MONDAY 17:45-19:15

GVPS11 *Chair : Martin R.W. Hiebl* Room : **C108**

Fisticuffs And Chocolate Fountains. A Study Of Gender Segregation In Insolvency Practice

Author : *YVONNE JOYCE, GLASGOW UNIVERSITY / BUSINESS SCHOOL*

Co-authors : *Stephen Walker, Cardiff Business School*

IC = Interdisciplinary / Critical

Advances towards gender equality in professional recruitment may be offset by the emergence of differential statuses founded on gender within occupational groups. The study investigates gender segregation in the insolvency profession, as revealed through the lived experiences of female and male practitioners. Having established the gender composition of the focal profession it is suggested that the increasing recruitment of women has limited cognisance of the extent of male domination in the upper reaches of the occupational hierarchy. We contend that notions of gender essentialism persist in the allocation of work tasks, and that gendered microinequities and microaggressions remain in the performance of tasks. It is shown that the subfields of corporate and personal insolvency are strongly perceived as gendered male and female respectively, the latter being deemed the most appropriate arena for the application of feminine attributes and the management of work-life balance. The exclusion of women from male-dominated networks in insolvency has encouraged the formation of separate institutional arrangements for developing female networks and sociality. The study suggests the ongoing potency of gender in everyday professional life.

MONDAY 17:45-19:15

GVPS11 *Chair : Martin R.W. Hiebl* Room : **C108**

Csr Disclosure, Governance And Financial Analysts

Author : *MICHEL MAGNAN, CONCORDIA UNIVERSITY*

Co-authors : *Denis Cormier, UQAM*

EA = Empirical Archival

In this study, we explore the relationships between social and environmental disclosures, corporate governance, and analyst forecast precision. Results are the following. First, findings show that both CSR disclosures and corporate governance increase consensus among analysts and reduce forecast dispersion. Second, results suggest that there is a substitution effect between environmental and social disclosures in their relation with analyst forecast precision. Third, corporate governance substitutes to environmental and social disclosures in improving analyst forecast precision. Finally, results also suggest a mediating effect of governance and analyst following in the relation between environmental and social disclosures and analyst forecast precision. It appears that both CSR disclosures and good corporate governance attract analysts and improve their ability to forecast earnings.

MONDAY 17:45-19:15

GVPS11 *Chair : Martin R.W. Hiebl* Room : **C108**

Statutory-Backed Continuous Disclosure Regime And Corporate Disclosure Behaviour – Does Corporate Governance Matter?

Author : *ELLIE (LARELLE) CHAPPLE, QUEENSLAND UNIVERSITY OF TECHNOLOGY*

Co-authors : *Thu Phuong Truong, Victoria University of Wellington*

EA = Empirical Archival

Since 1 December 2002, the New Zealand Exchange's (NZX) continuous disclosure listing rules have operated with statutory backing. To test the effectiveness of the new corporate disclosure regime, we compare the change in quantity of market announcements (overall, non-routine, non-procedural and external) released to the NZX before and after the introduction of statutory backing. We also extend our study in investigating whether the effectiveness of the new corporate disclosure regime is diminished or augmented by corporate governance mechanisms including board size, providing separate roles for CEO and Chairman, board independence, board gender diversity and audit committee independence. Our findings provide a qualified support for the effectiveness of the new corporate disclosure regime regarding the quantity of market disclosures. There is strong evidence that the effectiveness of the new corporate disclosure regime was augmented by providing separate roles for CEO and Chairman, board gender diversity and audit committee independence, and diminished by board size. In addition, there is significant evidence that share price queries do impact corporate disclosure behaviour and this impact is significantly influenced by corporate governance mechanisms. Our findings provide important implications for corporate regulators in their quest for a superior disclosure regime.

TUESDAY 9:00-10:30

GVPS03 *Chair : Michael Stich* Room : **C104**

Earnings Management After Ceo Death

Author : *PAVLO KALYTA, MCGILL UNIVERSITY*

Co-authors : *,*

EA = Empirical Archival

The big bath hypothesis suggests that incoming CEOs manage earnings downward in the year of CEO change to shift the blame for poor results on previous management, set low performance benchmarks, and report improved performance in subsequent periods. However, previous research on income-decreasing earnings management after CEO change is inconclusive due to evidence of income-increasing earnings management before CEO change and subsequent accrual reversal. I construct two samples with no ex-ante expectations of accrual reversal to test the big bath hypothesis. Contrary to previous studies, I find no evidence of big bath accounting following normal CEO changes, in which the departing CEO stays on the board of directors or leaves the firm. However, I find strong evidence of income-decreasing earnings management following unexpected CEO deaths. The results confirm that the departing CEO acts as a control mechanism for the incoming CEO. The incoming CEO is constrained by the continuing involvement of the departing CEO in the firm's affairs, by his/her personal relationship with the departing CEO, by relationships of the departing CEO with current directors and managers, or by potential legal and reputational costs of blaming previous management for poor results. In the case of CEO death, such constraints are minimized or nonexistent.

TUESDAY 9:00-10:30

GVPS03 *Chair : Michael Stich* Room : **C104**

The role of corporate governance in shaping earnings management prior to acquisitions

Author : *NICO LEHMANN, GOETTINGEN UNIVERSITY*

Co-authors : *,*

EA = Empirical Archival

This paper investigates the role of corporate governance in shaping accrual-based earnings management prior to acquisitions. Using stock swap transactions with public acquirers originating from the UK between the years 1998 and 2011, I investigate (1) whether stock swap acquirers manage earnings via discretionary accruals prior to the announcement of the deal, and (2) whether corporate governance affects earnings management in this specific period. In line with prior literature, my results show significantly positive discretionary accruals in the period leading up to the stock swap announcement and thus indicate the presence of accrual-based earnings management. However, and contrary to common claims that good corporate governance constrains accrual-based earnings management ('safeguarding role' of governance), my results show that acquirers with strong corporate governance engage more aggressively in income-increasing accruals manipulation than those with weak governance in the period prior to the stock swap transaction. These findings are consistent with the 'value enhancement' role of corporate governance, and are robust to different discretionary accrual models, to differences in the firm's growth structure, to M&A control variables, and to potential sample selection problems.

TUESDAY 9:00-10:30

GVPS03 *Chair : Michael Stich* Room : **C104**

Ownership Structure and the Attitude towards Management Forecasts Disclosure

Author : *KYOKO NAGATA, TOKYO INSTITUTE OF TECHNOLOGY*

Co-authors : *Seiya Tokoro, Tokyo Institute of Technology*

EA = Empirical Archival

The availability of management forecasts for most publicly traded companies in Japan enables us to investigate the association between ownership characteristics and properties of management forecasts issued not only when managers have incentives but also when there are disincentives to disclose private information. Especially, we focus on the impact of ownership structure on the frequency and the timeliness of information provided by managers. The results show that firms subjected to less external discipline or firms without incentives to enhance public disclosure are less active in updating information, whereas firms with large foreign institutional ownership are more likely to disclose updated forecasts frequently and in a timely manner. Overall, we provide evidence that ownership characteristics have a strong influence on managements' attitudes towards in disclosing forecasts.

GVPS04

Chair : Liliane Cristina Segura Room : **C104**

Audit Committees' Interlocks And Financial Reporting Quality

Author : *NIEVES CARRERA, IE UNIVERSITY*

EA = Empirical Archival

Co-authors : *Tashfeen Sohail, IE Business School*
Salvador Carmona, IE Business School

This paper examines the social ties of the audit committee (AC) members, AC interlocks, impact on financial reporting quality. Using a sample of 13,065 (US) firm-years for the period 2003-2010, we find that the ACs interlocks are statistically significantly associated with the quality of financial reporting. That is, the more social ties AC members have, the lower is the quality of a firm's financial reporting. Such association is not found for the sample of board members who do not serve on the AC. We adopt two theoretical perspectives to examine the effectiveness of ACs: resource dependence perspective and agency theory. According to the resource dependence perspective, AC members who serve in multiple boards gain experience and reputational capital, and therefore, are more effective in overseeing financial reporting quality. On the other hand, insights from the agency theory suggest that AC members who serve in multiple boards may not have the time and resources required for an effective monitoring. In addition, such individuals may be less independent due to their social networks. Our results support the agency theory hypothesis. This study offers insights to the ongoing policy discussions about the effectiveness of ACs. Given the negative consequences that AC social networks' have on financial reporting quality, regulatory institutions may consider the enforcement of regulation limiting the number of directorships of AC members as a mechanism to enhance AC effectiveness.

GVPS04

Chair : Liliane Cristina Segura Room : **C104**

Audit Committee Characteristics And Earnings Management

Author : *BENJAMIN ALBERSMANN, DARMSTADT UNIVERSITY OF TECHNOLOGY*

EA = Empirical Archival

Co-authors : *Daniela Wiemann, Darmstadt University of Technology*

This study investigates whether German audit committees and their characteristics are related to lower earnings management. It is motivated by theoretical reasoning on audit committee effectiveness and the increased international focus on corporate governance. In Germany, audit committees are officially recommended since 2002 and the option to form them is codified since 2009. Nevertheless, there does not exist an empirical study which examines this subject in Germany or other two-tier systems. We use a sample of 1,621 German listed companies between 2005 and 2009. Earnings management serves as a proxy for audit committee effectiveness and is measured by absolute as well as positive and negative performance-adjusted Jones model discretionary accruals. The results show that the existence of an audit committee constrains earnings management. Moreover, we find that audit committee effectiveness is further enhanced when committee size and committee meetings increase.

GVPS04

Chair : Liliane Cristina Segura Room : **C104**

Audit Committee, Non-Audit Services And Auditor Reporting Decision Prior To Failure

Author : *HWA-HSIEN HSU, UNIVERSITY OF BRADFORD*

EA = Empirical Archival

Co-authors : *Yu-Hsuan Wu, University of Hull*
Jim Haslam, Heriot Watt University

This study investigates the associations between audit committee independence, non-audit services fees, and the likelihood of auditor going-concern reporting decision among a sample of UK failed firms. Specifically, we examine whether the threat posed by auditor-provided non-audit services to auditor reporting quality is moderated by the level of independence of the audit committee. We find that failed firms with higher audit committee independence are more likely to receive auditor going-concern modifications prior to failure. Additionally, there is a negative association between non-audit services fees and the likelihood of receiving auditor going-concern modifications. The evidence further suggests that the unfavorable link between the provision of non-audit services and audit reporting quality is mitigated by a highly independent audit committee. Overall, the findings provide support for corporate governance regulators' concerns about the monitoring benefits of audit committee independence on auditor reporting quality.

GVPS06

Chair : Collins Gyakari Ntim Room : **C104**

Do Shareholders Welcome Court Intervention In Ceo Pay Matters?

Author : *ANA M. ALBUQUERQUE, BOSTON UNIVERSITY*

EA = Empirical Archival

Co-authors : *Ana Albuquerque, Boston University*
Mary Ellen Carter, Boston College
Luann J. Lynch, University of Virginia

Critics of CEO compensation argue that it reflects rent extraction, not efficient contracting, favoring the CEO's interests to the detriment of shareholders. One mechanism to rein in executive pay is through court litigation, yet little academic research has examined this. We analyze the market's reaction to an unanticipated court ruling in a lawsuit against Citigroup claiming corporate waste with regard to CEO pay, providing insights on shareholders' view of court intervention in cases of excess pay. We find that shareholders of firms with excess pay react negatively to the court ruling consistent with shareholders perceiving court intervention as net costly. We also find that shareholders of financial firms with weaker shareholders' rights react positively, relative to shareholders of non-financial firms, suggesting that while court intervention in the pay setting process is generally perceived as undesirable, it might be better received in these firms that have been the subject of recent criticisms.

GVPS06

Chair : Collins Gyakari Ntim Room : **C104**

Incentive Effects Of Performance-Vested Restricted Share Compensation And Rpe-Related Target Features

Author : *LISA SHIFEI LIU, WARWICK UNIVERSITY BUSINESS SCHOOL*

EA = Empirical Archival

Co-authors : *Wei-Chern Koh, Nanyang Business School*

This study examines the effect of the type of equity compensation plans and the various RPE-related target features on incentive alignment, measured by pay-for-performance sensitivity. While the active institutional investors have been recommending restricted stock over stock options, there remains little empirical evidence of the usefulness of one over the other. In line with the institutional investors' recommendation, we find that the use of restricted stock increases pay-for-performance sensitivity more than if stock options are used. With respect to relative performance evaluation, little has been done to examine how various RPE-related target features affect incentive effect of restricted stock. We find that when a higher percentage is set to vest at the minimum hurdle rate, the pay-for-performance sensitivity is reduced, suggesting that setting a higher percentage at the minimum hurdle rate reduces incentive alignment. However, we do not find that choice of a market index peer versus self-selected peers nor the choice of a single target versus multiple targets has any statistical significance on incentive effects.

GVPS06

Chair : Collins Gyakari Ntim Room : **C104**

Promotion Incentives, Ceo Appointments And Firm Performance

Author : *MICHAELA RANKIN, MONASH UNIVERSITY*

EA = Empirical Archival

Co-authors : *Maria Strydom, Monash University*

Executive remuneration is often criticised as being excessive and not clearly linked to firm performance. This study examines the link between pay and performance by examining the impact of promotion-based tournament incentives. We argue that the 'gap' between the remuneration of the CEO and other senior executives creates a tournament-style competition for promotion amongst ambitious senior executives. The efforts of these highly motivated executives have a positive influence on overall firm performance. Whilst tournament theory is well studied in the US and UK, Australian evidence is sparse. We seek to better understand the determinants of tournament incentives, particularly surrounding the appointment of a new CEO. We find that tournament incentives play a significant role in enhancing firm performance, but that this positive impact is somewhat reduced after a change in CEO. We also find that closer alignment of CEO pay is positively associated with firm performance. We also find that tournament incentives are lowest after a change in CEO. Our study is one of the first to examine whether tournament incentives play any role in the pay-for-performance relationship in Australia and findings are likely to be of interest to researchers, policy makers, corporations and their shareholders, given the increased current focus on executive compensation and the lack of clear alignment with firm performance.

GVPS09 *Chair : Michaela Rankin* Room : **C104**

Sometimes Good Guys Don'T Wear White: Countervailing Incentives And Managerial Power

Author : *HENRY FRIEDMAN, UCLA / THE ANDERSON SCHOOL*

AM = Analytical / Modelling

Co-authors : *Henry Friedman, U. of California, Los Angeles*

I model an agency where reporting and productive tasks are separated, which is a ubiquitous feature of organizations including firms and their divisions. I examine the effects of power that the productive agent may have to pressure the reporting agent. The productive agent's power may be public knowledge prior to contracting or it can be her private information at the contracting phase. The main result is that when the productive agent has private information about whether she is able to pressure the reporting agent, countervailing incentives make it possible for both powerful and non-powerful productive types to earn information rents. The ability to earn rents depends on the organization's operating and reporting environment and the degree of power that the productive agent may exercise, leading to interesting interactions between environmental and intra-managerial factors.

TUESDAY **14:00-15:30**

GVPS09 *Chair : Michaela Rankin* Room : **C104**

Stockholder Conflicts And Dividend Payout

Author : *JANIS BERZINS, BI NORWEGIAN BUSINESS SCHOOL*

AM = Analytical / Modelling

Co-authors : *Øyvind Bøhren, BI Norwegian Business School*
Bogdan Stacescu, BI Norwegian Business School

This paper examines how dividend policy influences conflicts of interest between majority and minority stockholders in a large sample of private firms with controlling blockholders. We find that a higher potential for stockholder conflicts is associated with higher payout. This tendency is stronger when the minority stockholder structure is diffuse and when the minority is not on the firm's board. Minority-friendly payout is also associated with higher subsequent minority investment in the firm. These findings are consistent with the notion that dividend policy is used to mitigate agency costs, particularly when this benefits the majority in the longer run.

TUESDAY **14:00-15:30**

GVPS09 *Chair : Michaela Rankin* Room : **C104**

The Effects Of Ultimate Controlling Ownership To The Related Party Transaction And Earning Management

Author : *VERA DIYANTY, UNIVERSITY OF INDONESIA*

AM = Analytical / Modelling

Co-authors : *Sidharta Utama, Universitas Indonesia*
Hilda Rossieta, Universitas Indonesia
Sylvia Veronica Siregar, Universitas Indonesia

The aim of this research is to investigate the effect of expropriation incentive from the ultimate controlling owner to the amount of related party transaction and earning management. Furthermore, this research also investigate the moderating role from the variable of family ownership and the implementation of corporate governance to the amount of related party transaction and the earning management as well. We argue that companies with families as controlling shareholders may have a higher agency conflict between the controlling shareholders and non-controlling shareholders and may result an entrenchment. Families controlling shareholders can indirectly influence the amount of related party transactions and earning management. The practice of corporate governance (GC) is required to help the external parties of capital market to oversee the management as well as to protect the shareholders right which also include non-controlling shareholders. This research proved that the entrenchment effect, i.e. incentive of expropriarion from ultimate controlling shareholders positively affect the amount of related party transaction and earning management. This research also proved that the alignment effect has negative effect to the amount of related party transaction and earning management. It was proven that family ownership even strengthened the entrenchment effect, to the amount of related party transaction and earning management. Strong and solid corporate governance mechanism could effectively reduce the negative impact of entrenchment effect of controlling shareholders on both related party transaction as well as on earning management.

