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Contents

PARALLEL SESSION 1

Corporate governance and family ownership

Session chair: Giunluca Vagnani, Sapienza University of Rome, Italy

SUCCESSOR SELECTION IN FAMILY FIRMS: A GAME THEORY APPROACH

Shital Jayantilal, Tomás M. Bañegil Palacios, Sílvia Ferreira Jorge

The governance challenge of management succession is critical in the family firms. This paper provides insight on the role that the emotional factors as well as the founder's governance approach, have on successor selection in family firms. The successor selection is studied using game theory. The paper models games for both approaches of the founder towards successor selection and then compares both. The results demonstrate that the emotional factors determine the successor outcome. The founder's governance approach is essential to ensure firm continuity as well as secure that his preferred successor is indeed appointed successor. This is one of only few studies investigating family firm succession using game theory, and the first, to the best of our knowledge, to include the emotional factors as variables in the analysis. This paper also contributes to analytically demonstrate the importance of the founder adopting an activist approach to the succession process to ensure family firm intergenerational continuity.

Keywords: Emotions, Conflict, Emotional Value, Family Business, Succession, Governance, Game Theory.

ARE THE CEO DEMOGRAPHIC VARIABLES INFLUENT ON FAMILY FIRMS' INNOVATION? AN EMPIRICAL INVESTIGATION BASED ON UPPER ECHELONS THEORY

Mariasole Bannò, Giorgia M. D'Allura, Sandro Trento

The aim of this paper is to take into account, adopting a governance approach, the CEO characteristics as driver to explains family firms' innovation. Following the insight from Upper Echelon Theory (Hambrick and Mason, 1984), we investigate if and how CEO characteristics impacts on innovation in family firms. As for their counterpart (generally speaking non-family firms), innovation is a key factors for competitive advantage. Thus, if we investigate the innovativeness of family firms we are connecting two important topics for the understanding of the governance for the innovation process. We test empirically our hypotheses using a sample of 251 Italian companies to investigate the impact of CEO dimensions on the propensity to innovate.

Keywords: Innovation, CEO, family firms, Upper Echelon Theory.

DOES PRIVATIZATION AFFECT FIRM'S CAPITAL STRUCTURE IN EUROPE?

Décio Chilumbo, Victor Barros, Joaquim Miranda Sarmento

This paper analyzes the impact of privatizations on firm's capital structure, using a sample of 574 firm-year observations of privatized firms in Europe. Privatization programs re-emerged over the last few decades in Europe, although empirical work on the impacts on the capital structure of privatized firms so far is scarce and does not focus on firm and industry-specific characteristics. Our results suggest that there is no evidence of decreases in the level of leverage following a privatization. These results persist even after controlling for characteristics of privatizations, such as type (asset sale or share issue) and percentage of privatization. However, additional tests reveal that industry specificities are relevant to explain capital structure variations following privatizations. Considering industry-specific characteristics we found substantial statistical evidence that firms inserted in capital-intensive industries are more leveraged after being privatized.

Keywords: Capital Structure, Industry, Privatization.

PARALLEL SESSION 2

Corporate governance, board of directors and corporate control

Session chair: Corrado Gatti, Sapienza University of Rome, Italy

CEO COMPENSATION AND WOMEN DIRECTORS REPRESENTING DOMINANT SHAREHOLDERS

María Consuelo Pucheta-Martínez, Inmaculada Bel-Oms, Gustau Olcina-Sempere

In this investigation, we aim at examining the influence of institutional female directors on CEO compensation. Concretely, we investigate the impact of institutional female directors as a whole, differentiating also whether institutional female directors have business ties with the firm where they sit on boards (pressure-sensitive female directors) and do not have business links (pressure-resistant female directors). We hypothesise that there is a nonlinear association, concretely quadratic, between institutional, pressure-resistant and pressure-sensitive female directors on boards and CEO compensation. Our findings show that CEO compensation decreases at low levels of institutional female directors and pressure-resistant female directors on boards, but when their presence on boards increases, CEO compensation also increases. We also find that CEO compensation is not affected by pressure-sensitive female directors on boards. Hence, these findings support the premise that institutional female directors on boards cannot be considered a homogeneous group and play an important role in managerial monitoring and remuneration policies, affecting the corporate governance system.

Keyword: Board Gender Diversity, CEO Compensation, Institutional Women Directors, Pressure-Sensitive Women Directors, Pressure-Resistant Women Directors.

CONFLICTS OF SHAREHOLDERS AND DIRECTORS IN CLOSELY-HELD CORPORATIONS: THE PROBLEMATIC CASE OF 50/50 CORPORATIONS

Pablo Sanz Bayón

The purpose of this paper is to undertake a jurisprudential and empirical analysis of aspects of the corporate law system in the European context and analyze it in relation to other jurisdictions, such as the Common Law. More specifically, this paper will focus on the issue of corporate disputes in closely-held corporations, which are becoming increasingly important in practice and are more commonly manifesting in global corporate litigation.

The so called corporate deadlock refers to the circumstances where severe conflicts occur amongst the shareholders and directors of a company and where none of them wishes to compromise, resulting in a deadlock. As a result, the managers and the decision- making authority of the corporation (i.e. shareholders' meeting and the board of directors) confront each other and no decision is made in accordance with the statutory procedures.

