

**CORPORATE  
OWNERSHIP & CONTROL**

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## EDITORIAL

*Dear readers!*

The recent issue of the journal *Corporate Ownership and Control* pays attention to issues of corporate social responsibility, risks management, audit issues, corporate codes etc. More detailed issues are given below.

*Sujani Thrikawala, Stuart Locke, Krishna Reddy* examine the impact of corporate governance practices of microfinance institutions (MFIs) on outreach to the poor people in Sri Lanka by using three outreach variables. *Ziad Mohammad. Zurigat, Nadia Jawdat* aim at testing the partial adjustment model of cash holdings to investigate whether Jordanian industrial firms have a target cash holdings and how fast they move toward that target when any target deviation exists. The results of the research of *Turki Al-Sabah* signify a negative relationship between the firm's financial leverage and dividend payout ratio. *Samer Khalil, Assem Safieddine* examines governance-related issues within Middle East family businesses. They construct a governance index and use a probit model to examine whether family-related variables can explain the level of corporate governance.

*Graziella Sicoli, Paolo Tenuta* analyse the concept of going concern on the one hand, through a case study of three companies which have recently come under observation of the CONSOB and have been inserted in the so-called "black list" and, on the other, the consequences that the removal of the presumption of continuity can have on the kind of assessment the auditors make. *Rajni Mala, Parmod Chand* examine whether the accuracy of judgments made by accountants varies as a consequence of their level of confidence, and whether their confidence in exercising judgments could be enhanced by greater familiarity with IFRS. *Sutaryo Sutaryo, Yediel Lase* investigate the effects of auditor characteristics on local governments' audit delay by studying 127 Indonesian local governments. *Agung Nur Probohudono, Eko Arief Sudaryono, Nurmadi Harsa Sumarta, Yonatan Ardilas* examine the impact of ownership, corporate governance and mandatory tax disclosure on voluntary financial disclosure in Indonesia using 102 Indonesian listed companies in the period of 2009 to 2012.

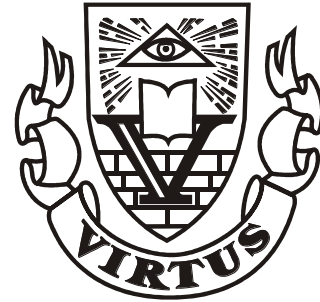
*Hayat M. Awan, M. Ishaq Bhatti, Zahid Razaq* investigate the financial management performance involved in increasing the firms' profitability. *Reem Khamis, Wajeeh Al-Ali, Allam Hamdan* examine the relation between ownership structure and corporate performance; the sample of the study included 42 out of 48 companies (resembling 87.5% of the population) of all sectors in Bahrain Stock Exchange in five years from 2007-2011. *Mahlomola Khumalo, Andries Masenge* investigate the relationship between CEO remuneration and firm performance. *Roderick Bugador* views the network of control in a corporate business group as its source of competitive advantages.

We hope that you will enjoy reading the journal and in future we will receive new papers, outlining the most important issues and best practices of corporate governance!

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*Sujani Thrikawala, Stuart Locke, Krishna Reddy*

This study examines the impact of corporate governance practices of microfinance institutions on outreach to the poor people in Sri Lanka. The findings of this study revealed several significant relationships: Breadth of outreach in Sri Lankan MFIs improve when they have a female chair on the board but decreases when they have more female directors and client representation on the board, and female borrowers get more loans when the firm has women representation and international/donor directors on the board, but less loans if they have a female chair.

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*Ziad Mohammad. Zurigat, Nadia Jawdat*

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*Turki Al-Sabah*

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*Samer Khalil, Assem Safieddine*

This study examines governance-related issues within Middle East family businesses. The absence of proper external monitoring mechanisms – governmental or other – to protect shareholder rights, and

the absence of any pre-existing literature on the Middle East market provides the motivation to evaluate the corporate governance practices of Middle East family businesses. Authors construct a governance index and use a probit model to examine whether family-related variables can explain the level of corporate governance. It is found that the majority of boards had a prevalence of family members and a low proportion of independent directors.

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***Graziella Sicoli, Paolo Tenuta***

The present work aims to analyse the concept of going concern on the one hand, through a case study of three companies which have recently come under observation of the CONSOB and have been inserted in the so-called “black list” and, on the other, the consequences that the removal of the presumption of continuity can have on the kind of assessment the auditors make. The aim of the present work is twofold: the first part analyses the principle of going concern from a business and economic perspective. Once this has been completed, the work will go on to offer an overview of the dynamics that can bring a company to a crisis point, and how these affect the judgments expressed by the auditors.