TUESDAY **9:00-10:30**

GVPS12

Chair : Ellie (Larelle) Chapple Room : **C108**

The Impact Of Ifrs Adoption And Corporate Governance Principles On Transparency And Disclosure Scores

Author : *MINE AKSU, SABANCI UNIVERSITY* EA = Empirical Archival

Co-authors : *Mine Aksu, Sabanci University*
Hassan Espahbodi, University of Texan in Brownsville

The beneficial consequences of reduction in asymmetric information through disclosure and the performance effects of International Financial Reporting Standards (IFRS) are well-established. However, whether disclosure quality indeed increases due to mandatory or voluntary regulation or best practices , such as the adoption of IFRS and Corporate Governance Principles is still an empirical question that hasn't been directly tested. This paper tests this in an emerging market where the code law tradition, dominant family ownership, and lax rules and implementation make it less likely for the disclosure quality effects to be observed. We show that Transparency & Disclosure (T&D) scores have improved during 2003-2005 in a sample of Istanbul Stock Exchange firms and those that voluntarily adopt IFRS have significantly higher scores. However, the 2005 T&D scores for mandatory and voluntary adopters are not significantly different. Multivariate analysis shows that voluntary IFRS adoption, Corporate Governance (CG) principles, and mandatory IFRS adoption have all had significant incremental positive effects on Financial Disclosure scores and the Overall T&D scores. These findings should be of interest to researchers, policy makers, and regulators, especially in emerging markets that have recently started to adopt these best practices to increase transparency and disclosure quality.

TUESDAY **9:00-10:30**

GVPS12

Chair : Ellie (Larelle) Chapple Room : **C108**

Corporate Governance And Securities Disclosure Enforcement Litigation

Author : *VICTORIA CLOUT, THE UNIVERSITY OF NEW SOUTH WALES* EA = Empirical Archival

Co-authors : *Ellie Chapple, Queensland University of Technology*
David Tan, Australian National University

The aim of this study is to investigate the governance attributes of Australian firms that have been subject to securities litigation. This paper is motivated by the recent sizable increase in the number of firms being subject to litigation in Australia by investors due to the disclosure policy adopted by management of the firms. The study commences with a sample of Australia listed firms that have been subject to investor class actions, typically due to disclosure breaches. This sample was matched on industry and size to a control group of firms that have not been sued. Firstly, we examine and compare the compliance culture of the sample of litigated firms, to examine their record of the frequency of queries by the Australian Securities Exchange (ASX). We expect that the litigated firms to have higher frequency of queries compared to the control sample firms. Secondly, we use regression analysis to investigate whether firms sued by their investors for disclosure breaches exhibit a corporate governance culture that is systematically weaker than the control sample of non-litigated firms. In this study, we find that the sample of interest has a statistically significantly higher rate of queries. This study contributes to understanding the increasing trend in lawsuits against Australian companies as a result of their disclosure breaches and the currently scant non-US focussed literature on securities class actions.

TUESDAY **9:00-10:30**

GVPS12

Chair : Ellie (Larelle) Chapple Room : **C108**

The Effects Of Home Country Institutions And The Sarbanes-Oxley Act On Underpricing Of Foreign Ipos In The Us

Author : *JONATHAN JONA, CASS BUSINESS SCHOOL - CITY UNIVERSITY LONDON* EA = Empirical Archival

Co-authors : ,

Using a unique dataset, I investigate the effects of the home country institutions on underpricing of foreign IPOs in the US, and whether underpricing is significantly different post enactment of the Sarbanes-Oxley Act (SOX). Findings indicate differences in underpricing based on IPOs home country institutions. Additionally, I find no evidence that SOX has affected underpricing when home institutions are considered. In terms of accounting practices, I find that conservative reporting reduces underpricing levels. In addition, auditors' prestige significantly reduces the underpricing following SOX. The findings shed light on the differences between cross-listed firms and suggest that while foreign IPOs may abandon their home capital markets by listing in the US, their cost of capital are nonetheless influenced by home country institutions. Collectively, these results contribute to the ongoing discussion regarding the effectiveness of SOX in reducing the cost of capital and the loss of competitiveness of US capital markets.

GVPS13

Chair : Elisabeth Dedman Room : **C108**

Divergence Of Cash Flow And Voting Rights, Opacity, And Stock Price Crash Risk: International Evidence

Author : *HYUN HONG, UNIVERSITY OF MEMPHIS*

EA = Empirical Archival

Co-authors : *Hyun Hong, University of Memphis*
Jeong-Bon Kim, City University of Hong Kong
Michael Welker, Queen's University

This study investigates the cross-sectional relation between corporate ownership structure and stock price crash risk, using a unique and comprehensive panel data set of 446 firms with a dual-class equity structure in 19 countries during the period of 1995¬¬_2007. We find a positive relation between the likelihood of stock price crash risk and the deviation of voting rights from cash flow rights at dual-class firms, which we call the ownership-control wedge. We also find that this positive relation between the ownership-control wedge and stock price crash risk is attenuated in countries with stronger anti-self-dealing regulations and for larger firms and firms followed by more financial analysts. The interaction of the ownership-control wedge and accounting opacity, measured using the past three years of absolute abnormal accruals, is also positively related to stock price crash risk. These results provide support for the central prediction of Jin and Myers (2006) that stock price crash risk arises in situations where an agency conflict, combined with opacity, engenders incentives for asset expropriation. Finally, we test of the effects of International Financial Reporting Standards (IFRS) adoption in countries where IFRS is mandated during the sample period. We find that the positive link between the ownership-control wedge and stock price crash risk is reduced by IFRS adoption, consistent with the notion that IFRS adoption increases transparency.

GVPS13

Chair : Elisabeth Dedman Room : **C108**

Information Quality And Capital Structure

Author : *GERALD LOBO, UNIVERSITY OF HOUSTON*

EA = Empirical Archival

Co-authors : *Chee Yeow Lim, Singapore Management University*

Although prior research documents that information quality is related to capital structure in the US market, little is known about how differences in the institutional environment influence this relation. Using data from 38 countries over the period 1996 to 2009, we examine whether the relation between information quality and financial leverage, our measure of capital structure, holds outside the US, and whether that relation varies systematically with the strength of institutions across countries. We find that firms with greater information quality in the current period are less leveraged in the subsequent period. In addition, we find that the relation between information quality and financial leverage is more pronounced when the strength of investor protection is weaker, when the size of the private lending market is smaller, and when country-level bankruptcy resolution costs are higher.

GVPS13

Chair : Elisabeth Dedman Room : **C108**

Do Managers Withhold Good News From Labor Unions?

Author : *WOO-JONG LEE, THE HONG KONG POLYTECHNIC UNIVERSITY*

EA = Empirical Archival

Co-authors : *Richard Chung, Griffith University*
Bryan Byung-Hee Lee, University of Macau
Woo-Jong Lee, The Hong Kong Polytechnic University
Byungcherl Charlie Sohn, City University of Hong Kong

With scarce empirical support, prior literature argues that managers tend to withhold good news and promote bad news to preserve their bargaining power against labor unions. This paper provides evidence on this rarely supported argument. Using comprehensive firm-level data in Korea where labor unions have a long tradition of making credible threats, we find that overall disclosure frequency is negatively related to labor union strength, and that this relation is more pronounced in firms with good news. We also find that firms with strong labor unions withhold good news during the labor negotiation period and release it in an abrupt fashion afterwards and this pattern is more prominent than that of the firms with weak or no unions, implying that managers time news disclosure considering bargaining schedules to achieve better outcomes in labor negotiations. These results are robust to a battery of sensitivity tests.

TUESDAY **14:00-15:30**

GVPS14 *Chair : Marion Hutchinson* Room : **C108**

Board Vintage And Risk-Taking: An Empirical Analysis Based On Japanese Firms

Author : *MAKOTO NAKANO, HITOTSUBASHI UNIVERSITY*

Co-authors : *Pascal Nguyen, University of Technology Sydney*

EA = Empirical Archival

We analyze the role of board age on firm performance using a large sample of Japanese firms. The results reveal the existence of a significant negative relationship. After controlling for endogeneity using firm size as instrument, the effect of board age is found to be more significant, consistent with the notion that older directors are more likely to retain (relinquish) their positions in strongly (poorly) performing firms. In addition, we show that the performance of younger and high-growth firms is more sensitive to board age, which points to a risk-based explanation. Indeed, it appears that older boards are more reluctant to take risks and particularly to undertake acquisitions. Overall, the results underline the disadvantage of (re)appointing older managers since the latter tend to be more conservative, perhaps because of their shorter decision horizons or greater vested interests.

TUESDAY **14:00-15:30**

GVPS14 *Chair : Marion Hutchinson* Room : **C108**

Us Listing Of Chinese Firms: Bonding Vs. Adverse Selection

Author : *DANQING YOUNG, THE CHINESE UNIVERSITY OF HONG KONG*

Co-authors : *T.J. Wong, The Chinese University of Hong Kong*
Xianjie He, Shanghai University of Finance and Economics

EA = Empirical Archival

Chinese firms listed in the US have experienced a crisis of accounting irregularities and market crash in 2010 and 2011. Although comparing with their domestic peers, US-listed Chinese IPO firms have stronger fundamental characteristics such as corporate governance and operating institutional environment, those that list through reverse merger have worse fundamental characteristics. These inferior fundamental characteristics are found to be associated with a higher likelihood of committing accounting irregularities after US listing, but the market collapse has punished all the Chinese firms without considering these fundamental characteristics. As a result, there is a trend that firms with stronger fundamental characteristics, which are supposed to gain more from bonding through US listing, are leaving the US market after the crisis. Putting together, the findings suggest that the reverse merger has induced an adverse selection in the US market for Chinese firms.

TUESDAY **14:00-15:30**

GVPS14 *Chair : Marion Hutchinson* Room : **C108**

When Do Well-Connected Directors Affect Firm Performance?

Author : *MARJORIE SHELLEY, TEXAS A&M UNIVERSITY*

Co-authors : *Thomas C. Omer, Texas A&M University*
Frances M. Tice, Texas A&M University

EA = Empirical Archival

This study examines whether firms with well-connected boards of directors are associated with higher firm performance. Overly busy directors are sometimes ineffective monitors. However, these same "busy" directors may be valuable sources of information. Cross-firm connections formed by shared directors are channels for the transfer of information, such as market trends, business innovations, and effective corporate practices. Shared connections form a large network composed of directors and boards. Tradeoffs for increased access to information include overcommitted directors, information overload, and possibly the propagation of damaging information, such as poor business practices. We find that firms with directors who, on average, are more centrally located within the network, or are directly connected with other highly connected individuals, experience lower firm performance, which is consistent with the busyness hypothesis. However, firms with more investment opportunities benefit from increased speed and quantity of information transfer from the director network. We also provide evidence that highly connected directors experience information overload, leading to decreased performance. This study combines methods from network theory and corporate governance to further examine the benefits and costs of shared directorates.

GVPS15 *Chair : Pier Luigi Marchini* Room : **C108**

The Triangular Relationship Between Audit Committee Characteristics, Audit Inputs, And Financial Reporting Quality

Author : *DAN SEGAL, INTERDISCIPLINARY CENTER (IDC) HERZLIYA*

EA = Empirical Archival

Co-authors : *Jae Kim, Singapore Management University*
Benjamin Segal, Insead
Yoonseok Zang, Singapore Management University

Using the reforms to audit committees mandated by the Sarbanes-Oxley Act of 2002 and the difference-in-difference approach, we examine the impact of changes in audit committee attributes (financial expertise, size, and independence) on firms' audit inputs and financial reporting quality. Firms directly affected by the reforms experienced a larger improvement in audit inputs (measured by audit fees and the appointment of an industry specialist auditor) and a larger increase in financial reporting quality (measured by restatements of financial reports) relative to firms that were already compliant. Importantly, we find that the decline in restatements is not related to the improvement in audit inputs. This suggests that larger, more independent, and more competent audit committees are better able to detect misstatements or deter opportunistic reporting by management, independent of the level of audit input quality. The results therefore provide justification for the audit committee reforms.

TUESDAY **16:00-17:30**

GVPS15 *Chair : Pier Luigi Marchini* Room : **C108**

The Impact of Mandatory IFRS Adoption in the UK and Germany on Accruals Quality: Is Corporate Governance a Matter?

Author : *JIAN LIANG, THE UNIVERSITY OF ADELAIDE*

EA = Empirical Archival

Co-authors : *George Shan, Adelaide University*

This study explores the impact of International Financial Reporting Standards (IFRS) mandatory adoption on earnings quality in the United Kingdom and Germany from 2001 to 2009. Other than accounting standards, reporting incentive is also recognised as a determinant in financial reporting. However, despite of being recognised at both national level and market level, preparer incentive at firm level as suggested by the agency theory has not been explored yet. This study strategically operationalizes preparer incentives using a self-constructed corporate governance variable. The results suggest that, if considered standards alone, IFRS has improved earnings quality in the post-adoption period. When taking into consideration of both standards and incentives, less earnings management incentives as signalled by good corporate governance can help improve earnings quality but only in shareholder-oriented countries. Overall, the results show that in shareholder-oriented countries, high quality standard and efficient governance mechanisms operate as complements whereas in stakeholder-oriented countries they function as substitutes. This study further substantiates the debate on standards versus incentives in determining the quality of financial reporting. The role of incentives in financial reporting ultimately reflects the information demands from a country's institutional settings as suggested in Ball et al. (2003).

TUESDAY **16:00-17:30**

GVPS15 *Chair : Pier Luigi Marchini* Room : **C108**

Corporate Governance And Product-Related Voluntary Disclosure. An Analysis Of Biotech Firms.

Author : *LUMINITA ENACHE, VICTORIA UNIVERSITY OF WELLINGTON*

EA = Empirical Archival

Co-authors : *Antonio Parbonetti, University of Padua*

The paper analyzes how board of directors composition affects US biotech corporate disclosure. US biotech companies provide a vast heterogeneity in the level of disclosure and the paper provides evidence that directors' background and experience matters in orienting product-related voluntary disclosure and explaining such heterogeneity. Particularly, the results show that support specialists enhances overall disclosure and the disclosure of future information, but as their presence in the board increases the disclosure of early stages product decreases. Community influentials enhance disclosure when drugs are in the preclinical phase of development thus increasing the competitive costs.

GVPS05

Chair : Jian Liang Room : **C104**

Are All Independent Directors Equally Informed? Evidence Based On Their Trading Returns And Social Networks

Author : *YONG YANG, THE CHINESE UNIVERSITY OF HONG KONG*

Co-authors : *Ying Cao, Chinese University of Hong Kong*
Dan Dhaliwal, University of Arizona
Zengquan Li, Shanghai University of Finance and Economics

EA = Empirical Archival

We study the impact of social networks on the ability of independent directors to obtain private information from their firms' executives. We find that independent directors socially connected to their firms' senior executives earn a significantly higher return than unconnected independent directors in stock sales transactions. The effect is stronger in firms with higher information asymmetry. The independent directors' trading returns drop after their connected senior executives depart the firm. Finally, connected independent directors sell more stocks prior to the announcement of bad earnings news. As a comparison, the connected and unconnected independent directors do not differ significantly in their trading profits of stock purchases. Taken together, our results suggest that the trust built through social connections helps independent directors obtain access to bad news information from firms' senior executives.

WEDNESDAY 14:00-15:30

GVPS05

Chair : Jian Liang Room : **C104**

Independent Non-Executive Directors' Remuneration: A Comparison Of The Uk And Italy

Author : *ANDREA MELIS, UNIVERSITY OF CAGLIARI*

Co-authors : *Chris Mallin, University of East Anglia*
Silvia Gaia, University of Cagliari

EA = Empirical Archival

This paper investigates the roles that equity and human capital theories, and the managerial power view play in explaining the pay of independent directors. Using a sample of 1733 independent non-executive directors' year observations in Italian and UK non-financial firms listed in the period 2007-2009, we find that independent directors' remuneration in Italy is mainly based on the effort independent directors' exert, whilst in the UK it is based on their responsibilities. Neither Italian nor UK companies adopted performance-based remuneration for their independent directors. The managerial power view seems to help to explain independent directors' remuneration, as those independent directors who do not fulfil formal independence criteria stated by the national Corporate Governance Codes seem to be paid more, after controlling for effort, responsibilities, human capital and firm characteristics, than those who do fulfil such criteria. Our results provide empirical support for equity theory, and the managerial power view, in explaining independent non-executive directors' remuneration as well as for the institutional perspective. Moreover, the paper contributes to the debate on the choice of either a statutory regime or a flexible system in regulating the independent director dimensions of corporate governance. It offers insights to policy-makers by questioning the effectiveness of adopting non-binding criteria when assessing non-executive directors' independence.