Such a situation may further lead to the corporation being unable to carry out normal operations and even collapse or be forced to declare bankruptcy. Current Civil corporate law emphasizes both the protection of legitimate rights of persons outside the corporation, such as creditors and consumers, and the protection of economic democracy and balance of interest inside the corporation. The apparent cause of the corporate deadlock mainly lies in the disagreement and opposition of the shareholders or directors while the more embedded grounds lie in the arrangement of systems of traditional corporations with limited liabilities. In other words, basic principles for the existence and operation of a company on the basis of capital include the principle of "share majority decides", representing democracy of capital, and the principle of "non withdrawal of contribution by shareholders", representing maintenance and sufficiency of capital. As is commonly understood, a company with limited liability is a company with both human and capital factors. A good intention of cooperation among the shareholders and a stable long-term cooperative relationship form a significant basis for the corporation.

The systems and principles of a traditional corporation with limited liability do not allow for the free change of the company's capital, let alone any break-through in the internal power structure of the company. Although such an arrangement of systems and concept of capital being paramount over all others may protect the stability of the corporation and the interest of the creditors, they have also seriously restricted reasonable floatation of economic resources. In particular, they have suppressed the functioning of the medium and small sized shareholders and harmed their legitimate rights and interest. For instance, share transfer among internal and external parties is restricted, economic democracy of medium and small sized shareholders is oppressed, and further rights of withdrawal and dissolution of the company may be prevented. When a conflict arises between capital factors and human factors of a company, since the said arrangement of systems gives priority to the former, it is very likely that a corporate deadlock will occur.

In any event, the occurrence of a corporate dispute is harmful, whether to the corporation or to its shareholders. In most cases, it will cause serious harm to the interest of the shareholders. Now that the minimum mutual trust among the shareholders is lost and the basis of cooperation is thoroughly broken, the controlling party of the corporation is very likely to directly harm the interest of the other parties. Judging from the practice in Civil Law jurisdictions, there usually exists factual compulsion of one shareholder over the other shareholders and serious unfairness, where the shareholder originally in charge of the company controls the operation and assets of the company and deprives the other shareholders of their legitimate rights and interests.

It is important to recognize here that the continuance of the corporate deadlock will not only directly harm the company and the interest of its shareholders, but also affect all those outside the company who have a stake in the economic well-being of the company or corporation. The corporate deadlock will result in the piling up of the company's debts and further chain reactions in its related enterprises, or even group conflicts among the company's employees, all of which may lead to chaos in the market or even in the stability of the society.

INTENDED ORIGINAL CONTRIBUTION

In accordance with the discussion above, this paper proposal intends to determine whether there are concepts within the Common Law system, which could be integrated into European private law.

This research fills a gap that has not been sufficiently dealt with, neither through academic scholarship nor through commercial case law in Europe (and mostly in Civil corporate law jurisdictions). Furthermore, little work has been done on its implications for corporate disputes in close corporations and the analysis of contractual mechanisms for their prevention and remedy. It is a complex legal issue relevant to those close corporations, which by their structure and functioning are likely to suffer internal disputes that are difficult to resolve if their bylaws or shareholder's agreements do not provide for effective remedies.

The legal relevance of the proposed paper is justified, on the one hand, through a study of the case law concerning corporate disputes under the Common Law. More commonly, scholarship has focused on these issues in connection with the United States and England, but less has been looked at in connection with European Corporate Law. It will also cover an area insufficiently focused on by the doctrine and case law under the EU Corporate Law. Moreover, those who hold the status of directors, shareholders, stakeholders, corporate lawyers and others interested parties in the field of close corporations will benefit from a critical study of current corporate law and a greater understanding of the bylaws and contractual possibilities and remedies for corporate disputes through this comparative approach.

METHODOLOGY

The methodology applied for the elaboration of this paper is eclectic and multidisciplinary. Apart from offering an exegetical component, it includes a systematic and comprehensive review of the legal system from the economic analysis of law point of view, relating to corporate dissolution. The paper concludes by pointing out unresolved conflict areas which have been identified in order to justify legal reform in the EU Corporate Law framework (with special focus on the European Private Company, which has been proposed by EU institutions in order to promote access to the Single Market for Small and Medium Enterprises). The findings will be structured following a critical and constructive approach, seeking legal alternatives to prevent corporate disputes, keeping in mind an ethical approach in line with the corporate governance guidelines for balancing solutions between shareholders and directors.

Keywords: 50/50 Corporations, Conflict of Interest, Board of Directors, Shareholders.

HOW CORPORATE BOARD GENDER AND CULTURAL DIVERSITY MAKE INVESTORS' PORTFOLIOS DIFFERENT

Duccio Martelli, Alberto Burchi

The current economic scenario, characterized by null (or even negative) returns, have spurred investors to rethink their investment strategies. Besides, corporate scandals (such as Volkswagen, just to cite an example) have increase the tendency to prefer sustainable and responsible investments to traditional assets, which offer investors both a financial and a social return. Unfortunately, there is no a general agreement both on the terminology to use to identify such investments (sometimes they are also called for example socially responsible investments (SRI), depending on the aspect researchers want to stress) and the style of investing responsible finance describes. That is why very recently a few providers of investment decision support tools (for instance MSCI and Morningstar) have started to assign labels and ratings to SRI assets, so to help investors to better understand the underlying philosophy companies follow. Among all these classifications, we have decided to focus on analyzing the constituents of the Thomson Reuters Diversity and Inclusion Index, mainly for the following two reasons: i) political and financial authorities worldwide strive for more women in the boards of directors, and ii) there are several studies in literature showing how women have positive impacts on firms' performances. The aim of the study is twofold. On one hand, it wants to investigate whether investors are able to reward diversity board stocks compared to traditional assets, when stocks are taken alone; on the other hand, it compares portfolios' returns achieved while investing in firms following a corporate board gender and cultural diversity to portfolios built when investors prefer traditional assets only. Preliminary results show that board diversity seems to be a factor allowing stocks to have better risk-return trade-offs compared to traditional assets, and thus helping investors to achieve better results.

