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Corporate Governance and Accounting Performance Measurement in Family-owned Firms: The Case of Bahrain

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Corporate governance has become a regular feature in the developing countries. This paper provides insights into the importance of using accounting performance measurements in Bahrain firms after implementing corporate governance directives by Bahrain government. This paper tests this hypothesis that ownership structure of firms is associated with high performance. *The evidence collected from 37 firms in Bahrain supported this* hypothesis. The main findings indicated that accounting performance measures in family firms are better than in non-family firms.

Keywords: Corporate governance – management accounting- performance measurement.

1. Introduction

The importance of corporate governance is growing quickly in many countries around the world. Several reports regarding this issue have been published in the western countries such as France, UK, and also in Asia such as Japan, the USA, Australia and many other countries. The corporate governance literature assumes that the board of directors has an essential role in the corporate governance in any firm. In Agency theory, it is assumed that the board of directors exits to protect the interests of the shareholders because of a separation of corporate management and its ownership. Ownership and management often overlap In family-owned firms due to close dependence of the family's well-being on the welfare of the firm (Le Breton-Miller & Miller 2009). Many scholars such as Sirmon and Hitt (2003) and Chrisman et al. (2007) stated that family firms differ from non-family firms in various aspects with respect to human resources, social capital, survivability, financing and governance structures. While Salvato and Moores (2010)argued that family firms differ from non-family companies in their corporate governance structure they did not investigate the role of management accounting in measuring the value created by effective corporate governance in family and non-family firms. However, few references dealt with the accounting performance measurements that family firms use and corporate governance in the developing countries.

The only studies examined certain areas of management accounting, for example Moores and Mula (2000) who studied management control systems, Upton et al. (2001) who examined strategic and business planning practices of fast growing family firms and also investigated the firm's performance management systems.

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The aim of this study is to investigate the impact of diversified ownership structures on firms' performance with regard to total asset management, profitability, financial risk and cash flow-efficiency drivers. The study is justified because it provides a starting point for research involving accounting performance measurements and corporate governance in family-owned firms in the Bahraini environment.

The current study is structured as follows. Section 2 discusses the demand for corporate governance and a corporate governance code in Bahrain. Ownership structure is provided in Section 3. Section 4 presents performance measurement and corporate governance. Literature review and hypotheses development are provided in Section 5. The sample selection and methodology are outlined in Section 6. Data analysis and findings are presented in Section 7. The summary and conclusions are reported in Section 8.

2. The Demand for Corporate Governance

Governments around the world gave attention to corporate governance in order to protect shareholders and investors. Recommendations provided from the UK's corporate governance code (Cadbury, 2000). It is also known as the Combined Code that was authored by the Financial Reporting Council (2010). In addition, recommendations were supplied by the statutory requirements of the Sarbanes-Oxley Act (2002) in the USA. Also, many prior studies gave attention to corporate governance (e.g., Child and Rodrigues (2003); Monks and Minow (2004), Roberts *et al*. (2005); Gordon (2002); Lambert and Sponem (2005). The need for good corporate governance was revealed after exploring the fraud and financial corruption experienced by Enron and Parmalat (Kenny 2005). Prior research about corporate governance concentrated on compliance with corporate governance guidelines and investment protection. Charan (2005) argued that most Boards of directors were in a state of instability and still not living up to their potential of providing truly good governance and that governance improves the stakeholder value of the firm.

The organization for Economic Co-operation and Development (OECD 2004) defined corporate governance as the system by which business corporations are directed and controlled. The ideal corporate governance structure ought to describe the acquisition and distribution of resources and responsibilities among the board, managers and other stakeholders. Verhezen and Morse (2009) defined corporate governance as the interactions between internal and external parties and the Board members in directing and leading a firm for value creation. Due to this compliance approach to improve corporate governance, much research in accounting has been concerned with issues such as ownership structure, Board composition, audit committees, financial reporting, earnings restatements and disclosure practices (Eng and Mak 2003; Ajinkya *et al* 2005; Karamanou and Vafeas 2005; Beekes and Brown 2006). Such compliance approach fails to integrate governance into internal organizational processes, which is the field of management accounting (Seal 2006; Daily *et al*. 2003; Schmidt and Brauer 2006).

The Board is not only responsible for keeping formal structures and processes but also for conducting leadership in utilizing the firm’s resources and capabilities to create competitive advantage and to achieve better performance (Carpenter and Westphal

2001; Farinha 2003; Charan 2005; Schmidt and Brauer 2006). The governance policies require adopting a long-term perspective of value creation for shareholders. They also require providing guidance on strategic decisions which affect the value created when critical issues arise in the firm. Therefore, the wider view requires providing a strategic direction for organizational adaptation with its environment and for the protection and enhancement of the value created. This view is broader than the traditional one that concentrated on the application of sound principles and policies of governance when utilizing organizational resources. Janek and Manzurul (2011) stated

> It can be argued, therefore, that as the governance process is about both accountability and value creation, it is important to evaluate the process in terms of the different roles played by directors and senior managers (especially in terms of strategic decision making and resource deployment) to achieve organizational objectives. It follows that an organization's governance arrangements are important in determining clear objectives for management and staff to devise a system for sound decision making in risk and performance management. It is this value creation aspect of enterprise governance (where management accounting can be most useful).