WEDNESDAY 14:00-15:30

GVPS05

Chair : Jian Liang Room : **C104**

Director Independence And Insider Trading

Author : *MESSOD DANIEL BENEISH, INDIANA UNIVERSITY / KELLEY SCHOOL OF BUSINESS*

Co-authors : *Cassandra Marshall, University of Richmond*
Jun Yang, Indiana University

EA = Empirical Archival

While prior work establishes criteria for assessing director independence by scrutinizing outside directors' professional and social connections, we examine the conditions under which outside directors' trading and ratification decisions are incrementally useful in assessing their independence. Because crises test the independence of boards, we investigate the CEO replacement decision in firms caught intentionally misreporting earnings. We predict and find that outside directors' selling that emulates selling by the CEO and inside directors makes them less willing to replace the CEO. Our findings derive from opportunistic rather than routine selling, and from collusive selling involving inside and outside board members rather than from selling by outside directors alone. We also predict and find that outside directors who ratify one or more value-destroying mergers in the misreporting period are less effective monitors. These results are robust to alternative measurements of opportunistic selling and to a comprehensive set of controls for the CEO replacement decision.

WEDNESDAY 9:00-10:30

GVPS07 *Chair : Ahmed Naciri* Room : **C104**

Accounting Regulation Beyond Borders

Author : *STEFANIA SERVALLI, UNIVERSITY OF BERGAMO*

IC = Interdisciplinary / Critical

Co-authors : *David J. Alexander, University of Birmingham*

The paper explores the problematic relationship between "the State" and "accounting regulation", within the contemporary scenario of globalisation. The realisation of a series of shifts from 'Nation-State' towards different power dimensions involving public, semi-public or private organisations often located beyond the traditional 'National-State' boundaries has been experienced during recent years. Within this changed scenario a series of accounting regulation issues emerge which are not yet explored in the literature. Our theoretical analysis is framed on the Critical Theory of globalization which looks for innovative forms of publicity and democracy. More specifically it is underpinned by the Transnational Democracy concept expressed by Bohman (2010) as a democratic ideal lying between 'Nation-States' and international conceptions on the one hand and cosmopolitan democracy on the other (Bohman, 2010, p. 2). In this context, the issue of legitimacy has been explored in its social constructed aspects (Suchman 1995) and highlighting the pivotal dimensions in a transnational democracy (Bohman 2007). A specific analysis of the legitimacy of accounting regulation in Europe, adopting these dimensions, is also provided. Our conclusions are not optimistic, as major inconsistencies, incompatibilities and logical impossibilities are being widely ignored. We hope that our attempts at rigorous analysis will help to show the way towards

WEDNESDAY 9:00-10:30

GVPS07 *Chair : Ahmed Naciri* Room : **C104**

Early Modern Accounting And The Emergence Of The Administrative State

Author : *MARTA MACIAS, CARLOS III UNIVERSITY, MADRID*

HI = History

Co-authors : *Carlos Larrinaga, Burgos University*

This paper charts early modern accounting in Castile from a governmentality analytical perspective. Guided by the importance attached to the process of gradual governmentalization in the work of Michel Foucault, it extends governmentality histories of accounting to the relatively unexplored early modern period. Castile provides a privileged context for the governmentality approach, because this kingdom laid the foundations for a great administrative state in the early modern period, when it faced the intellectual and political challenges of responding to unprecedented problems of authority and understanding as its empire grew. Hence, accounting was embedded in the assemblage of legal, professional, institutional and communicative technologies of government that made the centralization and internal organization programmes of government practicable in 16th century Castile. By making economic circulation, taxes, bullion and the contribution of all individuals to the strength of the state thinkable and amenable to intervention, accounting technologies contributed to the transformation of the domain to which government was applied. If historians concur that an assemblage of technologies of government -particularly, the bureaucratic system and a professional corps of competent letrados- made the Spanish empire possible, then accounting made the centralization and internal administration programmes practicable, by illuminating the elements that constituted its strength.

WEDNESDAY 9:00-10:30

GVPS07 *Chair : Ahmed Naciri* Room : **C104**

Say On Pay And The Shareholder Spring

Author : *STEPHANI MASON, RUTGERS UNIVERISTY*

HI = History

Co-authors : *Stephani Mason, Rutgers University*
Dan Palmon, Rutgers University
Fred Sudit, Rutgers University

"Say on Pay has become a lightning rod for shareholder protest. …much work remains to be done before the protests achieve their intended goal." (Paul Hodgson, Senior Research Associate, Executive and Director Compensation, The Corporate Library; Author of Perspectives: Building Value Through Executive Compensation). There is a global movement to give shareholders a greater role in the corporate process. Say on Pay, which gives shareholders the right to vote on executive compensation is one of the tools of increased corporate democracy. This first study chronicles the history of Say on Pay in a cross-country context within various groups: legislated vs. shareholder-initiated votes or binding vs. non-binding legislation.

GVPS08

Chair : Philip Linsley Room : **C104**

The Straight Story With A Twist: How Hybrid Governance, Actors And Institutions Affect Management Accounting Change

Author : *LARS BALSLEV, COPENHAGEN BUSINESS SCHOOL*

CF = Case / Field Study

Co-authors : *Sof Thrane, Copenhagen Business School, department of Operations Management*
Lars Balslev, Copenhagen Business School, department of Operations Management

This paper investigates the development of management accounting in Air Greenland. The paper is longitudinal using retrospective interview methods, as well as document analysis to trace developments over the past 30 years. The societal system has in this period developed from colonial rule towards state capitalistic and market capitalistic systems of governance. The paper illustrates how Air Greenland management accounting develops both as a consequence of regulative and system changes but also as consequence of actors within the firm. The management accounting system and social structures develops from a non-accounting style over budget constrained behaviour towards more complex management accounting systems with responsibility accounting and profit conscious orientation. In order to affect changes actors initiate plans which were in direct contradiction with large shareholders interest and actors in the organization try to decrease political influence as political influence contradicted emerging norms of profit consciousness and meritocracy. We thus illustrate how the hybrid ownership and hybrid governance which governs Air Greenland induce conflicts and contradictions and how actors within the organization seek to develop and change the political and regulative structures to which they are subject.

GVPS08

Chair : Philip Linsley Room : **C104**

Corporate Governance, Corporate Entrepreneurship And Organisational Performance: Evidence From Uk

Author : *ADEL ELGHARBAWY, UNIVERSITY OF WESTMINSTER*

SU = Survey

Co-authors : *Magdy Abdel Kader, Lord Ashcroft Businss School, University of Anglia Ruskin*

It has been argued that there is a need to broaden corporate governance beyond compliance to a set of rules and laws, to include the performance aspects of governance that focus on strategy and value creation. In other words, governance should not only focus on monitoring managerial performance to ensure accountability to shareholders, but also on mechanisms that motivate management to optimise shareholders' wealth. This study aims to develop a contingency framework for the relationship between corporate governance and corporate entrepreneurship in the UK. This framework examines the inter-relationships between compliance with the Combined Code on Corporate Governance (CCCG), corporate entrepreneurship and the ultimate effect on organisational performance. The results provide evidence in favour of the regulatory framework of corporate governance in the UK and suggest no conflict between corporate governance and corporate entrepreneurship.

GVPS08

Chair : Philip Linsley Room : **C104**

Processes Of Evaluating The Effectiveness Of Public Companies' Internal Controls Over Financial Reporting: An Interview-Based Study

Author : *KHIM KELLY, UNIVERSITY OF WATERLOO*

CF = Case / Field Study

Co-authors : *Jean Bédard, Université Laval*
Natalia Kochetova-Kozloski, Saint Mary's Univesity

This paper investigates the processes underlying the evaluation of the effectiveness of companies' internal controls over financial reporting (ICFR); the interactive roles played by senior management, audit committees, ICFR consultants, and external auditors; and the factors companies consider when they evaluate the severity of control deficiencies. We conduct our investigation through 25 individual interviews with 12 Canadian corporations listed on the Toronto stock exchange. Our analyses indicate that the prior experience with Sarbanes Oxley implementation and the personal attitudes of senior management and audit committees are the key drivers of the rigor and structure in the ICFR evaluation process. We also find that the most important factor that companies use to assess the severity of control deficiencies is the materiality of misstatements or potential misstatements arising from those control deficiencies. The classification of a control deficiency as a material weakness is straightforward when a material misstatement has been detected. When no material misstatements have been detected, greater professional judgment is required to identify key controls as well as assess the effectiveness of those key controls, the size of potential misstatements given control deficiencies, and the adequacy of compensating and mitigating controls.

WEDNESDAY 9:00-10:30

GVPS16 *Chair : Maria Correia* Room : **C108**

Do Losses Precipitate Improvements In Corporate Governance?

Author : *MARK MULCAHY, UNIVERSITY COLLEGE CORK* EA = Empirical Archival

Co-authors : *Mark Mulcahy, University College Cork*
Ray Donnelly, University College Cork

This paper studies the relationship between loss events and corporate governance in the UK. We examine whether firms that report a loss improve their corporate governance and also examine the timing of any changes in governance. The study uses four years of governance information spanning the report of an initial loss for companies listed on the UK stock exchange. An industry and size matched control sample is used in a difference-in-difference methodology to isolate the impact of the loss from underlying changes in governance during the period. The findings in this study indicate that for loss firms the loss precipitates an improvement in the standard of corporate governance and that this improvement is by and large confined to companies which displayed evidence of weak or extreme governance before the loss. There is also evidence this improvement begins before the loss is actually reported.

WEDNESDAY 9:00-10:30

GVPS16 *Chair : Maria Correia* Room : **C108**

Do Ceos And Directors Get 'sick' Of Attending Meetings?

Author : *JOHN NOWLAND, CITY UNIVERSITY OF HONG KONG* EA = Empirical Archival

Co-authors : *John Nowland, City University of Hong Kong*
Stephen Gray, University of Queensland

This study examines whether more frequent board and committee meetings are associated with lower director attendance rates than expected based on random absences (e.g. due to sickness). We overcome the bias inherent in U.S. data by utilizing a hand-collected Australian dataset that provides the number of board and committee meetings held and attended by each director. We find that attendance rates for both outside and inside directors decrease (i.e. non-random absences increase) as the total number of meetings they are required to attend increases. In particular, we find that attendance rates decrease for both outside and inside directors that are required to attend more board meetings. In addition, attendance rates for inside directors (particularly CEOs) decrease when they are required to attend more monitoring committee meetings but attendance rates for outside directors do not. Further investigation also shows that female director attendance (both outside and inside directors) is less sensitive to the frequency of board meetings than male director attendance. For practitioners, our results indicate that companies can reduce non-random director absences by holding fewer board meetings each year. For committee meetings, attendance behavior differs by the type of director and the type of committee. For academics, our results indicate that while average attendance is useful, what is most important is the marginal effect of additional meetings on director attendance.

WEDNESDAY 9:00-10:30

GVPS16 *Chair : Maria Correia* Room : **C108**

Telling The Privatization Story: A Semiotic Analysis Of The President'S Letter

Author : *GAETAN BRETON, UNIVERSITY OF QUÉBEC IN MONTRÉAL* EA = Empirical Archival

Co-authors : *Denis Gendron, Unicersity of Quebec in Outaouais*

We aim to catch public managers' reaction when facing privatization. The paper use some semiotic tools which appear to be appropriate as folktale structures are used to create an atmosphere rather tahn providing figures and facts. We sampled presidents'letters of Canadian State-owned enterprises (SOE) privatized between 1985 and 1995. The transformation (going from state A to state B) and the actantial structure had been used to characterize the nessage of the letters. We found that storytelling is used by management to legitimize privatization and therefore influence the perception of the readers about the decision.

GVPS17 Chair : *Janis Berzins* Room : **C108**

Corporate Governance And Financial Leverage: The Role Of Bank Directors

Author : *EMMA GARCIA-MECA, POLYTECHNIC UNIVERSITY OF CARTAGENA* EA = Empirical Archival

Co-authors : *Felix López-Iturriaga, University of Valladolid*
Fernando Tejerina-Gaite, University of Valladolid

We study the relation between the capital structure decisions of Spanish listed firms between 2004 and 2010 and institutional directors, making a distinction between those ones who keep business relations with the firm in whose board they sit, and institutional investors whose business activity is not related to the company in which they hold a directorship. We also check the robustness of the results by analyzing the effects of institutional directors on bank debt and the influence of institutional directors in the audit committee. We find that institutional directors have diverse incentives to engage in corporate governance. Consistent with the importance of business relations, we find that directors representing pressure sensitive investors (i.e., banks and insurance companies) have a preference for lower financial leverage, while pressure resistant directors (i.e., mutual funds and pension funds) do not seem to have a significant effect. Nevertheless, when analysed separately, bank and insurance firm representative directors show different attitudes: bank representatives increase both the financial leverage and the banking debt. We also find a sort of risk aversion among directors representing banks, so that the higher the fraction of shares they own, the more the companies refuse both financial leverage and banking debt.

WEDNESDAY 11:00-12:30

GVPS17 Chair : *Janis Berzins* Room : **C108**

Sleeping With The Enemy: Should Investment Banks Be Allowed To Engage In Prop Trading?

Author : *IRENE KARAMANOU, UNIVERSITY OF CYPRUS* EA = Empirical Archival

Co-authors : *Andreas Charitou, University of Cyprus*

This paper investigates whether conflicts of interest exist between the research and proprietary trading departments of investment banks. Using a data set of 27,723 analyst stock recommendations over the period 1999–2007, we find that both in the period before and after the Global Research Analyst Settlement (GRAS), sanctioned banks trade ahead of both upgrades and downgrades. We also find that in the post-GRAS period, stock affiliation with the investment banking department deters such activity. We posit that this may be due to increased regulatory attention to conflicts of interest between the research and investment banking departments that eventually led to GRAS. In the post-GRAS period, investment banks also trade against their upgrades and downgrades, suggesting that trading incentives prompt analysts to bias their recommendations both optimistically and pessimistically. Additional analysis suggests that recommendations are not related to changes in the holdings of other investment banks, alleviating concerns that common information available to both the trading and research departments is what drives results. Finally, our evidence does not support a relation between the holdings of the asset management division and the subsequent recommendation, suggesting that own trading poses a stronger incentive for investment banks to succumb to conflicts of interest than does asset management. The evidence thus supports recent concerns of regulators regarding prop trading.

WEDNESDAY 14:00-15:30

GVPS18 Chair : *Luminita Eunache* Room : **C108**

Ownership Types, Corporate Governance And Discretionary Impairment Of Assets. An International Comparison

Author : *GIULIO GRECO, UNIVERSITY OF PISA* EA = Empirical Archival

Co-authors : *Silvia Ferramosca, University of Pisa*
Marco Allegrini, University of Pisa

In this paper, we investigate whether and how ownership types and corporate governance mechanisms are associated to the manipulation of impairment losses on long-lived assets (goodwill, PPE, intangibles). We partition the impairment losses into expected non-discretionary and unexpected discretionary components. We explore whether ownership structures and corporate governance affect the magnitude of discretionary losses, comparing three different corporate governance environments: United Kingdom, Germany and Italy. Consistently with predictions by agency theory and political theory, we find that insider ownership and state ownership are positively associated to the magnitude of discretionary impairment losses, whilst institutional investors ownership and the strength of governance mechanisms have a negative effect. The findings are distinctive for each setting examined. Our study show that ownership types and corporate governance are intervening variables in the assets impairment decision-making process. The results also suggest interdependencies among ownership structures and corporate governance in influencing this accounting decision. On the one hand, the ownership types influence on discretionary assets write-offs appear to be facilitated or constrained by the governance system; on the other hand, ownership structures can prevent effective monitoring by governance mechanisms. The results may be of interest to market participants and audit firms.

WEDNESDAY 14:00-15:30

GVPS18 *Chair : Luminita Eunache* Room : **C108**

The Association Between Corporate Governance, Product Market Competition And Non-Gaap Adjustments

Author : *HELENA ISIDRO, LISBON UNIVERSITY INSTITUTE (ISCTE)* EA = Empirical Archival

Co-authors : *Ana Marques, Nova School of Business and Economics*

We investigate how product market competition affects the association between corporate governance quality and managers' non-GAAP adjustments. Managers often disclosure in earnings announcements press releases non-GAAP earnings measures which are calculated by making adjustments to reported (GAAP) earnings. The lack of strict regulation in Europe and the voluntary nature of non-GAAP reporting gives European managers considerable discretion to make adjustments that are potentially misleading about firm performance. For the largest European firms and for fiscal years 2003-2007, we find that both strong corporate governance controls and high competition, when considered separately, are associated with smaller manager adjustments and adjustments for recurring items. However, when the two factors are considered concurrently governance controls have little effect in reducing aggressive non-GAAP adjustments whilst high competition is still associated with less aggressive adjustments. These findings suggest that in environments where product market competition is high there is less need for strong internal governance mechanisms in order to curb aggressive non-GAAP reporting.