Keyword: Board Gender Diversity, Board Cultural Diversity, Investors' Portfolios.

PARALLEL SESSION 3

Corporate governance, risks and firm performance

Session chair: Antonio Renzi, Sapienza University of Rome, Italy

LEVERAGE AND FINANCING CHOICES: FIRM-SPECIFIC LONGITUDINAL EVIDENCE

Seth Armitage and Angelica Gonzalez

We follow the financing choices over time of established companies with initial high profitability and low leverage, company by company. The behaviour of most suggests preference for low leverage or indifference to leverage so long as it is not excessive (debt/assets above 50%). Companies lever up in order to fund a large expenditure, and de-lever subsequently if they have cash inflows. Sustained leverage is associated with recurrent large expenditures. Share issues are an important source of funds and most issuers have good profitability, showing that share issues are important for healthy companies.

Keywords: Share Issues, Repurchases, Special Dividends, Financial Flexibility.

DOES GOOD GOVERNANCE LOWER COST OF CAPITAL?: EVIDENCE FROM EMERGING ECONOMY

Muhammad Arslan, Jamal Roudaki and Sazali Abidin

The objective of this study is to investigate the nexus between corporate governance (CG) scores and cost of capital (COC). Specifically, the study investigates the level of CG compliance among listed firms of Pakistan Stock Exchange (PSX), determinants of CG compliance and nexus between CG compliance and COC through self-constructed CG index (CGI). Using a balanced data of 120 firms from 2009 to 2015, the study finds that level of CG compliance and disclosure has improved over time among PSX listed firms. The study finds positive association of director, institutional and government ownership while negative association of block ownership with CGI and COC. The finding of 2SLS reveals that cost of capital decreases as level of CG compliance increases, thus, Pakistani firms with higher CG scores have lower cost of capital. Finding reveals that audit firm size has positive association with CG compliance and disclosure while negative association with cost of capital among PSX listed firms. Board size and gender diversity have negative association with both CG compliance and COC. The study contributes to existing literature dealing with CG and firm value determinant (i.e. COC), especially in context of Pakistan, which has not been extensively explored in earlier research.

Keywords: Corporate Governance, Disclosure, Cost of Capital, 2SLS, Ownership Structure, PSX.

COMMERCIAL CORPORATE GOVERNANCE RATINGS AND STOCK RETURNS

Paul M. Guest and Marco Nerino

This study shows that announcements of corporate governance ratings by commercial rating firms impact stock market prices and thus have relevance for the efficiency of capital markets. Examining 850,000 observations over 2000-2016, we categorize the six available commercial ratings according to whether; 1) they employ a "tick-the-box" approach to governance, and 2) the rating firm also provides proxy advice to which the rating is closely aligned. We show that rating downgrades have a significantly negative impact on stock prices for ratings that do not use a tick-the-box approach or are closely aligned to subsequent proxy voting recommendations. Downgrades associated with ratings that meet neither criteria have no impact on announcement returns. We contribute to the literature by showing that certain categories of ratings play an important information intermediary role in the stock market.

Keywords: Commercial Corporate Governance Ratings, Event Study, Stock Returns, Information Intermediaries, Institutional Investors.

PARALLEL SESSION 4

Corporate governance, regulation and law

Session chair: Dmytro Govorun, Virtus Global Center for Corporate Governance, Ukraine

IRFS 9 COMPLIANT ADJUSTMENT OF CDS IMPLIED POINT-IN-TIME PDS TO THROUGH-THE-CYCLE DEFAULT FREQUENCIES

Mariya Gubareva

This paper presents an economically justified International Financial Reporting Standard 9 (IFRS 9) compliant solution around the impairment component related to Expected Credit Loss (ECL) modeling. Under IFRS 9 the probabilities of default (PDs) employed in ECL calculation must be real-time estimates, i.e., the PDs must be point-in-time and incorporate forward-looking information. While market indicators of future debt performance, as credit default swap (CDS) spreads and yield curves, are frequently available in the market, at least for large issuers, they cannot be used directly for PD estimates, as non-default risks, such as liquidity, transparency, and other, explain a relevant part of a fixed-income issue's credit spread. Still, IRFS 9 requires a neutral character of PD estimations. We demonstrate how to calibrate single-name CDS implied PDs by examining the relationship between individual point-in-time forward-looking credit spreads and historically observed long-term average default frequencies. As CDS spreads are individual measures corresponding to a concrete reference entity while default frequencies represent aggregate measures across homogeneous groups of issuers, to make an economically meaningful calibration possible the CDS data must be averaged over time and rating, sector and/or geography to allow for comparison of comparable metrics. Our easy-to-implement solution specifically targeting IRFS 9 purposes is illustrated on a sample of corporate issuers. The proposed adjustment framework permits to reach better understanding by banks and financial institutions of complex ongoing interactions between the impairment and economic capital requirements in relation to credit losses.

Keywords: Expected Credit Loss, IFRS 9, Point-in-Time Probability of Default, Term Structure of Probability of Default, Components of CDS Spreads.