2.1 Corporate Governance Code in Bahrain

The Bahrain Government is keen to promote good corporate governance principles in Bahrain in order to enhance investor confidence and foster economic development. Over the past several years, the Ministry of Industry and Commerce, in cooperation with the Central Bank of Bahrain, has worked with the National Corporate Governance Committee to develop a Corporate Governance Code through a consultative process. The Bahrain Corporate Governance Code is based upon nine core Principles of corporate governance that adhere to international best practices. The Code includes recommendations to apply the Principles, as well as recommendations which support the implementation of good corporate governance. The Code is issued in a "comply or explain" framework, which means companies should comply with the recommendations or give an explanation in the case of non-compliance. The Code is a dynamic document that will evolve and require modifications over time in response to changing domestic and global circumstances. Such changes will be made based on consultation with various stakeholders in an open and transparent manner. The Code represents the highest standard in current practice which has been modified to suit Bahrain's unique economic and social climate as a developing country with a strong regulatory infrastructure. The Code supplements the existing corporate governance provisions contained in the Company Law, and provides detail and flexibility that will enable the Code to be adapted by all companies, public and private, large and small. (Bahrain Bourse, 2011)

3. Ownership Structure

Anderson and Reeb (2003) explained that formation of the board of directors was different in family firms from non-family firms because of their ownership structures. The literature revealed that responsibility of the Boards should be extended not only for conformance or compliance requirements of the corporate governance but also for corporate performance. This requires explaining to what extent family firms and non-family firms motivate their Board of directors differently and the role of corporate governance in the process. Some studies suggested that the management-fortified problem is less common in family firms because managers in non-family firms possess information that allows them to achieve their own interests and overlook the shareholders' interests.

Miller and Le Breton-Miller (2006) found that owners-managers in family firms tend to accumulate their wealth in their firms in the long-term. Empirical studies investigated the relationship between family firms and executive pay in the USa and UK markets, the results were rather diverse. On one hand, DeAngelo and DeAngelo (2000) and Anderson and Reeb (2004) found that family members in the listed family firms tend to obtain benefits of control via excessive compensation schemes, extraordinary dividend payouts and related-party transactions. Kole (2001) suggested that the incentive compensation was potentially less effective in family firms relative to non-family firms. Stigler and Friedland (2003) concluded that there was no relationship between ownership concentration and chief executive officer’s (CEO) pay. On the other hand, some suggested that family ownership structure reduced agency costs and increased incentives for diligence and self-discipline because founding families CEOs have inducements to maximize the long-term growth of family firms as the successes of the companies represent the families’ reputations (Santerre and Goldberg and Idson 1995). Faccio et al. (2001) found high levels of ownership concentration in family firms which led to expropriation of minority shareholder interests.

4. Performance Measurment and Corporate Governance

Kaplan and Palepu (2003) indicated that firms can create shareholder value through more effective corporate governance. The Board needs a competent management accounting system in order to measure this value. Management accounting provides useful measurement of this value by evaluating the future cash flows created by projects which shape the future of the firm. Epstein and Birchard (2000) found that for every decision that the Board has to make, there is a need for timely and relevant management accounting reports. These reports are required to facilitate the execution of good corporate governance. These reports may be needed to quantify value and assess contributions made to the firm's value.

Epstein and Birchard (2000) argued that value measures have significant influence on action and performance of the Board of directors. These measures may, therefore motivate the Board to take actions which may enhance the value of the firm. Kenny (2005) stated that the success of a firm may require that the firm pays balanced attention to the needs of all its key stakeholders. An effective governance system may require Boards of directors to have sufficient knowledge of the firms' activities and of the industry in which it works.

Most recommendations of corporate governance codes indicated that it is necessary to measure the performance of both a Board and individual directors. For example, the King III Report (2009) recommended that improvement in the performance of the Board can be achieved through regular and timely review. Also, the UKCC (FRC 2010) recommended that the Board of directors should take into account the formal annual performance assessments, internal committees and individual directors. This continuous assessment of performance requires timely and relevant information through the management accounting system.