MONDAY 16:00-17:30

GVRF01 *Chair : Mine Aksu* Room : **A**

The Impact Of Different Categories Of Voluntary Disclosure On Information Asymmetry: An Analysis For Portuguese And Spanish Listed Companies.

Author : *HELENA ALVES, POLYTECHNIC INSTITUTE OF LEIRIA* EA = Empirical Archival

Co-authors : *Helena Alves, Superior School of Technology and Management of Leiria, Polytechnic Institute of Leiria (Portugal)*
Ana Maria Rodrigues, Faculty of Economy of the University of Coimbra (Portugal)
Natália Canadas, Superior School of Technology and Management of Leiria, Polytechnic Institute of Leiria (Portugal)

This paper examines the relation between corporate governance and information asymmetry, through the different categories of voluntary disclosure, using a structural equation model. Our sample consisted of Portuguese and Spanish listed companies. We built a voluntary disclosure index based on the information firms provided in their annual reports and used the turnover ratio and the bid-ask spread as proxies for the information asymmetry in the market. We divided the governance characteristics in two constructs: directors' and supervisors' structures and ownership structure. We analysed the impact of the different categories of voluntary disclosure on information asymmetry. The models results suggest that each category of voluntary disclosure can be insufficient in itself. However, generally, when the information is combined it provides more useful information for investors. Despite this, the results showed that strategy and future perspective are the categories of voluntary information that most influence investors.

MONDAY 16:00-17:30

GVRF01 *Chair : Mine Aksu* Room : **A**

Determinants Of Value Creation Disclosure: The French Case

Author : *SERGE AGBODJO, PAUL SABATIER UNIVERSITY - TOULOUSE III* EA = Empirical Archival

Co-authors : ,

According to economic theories that advocate profit maximization, the concept of value creation lacks a clear definition and sound regulatory framework. Despite the absence of legal obligations, this notion is disclosed by some French listed companies. This research aims to define value creation and identify the determinants of disclosure. A double theoretical framework combining positive agency theory and resource dependence theory are mobilized. The empirical method is qualitative and quantitative. The qualitative study is based on semi-structured interviews with several leaders of listed companies. The quantitative study focuses on the determinants of information disclosed on value creation in the annual reports of 84 companies in the SBF120 index from 2006 to 2010. Results show that performance, governance and corporate liquidity, determine disclosure. However, influence of these variables depends on the dimension of disclosure.

MONDAY **16:00-17:30**

GVRF01 *Chair : Mine Aksu* Room : **A**

The Effects Of Corporate Governance And Product Market Competition On Analysts' Forecasts: Evidence From The Brazilian Capital Market

Author : *JOSE ELIAS ALMEIDA, FEDERAL UNIVERSITY OF ESPÍRITO SANTO* EA = Empirical Archival

Co-authors : *Flávia Dalmácio, University of São Paulo*

In this paper, we investigate how the interaction between product market competition and corporate governance enhance accuracy of analysts' forecasts and reduce forecasts' deviation. Our results suggest that competitive industries provide incentives to increase the flow of information, but not necessarily enhancing quality. However, strong corporate governance enhances financial reporting process and consequently the analysts' forecasts quality. Our main evidence is that analysts covering firms in competitive industries with strong corporate governance are the most accurate. We use a sample of Brazilian public firms listed on Sao Paulo Stock Exchange and control by random effects estimator and cluster regression. These results show us that competition and corporate governance are determinants to reduce institutional problems in an emerging market.

MONDAY **16:00-17:30**

GVRF01 *Chair : Mine Aksu* Room : **A**

Determinants Of Audit Committee Effectiveness In Saudi Listed Firms

Author : *EHSAN SALEH AL-MOATAZ, UMM AL-QURA UNIVERSITY* EA = Empirical Archival

Co-authors : *Murya Habbash, King Khalid University*

Although prior research shows that audit committee effectiveness is an important monitoring mechanism of corporate governance, we know very little about the underlying determinants of audit committee effectiveness especially within a corporate governance environment that are considered different than the ones used in the previous research. A score of audit committee characteristics have been formed based on previous literature findings and publicly available quantitative signals as a proxy for audit committee effectiveness. This paper provides empirical evidence that audit committee effectiveness is associated with economic factors. Audit committee effectiveness increases with board independence and board diligence and decreases with the firm's leverage and state ownership. Moreover, there is a positive association between audit committee effectiveness and audit quality and large firm size. At the same time, a substitution effect is observed among internal control mechanisms, ownership types and audit committee effectiveness. Audit committee effectiveness increases with the supply of active and independent directors and with the demand for monitoring, and decreases with the availability of substitute monitoring mechanisms.

MONDAY **16:00-17:30**

GVRF01 *Chair : Mine Aksu* Room : **A**

Ceo Turnover, Earnings Management & Family Ownership: The Italian Case.

Author : *JOHN BARRIOS, UNIVERSITY OF MIAMI* EA = Empirical Archival

Co-authors : *Daniele Macciocchi, Luiss Guido Carli*
Marco Fasaan, Luiss Guido Carli

The main aim of this paper is to study the relationship between earnings management and CEO turnover in the Italian context. The issue is relevant because it has never been tackled from an empirical perspective in the Italian context, which presents some important peculiarities when compared to other more widely studied corporate governance systems. Thusly, apart from studying the relation unconditionalyl, in the second part of the paper we focus on the relationship amongst publicly listed family firms, thus investigating it in an even more specific context. We find that, in the general Italian context, there is a positive relationship between earnings management and CEO turnover and that non-family firms drive the results. Results also suggest that family and non-family firms engage in the same level of earnings management, thus supporting the existence of two different corporate governance systems: one that prevents and one that punishes earnings management. Our results are robust to alternative explanations.

GVRF02 *Chair : Ana M. Albuquerque* Room : **A**

Private Equity In The Public Market: A Governance Mechanism In A Context Of Multiple Large Shareholders

Author : *RAUL BARROSO CASADO, GROUPE HEC, GRADUATE BUSINESS SCHOOL*

Co-authors : *Michael Burkert, Université de Lausanne*
Antonio Dávila, IESE Business School
Daniel Oyon, Université de Lausanne

EA = Empirical Archival

We examine the performance implications of private equity (PE) investors, particularly focusing on expansion capital in the value of publicly listed firms. In a context of multiple significant shareholders, we address two main research questions: Is the presence of private equity investors associated with firm valuation? How does this relation change in the presence of other types of large shareholders? Our findings indicate that the presence of private equity investors is associated with higher valuation. However, in combination with other shareholders, the results are bounded by the type of shareholders they interact with. We explain those results as a consequence of divergences in agency costs, and the role of PE in reducing those costs more effectively than other types of shareholders.

MONDAY **17:45-19:15**

GVRF02 *Chair : Ana M. Albuquerque* Room : **A**

Dividend Policy And Ownership Structure: A Study Of Russian Dual-Class Stock Companies

Author : *IRINA BEREZINETS, ST PETERSBURG STATE UNIVERSITY*

Co-authors : *Yulia Ilina, Graduate School of Management, SPSU*
Liudmila Alexeeva, PricewaterhouseCoopers Audit

EA = Empirical Archival

This paper investigates the relationship between the dividend policy and ownership structure in Russian public companies. A study of the link between dividends and ownership concentration is based on the sample of public companies with dual class share structure. These shares were traded on the Russian Trading System (RTS) in the period of 2003-2009. The authors explore a broad range of factors related to the ownership concentration. This study allows making conclusions on the impact of the ownership concentration on the dividend policy. Moreover, there is evidence that this impact differs for the dividends on ordinary and preferred shares.

MONDAY **17:45-19:15**

GVRF02 *Chair : Ana M. Albuquerque* Room : **A**

CEO Duality, Board Independence, and Malaysian Politically Connected Firms: A Test of Jensen's Control Hypothesis for Debt

Author : *MARK BLISS, THE HONG KONG POLYTECHNIC UNIVERSITY*

Co-authors : ,

EA = Empirical Archival

This study investigates whether board characteristics of CEO duality, and board independence, impact on the debt levels of firms in a manner consistent with Jensen's control hypothesis for debt (1986, 1989) that posits that debt can be used to constrain management opportunism. It is argued that Malaysian politically connected (PCON) firms represent a good proxy for high agency cost firms for testing the hypothesis given that PCON firms with excess free cash flows are often not returned to shareholders but are instead allocated to inefficient PCON firms. Additionally, the literature provides evidence that these firms are considered risky and inefficient by (a) the market, (b) audit firms, and (c) lenders. In line with Jensen's hypothesis, evidence is provided that (1) PCON firms with CEO duality are associated with lower levels of debt, and (2) more independent boards are associated with higher levels of debt, however this association is only found for non-PCON firms. This finding suggests that the independence of directors may be compromised in these PCON firms.

MONDAY **17:45-19:15**

GVRF02 *Chair : Ana M. Albuquerque* Room : **A**

Ceo Duality And Asymmetric Sensitivity Of Ceo Compensation: The Role Of The Board

Author : CHAO-JUNG CHEN, CHUNG YUAN CHRISTIAN UNIVERSITY EA = Empirical Archival

Co-authors : Ya-Ching Chu, Ming Chuan University

The aim of this paper is to examine whether the companies would consider punishment provision in the compensation contract resolve the ex post settling up problem (that means asymmetry sensitivity of compensation and unrealized gain and loss). We examine the asymmetry effect whether will be less in firm with CEO duality and more significant under the board effective operation. Using data from 2006-2010 in Taiwan, empirical results indicate that CEO compensation has different sensitivities to unrealized gain and unrealized loss when considering CEO duality. We find that CEO compensation is less sensitive to unrealized loss for firms with CEO duality consistent with agency theory. We also find that compensation of duality CEO is more sensitive to unrealized loss in firms with effective board consistent with board monitoring ability. In sum, our results suggest that CEO compensation is not punished for CEO duality firm with poor performance, but in firms with strong internal control mechanism have.

MONDAY **17:45-19:15**

GVRF02 *Chair : Ana M. Albuquerque* Room : **A**

Corporate Governance And Voluntary Disclosure During Crisis Periods

Author : ANNA MARIA BISCOTTI, UNIVERSITY OF FOGGIA EA = Empirical Archival

Co-authors : Eugenio D'Amico, University of Roma 3

In this paper, we investigated the effects that ownership structure, board composition and the characteristics of the audit firms can have on the voluntary disclosure of firms during a period of deep financial crisis. We integrated the prevailing empirical literature by introducing a comparative analysis of the regression results found with reference to two types of disclosure index used as dependent variables: a global index based on both quantitative and qualitative disclosure and a solely quantitative voluntary index. The use of these two disclosure indexes allows us to understand whether corporate governance affects the two disclosure indexes differently. We find a positive and significant correlation between the proportion of independent directors on the board and the level of global disclosure. This relationship loses its statistical significance in the regression estimated for the quantitative disclosure index. This finding would appear to show that the independent directors are able to favour only the dissemination of qualitative information while they find it objectively difficult to influence the managers to disclose more quantitative (substantial) information. Both of the indexes (global and quantitative) have, instead, a negative and significant relationship with the percentage of the firm's outstanding shares held by directors (not independent). This result confirms the propensity of the directors to act in their self-interest by withholding information and so take advantage of the information asymmetry with the outside investors. Moreover, we find a positive and significant correlation between the global disclosure index and the foreign investors' shareholding. This positive and significant correlation is also found with reference to the quantitative disclosure index, demonstrating how this type of investor is interested in substantial information on the companies in which they invest.

MONDAY **16:00-17:30**

GVRF10 *Chair : Yenn-Ru Chen* Room : **C**

Bp Boardroom Compensation 2001 - 2010 – A Case Study

Author : NADER EL-SAYED, UNIVERSITY OF EXETER CF = Case / Field Study

Co-authors : Nader El-Sayed, University of Exeter
David Gwilliam, University of Exeter

Issues as to the suitability of executive compensation packages have obtained an ever increasing profile in recent years. Whilst there has been quite extensive quantitative investigation of relationships between compensation and performance there has been less focus on case study based analysis. This paper seeks to add to the relevant literature by means of a longitudinal case study of remuneration at BP – a major multinational oil company - over a ten year period. Within the context of a variety of theoretical and institutional perspectives the study investigates how boardroom executive remuneration in BP has been determined over the last ten years and speculates as to potential explanations for the outcomes uncovered. The primary methodology employed in the study was qualitative based on review of BP's annual reports in particular the Directors Remuneration Reports - but this was supplemented by content analysis utilising NVivo software. The outcomes of the study suggest that it is difficult to find significant support for a pure agency theory approach whereby shareholders seek to align their interests with those of their managers as a driver of executive compensation packages. There is more evidence suggestive of a managerial power/hegemony perspective and also significant indicators of the importance of personal relationships and influence at boardroom level. The conclusions also reflects on the role of the remuneration committee and its nature as an institutional construct and considers whether it constrains, obscures, or adds pseudo legitimacy to boardroom compensation.

GVRF10 *Chair : Yenn-Ru Chen* Room : **C**

Regulatory Failure In The British Regulatory State: The Equitable Affair

Author : *DAVID COLLINS, THE UNIVERSITY OF HULL*

CF = Case / Field Study

Co-authors : *Ian Dewing, University of East Anglia*
Peter Russell, University of East Anglia

The Equitable Life Assurance Society (Equitable) is the UK's oldest life insurer and a crisis occurred as a result a legal judgement in 2000 which created major additional liabilities, estimated at £1.5 billion. Many policyholders suffered significant losses and questions were raised about the adequacy of processes for the regulation of insurers, the accountability of regulators and compensation for policyholders suffering losses because of regulatory failure. The Equitable affair generated a series debates, investigations and inquiries about the origins of, and lessons to be learned from the crisis which has stretched over a decade. The literature on regulation tends to focus on the successful 'co-production' of regulation by an ever increasing range of regulatory actors (for example, Black, 2002; Baldwin & Black, 2008; Black & Baldwin, 2010) but this literature often fails to deal with the case of regulatory failure. This paper draws attention to the problem of the co-production of regulatory failure, and in particular considers the range of additional actors and mechanisms that may be subsequently drawn into regulatory processes following a failure, by analysing key reports on the Equitable affair including: a judicial inquiry conducted by Lord Penrose (2004), an investigation by the UK Parliamentary Ombudsman (2008) and an inquiry by a Committee of the European Parliament (2007).

GVRF10 *Chair : Yenn-Ru Chen* Room : **C**

Strategic Performance Information And Canadian Board Involvement In Strategy Related Issues: A Field Study

Author : *NATALIA KOCHETOVA-KOZLOSKI, SAINT MARY'S UNIVERSITY*

CF = Case / Field Study

Co-authors : *Anthony Atkinson, Wilfrid Laurier University*
Alan Webb, University of Waterloo

This study contributes to the growing body of research examining the governance processes undertaken by Boards of public companies. Specifically, we investigate the Board's role in developing, executing and monitoring strategy and the nature and extent of strategic performance information provided to Boards. We also examine directors' perceptions of indicators of effective Board involvement in strategy-related issues. Despite calls for greater Board involvement in strategy, few studies have examined this issue in a Canadian setting. To address this gap in the literature, we conducted 18 field interviews with directors (n = 14) of Canadian public companies and other governance experts (e.g., former directors, consultants). Our findings indicate Boards are commonly involved in monitoring strategy but there is more variation regarding the extent to which they also play an advisory role in developing and executing strategy. We also find that while Boards typically receive key performance indicators (financial and non-financial) there is limited provision of more strategy-based performance information such as balanced scorecards. Finally, our interviewees indicated that indicators of effective Board involvement in strategy should focus on process measures (e.g., nature and extent of strategy discussions) rather than objective outcomes such as financial performance. Our descriptive, field-based evidence provides a better understanding of Canadian Board involvement in strategy-related issues and suggests important areas for future empirical research.