THE BAIL-IN BEYOND UNPREDICTABILITY: MARKET DISCIPLINE AND THE CORPORATE GOVERNANCE OF BANKS

Edoardo Martino

Market Discipline of creditors on risk taking behaviours of borrowing banks represents a long-lasting debate. Such a debate gained new attention after the post-crisis stream of reforms concerning resolution policy: creditors should be incentivized to take optimal effort in monitoring their borrowers and. at the same time, their interests have been aligned with the social ones. Many commentators criticized such an expectation especially in the European context, arguing that the lack of credibility and excessive complexity of the resolution mechanism impair the ability and willingness of creditors to exert disciplining role. This paper aims at taking a step forward in this scientific debate, investigating whether the ability to exert disciplining activity is inherently impaired by the design of the Directive. In other words, this research wants to assess if. in an assumed ideal environment, creditors would have optimal incentives to monitor bank's behaviours and react accordingly. To do so. the paper reviews the literature on Market Discipline, then carries out a legal analysis of the Bank Recovery and Resolution Directive (BRRD). focusing on those norms shaping the market for bail-inable securities. Eventually, the incentives stemming from those norms are discussed, assuming an ideal environment where bail-in is certain and credible and the market for bail-inable securities works smoothly. The analysis highlight that the incentives of creditors toward market discipline are inherently diluted by the BRRD legal design because of competing policy objectives pursued by the Directive. The direct normative consequence of such a finding is that enhancing information and predictability, though desirable in principle, will never lead to optimal monitoring effort, leaving the Hoor to alternative rule-based strategies.

Keywords: Law & Finance, Bank Resolution, Bank Corporate Governance, Bail-inable Creditors, Market Discipline, Incentive Dilution.

MANDATORY VOTING AND SHAREHOLDER POWER

Patricia Charlety, Marie-Cecile Fagart and Saïd Souam

This paper completely characterizes the equilibria of a costly voting game where shareholders of a firm may vote strategically for or against a proposed resolution, or withhold. Two categories of shareholders are considered: institutional investors who are required to vote, and partisans. It is shown that mandatory voting creates an incentive for voting coalitions, as does the presence of a quorum rule. Equilibria in favor of the resolution and against may co-exist. We fundamentally show that the difference between the sizes of the institutional investors in favor or against a resolution plays the same role as a quorum requirement. Finally, the equilibrium outcome may or may not correspond to the preference of the dominant shareholder.

Keywords: General Meeting, Strategic voting, Coalitions, Mandatory Voting, Quorum rule

PARALLEL SESSION 5

Corporate governance and financial markets

Session chair: Nicola Cucari, Sapienza University of Rome, Italy

THE DETERMINANTS OF DIVIDEND POLICY IN EURONEXT 100

Nádia Genebra Ahmad, Joaquim Miranda Sarmento, Victor Barros

The purpose of this paper is to examine the determinants of firm's div idend policy using a sample of firms that belong to the index Euronext 100 between 2007 and 2016. The dividend yield in this paper is not associated with firm's profitability, although higher growth expectations by investors and larger size of firms influence negatively firm's dividend yield. Several studies claim that leverage is a determinant of the dividend policy to discipline managers, although directly leverage is not associated with firm's dividend policy in this study. However, an important finding of this paper is that the level of leverage shapes dividend yields differently in the presence of stable payouts and stable dividends per share. Moreover, the dividend yield reflects a positive valuation of investors if the growth in dividends is linked to the growth in earnings for firms with higher growth expectations, as a policy of a stable payout appears to be viewed by investors as not jeopardizing future growth.

Keywords: Dividend Policy, Leverage.

LEGACY AND LESSONS OF THE BITCOIN BUBBLE IN TERMS OF GOVERNANCE

Eric Pichet

After going from less than $1 at its creation in 2009, the price of the Bitcoin overpassed $1 000 in early 2017 and hit $19 000 at the opening day of the future contract on the Chicago Mercantile Exchange coming back in January 2018 under $10 000. In the first part of this paper, we come back to the origin of the Bitcoin insisting on the ideology underpinning it. We present the main innovation of its primary and secondary market based on the blockchain-based trade validations to define its real essence different from official money. In the second part we explain the archetypical bubble of the Bitcoin and the two main reasons for which the bubble is condemned to pop, namely the technological risk of a widespread theft flooding the market with false bitcoins or/and the coalition of national authorities and central banks deciding jointly to prohibit bitcoin as a means of payment. Finally, in the third part we draw the two main lessons of the adventure of the bitcoin in terms of governance of the financial markets as secure decentralized systems using blockchain-like innovations that will rival traditional trusted third parties (banks, notaries, etc.), if only because they cost less and how regulators and central banks should monitor the risk of crypto currencies on financial markets governance and also its influence on collective intelligence on the boards of directors and corporate governance.

Keywords: Bitcoin, Corporate Governance, Cryptocurrencies, Speculative Bubble Collective Intelligence, Blockchain, Central Banks, Financial Markets, Financial Regulation.

INNOVATIVE PERFORMANCE IN FAMILY BUSINESS AND OWNERSHIP COSTS OF FAMILINESS

Beatrice Orlando, Antonio Renzi

The aim of this study is to clarify the impact of familiness on innovative performance of the family business. Extant studies on the relationship between familiness and innovative performance show inconsistency of results. We tackle this main literature gap by explaining the relationship via using the contract theory. Prior scholars address the inverse u-shaped relationship between resources slack and innovation in terms of agency costs. Adapting this logic to family business, we consider how does the presence of family members in the board of directors impact innovative performance in presence of financial slack. We distinguish ownership from transaction costs. Hypothetically, the relationship between slack and innovative performance were supposed to be linear in absence of agency costs. Though, we argue that it is inverted u-shaped, indeed, because any firm has a limited innovative capability and for the presence of ownership costs due to familiness. Actually, financial slack is, at least, partially used to reward shareholders. We further consider innovative performance of family business through evaluating the type of innovation they pursue: closed versus open innovation. We argue that family members prefers open versus closed innovation because it amplifies the return on equity of the initiative, despite this choice implies the family has to partially give up control over the process. This mechanism occurs by leveraging on firm potential slack - a firm attitude to attract future funds such as debts thanks to financial slack.