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***Rajni Mala, Parmod Chand***

Research on how accountants could increase their confidence in interpreting and applying IFRS is lacking. This study examines whether the accuracy of judgments made by accountants varies as a consequence of their level of confidence, and whether their confidence in exercising judgments could be enhanced by greater familiarity with IFRS. The results of the study support that accountants who are more confident make judgments that better reflect the economic substance of a transaction than accountants who are less confident. The results further indicate that familiarity with IFRS enhances the confidence of accountants and the most accurate judgments are made by those accountants who are not only familiar with IFRS but also have confidence in their judgments.

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***Sutaryo Sutaryo, Yediel Lase***

Overdue financial statements reporting, more specifically audit delay, can cause losses in its capacity in decision making. We investigate the effects of auditor characteristics on local governments’ audit delay. We find that auditor professional proficiency and auditor educational background have significant effect on the audit delay of local government financial statements. Our results also indicate the intersection of some auditor characteristics in affecting audit delay. Our findings mainly suggest that the auditor professional proficiency should be improved to shrink audit delay.

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***Agung Nur Probohudono, Eko Arief Sudaryono,  
Nurmadi Harsa Sumarta, Yonatan Ardilas***

This study examines the impact of ownership, corporate governance and mandatory tax disclosure on voluntary financial disclosure in Indonesia. The results show that proportion of independent director, managerial ownership, institutional ownership, foreign ownership and mandatory tax disclosure are associated with voluntary financial disclosure. Analysis reveals a moderate level of 59,90% score of disclosure in the period of 2009 to 2012 in Indonesian listed companies.

## CORPORATE GOVERNANCE &amp; PERFORMANCE

**FINANCIAL MANAGEMENT: THE IMPACT OF PERFORMANCE INDICATORS ON THE ORGANIZATIONAL PROFITABILITY****84***Hayat M. Awan, M. Ishaq Bhatti, Zahid Razaq*

This paper investigates the financial management performance involved in increasing the firms' profitability. Stratified random sampling technique was used to select a sample of 200 manufacturing firms with process performance management system (PPMS) criteria to check the impact of performance indicators on the overall business performance index using ROE, ROA. The results of AHP analysis show that the "Supportive Culture" and "PPMS facilitate the competitive advantage" are the major facilitators for those organizations who have implemented the PPMS whereas firms without implementation of PPMS have major inhibitors as "Non supportive culture" and "Have another Performance System".

**THE RELATIONS BETWEEN OWNERSHIP STRUCTURE AND CORPORATE PERFORMANCE: EVIDENCE FROM BAHRAIN STOCK EXCHANGE****97***Reem Khamis, Wajeeh Al-Ali, Allam Hamdan*

In this article we examine the relation between ownership structure and corporate performance; the sample of the study included 42 out of 48 companies of all sectors in Bahrain Stock Exchange in five years from 2007-2011. Several dimensions of ownership structure were studied and two different measurements of performance were used to capture the different results from using each one of them and to assess the relevance of each measurement to performance and to justify the conflicting results found by previous studies. Another objective of this study was to explore the patterns of ownership structure found in Bahraini market.

**EXAMINING THE RELATIONSHIP BETWEEN CEO REMUNERATION AND PERFORMANCE OF MAJOR COMMERCIAL BANKS IN SOUTH AFRICA****115***Mahlomola Khumalo, Andries Masenge*

The relationship between CEO remuneration and firm performance continues to receive much attention. Although the focus of most of the studies is across sectors, attention is increasingly being directed towards the banking industry. At the same time, controversy around what is deemed excessive remuneration of CEOs in the light of not so impressive firm performance across sectors continues. The 2008 global financial crisis and subsequent problems in the banking industry have increased interest in the dynamics of CEO remuneration and bank performance. This study, which examines the relationship between CEO remuneration and bank performance in South Africa, aims to bring a new perspective to the on-going research and debate.

**THE EFFECTS OF BUSINESS GROUP CONTROL ADVANTAGES AND AFFILIATE LEVEL ADVANTAGES ON AFFILIATE PERFORMANCE****125***Roderick Bugador*

This study views the network of control in a corporate business group as its source of competitive advantages. These control advantages are distributed among the business group affiliates and eventually influence their performance. This paper examines this by providing a reconceptualization of both the nature of business group and affiliate level advantages using the data of the top 20 Philippine corporate groups. The study found out that the group level control advantage affects the affiliate performance more than their individual level advantages. This result confirms the capability of business groups to influence and control their group internal market. This also implies that the business group affiliates have not yet developed significant capabilities which are independent to that of their business group.

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