GVRF10 *Chair : Yenn-Ru Chen* Room : **C**

Agency And Stewardship Attitudes Of Salaried Chief Financial Officers In Private Companies

Author : *MARTIN R. W. HIEBL, LINZ JOHANNES KEPLER UNIVERSITY*

CF = Case / Field Study

Co-authors : ,

This paper aims at exploring attitudes of salaried Chief Financial Officers (CFOs), which can be associated with agency theory and stewardship theory. CFOs' attitudes are investigated because they may face additional agency conflicts as they ultimately oversee the finance and accounting functions, which are usually responsible for the production of numerical information used as a basis for incentive compensation. A qualitative field study of 14 large privately-held Austrian manufacturing companies was conducted. The findings, relying on information retrieved from 18 semi-structured interviews, reveal a number of contextual factors that influence stewardship and agency attitudes of salaried CFOs. CFOs, who mainly report to the owners in formalized ways, perceive more control by the owners. Short-term management appointments appear to facilitate agency-like behavior, whereas the existence of owner-managers as well as the CFO's higher personal age and wealth seem to nurture stewardship attitude. The paper concludes with concrete avenues for further research.

GVRF10

Chair : Yenn-Ru Chen Room : **C**

Performance Measurement Challenges In A Ngo—why Staff Members Want To Be Held Accountable And The Drive Toward An Intermediate Position Between Upward And Downward Accountability

Author : *LEVI GÅRSETH-NESBAKK, UNIVERSITY OF NORDLAND*

Co-authors : *Konstantin Timoshenko, Bodø Graduate School of Business, University of Nordland*

CF = Case / Field Study

This case study deals with performance measurement in a non-governmental organization (NGO), addressing the following research question: What challenges does a NGO encounter in measuring its performance, making it desirable to be held accountable? An accountability perspective represents the theoretical frame. Data were collected through interviews and documents. The following major challenges were unveiled throughout the research: high employee turnover, highly contextualized/ heterogeneous measurement project settings (herein bringing about multiple performance forms and demands—creating an administrative burden and making comparisons/benchmarking difficult to carry out), and finally, the difficulty of exercising control at a distance. In this paper we make three contributions. Firstly, we explain why (contrary to conventional wisdom and accountability literature) NGO field workers may desire to be held (upward) accountable. Secondly, we challenge the established "new truth" and views in the accountability literature on NGOs where so-called functional accountability is being severely criticized and where the "obvious" solution is (supposedly) to (principally) hold NGOs downward accountable or socially accountable. Thirdly, we suggest a theoretical solution to the impasse in the accountability literature where a dichotomy is found between either being upward (i.e. vis-à-vis the donors) or downward (vis-à-vis the beneficiaries) accountable as an NGO.

GVRF11

Chair : Bino Catasus Room : **C**

The Relative Impact Of Mandatory Versus Voluntary Formation Of Audit Committees

Author : *SUE WRIGHT, MACQUARIE UNIVERSITY*

Co-authors : *Alan Kilgore, Macquarie University*
Yige Ma, Macquarie University

EA = Empirical Archival

Audit committees are increasingly viewed as a key element of good corporate governance. In some countries their formation is mandatory, and in others it is voluntary. In the Australian setting, only the largest listed companies are required to form an audit committee, although many smaller companies do so voluntarily. There are few regulations over smaller companies, and the operations of audit committees. In a jurisdiction which combines mandatory and voluntary regulatory regimes, this study examines the relative impact of the regimes on audit committee diligence, on corporate governance and on board decision-making. It finds that mandatory audit committees are more diligent than voluntary ones, in terms of meeting frequency, but trade-offs are made between meeting frequency and the use of a Big 4 auditor, and the board's decision-making is not consistently better. There is evidence that voluntary audit committees are established for legitimacy.

GVRF11

Chair : Bino Catasus Room : **C**

Conflicting Responses Of Corporate Governance Groups To Legislative Change.

Author : *CONOR O'LEARY, GRIFFITH UNIVERSITY*

Co-authors : *Pran Boolaky, griffith university*
Richard Copp, griffith University
Debbie Delaney, griffith university

SU = Survey

Three critical components of the corporate governance framework are executive directors, audit committee members and external auditors. Changes to corporate legislation, especially in relation to annual reporting, impact these three groups. Post GFC many countries have considered amending their annual financial reporting requirements. This study examines the attitudes of the above three groups to nine such proposals and finds little consensus between them. Executive directors and audit committee members appear opposed to additional legislation which would increase the responsibilities of preparers and reviewers. However auditors appear in favour of proposals which increase the responsibilities of preparers but appear opposed to additional responsibilities for reviewers. Similarly, executive directors and audit committee members indicated they would be less comfortable in their current roles should any such proposals be adopted. Auditors considered they would be more comfortable. The three groups achieved consensus only in their opposition to any amendments to audit appointment provisions. This has audit independence implications. The significance of the study is that legislators should consider carefully the impact of proposed accounting regulations on all parties as their views may differ.

MONDAY **17:45-19:15**

GVRF11 *Chair : Bino Catasus* Room : **C**

Assessment Of Corporate Governance Disclosure In The Gcc Countries

Author : *NERMEEN SHEHATA, ASTON UNIVERSITY / ASTON BUSINESS SCHOOL*

MB = Market Based

Co-authors : *Nermeen Shehata, Aston University*

Corporate governance disclosure is important for countries aiming to attract international investors and reduce companies' cost of capital. This research aims to assess the level of corporate governance disclosure in the Gulf Cooperation Council (GCC) countries. GCC countries were selected as they represent one group of countries in the Middle East North Africa (MENA) region, oil exporters, and they share similar characteristics. A corporate governance disclosure index of 232 items was developed where the relevant unweighted scoring approach was used. The sample size was 270 publicly listed GCC companies for year 2009. The average corporate governance disclosure level was 32%, whereas the maximum disclosure level was 63% and the minimum was 5%. Low disclosure level was justified due to the fact that corporate governance disclosure was considered voluntary in the GCC and due to the secretive culture that exists in the whole MENA region.

MONDAY **17:45-19:15**

GVRF11 *Chair : Bino Catasus* Room : **C**

Related Party Transactions: Literature Review And Directions For Future Research

Author : *MOATAZ ELHELALY, ASTON UNIVERSITY / ASTON BUSINESS SCHOOL*

AM = Analytical / Modelling

Co-authors : ,

Several recent accounting scandals have brought attention to accounting manipulations that arise from Related Party Transactions. This paper reviews the related party transactions literature. A lot of RPTs studies were conducted in US and Asian countries. Although, the European continent was not free from accounting scandals that were attributed to RPTs, but up to this point in time RPT research in Europe is extremely scarce. The aim of this paper is to highlight the importance of RPT research through providing a comprehensive review of prior studies. This review also highlights research gaps, limitations and challenges of RPTs. This paper shows that more research is needed to link RPTs to one of the theoretical views which scholars are debating about the relevance of RPTs to one of them. Also, more research about RPTs in Europe is essential to quantify the presence of RPT and their negative outcomes in the continent. Finally, this paper presents some recommendations for future research in the area that should contribute to the literature of RPTs.

MONDAY **17:45-19:15**

GVRF11 *Chair : Bino Catasus* Room : **C**

Causes And Economic Consequences Of Accounting Misstatements In Concentrated Ownership Systems: Evidence From Thailand

Author : *SUNEERAT WUTTICHINDANON, KASETSART UNIVERSITY*

EA = Empirical Archival

Co-authors : ,

While the determinants of accounting misstatements have been gradually revealed, very few of them have been undertaken in firms with concentrated ownership. This research reveals the causes and economic consequences of accounting misstatements in concentrated ownership firms and Thai firms are sampled. The results show that Thai firms are more likely to misstate their financial reports when they are close to debt covenant violations, need external financing, employ non-Big 4 auditors, and change an audit firm. The characteristics of the concentrated ownership structure, however, are not significantly associated with an occurrence of accounting misstatements. After the announcements of accounting misstatements the amount of incoming capital falls dramatically in misstating firms.

GVRF03

Chair : Husam Aldamen Room : **A**

Directors And Officers Liability Insurance, Corporate Governance And Auditor Opinions

Author : *HSIANGTSAI CHIANG, FENG CHIA UNIVERSITY*

EA = Empirical Archival

Co-authors : *Shulin Lin, Hsiuping University of Science and Technology, Taiwan*
Lijen He, Asia University, Taiwan

We used corporate governance characteristics and auditor traits to analyze the effect of the purchase of directors and officers liability insurance (D&O insurance). The results indicate that companies without insurance have superior corporate governance mechanisms compared to those with insurance. Although the corporate governance of companies with insurance is comparatively weaker, these companies compensate for the inadequacy of their governance mechanisms by inviting industrial specialists and the Big 4. The empirical results suggest that D&O insurance can strengthen external governance. Auditors provide superior evaluations of the financial statements prepared by companies with D&O insurance.

TUESDAY 9:00-10:30

GVRF03

Chair : Husam Aldamen Room : **A**

Ceo's Dividend Income And Its Role In Compensation Decisions

Author : *ANNA ELSILÄ, UNIVERSITY OF OULU*

EA = Empirical Archival

Co-authors : ,

This study examines whether boards of directors take into account dividends received by CEOs in determining the level of the CEO's cash compensation. Using a sample of dividend-paying US corporations over 1992-2005, I find a negative relation between the level of CEO's annual dividends and components of her cash compensation. In addition, the CEOs surrendering dividends due to the absence of dividend protection of stock options receive a premium in terms of higher cash compensation. The endogenous relation between dividend and executive compensation policies is addressed using an external shock, namely the Jobs and Growth Tax Relief Reconciliation Act of 2003, which altered the relation between the after-tax value of dividend income and the after-tax value ordinary income from the CEO's perspective. The evidence presented in the paper supports the notion that individual tax rates affect the executive compensation design, because the substitution of CEO's cash compensation with dividends became more pronounced in the period of more favourable taxation of dividend income relative to ordinary income.

TUESDAY 9:00-10:30

GVRF03

Chair : Husam Aldamen Room : **A**

The Effects Of Internal And External Governance On Managerial Effort – German Evidence On Agency Costs

Author : *CHRISTIAN ENGELEN, UNIVERSITY OF COLOGNE*

EA = Empirical Archival

Co-authors : ,

Based on a sample of the German quoted firms in the period 2006 to 2010 I measure the im-pact of internal and external corporate governance in the form of ownership structure and concentration, board size and compensation on Asset Turnover as an agency cost proxy of managerial effort and entrenchment strategies. Increasing board size is associated with higher agency costs; variable compensation components fulfil their role of aligning the incentives of management and shareholders in that they are associated with higher Asset Turnover. Con-cerning ownership, there is no evidence of a disciplinary effect of ownership concentration, and only slight evidence with regard to owner identity. In contrast, dual class shares are found to facilitate lower managerial effort, i.e. higher agency costs. Both dividend payout and debt maturity structure appear to be credible bonding mechanisms, which is in accordance with their theoretically derived role. Generally, these results provide evidence on the usefulness of internal and external governance mechanisms in mitigating agency conflicts. Furthermore, this study suggests that the importance of certain aspects (e.g. role of blockholders, executive compensation) of the German corporate governance bundle may be changing, whereas others seem to have kept their relevance (banks).

TUESDAY 9:00-10:30

GVRF03 Chair : Husam Aldamen Room : **A**

The Value Relevance Of R&d Expenditures In Germany – Does Corporate Governance Matter?

Author : *CHRISTIAN DREFAHL, UNIVERSITY OF COLOGNE*

EA = Empirical Archival

Co-authors : *Duc Hung Tran, Seminar of Financial Accounting & Auditing/University of Cologne*
Christian Engelen, Seminar of Financial Accounting & Auditing/University of Cologne

Using data on the largest German quoted firms in the years 2006 to 2010 we examine the accounting of R&D expenditures under IFRS in the value relevance framework. In contrast to earlier studies we find expensed R&D to be significantly positively associated with stock prices whereas capitalized R&D, nominally indicative of future economic benefits, is not significantly value relevant. Thus, investors seem to mistrust capitalized R&D, but associate general (expensed) R&D activity with improved prospects. We explain this result with the subjectivity inherent in the capitalization criteria for development costs (IAS 38.57), thereby making the application of this standard prone for erroneous judgments as well as opportunistic earnings management leading to a decrease in reliability of the R&D accounting information. To this end, we also research the impact corporate governance has on the value relevance of R&D. We find the role of corporate governance to depend on whether the firm is classified as an expenser or capitalizer, respectively. While for expensers stronger governance is associated with higher value relevance, results for capitalizers are mixed and indicate the existence of conflicting interests and a general doubtfulness of their R&D reporting. Our findings shed further light on the R&D capitalization issue and, more generally, the apparent trade-off between relevance and reliability by highlighting the importance of firm-level corporate governance factors.

TUESDAY 9:00-10:30

GVRF03 Chair : Husam Aldamen Room : **A**

Determinants Of Quantity And Quality Of Key Performance Indicators (kpis) Reporting By Uk Non-Financial Firms

Author : *HANY ELZAHAR, UNIVERSITY OF STIRLING*

EA = Empirical Archival

Co-authors : *Khaled Hussainey, University of Stirling*
Ioannis Tsalavoutas, University of Stirling

Abstract Purpose – This paper contributes to the disclosure literature by exploring the determinants of KPIs reporting by UK non-financial firms. Methodology –Manual content analysis is employed to identify the quantity and quality of KPIs reporting in companies' annual reports. Our sample consists of the annual reports for 103 FTSE 350 non-financial UK firms over a five year period (2006-2010). A research instrument is first developed to score the quantity and evaluate the quality of KPIs disclosure. The quantity of KPIs disclosure is measured by counting the number of KPIs disclosed in the annual reports. The measurement for the quality of KPIs captures all qualitative attributes of KPIs information presented by the Accounting Standards Board (ASB) Operating and Financial Review (OFR) (2006). Panel regressions are employed to examine the determinants of KPIs reporting. Descriptive analysis shows a variation in quantity and quality of KPIs reporting among the sample firms. Moreover, our analysis highlights the variation in KPIs reporting among industries in terms of disclosures quantity and quality. In addition, we find that KPIs reporting quality is correlated with the quantity of KPIs reporting. Furthermore, we provide empirical evidence on the impact of CG mechanisms on KPIs quantity and quality. The study questions the use quantity of disclosure as a proxy of its quality.

TUESDAY 11:00-12:30

GVRF04 Chair : Jesper Banghoj Room : **A**

Organizational Power, Governance And Voluntary Disclosure By Uae Listed Corporations.

Author : *MOSTAFA HASSAN, UNIVERSITY OF SHARJAH*

EA = Empirical Archival

Co-authors : ,

The paper examines the relationship between corporate governance mechanisms and extent of corporate voluntary disclosure (CVD) in an emerging market economy, the United Arab Emirates (UAE). It utilizes the agency theory and organizational power literature to generate testable hypotheses and augment the analysis of the empirical results. The paper applies multiple regression analysis on a sample of 95 annual reports published by UAE listed corporations to test the relationship between governance variables (the CEO duality, CEO power, board size, board committees, external auditor and foreign ownership) and CVD, while controlling for corporations-specific variables (size, age, length of listing, industry type, debt finance and assets in place). The regression analysis shows that external auditor type and board committees significantly influence CVD. It also shows that corporate age, length of listing and external financing significantly influence CVD. Other variables were insignificant. The paper's findings assist UAE regulators and international business community with insights concerned with governance-disclosure relationship in the UAE. The paper's incorporation of organizational power perspective adds to the conceptual foundation of governance-disclosure relationship.

GVRF04

Chair : Jesper Banghoj Room : **A**

The Market Reaction To Corporate Layoffs In The Context Of The German Corporate Governance System

Author : *ALEXANDER HIMME, UNIVERSITY OF COLOGNE* EA = Empirical Archival

Co-authors : ,

Corporate layoffs are an important way to manage and reduce costs. Several studies exist that examine whether investors assess the announcement of corporate layoffs positively or negatively. However, despite considerable attention to the issue of employee layoffs in academia and practice, little research has been carried out on this topic outside of the US and the UK. Most of the studies of Anglo-American firms find a negative stock market reaction to corporate layoff announcements. In contrast to that, this study examines the stock market reaction to corporate layoffs in Germany. Based on a sample of 115 layoff announcements of large German firms (listed at the German stock index DAX) from 1999 to 2009, layoff announcements are associated with a positive and significant 2.18 % cumulative abnormal return (event window (-10,0)). A natural candidate to explain this difference to results from Anglo-American countries is the distinct German corporate governance (e.g., two-tier board, strong unions). Differences in the governance structures of Anglo-American and German firms and their implications for stock price reactions to corporate layoffs are therefore discussed. In addition, this study examines the impact of product market competition on the market reaction to corporate layoffs. The results indicate that higher product market competition is associated with greater positive market reactions.

GVRF04

Chair : Jesper Banghoj Room : **A**

Is Ceo Human Capital Related To Firm Performance?