Keywords: Familiness, Family Business, Firm Performance, Innovation, R&D.

CORPORATE SOCIAL RESPONSIBILITY IN GREEK HIGHER EDUCATIONAL INSTITUTIONS

Electra Pitoska, Androniki Katarachia and Konstantinos Giannakis

The purpose of the present paper is to explore how undergraduate students perceive Corporate Social Responsibility (CSR) and value its application for their personal career development and for the sustainability of their educational institution. To analyse the dominant perceptions of students towards CSR in Higher Educational Institutions, a qualitative empirical research was conducted in the region of Northern Greece, via online structured questionnaires in Autumn 2017. The questionnaires were mainly completed by students with a background in economics, business administration studies or other related fields. The results demonstrated that there are differences in CSR perception and understanding among the surveyed students. It is worth noting that the majority of the participants were aware of the actual meaning and purpose of CSR, as well as of the potential benefits from its implementation. Most of the students considered CSR as a contemporary concept, related to environmental and social aspects, company profitability, legislative framework, voluntary work and charity as well as sustainable development. In addition, the research highlighted that it is vital that Greek Higher Educational Institutions incorporate CSR or Business Ethics in their curricula. Finally, the research also demonstrated the reasons for applying CSR in Higher Education and the methods of application which would enable Higher Educational Institutions to change attitudes towards CSR.

Keywords: Corporate Social Responsibility (CSR), Sustainability, Higher Education Institutions.

PARALLEL SESSION 2.2

Corporate governance, board of directors and family ownership

Session chair: Giuseppe Sancetta, Sapienza University of Rome, Italy

INTERLOCKING DIRECTORATES IN ITALY: NEW PERSPECTIVES FOR CORPORATE GOVERNANCE MECHANISM

Salvatore Esposito De Falco, Nicola Cucari, Federica Di Franco

The purpose of the present paper is twofold. The first is to update the contribution by Drago et al., (2011) about cross shareholdings and interlocking directorates in Italian listed companies (FTSE MIB) to 31 December 2016 and to reinforce theory of enlarged collusion. The second, by using the social network analysis, to map the network structure of interlocking boards and employ centrality measures like degree, eigenvector and betweenness along with the network density and average degree. Our assumption is that eigenvector measures the "actual power" of the connections, while betweenness is a proxy of the volume of information that passes through the nodes and measures "potential power". Our results allow us to interpret the enlarged collusion and its potential implications for corporate governance mechanism in Italy. In particular, we provide a framework for selecting "potentially and actually powerful" firms - around whom interactions and processes can be traced and analyzed.

Keywords: Interlocking Directorates, Italian System, Corporate Governance, Social Network Analysis, Corporate Networks.

THE IMPACT OF INTERNATIONALIZATION STRATEGIES ON FAMILY FIRMS' GROWTH IN DOMESTIC MARKETS

Mariasole Bannò, Graziano Coller, Fabio Zona

Scholars examining the consequences of internationalization strategies on firm's growth in domestic markets have developed two conflicting viewpoints: the substitution-effect view postulates that internationalization takes place at the expense of the firm's domestic market; the complementarity-effect view, posits that internationalization has positive effects for firm growth in firm's domestic market. We contend that the ownership structure of the firm and, specifically, the distinction between family vs. non family firms, helps explain the unresolved issue about the impact of internationalization on the domestic-market growth. Applying a socio-emotional wealth (SEW) perspective on family firms leads to predict that – compared to their non-family counterparts – family firms are more likely to foster internationalization through the complementarity-effect mode. We test our hypotheses on a sample of 338 Italian multinational companies in the time-window 2008-2012. Empirical results provide evidence in support of our theory: degree of internationalization translates into stronger growth in the domestic market for family business, rather than for non-family firms. Theoretical implications and contributions of our theory are presented and discussed.

Keywords: Family Firms, Socio-Emotional Wealth, Internationalization, Foreign Direct Investments, Ownership, Growth.

CORPORATE GOVERNANCE OF FAMILY OWNED AND CONTROLLED BUSINESSES IN EMERGING ECONOMIES

Naheed Sultan

Emerging economies like Pakistan have been in focus due to their economic share in world trade and foreign direct investment. Corporate governance in Pakistan cannot be well understood without considering the significant role of family owned and controlled business (FOCB) in its economy. Although the FOCBs play a vital role in the development of any country's economic development economies has attracted very little academic attention. This paper examines the special governance challenges of FOCBs, particularly, in context of Pakistan where more than 50% of corporate ownership are FOCB both in public and private sector, which hold opportunities and challenges. For example, they suffer from lack of independence, inability to attract and retain high quality human resources and to raise capital. The families, in Pakistan, hold the majority shareholding (more than 75%) which help them to keep control of the companies by appointing their relative and friends in BODs as executive and non-executive member usually without the required capabilities These challenges can be overcome through good governance leading them to the next phase of life cycle of Family business. This paper engages in an empirical study relying on qualitative research methodology with exploratory and descriptive approach and focusing on the companies which are owned and controlled by the families and are listed in any three of the stock exchanges of Pakistan. Establishment of good corporate governance practices enables the companies to reduce conflict of interest and motivate the employees for higher performance level along with a strong accountability mechanism. Most importantly, companies with well-established and effective corporate governance structure are in better position to attract more investment from global market.

Keywords: Family Owned and Controlled Business, Corporate governance challenges, Pakistan, Emerging Economies.

WHAT HAPPENED TO PRIVATE BENEFITS IN ITALY?

Giuseppe Sancetta, Nicola Cucari, Marco Petracca

A large body of research deals with voting premium as a proxy of private benefit of control. Almost all of them find positive voting premium, in particular in Italy, country that has always been characterized by high voting premiums and insider ownership, along with a weak protection of minority shareholders. This study by assessing the voting premium in the Italian stock market from April 2007 to April 2017, shows three major findings: i) reduction of non-voting share in the Italian scenario; ii) prevalence of negative voting rights premium more than positive ones, thus conflicting with the assumption and the observations by other researchers; iii) limits of the voting premium method because some differences in price levels can be explained with the differences between the prices of voting and non-voting shares. In particular, we encourage the comparison of premium voting with other methodologies that take into account the market price shares and the OPA price shares in the call for tenders launched on Italian regulated markets. Our aim is therefore that this study, despite its limitations, may encourage further researches focused on the analysis of the improvement and the change into the Italian corporate governance. The article points out that interesting evidence already exists, although still much remains to do in the future.

Keywords: Private Benefit, Voting Premium, Corporate Governance, Private Cost, Italy.

PARALLEL SESSION 4.2

Corporate governance, regulation and law

Session chair: Francesca Iandolo, Sapienza University of Rome, Italy

REREGULATION IN THE CORPORATE GOVERNANCE AND FINANCIAL MARKETS: COSTS AND BENEFITS?

Francesco Di Tommaso

We know that Corporate Governance is the central and dynamic aspect of business. The term •governance' derives from the Latin gubernare, meaning *to steer', usually applying to the steering of a ship, which implies that corporate governance involves the function of direction rather than control. We have many ways of defining corporate governance, from narrow definitions that focus on companies and their shareholders, to broader definitions that incorporate the accountability of companies to many other groups of people, or 'stakeholders'. In my paper, I discuss a the definition of the Corporate Governance in Emerging Markets, but for the purposes of this introduction I use a general definition that corporate governance concerns the way in which companies are directed and controlled.

The importance of corporate governance for corporate success as well as for social welfare cannot be ignored. Recent stories of massive corporate collapses resulting from weak systems of corporate governance have highlighted the need to improve and reform corporate governance at an international level. In the case of Enron and other similar cases, countries around the world have reacted quickly by pre-empting similar events domestically. As a speedy response to these corporate failures, the USA issued the Law of the Sarbanes-Oxley Act in July 2002, while in January 2003 the Higgs Report and the Smith Report were published in the UK, again in response to recent corporate governance failures. The impact of their recommendations are discussed throughout this paper. I also spend time discussing the difference between the rules-based approach to corporate governance adopted by the USA and the comply or explain approach chosen by the UK. Our main aim is to consider why such initiatives are being pursued and why continuing reform of the corporate governance system in the UK and elsewhere is necessary. In this introduction, I set the argument by placing the evolution of corporate governance in its historical and theoretical context, focusing mainly on the UK case. I now outline the paper in more detail.

Keywords: Corporate Governance, Regulation, Financial Markets, Costs and Benefits.

CORPORATE AND ACCOUNTING FRAUD: TYPES, CAUSES AND FRAUDSTER'S BUSINESS PROFILE

Michalis Bekiaris, Georgios Papachristou

Fraud costs economy, businesses, investors and society more than $3 trillion every year. It is a serious problem that after a series of corporate and accounting scandals has recently received considerable attention. This essay reviews fraud concept and presents the main fraud schemes and causes that lead people to unethical behavior. We describe fraudster's personal characteristics and discuss fraud evolution from 2004 to 2016, according to the Association of Fraud Examiners' Reports to the Nations. We find that asset misappropriation is the most frequent scheme and fraudulent financial statement is the most costly. Banking is the industry suffering the most from fraud, while owners or executives and employees with more than ten years at the corporation generate the most high-impact fraud scandals.

Keywords: Fraud; Fraud Schemes, Fraud Consequences, Fraudster's Profile, The Association of Certified Fraud Examiners.

EXECUTIVE REMUNERATION: EXPLORING THE SOUTH AFRICAN CORPORATE LEGAL FRAMEWORK

Anthony Nwafor

The existing corporate statistics on directors' remunerations have shown that the remunerations received by the executive members in the public companies are not always a reflection of their performances in those companies. Some concerns have been expressed to the effect that company directors have continued to be heavily compensated even in the face of dwindling corporate finances and shareholders' expectations on their investments. The public outcry against such disproportionate executive pay has attracted legislative interventions in some jurisdictions, including South Africa, with the aim of increasing transparency and ensuring an enhanced shareholder participation in the fixing of the directors pay. This paper examines the existing instrument in the South African context and argues that although the shareholders are now granted a statutory right to vote on the determination of the executive remuneration, such votes can only become an effective instrument in curtailing excessive pay where there is a proper disclosure which at present is not effectively guaranteed, so long as the provisions on disclosure remain in the directory provisions in the King Code on corporate governance.

Keywords: Executive Remuneration, Corporate Legal Framework, Corporate Governance.

GENDER QUOTAS AND PERFORMANCE: COMPARISON OF OUTCOMES BEFORE AND AFTER LAW ON GENDER PARITY

Paolo Tenuta, Domenico Rocco Cambrea

Our empirical study analyses the impact of Italian gender quotas on the performance of Italian listed companies. Specifically, we study the effect of the presence and the role of women in the boardroom and some of their personal characteristics. Using data from 195 Italian listed firms during the period 2006-2015, the aim of the study is to show the effect arising from the introduction of the Italian law 120/2011, which forces the listed companies to reserve a mandatory quota to female directors on the board. The results show a positive and significant effect of the continuous variable female directors on performance. Similarly, both independent and executive female directors improve firm performance. However, our empirical findings are different considering the two periods, before and after the introduction of Golfo-Mosca Law.