Author : *MARION HUTCHINSON, QUEENSLAND UNIVERSITY OF TECHNOLOGY* EA = Empirical Archival

Co-authors : *Marion Hutchinson, Queensland University of Technology*
Mark Russell, University of Queensland

The global economy experienced continuous growth from 2002 to 2007 until the U.S. subprime mortgage crisis caused instability in worldwide stock markets. Simultaneously, global CEO turnover continued to fall to 13.8 percent in 2007. In contrast, the CEO turnover rate in Australia increased to 18 percent in 2007. The decision to replace a firm's CEO is not taken lightly as firms invest a large proportion of earnings in CEO human capital with the objective of generating future income and long term-sustainability. The purpose of this paper is to determine whether a change in a CEO is associated with the performance of the firm and if the association depends on the CEO's human capital. The results of this study show that that CEOs' with less valuable human capital are more likely to be replaced. We also find that a turnaround in firm performance following a change in CEO depends on the successor's human capital and that the successor's general human capital is economically more significant than their firm-specific human capital. Finally, this study demonstrates that it is the internal successor's general human capital that is an important determinant of increasing performance.

GVRF04

Chair : Jesper Banghoj Room : **A**

Board Composition And Value: The Case Of Quality Excellence

Author : *IFIGENIA GEORGIOU, ASTON UNIVERSITY / ASTON BUSINESS SCHOOL* EA = Empirical Archival

Co-authors : *Andreas Charitou, University of Cyprus*
Andreas Soteriou, University of Cyprus

We empirically investigate the relationship between board composition and the likelihood of attaining quality excellence. Since the composition of the board is a reflection of the firm's strategy, and strategy plays a pivotal role in attaining quality excellence, we propose and test whether board composition and the likelihood of attaining quality excellence are related. We focus on board composition with respect to directors' expertise. Specifically, we examine the role of i) inside directors, ii) directors - experts on the main object of business operations, and iii) directors with management expertise. We use a conditional logistic model to assess the relationship between board composition and the likelihood of achieving quality excellence. We proxy quality excellence by the winning of a Malcolm Baldrige Quality Award. The dataset consists of a unique, hand-collected sample comprising of 63 first time award winners during the time period 1996- 2006 and a matching sample of 63 firms. Empirical results show that the number of directors with expertise on the main object of business operations of the firm is positively related to the likelihood of being awarded. This study contributes to the literature by shedding light on the corporate governance of firms that take the leap to go beyond survival and pursue excellence; furthermore, it highlights the strategic role of the board by demonstrating that board composition and quality excellence are related through these roles.

GVRF04 *Chair : Jesper Banghoj* Room : **A**

The Effect Of Board And Audit Committee Effectiveness And Bank Monitoring Role On Financial Distress

Author : *ANCELLA HERMAWAN, UNIVERSITY OF INDONESIA*

Co-authors : *Sylvia Sarumaha, Universitas Indonesia*

EA = Empirical Archival

The objective of this research is to examine the effectiveness of board and audit committee, and the role of bank monitoring as corporate governance mechanisms on the financial distress. The effectiveness of board and audit committee is measured by determining a score based on certain board and audit committee characteristics, such independence, activity, size, and competence. The role of bank monitoring is measured by the proportion of loan acquired from bank with a good monitoring quality. Hypotheses testing is carried out by logit regression model using 130 samples consists of 65 financially distressed firms and 65 non financially distressed firms which listed in Jakarta Stock Exchange during 2009 until 2011. The empirical results show that the effectiveness of board and audit committee and the quality of bank monitoring have significant negative impact on the probability of firm experienced financial distress. Furthermore, the additional test result show that all the characteristics assumed to be important to increase the board and audit committee effectiveness, i.e. independence, activities, size, and competence, reduces the probability of financial distress.

GVRF05 *Chair : Raul Barroso Casado* Room : **A**

The Interaction Between Country-Level And Firm-Level Corporate Governance

Author : *MICAEL JÖNSSON, LINNEAUS UNIVERSITY*

Co-authors : *Christopher Von Koch, Linneaus University*
Ola Nilsson, Linneaus University
Saeid Homayoun, Luleå University of Technology

EA = Empirical Archival

We analyse the relationship between country-level corporate governance and firm-level corporate governance. We use a newly developed investor protection index (SPI) to measure corporate governance on the country level and the Corporate Governance Quotient index to measure corporate governance on the firm level. Using these indices, we can analyse the interaction between both levels of corporate governance not only in a cross-sectional manner but also over the course of time. The SPI also allows us to decompose investor protections into shareholder protections against management and shareholder protections against blockholders. Thus, the SPI allows us to analyse the types of agency conflicts that are most prevalent in common-law countries (shareholder protections against management) and the agency conflicts that frequently arise in civil-law countries (shareholder protections against blockholders). First, we find that there is a positive relationship between the two examined levels of corporate governance. Second, an examination of the subcategories reveals that both of these subcategories are significantly related to firm-level corporate governance. Thus, the conclusion is that corporate governance on the country level and on the firm level are complements; increases in country-level corporate governance are accompanied by increases in firm-level corporate governance. This phenomenon persists in examinations of the different subcategories of investor protection.

GVRF05 *Chair : Raul Barroso Casado* Room : **A**

Pay-Performance Association Of Ceo Compensation For Firms Using Financial And Non-Financial Performance Measures

Author : *SALMA IBRAHIM, KINGSTON UNIVERSITY / KINGSTON BUSINESS SCHOOL*

Co-authors : *Salma Ibrahim, Kingston University*
Myojung Cho, Fordham University

EA = Empirical Archival

The pay-performance relationship for top executives, specifically that of the chief executive officer (hereafter, CEO), has come under scrutiny in recent years, especially following the real estate meltdown and recession of 2007. Some argue that the CEO pay is too high and unrelated to performance. An aspect that has not been studied is the effect of using particular performance measures in the executive bonus contract on this relationship. In this paper, we examine the pay-performance sensitivity and elasticity of CEO bonus and total compensation when bonus contracts are based on financial and non-financial performance measures. In a sample of S&P500 firms over the period 1994-2009, we find limited evidence that the pay-performance relationship is stronger in firms that utilize non-financial performance measures. We also find some evidence that this relationship is stronger when non-financial measures are utilized over a longer period of time.

GVRF05

Chair : Raul Barroso Casado Room : **A**

Family Power And Firm Performance: Evidence From An Emerging Economy

Author : *SHIREENJIT JOHL, DEAKIN UNIVERSITY* EA = Empirical Archival

Co-authors : *Beverley Jackling, Victoria University*

The aim of this study is to examine the effects of family power on firm performance using a sample of top 500 companies in India over the period 2004/05-2009/10. Specifically we test two aspects of family power, namely family involvement in top management and family ownership control in relation to firm performance. We find that family power play an important role in firm performance. Specifically in terms of family top management our results show that family CEO is associated with detrimental firm performance. In addition, we find that family ownership and family involvement in top management in terms of proportion of family directors on the board and family directors relative to independent directors have a non-linear effect on firm performance. The association is in the cubic form which shows a pattern of "entrenchment-alignment-entrenchment" which is contrary to prior findings. Specifically our results show that at low levels of family power (via family involvement in top management and ownership) there is evidence of expropriation behaviour which is reflected in lower performance, whilst at moderate levels of family power, alignment of family interest with other shareholders takes place (convergence of interest), and finally at very high levels of family power entrenchment behaviour prevails in that family members exploit their control position at the expense of minority shareholders and thus having a negative effect on firm performance.

GVRF05

Chair : Raul Barroso Casado Room : **A**

The Pricing Model Of Initial Public Offerings: A New Approach

Author : *HUI SUNG KAO, FENG CHIA UNIVERSITY* EA = Empirical Archival

Co-authors : *Hui Sung Kao, Feng Chia University*

The offer price of the IPO firms is correlated to the growth power of firm and predictable in the future. The outside investor valuates the firm value of the IPO firms by many methods, including Price-Earnings method, Discounted Cash Flow method, Market value to Book value method and Net value method. These prior methods must determine and adjust by professional and then get the offer price. But their judgments maybe lead to error pricing. This study used data mining, Cubist regression tree model, to learning by data sets and building the fit pricing model by each industry. Further, consider financial situation, profit earning ability, growth power, ownership structure and other relevance variables of the IPO firms to build offer price valuation model by Cubist regression tree. The advantage of this method can find the relevance factor rules of IPO pricing. In the different threshold, Cubist regression tree constructs its pricing model by each industry. That can find the fit offer price of the IPO firms to reduce the variance of stock price and reach the strategy of the stable stock price in the IPO market. This paper also uses multiple regression model and stepwise regression analysis as the benchmark model of Cubist regression tree. Through calculate MAPE and R2 of empirical model to prove it is better than other valuation method. The result of this study could provide making reasonable IPO price and a decision reference of IPO for regulator, securities dealer and manager.

GVRF05

Chair : Raul Barroso Casado Room : **A**

Bankers And Conservatism Around Mandatory Ifrs Adoption

Author : *ELISABETTA IPINO, CONCORDIA UNIVERSITY* EA = Empirical Archival

Co-authors : *Pietro Bonetti, University of Padova*
Elisabetta Ipino, Concordia University
Antonio Parbonetti, University of Padova

In this paper we exploit the cross-sectional variation in bankers' board representation to examine the heterogeneity in IFRS mandatory adoption consequences on conditional conservatism. In particular, following the new institutional accounting theory we analyze the interplay between country-level (legal enforcement, proactive review and the importance of the debt market) and firm-specific (non-affiliated banker) characteristics on the level of conservatism. We show that country-specific factors complement the presence of non-affiliated bankers and lead to an increase in accounting conservatism. Our evidence suggests that non-affiliated bankers and country-specific factors complement each other and jointly affect negatively the cost of debt. Finally, we consider firm-specific events that lead to an increase in the demand of conservatism. We show that when the demand for conservatism is heterogeneous and the bondholder-shareholder conflict is intense, only firms with non-affiliated b??????????????????????????????????_????????????????????????????????

TUESDAY **16:00-17:30**

GVRF06

Chair : Chiraz Ben Ali Room : **A**

Do Board And Audit Committee Characteristics Affect Firm's Cost Of Equity Capital?

Author : *HANEN KHEMAKHEM, UNIVERSITY OF QUÉBEC IN MONTRÉAL* EA = Empirical Archival

Co-authors : *Naciri Ahmed, ESG_UQAM*

This paper examines the association between board and audit committee characteristics and cost of equity capital. Using a sample of TSX-S&P 300 firms, our analysis shows that overall audit committee characteristics are negatively associated to the cost of equity capital. The size of the audit committee and the non-duality of the Chairman of the board are, however, positively related to the cost of equity capital. The results also confirm that being listed on the American stock exchange is usually associated with changes in the overall board characteristics and also affects the relationship between non-duality of the Chairman of the board and cost of equity capital. However, being listed in the US capital market doesn't change the relationship between audit committee features and the cost of equity capital and this can be explained by the fact that audit committee regulatory requirements are similar and mandatory in both Canadian and American capital markets.

TUESDAY **16:00-17:30**

GVRF06

Chair : Chiraz Ben Ali Room : **A**

The Role Of Corporate Governance On Financial Statement Frauds

Author : *BARBARA SVEVA MAGNANELLI, LUISS UNIVERSITY* EA = Empirical Archival

Co-authors : ,

The paper focuses on the role of the corporate governance as a system on the fraud occurrence and magnitude. The relation is analysed within the agency theory theoretical framework. The study examines the impact of the quality of the corporate governance of the firms, for which a fraud was detected, on the fraud occurrence and magnitude. We posit that fraudulent behaviours, by those who can take advantage of information asymmetry and gain personal benefits from them, can occur when strong agency problems emerge and a week governance exists. Thus, the financial statement fraud can be seen as the result of high agency problems and high conflicts of interests not solved by the company. Starting from a sample of 107 listed companies, in which a fraud was detected, we develop a governance index that measures the quality of the governance system of the firms to test the hypothesis. Empirical evidence seems to confirm the existence of a negative relationship between the quality of the corporate governance system of a firm and both the financial statement fraud occurrence and magnitude. Our study adds to the governance literature by focusing on the corporate governance quality and its impact on financial statement frauds. Moreover, our analysis suggests that a good level of governance can help companies to mitigate the agency problems and to detect fraudulent behaviours, thus our empirical evidence can guide regulators in developing regulations to avoid the fraud occurrence.

TUESDAY **16:00-17:30**

GVRF06

Chair : Chiraz Ben Ali Room : **A**

The Double Audit Model And Earnings Management: A Portuguese Singularity

Author : *CLAUDIO MATEUS, LISBON TECHNICAL UNIVERSITY / ISEG - INSTITUTE OF ECONOMICS AND MANAGEMENT* EA = Empirical Archival

Co-authors : *António Carlos De Oliveira Samagaio, ISEG – Technical University of Lisbon*
Pedro Verga Matos, ISEG – Technical University of Lisbon

After the financial scandals that occurred in the beginning of the 21st century in the U.S. and in Europe, it was necessary to find solutions to restore the confidence in the work of the auditors and in the financial report. One of these solutions could be the adoption of alternative Governance models. In Portugal, some public companies adopted a Governance model unique in the world, which we designated in this paper as the "Double Audit Model". This model differs from the others because it uses two different audit firms, to issue each, an opinion about the same financial statements. Thus, the purpose of this study is to analyze if the Governance model used by some Portuguese public companies, which we called the "Double Audit Model" leads to a better financial report. To study this question, we use a multivariate model with discretionary accruals as dependent variable, calculated through DeAngelo Model (1986). Our findings, based on a sample of public companies that trade in Euronext Lisbon, for the period between 2005-2010, show us that the Double Audit Model doesn´t improve the financial report quality when putted against the traditional one auditor model. However, we concluded that the companies that adopted this model are in average big companies, have high return on assets, high levels of operational cash-flows and report few losses.

TUESDAY 16:00-17:30

GVRF06 Chair : Chiraz Ben Ali Room : **A**

The Shareholders Agreements: Typologies, Diffusion And Influence On Corporate Governance Of Italian Listed Companies

Author : *ENNIO LUGLI, UNIVERSITY OF MODENA AND REGGIO EMILIA* EA = Empirical Archival

Co-authors : *Ennio Lugli, University of Modena and Reggio Emilia*
Pier Luigi Marchini, University of Parma

The shareholders agreement is an agreement drawn up by the shareholders when the company is founded, or after its foundation, to rule one or more aspects of the relationships held by the shareholders. The shareholders agreement phenomenon is particularly important and relevant in the Italian context. In Italy Legislator allows the shareholders agreements, while in business economic theory there are different and more critical considerations about those aspects. Starting from such considerations, it may be considered that the shareholders agreements could be interpreted as elements in evident antithesis with a governance able to even manages the minority interests and the interests of potential investors. The paper wants to answer the questions here below summarized: 1. Do some enterprise characteristics exist that makes more probable that a company adopt a shareholder agreement respects to another one? 2. Which characteristics does corporate governance system assume in the enterprises that have shareholders agreements? In which way could corporate governance be influenced by the presence or the absence of the shareholders agreements? The empirical analysis is developed on the all Italian listed companies at the date of 30, April 2010, at Milan Stock Exchange (MSE). The framework is developed finding correlation among the data collected from all the available documents on the website of the companies, Consob and MSE regarding ownership, equity and board of directors.

TUESDAY 16:00-17:30

GVRF06 Chair : Chiraz Ben Ali Room : **A**

Board Independence, Audit Quality And Earnings Management: Evidence From Egypt

Author : *MOHAMED KHALIL, HULL UNIVERSITY / HULL UNIVERSITY BUSINESS SCHOOL* EA = Empirical Archival

Co-authors : *Aydin Ozkan, University of Hull Business School*

This study, using a unique dataset for Egyptian firms, investigates the monitoring and disciplining roles of board independence, board size and audit quality in constraining earnings management. Our results cast doubt on the notion that smaller boards with higher ratio of non-executive members necessarily lead to lower earnings management. We find that the potential effects of board independence and board size on earnings management are conditional on the levels of ownership held by executive directors and large shareholders as well as the composition of audit committees. In addition, the results are consistent with the view that high quality auditors are effective in reducing earnings management.

TUESDAY 9:00-10:30

GVRF12 Chair : Merridee Bujaki Room : **C**

Organizational Structures And Divergent Setting-Standards In The Global Convergence Era

Author : *KENSUKE OGATA, UNIVERSITY OF NAGASAKI* IC = Interdisciplinary / Critical

Co-authors : ,

Although having jointly developed significant accounting standards, FASB and IASB took divergent activities of setting standards both quantitatively and qualitatively in the late 2000s. This research aims to clarify the reason for the divergent activities of the Boards. In this research, it is assumed that the setters produce their strategies suitable for the environment they confront, construct any organizational structures to carry out the strategies, and take actions. Based on this assumption, four types of behavioral patterns of the setters are presented as an analysis model. In this model, the most significant factor is the network structure of the setters. To identify the structure, social network analysis is used. According to the results of analysis based on the careers of Board members and additional determination of the environment each Board faced, it became evident as follows. FASB issued many user-friendly, innovative standards to strengthen the alliance with such actors in a situation in which the Board faced pressures to respond to the domestic accounting scandals and the setting-standard competition with IASB. In contrast, IASB issued compromised standards to satisfy two different needs: the innovative need from international organizations and the status quo need from European actors which are the main customers of IAS/IFRSs. This indicates that true global convergence is far from being realized.

TUESDAY 9:00-10:30

GVRF12 *Chair : Merridee Bujaki* Room : **C**

Between Maxwell And Micawber: Plotting The Demise Of Equitable Life

Author : *PETER RUSSELL, UNIVERSITY OF EAST ANGLIA*

IC = Interdisciplinary / Critical

Co-authors : *David Collins, University of Hull*
Ian Dewing, University of East Anglia

This paper provides reflections on the demise of The Equitable Life Assurance Society. Noting that the collapse of this financial institution precipitated a raft of official inquiries and reports we offer a detailed analysis and 're-view' of the public inquiry report that was produced by Lord Penrose. The paper observes that Lord Penrose's report presents itself as a factual description of events. Yet we counter that this text remains, at root, a creative product which depends upon narrative strategies of characterization and emplotment. Analysing, both, the narrative resources and the broader narratological choices that underpin this account of the Equitable affair we suggest that Lord Penrose's report turns upon a Maxwellian rendering of the drama's key protagonist. Questioning the assumptions, omissions and elisions which underpin this method of plotting the demise of Equitable Life, however, we suggest another means of characterising the drama's principal. Building upon a reading of David Copperfield, therefore, we proffer a Micawberish alternative to the Maxwellian autocrat featured in Lord Penrose's text. Readers are invited to consider the relative merits of these contrasting narratives and are furthermore encouraged to reflect upon the manner in which the interplay between text, author and reader acts to shape public understanding of key events.

TUESDAY 9:00-10:30

GVRF12 *Chair : Merridee Bujaki* Room : **C**

Disclosure Quality: Does Diversity On Board And On Top Management Make The Difference?

Author : *BEN AYED-KOUBAA HANEN,*

EA = Empirical Archival

Co-authors : *Sarah Saint-Michel, Université de Toulouse*

TUESDAY 9:00-10:30

GVRF12 *Chair : Merridee Bujaki* Room : **C**

Financial Accounting And Reporting In Germany: A Case Study On German Accounting Tradition And Experiences With The Ifrs Adoption

Author : *MALTE KLEIN, BAYREUTH UNIVERSITY*

HI = History

Co-authors : *Rolf Uwe Fülbier, University of Bayreuth*

Financial accounting is rooted in national thoughts, traditions and institutional settings. As a consequence, accounting has developed heterogeneously over time and fulfilled contracting purposes in divergent national environments. Against this background, we argue that the ongoing process of accounting internationalization and imposed harmonization carries with it the danger of deforming country-specific balancing factors in the accounting systems, especially when the national environment for economic and contractual activities is not harmonized at all. In contrast to more evolutionary integration and adjustment processes of the past where spillover effects have always existed, the rapidity of the current process and coercive nature increases country-specific frictions. To support our argument and to substantiate the interplay of accounting as a contractual device and country-specific characteristics, we provide an in-depth case study of one country, Germany. We illustrate how the traditional German commercial law accounting system has evolved over time to meet specific contractual needs. We demonstrate how the current process of globalization and accounting internationalization has been attended by increasing frictions and challenges, especially on the contractual and regulatory level. We finally investigate the consequences on the German standard setting system, which also includes the changing role of German accounting research.

TUESDAY **9:00-10:30**

GVRF12

Chair : Merridee Bujaki Room : **C**

A Theoretical Framework For Corporate Delistings: Governance Changes And Value Dynamics

Author : *TIZIANO ONESTI, ROMA TRE UNIVERSITY*

IC = Interdisciplinary / Critical

Co-authors : *Mauro Romano, Università degli Studi di Foggia*
Christian Favino, Università degli Studi di Foggia
Valerio Pieri, Università degli Studi Roma Tre

Corporate delistings can be related to a wide variety of circumstances and operations (going private transactions, going dark strategies, mergers, buy-outs, involuntary delistings, etc.), representing a very complex and highly differentiated phenomenon, whose relevance has recently increased as one of the many effects of the ongoing global financial crisis. In this paper, on the basis of a systematic review of the existing international literature, we give reasons for the need of a wider and deeper theoretical framework for corporate delistings as a fundamental premise for the conduction of further studies on corporate governance changes and on the dynamics of corporate value (income and financial performance, firm value, etc.). We then put forward a possible classification of corporate delistings. Our proposal deepens the fundamental distinction between voluntary and involuntary delistings, with a particular focus on voluntary delistings, that we analyse in the light of three main characterising aspects: the subjects who pursue delisting, the strategic context and the operating conditions of the delisted company. We define eight uniform areas of observation, which may represent a useful framework for future deeper studies concerning governance and value dynamics issues. Finally, we apply our framework to the corporate delistings happened in recent years in the Italian market, in order to give further insights about the validity and the limits of our proposal.

TUESDAY **11:00-12:30**

GVRF13

Chair : Ann Jorissen Room : **C**

Corruption And Corporate Governance: Cross Country Analysis

Author : *DYAH SETYANINGRUM, UNIVERSITY OF INDONESIA*

EA = Empirical Archival

Co-authors : *,*

Research on corruption has not been much highlight the company's role as a contributing party on bribery. Using data from 129 countries, this study shows that corruption will be lower in countries with good corporate governance. More specifically, this study shows that corruption is lower in countries with good accounting and auditing quality standard, strong role of directors in monitoring management and in countries with high investor protection, including minority shareholders. Good corporate governance in the company can actually be a catalyst to break the chain of bribery and corruption in order to create a fair and competitive business environment

TUESDAY **11:00-12:30**

GVRF13

Chair : Ann Jorissen Room : **C**

The Roles Of Subsidiary Boards In Multinational Enterprises

Author : *YAN DU, IÉSEG SCHOOL OF MANAGEMENT*

SU = Survey

Co-authors : *Yan Du, IESEG School of Management*
Marc Deloof, University of Antwerp
Ann Jorissen, University of Antwerp

To date little research has investigated the different roles subsidiary boards actually play in multinational enterprises (MNEs). Using survey data from a sample of MNE subsidiaries operating in Belgium with headquarters in 14 different countries, we find that a subsidiary board performs the four roles identified in the literature: control, strategy, service and coordination. These roles are associated with the context of the subsidiary (strategy, ownership structure, the country in which the headquarters are located), the characteristics of subsidiary directors (subsidiary directors being on headquarters boards; local nonexecutive directors), subsidiary CEO power and the frequency of subsidiary board meetings. Moreover, our findings suggest that the execution of the control and coordination roles of subsidiary boards are best understood in combination with other mechanisms that serve to control and coordinate foreign subsidiaries in MNEs.

GVRF13

Chair : Ann Jorissen Room : **C**

Nonlinear Effect Of Voluntary Disclosure On Information Asymmetry In Different Setting Of Corporate Governance And Accounting Standards: Analysis Of Countries In Asean

Author : *RATNA WARDHANI, UNIVERSITY OF INDONESIA*

Co-authors : *Dwi Indah, Universitas Indonesia*

EA = Empirical Archival

ASEAN (Association of South East Asia Nation) is an emerging and promissing region that will soon emerge to an economic community called the ASEAN Economic Community (AEC) in 2015 that led to capital market integration among countries across ASEAN. The development of AEC will eventually reshape the financial reporting practice especially disclosure behaviour in order to fulfill higher demand of transparency in broader regional setting. This research aims to investigate the effect of voluntary disclosure to information asymmetry in the context of different setting of corporate governance and accounting standard convergence toward IFRS in ASEAN countries. To test the relationship between voluntary disclosure and information asymmetry this research consider nonlinear effect, as explained by human information process literatures. This research finds that voluntary disclosure affect information asymmetry in a polynomial pattern, whereas the increase of voluntary disclosures will reduce the information asymmetry up to certain point and eventually increase the information asymmetry as the voluntary disclosure continues to increase. This research also finds that convergency of local standard to IFRS increase the information asymmetry instead, perhaps due to principal based nature of IFRS. This research finds no evidence to support the effect of governance mechanism to the information asymmetry.

TUESDAY **11:00-12:30**

GVRF13

Chair : Ann Jorissen Room : **C**

The Sub-Consolidated Financial Statements Of Directed Listed Sub-Holdings: Where Is The Relevant Economic Entity?

Author : *EMILIANO DI CARLO, ROME "TOR VERGATA" UNIVERSITY*

Co-authors : ,

AM = Analytical / Modelling

Often listed companies are holdings of business groups and in some cases their direct controlling parties are parent companies of wider groups. Therefore, these listed sub-holdings are consolidated by their parents and their consolidated are actually sub-consolidated financial statements. Moreover, the decision-making power of listed sub-holding's boards could be strongly influenced by the parent companies' board, in the interest of the wider group. However, so far literature on corporate governance seems not to have considered this aspect as well as the impact of that influence on the listed companies' financial performance. The main objective of this paper is to fill this gap understanding why this phenomenon is relevant, giving some suggestions on how to interpret the ownership structure, board composition and the financial performances of the directed listed sub-holdings. In order to answer to those research questions, we use a descriptive statistics on a sample of Italian listed compa-nies controlled and consolidated by other companies. The analysis shows that 71.4% of Italian non-financial listed companies are consolidated by the respective controlling entities. In addition, following the Italian group Regulation, 24.1% of these listed sub-holdings declare to be directed by their parents. Thus, the effort to study the relationship between corporate governance variables and firm performance could be strongly biased.

TUESDAY **11:00-12:30**

GVRF13

Chair : Ann Jorissen Room : **C**

Influence Of Characteristics And Actions Of Internal Agents Of Corporate Governance In The Quality Of Financial Statements: A Brazilian Perception

Author : *PAULO ROBERTO DA CUNHA, REGIONAL UNIVERSITY OF BLUMENAU*

Co-authors : *Paulo Roberto Da Cunha, Universidade Regional de Blumenau - FURB*
Francisco Carlos Fernandes, Universidade Regional de Blumenau - FURB

SU = Survey

The objective of this study is to identify characteristics and actions related to (i) size, (ii) formation/composition, (iii) independence, (iv) interference/relationship with audit, (v) remuneration/compensation and (vi) adoption/disclosure of financial statements, of the various internal agents of corporate governance may influence the quality of financial statements. It was conducted an exploratory research, predominantly qualitative. The techniques of data collection were focus group, structured interview and survey. The participants of the focus group and interviews were senior professionals who have experience as members of some corporate governance board and simultaneously act as professors or researchers. The survey was conducted with a sample of 31 associate members of the Brazilian Institute of Corporate Governance. The conclusion was that the characteristics and actions related to independence and interference/relationship with audit have more influence on the quality of the financial statements. The research showed that from the total of 35 questions of all categories, 15 presented consensus about the characteristics and actions of internal agents of corporate governance that reflect in the quality of financial statements. Most of these 15 questions are related to the categories independence and interference/relationship with audit. The 20 remaining questions could not be confirmed nor denied, because of the detected higher level of information entropy.

TUESDAY 14:00-15:30

GVRF14 *Chair : Uche Chinyere* Room : **C**

A New Way Of Being A Controller – From Bellboy To Actor

Author : *HANNE NORREKLIT, AARHUS UNIVERSITY*

Co-authors : *Katarina Kaarbøe, NHH, Bergen*

IC = Interdisciplinary / Critical

Repeatedly, it has been stated that the changing business environment challenges the traditional role of the management accountant. The purpose of this paper is to uncover a new way of being a controller in a contemporary business context. For our analysis, we have chosen the book Implementing Beyond Budgeting: Unlocking the Performance Potential by the controller Bjarte Bogsnes (2009), who in self-narrative form describes how he changed his approach to management accounting. Using a discourse analysis of the book, we dissect this change over time, uncovering a movement from mechanical language games embedded in the traditional management control method to interactive-reflective language games embedded in the beyond budgeting (BB) method. As a consequence, the way of being a controller has changed from bellboy going up and down between board and department in the process of producing a 'true' budget to reflective actor interlacing opposite views and thoughts of managers and employees. Our analysis shows that escaping the mechanical way of being a controller requires not only a change in management control procedure but also a change in the character of the controller. In our view, Bjarte Bogsnes has realized a change in the paradigm of management control.

TUESDAY 14:00-15:30

GVRF14 *Chair : Uche Chinyere* Room : **C**

The Ohlson Residual Income Valuation Model For Valuing Corporate Governance In Brazil: Some Empirical Evidence

Author : *FLAVIA ZOBOLI DALMACIO, UNIVERSITY OF SAO PAULO*

Co-authors : *Talles Vianna Brugni, Espírito Santo Federal University (UFES)*
Patrícia Maria Bortolon, Espírito Santo Federal University (UFES)
António Oscar Santos Góes, Technical University of Lisbon
Alfredo Sarlo Neto, Espírito Santo Federal University (UFES)

MB = Market Based

ABSTRACT We examine whether Brazilian companies with enhanced corporate governance levels have higher market values according to the model of Ohlson (1995), modified to include variables such as governance level, type of control and shareholding structure. This study produces empirical results based on information taken from the Economática® and Brazilian Securities Commission (CVM) databases, in the period from 2004 to 2010. Multiple linear regression on panel data is used to analyze a sample of 90 firms through 630 observations. The findings indicate that the addition of governance measures to the model increased its explanatory power, suggesting that nonfinancial information about governance practices and ownership structure also can explain the market value of stocks. The results also indicate that firms with shares traded on the Level 2 and New Market trading segments of the BM&FBovespa, which require enhanced governance practices, are important signals of good governance and consequently increase firms' market value. The type of control was also positively related to the market value, suggesting that firms under family control and government control are more valuable than companies without concentrated control.

TUESDAY 14:00-15:30

GVRF14 *Chair : Uche Chinyere* Room : **C**

Control Systems In The Banking Sector. Towards An Integrated Approach?

Author : *PIER LUIGI MARCHINI, UNIVERSITY OF PARMA*

Co-authors : ,

CF = Case / Field Study

Nowadays the economic and normative scenery in which companies operate is liable of sudden changes that make a priority of a cultural change in the approach to the control systems. Control activities should not anymore be meant as simple activities of a posteriori controls usually in a repressive vision, but rather as essential tools of prevention of economic and reputational losses that could be fatal for the business development. Today, such aspects are even more critical and remarkable if observed with reference to banking activities. In the Italian bank sector specific control functions that involve internal tasks, other functions and institutes external to the enterprise are placing next to the typical control activities of listed enterprises. The aim of the work is to verify the configuration of the control systems in the firms as applied in the present economic and legal framework. I will develop this holistic approach to the control system with particular reference to the firms operating in the bank sector, where internal and external pushes to the change in the approach to the control systems are increasing more and more. In view of the considerations above, it is of extreme interest an empirical analysis developed through semi-structured questionnaire and interviews in an Italian Bank (Cariparma Credit Agricole).

TUESDAY 14:00-15:30

GVRF14 *Chair : Uche Chinyere* Room : **C**

The Appropriateness of Anglo-American Corporate Governance in Egypt: Stakeholders' Views

Author : *TANTAWY MOUSSA, UNIVERSITY OF WESTMINSTER* CF = Case / Field Study

Co-authors : *Pik Liew, University of Essex*

Drawing upon the stakeholder theory, this study aims to develop an understanding of the appropriateness of CG reforms in Egypt, primarily through focusing on the existing CG practices in Egyptian listed companies. It also aims to elicit the issues/barriers that might impact the development and implementation of good CG that promotes accountability and social responsibility from the Egyptian perspective, specifically soliciting the views of various stakeholders. We employ an interview methodology to incorporate the perceptions of wider stakeholder groups (directors, external auditors, internal auditors, academics and regulators) who were involved in corporate governance. The study results indicate that even though some initiatives have been taken in recent years to improve corporate governance and transparency, actual corporate governance practices in Egypt did not function effectively and are far behind the standards in the USA, the UK and other western countries. Our findings also reveal that corporate governance in Egypt is still in the early stages of development and the corporate infrastructure of Egypt is dysfunctional in most aspects. The opaque regulatory system, unique business culture, intervention of controlling shareholders and some other socio-economic factors are working as major challenges for development of the corporate governance in Egypt. The study aims to fill gaps in the literature and contribute to it by assessing the perceptions of different stakeholders in Egypt in an institutional environment significantly different from that of the USA, the UK and other western economies.