Keywords: Gender Quotas, Corporate Performance, Gender Parity Law.

PARALLEL SESSION 6

Corporate governance in banking institutions

Session chair: Yaroslav Mozghovyi, Virtus Global Center for Corporate Governance, Ukraine

IS THE MARKET SWAYED BY PRESS RELEASES ON CORPORATE GOVERNANCE? EVENT STUDY ON THE EUROSTOXX BANKS

Marina Brogi, Valentina Lagasio

What is the impact of Corporate Governance information on stock prices of banks? Are press releases on Corporate Governance price sensitive? This paper addresses these questions by using an event study methodology on Euro area banks listed on the Eurostoxx banks Index, which are all entities supervised by ECB. Systemic shocks are explored as well idiosyncratic ones. We find that investment decisions are significantly but negatively influenced by the disclosure of a press release on corporate governance, as if this kind of news lead the investors to perceive negatively the bank. The contribute to the existing literature is substantial, since to the best of our knowledge this is the first paper that investigates European banks press releases on corporate governance. Relevant policy implications emerge and are discussed in the conclusions.

Keywords: Banks, Finance, Event Study.

IT GOVERNANCE IN THE BANKING SECTOR: EVIDENCE FROM SOME EUROPEAN COUNTRIES

Sabrina Leo, Ida Claudia Panetta and Fabrizio Santoboni, Gianfranco Vento

The paper analyzes IT governance disclosure on a sample of the major EU banks (20 institutions from Italy, Germany, France and Spain) to observe if, how and where banks report on their IT governance issues. Since IT governance (like other aspect of banking business) can be influenced by regulatory environment, therefore, we examine whether any differences in supervisor attitude to IT concern will induce differences in IT governance across countries. Information Technology (IT) is an intrinsic component of banks' operational functioning; it is a key resource in developing and supporting banking services, enabling institutions' strategies, and it is essential for almost all banking processes and distribution channels (EBA, 2015). IT and data architectures are also becoming even more necessary to improve banks' risk management process, and support the broad management of financial risks. Due to this increasing relevance of IT, it is necessary to pay more attention on IT governance as integral part of banking corporate governance, being sure that IT processes are fully integrated into the life cycle of business process, and used as an enhancer of organizational strategy and goals (Spremić, 2009). Recurring to IT governance transparency, as a key mechanism of corporate governance, we: i) elaborate an original IT governance framework; ii) perform a content analysis on banks public disclosure and a selected number of Supervisors' official documents (2008-2015) to build up IT governance indices; iii) run a multidimensional analysis to detect causal relationships between variables. Our analysis indicates that differences in the level of IT governance disclosure are bank specific and not related to country's institutional settings; we also observed an increasing consistent attention of both Supervisors and banks on IT issues starting from 2013. At our knowledge, there is no specific study on IT governance disclosure in the banking sector, except of the contribute of Joshi et al. (2013).

Keywords: IT Governance, Banking Sector, Content Analysis.

THE FINANCIAL PERFORMANCE OF THE BANKING SECTOR - MACRO AND MICRO DETERMINANTS - EVIDENCE FROM ROMANIA

Andrei Rădulescu

The financial performance of the Romanian banking sector initiated an upward trend in 2015, an evolution supported by several factors (both macro and micro), including the post-crisis cycle in the real economy, the high level of the net interest margins and the decline of the non-performing loans. At present, the ROE and ROA indicators are very close to the pre-crisis levels. In this paper we analyze the financial performance of the banking sector in Romania during 2007-2017, by employing standard econometric tools, working with quarterly statistics published by the National Bank of Romania (NBR), Eurostat and Bloomberg. According to our results the credit market in Romania is highly pro-cyclical. At the same time, the improvement of the financial results of the banking industry in Romania over the past quarters has been highly dependent on the decline of the NPL ratio. Based on our estimates we forecast the financial performance of the banking sector to consolidate in the short-run and to change the trend (from upward to downward trend) in 2018, as the post-crisis cycle hits maturity, while the policy-mix rebalances, with impact for the financing costs.

Keywords: Banking Sector, Romanian Economy, NPL Ratio.

IMPACT OF CORPORATE GOVERNANCE ON BANKS’ PERFORMANCE: A STUDY OF ISLAMIC AND CONVENTIONAL BANKS

Shafiq Ur Rehman, Irfan Muhammad

This paper studies the relationship between Corporate Governance and performance of Islamic and conventional banks of Pakistan. To accomplish this proposed goal, secondary data is extracted from the annual reports of Islamic and conventional banks for the period 2007-2014. The present study considers different variables of Corporate Governance for instance, Board Size, Outside Directors, Board Gender Diversity and Board Meetings, whereas, bank’s performance is captured by Return on Assets. The results of regression analysis reveal, with strong evidences, that board size has negative relationship with the performance of Islamic and conventional banks. Outside Directors and Board gender diversity positively contributes to the performance of banks. A significant positive relationship is observed between board meetings and performance of Islamic banks however, this relationship is negative in conventional banks of Pakistan. Further, this study also examines the performance of Islamic and conventional banks during the financial crisis (2007-2009). The results show that financial crisis has no significant impact on the return of Islamic banks. While a significant decline is reported in the performance of conventional banks during the global financial crisis, 2007-2009.

Keywords: Corporate Governance, Bank Performance, Islamic Banking.

PARALLEL SESSION 7

Corporate governance, accounting and audit

Session chair: Beatrice Orlando, Sapienza University of Rome, Italy

THE EFFECT OF AUDITOR INDUSTRY SPECIALIZATION AND CORPORATE GOVERNANCE ON THE CASH FLOW REPORTING CLASSIFICATION CHOICES UNDER IFRS

Shuling Chiang, Gary Kleinman, Picheng Lee

This study explores the relationship between audit partner industry specialization, audit firm industry specialization, corporate governance and the decision by Taiwanese firms to take advantage of IFRS flexibility with respect to reporting interest income, interest expense, and dividends received in the cash flow from operations section of the statement of cash flows. A sample of 1277 Taiwanese firms were drawn for fiscal year 2013, the year that Taiwan switched from using its own GAAP to using IFRS principles. Of these, 354 changed their cash flow reporting classifications. The results showed that the more specialized an audit firm was in working in an industry, the less likely were its clients to switch from Taiwan GAAP's requirement that firms report interest paid and received, a dividends received be shown as operating cash flows to being reported elsewhere in the cash flow statement. Audit partner specialization was significantly related to some, not all, of the three types of cash flow reporting discretions studied. The corporate governance variable was not related to the broader cash flow reporting choices of switching at all, but was consistently negatively related to firm choices that led to higher operating cash flows, such as moving interest paid from the operating activities section to the financing activities section.

Keywords: Audit Specialization, Corporate Governance, Cash Flow, IFRS

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CSR DISCLOSURE, AUDITING FIRMS AND AUDIT/NON-AUDIT FEES

María Consuelo Pucheta-Martínez, Inmaculada Bel-Oms, Lúcia Lima Rodrigues

The aim of this paper is to examine how big auditing firms and audit/non-audit fees impact on Corporate Social Responsibility (hereafter CSR). We use a panel data of Spanish non-financial listed firms for the period 2004-2014, composed of 1.312 firm-year observations. We find that the big four auditing firms and audit and non-audit fees paid by audited firms encourage CSR disclosure practices. Overall, our results suggest that big auditing firms play a relevant role in CSR reporting, which may help to mitigate informative asymmetries between managers and stakeholders. Furthermore, audit and non-audit fees paid by audited companies promote the voluntary non-financial information disclosure. These findings should be of interest to policy makers, given the relevant role that CSR disclosure may play in the decision-making process of all the stakeholders.

Keywords: Corporate Social Responsibility, Big Auditing Firms, Audit Fees, Non-Audit Fees.

PERSPECTIVES ON CORPORATE GOVERNANCE AND INTERNAL CONTROLS: THE GREEK EXPERIENCE

Andreas G. Koutoupis, Evangelia Pappa

The objective of this paper is twofold. Firstly, it portrays and evaluates the existing corporate governance structure and secondly, highlights its connection with internal audit function and management practices. It is adopted a descriptive research analysis using quantitative approach on a sample of listed companies in Athens Stock Exchange for the year 2016. Our methodological research instrument is based on COSO (2013) Internal Control - Integrated Framework. The paper concludes that corporate governance is driven to managerial excellence and effective governance because of internal audit processes, risk assessment, control activities, information and communication, and monitoring activities. The research contributes to the corporate governance literature by providing valuable insights into the major aspects of a well-functioning internal control system and its relevance of management performance. Proposed areas for future research directions should be discussed.

Keywords: Corporate Governance, Management, Internal Auditing, COSO Model, Greek Listed Enterprises.

FAIR VALUE ACCOUNTING AND EARNINGS MANAGEMENT: DO UNOBSERVABLE INPUTS HAVE ANY IMPACT ON EARNING QUALITY?

Marco Tutino, Marco Pompili

IASB have chosen fair value accounting to reach the goal to create a financial reporting able to help investors (more in general users) in decision-making process. During recent years, an intense debate has arisen concerning the trade-off between relevance and reliability in connection to fair value accounting. Usually fair value information are relevant and helpful for investors but many authors have outlined that some problems could arise from unobservable inputs. Considering problems related to FVA, the main objectives of this paper are (i) furnish a review of the academic literature on the management behaviour related to FVA and, based on Šodan (2015), (ii) identify the relationship existing between FVA and earning quality on sample of banks listed in the US and in Europe observed for the period 2011-2016. At this stage of analysis, results confirm a negative relationship between FVA and earning quality for banks listed in the US whereas results for banks listed in European markets do not provide strong evidence. Future analysis will be perform in order to identify the consequence of use of different inputs, observable and unobservable, in terms of earning quality.

Keywords: Fair Value Accounting, Earnings Management, Earnings Quality.

THE QUALITY CONTROL SYSTEMS FOR PROFESSIONAL ACCOUNTANTS - TO SERVE AND TO PROTECT

Nicolae Bobitan, Diana Dumitrescu

The professional accountants have the objective to delivery high quality services in order to serve the public interest and to protect the professional reputation. A system of quality control offers assurance that the professional accountants and their personnel respect the professional standards and any legal or regulatory requirements and the reports issued are appropriate in the circumstances. For the purpose to achieve this assurance a quality control system contains polices whose implementation is achieved through a system of procedures. Any accounting`s firm need to develop a quality control system and the professional bodies evaluates how effective this system is. The paper has the purpose to discuss the most important elements of a SQC and to identify whether the firms use them and the professional accountants know how to develop and to use an effective quality control system, in order to serve and to protect the public interest.

Keywords: Quality Control, Public Interest, Policies, Procedures, Professional Accountant.

KEYNOTE SPEAKERS

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