TUESDAY 14:00-15:30

GVRF14 *Chair : Uche Chinyere* Room : **C**

Risk Management In The City Of London: The Lived Experience Of The Middle Ranking Employee

Author : *PHILIP LINSLEY, THE UNIVERSITY OF YORK* CF = Case / Field Study

Co-authors : *Robert Mcmurray, Durham University*

Drawing on interviews with analysts, reporting officers and contractors working in 'risk management' for some of the UK's biggest investment banks, we consider what it means to live through, and even warn of, impending crises, just to be ignored or silenced by those with greater authority. Not as salacious as the Fred Goodwin story, nor as tragic as the loss of home experienced by the sub-prime mortgagee; the lived experience of the middle ranking banking employee is nonetheless linked to these. We are concerned with the mundane and predictably uncontrolled life of your average [corporate banking] employee (Gabriel, 1999). We refer to those working behind the scenes in areas such as risk management, compliance and audit. What can their experiences tell us of the crisis? Did they neither know nor sense that something was amiss? Where, in short, were the voices of the middle ranking banking employee? In pursuing answers to these questions we see how deficiencies in corporate procedures, information and thinking can be identified and then silenced, and how the diverse and fragment cohort of people who would be labelled as your 'average worker' (Thomas & Listead, 2002) come to see such trends as an inevitability.

WEDNESDAY 9:00-10:30

GVRF07 *Chair : Walid Ben Amar* Room : **A**

Culture And Types Of Earnings Management: A Cross Country Study

Author : *MONOMITA NANDY, UNIVERSITY OF SURREY* EA = Empirical Archival

Co-authors : *Suman Lodh, Middlesex University*
Jean Chen, Surrey University

Earnings management is an important indicator of bundle of weak corporate governance. In this study, we consider the importance of 'open system' approach in corporate governance and examine the impact of national culture on the management's choice of earnings management. We use cross-country data to investigate the impact of Hofstede's cultural dimensions on managers' preference for accrual and real earnings management. We find that in a country with high degree of individualism, managers do more accrual than real earnings management. In addition, the expensive but less detectable real earnings management is preferred in a country where uncertainty avoidance, power distance and masculinity are quite high. Motivated by the 'prospect theory', we extend the arguments in the prior literature by showing that the national culture not only determines the earnings management behavior of the managers but also influences the choice of types of earnings management. It contributes to the discussion related to 'under contextualization' of agency theory. The findings of our paper indicate that national culture should be considered in determining the bundle of corporate governance norms to mitigate the earnings management. The practitioner and the policy makers should carefully weights the two types of earnings management measures and consider national culture to develop an improved corporate governance practice throughout the world.

GVRF07

Chair : Walid Ben Amar Room : **A**

Governance And Philanthropic Strategy: The Case Of Foundation Of Banking Origins

Author : *ANDREA MENINI, UNIVERSITY OF PADUA*

EA = Empirical Archival

Co-authors : *Giacomo Boesso, University of Padova*
Fabrizio Cerbioni, University of Padova
Antonio Parbonetti, University of Padova

This paper investigates the relationships between the choice of philanthropic strategy (expressive, receptive, proactive and collaborative) and board capital (competences and networks), board processes (planning, control, evaluation, etc.), and the CEO power (entrenchment and tenure). Using a sample of fifty-one Italian foundations of banking origins, this paper shows that high levels of board capital, the CEO's long tenure, and sound governance processes are positively associated with the proactive and collaborative philanthropy models. Results provide clear guideline to researchers and practitioners for a better understanding of strategic philanthropy's drivers.

WEDNESDAY 9:00-10:30

GVRF07

Chair : Walid Ben Amar Room : **A**

Board Of Directors' Characteristics. Their Influence On Compensation Structure Of Directors

Author : *ELENA MERINO MADRID, UNIVERSITY OF CASTILLA LA MANCHA*

EA = Empirical Archival

Co-authors : *Montserrat Manzaneque, UNIVERSITY OF CASTILLA-LA MANCHA*
Regino Banegas, UNIVERSITY OF CASTILLA-LA MANCHA

Some corporate scandals have put into question the level of remuneration received by members of the board of directors, accentuating the lack of investor and institutions confidence on them, as control mechanisms to protect the shareholders interest. To curb the excesses compensation and so the shareholders regain the confidence in the management of the board, the literature propose to increase the degree of independence of the Board of Directors. In this context we analyze the relationship between the independence board and the level and structure of directors´ compensation in Spain to determine whether this "independent" exert a moderating effect on the remuneration. The results reveals that the effect of board characteristics on directors´ compensation depend on the type of remuneration.

WEDNESDAY 9:00-10:30

GVRF07

Chair : Walid Ben Amar Room : **A**

Corporate Governance And Risk Reporting In South Africa: A Study Of Corporate Risk Disclosures In The Pre- And Post-2007/2008 Global Financial Crisis Period

Author : *COLLINS GYAKARI NTIM, SOUTHAMPTON UNIVERSITY SCHOOL OF MANAGEMENT*

EA = Empirical Archival

Co-authors : *Collins Ntim, University of Southampton/School of Management*
Sarah Lindop, Aberystwyth University/School of Management and Business
Dennis Thomas, Aberystwyth University/School of Management and Business

The 2007/2008 global financial crisis has reignited the debate regarding the need for effective corporate governance (CG) through sound risk management and reporting practices. This paper, therefore, examines the crucial question of whether the quality of firm-level CG has any effect on the quality and extent of corporate risk disclosures (CRD) in South Africa (SA) with particular focus on the pre- and post-2007/2008 global financial crisis period. Using one of the largest datasets to-date on CG and CRD, from 2002 to 2011, and distinctively drawing on a multiple theoretical perspective, we find that CRD are largely 'non-financial', 'historical', 'good news' and 'qualitative' in nature over the ten-year period investigated. We also find that block ownership and institutional ownership are negatively associated with the extent of CRD, whilst board diversity, board size and independent non-executive directors are positively related to the extent of CRD. By contrast, dual board leadership structure has no significant connection with the extent of CRD. Our results are robust across a raft of econometric models that adequately address different types of endogeneity problems, as well as alternative CG and CRD proxies. Our findings are largely consistent with the predictions from agency, legitimacy, institutional, resource-dependence and stakeholder theories.

GVRF08

Chair : Anna Maria Biscotti Room : **A**

The Impact Of Corporate Governance On Related-Party Disclosure: Empirical Evidence From China

Author : *YUAN GEORGE SHAN, THE UNIVERSITY OF ADELAIDE*

Co-authors : *,*

EA = Empirical Archival

The principal-principal agency problem is introduced as a major concern of corporate governance is emerging economies. In China, highly concentrated state ownership aggravates the principal-principal conflict of interest between controlling shareholders and minority shareholders. In order to moderate such conflict, economic reforms have been conducted to improving internal and external governance mechanisms. This study aims to examine whether improved internal governance mechanisms have impact on the disclosure of related-party transactions during an important period between 2001 and 2005. These internal governance mechanisms represent the unique characteristics of China's corporate governance system. In particular, this study intends to shed light on the impact of the supervisory board, an important yet unexplored corporate governance element, on related-party disclosure. The results suggest that foreign ownership, the proportion of independent directors, firm size, media attention, CEO duality, and firm age significantly have positive impacts on related-party disclosure, whereas the proportion of professional supervisors and investment growth opportunities reveal negative correlations. Other factors, state ownership, Big 4 auditor and the ratio of related-party transactions to total assets were found to have no impact.

WEDNESDAY **11:00-12:30**

GVRF08

Chair : Anna Maria Biscotti Room : **A**

Untangling The Antecedents Of Code Of Ethics Quality: Does Corporate Governance Matter?

Author : *EMILIA MERLOTTI, BOCCONI UNIVERSITY*

Co-authors : *Giovanni Maria Garegnani, LUM University*
Angeloantonio Russo, LUM University

EA = Empirical Archival

In recent years, codes of ethics are becoming one of the most relevant examples of managerial tools firms are investing in to improve the transparency and effectiveness of their relationships with their stakeholders in response to the repeated corporate scandals and the deep economic crisis occurred. This study investigates the antecedents of code of ethics quality with specific regard to the peculiarities of corporate governance. Relying on a sample of 248 Italian public companies, five corporate governance characteristics were considered: the role of primary shareholders within the firm, the role and influence of independent directors within the board, the effect of board size on the strategic decision-making process, the influence of Chief Executive Officer (CEO) age and board diversity. The results suggest that investing in high-quality codes of ethics can influence the agency problem evident between ownership and control.

WEDNESDAY **11:00-12:30**

GVRF08

Chair : Anna Maria Biscotti Room : **A**

The Family Control And Family Management On The Indebtedness Of Brazilian Listed Companies: A Quantitative Study

Author : *LILIANE CRISTINA SEGURA, INSTITUTO PRESBITERIANO MACKENZIE*

Co-authors : *Henrique Formigoni, Mackenzie Presbyterian University*

EA = Empirical Archival

Companies can be controlled by a family group, but managed by professionals. On the other hand, family companies can be managed by their owners. This research investigated the family control and the family management influence on the indebtedness of Brazilian listed companies. Based on the wide national and international literature on capital structure, doubts arise about the importance of family in business management. In Brazil, considering the large number of family businesses, it becomes imperative to investigate this subject deeply. The population of this research was composed by the Brazilian listed companies in BMF&Bovespa, and the final sample consisted of 365 companies during the period of 6 years (from 2004 to 2009). The observations was analyzed by methods of simple linear regression (OLS), and using random effects and fixed effects. The results show that companies that have some kind of family influence, in the sample studied, are less indebted than other companies. These results are on track with national and international studies that claim that family businesses tend to be more conservative in their debt behavior, in order to use more own equity than other companies. The contribution of this work was to point out the differences between family-controlled companies and non-family controlled ones related to the management of the indebtedness. Additionally, the same contrast was tested considering the family management.

GVRF08
Chair : Anna Maria Biscotti Room : **A**

Earnings Quality And Women On Supervisory Boards

Author : BIRGIT SOMMEREGGER, GRAZ KARL-FRANZENS UNIVERSITY

Co-authors : Roland Königsgruber, VU University Amsterdam

EA = Empirical Archival

Currently, there is a debate about the introduction of a requirement to have a minimum percentage of female board members on the supervisory board within the European Union. Recent research has shown the existence of a gender effect in financial reporting. However, this research has used American data and focused on female CFOs. We investigate whether there also exists a gender effect of supervisory board members on financial reporting. We use data from large German and Austrian listed companies and test for an association between the percentage of female supervisory board members and standard accrual-based metrics of earnings management. One of our two measures shows a significant negative relation between female representation and earnings management, indicating the positive influence of women, but the other does not. The effect of representation on the female supervisory board appears to be weaker than the one for female CFOs.

GVRF08
Chair : Anna Maria Biscotti Room : **A**

Fighting Bribery With Gentle Nudging: The Impact Of A Responsible Investment Index On Corporate Anti-Bribery Practices

Author : TATIANA RODIONOVA, THE UNIVERSITY OF EDINBURGH

Co-authors : Tatiana Rodionova, University of Edinburgh Business School
William Rees, University of Edinburgh Business School
Craig Mackenzie, University of Edinburgh Business School

EA = Empirical Archival

This study sets out to examine the proposition that engagement by, and threat of deletion from, a responsible investment index leads to sustained improvements in corporate anti-bribery practices. Using the experimental setting provided by the introduction by FTSE of the FTSE4Good countering bribery criteria, we investigate responses to the new criteria by both existing member companies who would not immediately comply (and, therefore, faced the threat of exclusion) and by non-member companies who, similarly, would not comply. We find that existing members are significantly more likely than non-members to make the required changes in order to comply and maintain their membership of the FTSE4Good index after a period of engagement by the index. The efficiency of the engagement is not affected by the prior propensity of a company to have stronger anti-bribery practices in place, by the expected index membership or by the presence of entrenched block holdings. We further find that the effect persisted for at least two years and stimulated companies to introduce practices stronger than the minimum required for the membership in the index. While complying with the index requirements cannot guarantee that a company will not initiate bribery transactions, index engagement together with the reputational threat from potential exclusion could effectively instil a corporate culture where corporations are not as casual about engaging in bribery activity.

GVRF09
Chair : Gaetan Breton Room : **A**

Researching The Lived Experience Of Corporate Governance

Author : RIHAB KHALIFA, UNITED ARAB EMIRATES UNIVERSITY

Co-authors : Thomas Ahrens, UAEU

IC = Interdisciplinary / Critical

This literature review seeks to engage with the discussion of the limitations of studying corporate governance processes as a 'black box' by developing a theoretical framework for qualitative corporate governance research that can support the design of future hermeneutic research into corporate governance practices. The approach is to develop a qualitative research framework based on the methodological discussions in the business and sociology literatures, and compare it with existing alternative research frameworks in the corporate governance literature and three qualitative field studies in corporate governance. This paper identifies methodological gaps that have made it difficult for extant qualitative studies of corporate governance to capture the complexity of the practices they have studied. Through a close reading of alternative corporate governance research frameworks and qualitative studies this paper explains how future scholarly and practical corporate governance research can produce insights into the lived experience of corporate governance.

GVRF09 *Chair : Gaetan Breton* Room : **A**

Shaping Audit Committee Oversight Practice: The Unsung Role Of The Ac Chairman

Author : *TIPHAINE COMPERNOLLE, LAVAL UNIVERSITY* IC = Interdisciplinary / Critical

Co-authors : *Tiphaine Compernolle, Université Laval*
Chrystelle Richard, ESSEC Business School

Building on Adam Smith's concept of the impartial spectator, our study examines how audit committee (AC) directors exercise oversight in practice. We show that the questions-and-answers game matters, and that it is an oversight practice primarily directed by the AC Chairman. By drawing on 53 interviews with AC actors from 23 French CAC 40 listed companies, we document how the AC is able to exercise oversight both during official meetings (disciplining effect) and outside those meetings (partnership of control), and show that this depends on how accessible and proactive the AC chairman is. Following Beattie et al. (2011), our research thus provides an in-depth explanation of the strategies used by AC chairmen to play their role, a role that is presently not clearly defined by codes of good governance. It suggests that AC chairman impartiality can reach its full potential only in the context of a socially constructed relationship.

WEDNESDAY **14:00-15:30**

GVRF09 *Chair : Gaetan Breton* Room : **A**

The Effect Of Institutions And Politics On Corporate Ownership And Board Representation

Author : *NOR ZALINA MOHAMAD YUSOF, UNIVERSITY UTARA MALAYSIA* IC = Interdisciplinary / Critical

Co-authors : *Danture Wickramasinghe, University of Glasgow*
Mahbub Zaman, Manchester Business School

This paper reflects on the historical, political and economic factors which have led to the state's credible commitment towards a particular ethnic in Malaysia and the effect of this on the country's corporate governance reforms especially board representation and corporate ownership. Historical institutionalism as advanced by political scientists is used as an approach to show the emergence of Bumiputera institution and how it impacted on corporate governance. Bumiputera phases are identified based on critical events, which mirrors the periodization analysis as commonly employed in comparative historical analysis. Data are mainly from secondary sources. The study shows that corporate governance apparatuses in emerging economies such as Malaysia are a constitutive of multiple programmes of economic and political reforms. The analysis shows how Bumiputera institution established a power base in the country's corporate governance mechanisms through substantive representation by the Malays to affect ownership and board representation. This paper marks an alternative way of looking at corporate governance issues by focusing on the relevance of historical and political context of institutions, vis-à-vis an emerging economy. We show that corporate governance is a social process - it cannot be isolated from social and other non-economic conditions and factors such as power, legislation, social relationships and institution contexts.

WEDNESDAY **14:00-15:30**

GVRF09 *Chair : Gaetan Breton* Room : **A**

Towards Reflective Accounting Beyond Social And Institutional Cul-De-Sacs: Doing Analytics On Foucault's Own Lines

Author : *KEITH HOSKIN, UNIVERSITY OF ESSEX* IC = Interdisciplinary / Critical

Co-authors : ,

In the lecture series Security, Territory, Population (Foucault, 2009), Foucault twice refers to analyzing the state as a way of doing things (and a way of thinking (2009: 109; 358, mistranslated in the second instance). He also cautions (2009: 114-7) against beginning analysis at the social or institutional levels of analysis, starting instead from the bottom level of the thinking, acting (and strategising) human, who is not always the subject but also the /individual/somatic singularity/body-psyche (e.g. Foucault, 2006: 56). This paper considers how this may be done on Foucault's own lines, while also taking seriously how far he is concerned with the costs of thinking and acting 'within the true', in modes of veridiction, in a form of what Nealon (2008: 17ff) recognizes is a distinctive 'economic' analysis, which is ultimately accounting-grounded, whether focussed on the economic, political or personal levels of 'cost'. Starting from the bottom-up, the paper seeks to understand how far Foucault is firstly articulating an insistent interplay between accounting, management and the constitution of the modern self as object and subject, and how this then works at institutional and social levels. Of importance here is Foucault's tracing (2009: 3-6) of how forms of cost-benefit analysis became essential for the successful shaping of the action and thinking of that significant new object of government, the 'population'.