Crowther (2004) stated that all firms should measure their performance and report upon those measurements through the use of accounting information. Blocher *et al.* *(*2010) stated that Economic Value Added (EVA) is one of the most recent financial performance measures of the firm which measure the value created by corporate governance. Ehrhardt and Brigham (2009) declared that EVA measures the extent to which the firm has increased the value to shareholders, therefore, it will help to ensure the value to shareholders is maximized. Ehrhardt and Brigham (2009) argued that EVA measurement reflects the value added to shareholders. Also, they indicated that EVA can be applied to individual divisions or other units in a big firm. Consequently, a management accounting EVA-based upon performance reports enables the Board of directors to do a fair evaluation of individual directors or executive directors. The UKCC (FRC, 2010) recommended that the individual evaluation of performance shows whether each director continues to contribute effectively in creating value to the shareholders.

Higgs (2003) indicated that management accounting performance reports are useful to review the performance of non-executive directors while Ward (2000) stated that the timely and unbiased evaluation of the executive directors is based on performance measures and targets of the Board. This can be achieved through the remuneration of the executive directors to motivate them to create value to the shareholders. Accordingly, the proper measurement of performance will be determined mainly by the director's actions that can be taken to maximize the value to shareholders.

5. Literature Review and Hypothesis Development

Few studies (e.g., Bammens et al. 2008; Hack, Salvato and Moores 2010) analyzed corporate governance and performance in family-owned firms. These studies emphasized the differences between family and non-family firms. They found that family firms differ in various aspects such as the degree of family involvement, ownership dispersion, management structures and generation. Chrisman et al. (2007) investigated the impact of the degree of family involvement and ownership dispersion on their performance in a comparative study of different types of family and non-family firms. He concluded that family firms are more management involvement and ownership concentration than non-family firms. However, other conceptual or qualitative studies investigated other issues of family firms such as management structures, and generation (e.g., Voordeckers et al. 2007; Bammens et al. 2008). However, only a few studies (e.g., Westhead and Howorth,2006; Kellermanns et al. 2008) involved empirical analysis within larger family businesses in the USA or the UK. Lussier and Sonfield (2010) conducted a survey of Austrian family firms and provided a better understanding of the influence of various aspects on governance structures and management accounting.

The nearest approximation to this research can be found in Lussier and Sonfield (2010). However, while their research did make a distinction between these firms in different aspects of performance, it only focused on family firms. In this respect this study has adopted a broader scope by analyzing family and non-family firms and their performance

Based on the above arguments, the following hypothesis is tested.

"Family firms maintain superior performance over non-family firms with regard to total asset management, profitability, financial risk and cash-flow efficiency drivers."

6. The Sample Selection and Methodology

In order to test this hypothesis, an empirical study has been conducted in Bahrain covering 37 family firms and non-family firms between 1999 and 2008. The study covered non-family firms because the separation of ownership and management is most visible and formation of the Board of directors is widely observed. In such firms, corporate governance issues are most likely to have implications for the stakeholders and for the economy as a whole. The list of firms for this study was taken from the Internet Web site "Major Companies Directories" which comprised more than 400 Bahrain firms in 2012. An analysis of this list found that family firms were of the partnership type which was small size firms. The study sample contains 37 family and non-family firms. Data were collected through a document review which involved the perusal of publicly available corporate documents such as financial statements and company profiles. The benchmark group included family and non-family firms for which data existed consecutively from 1999 to 2003 (before corporate governance) and from 2004 to 2008 (after corporate governance). Based on these criteria, data for 49 firms were collected. For data analysis, several changes in the benchmark group of firms were made.

- Several industries were excluded whose financial structures typically depart from industrial, retail and service businesses. These industries are utilities, financial institutions including broker/dealers, hospitals and educational, communication services. This adjustment improved the compatibility of the benchmark group with family firms.

- The number of firms was expanded to include those that were in the non-family firms at any time during the period and for which data existed for the entire period (1999 to 2008). This adjustment lessened the variability of the benchmark group due to the previously smaller sample size.

Applying these adjustments eliminated 12 firms from the analysis because they did not meet the criteria of the firms in this study. Thus, out of 49 firms, 37 firms were left for the analysis. In the analysis, the firms were grouped by the criterion of family and non-family for industries which had at least five family firms, which were as follows.

1- Industrial firms
2- Insurance firms
3- Commercial firms
4- Financial services.

7. Data Analysis and the Findings

7.1 Test Periods

To find out the differences between the performance of family and of non-family firms, a five-year period before corporate governance and a five-year period after corporate governance. In the first test period, the Bahrain economy was characterized by the slump. The second test period was characterized by rapid growth in the economy. Thus, the two test periods were quite different and each in its own way provides a test of the variability of family and non-family firms. The periods are alike in that both include significant changes.

Tables 1 and 2 compare the family with the non-family firms on the performance measures related to the performance objectives of total asset management, profitability, financial risk and cash-flow efficiency for the period 1999-2003. These Tables show the percentage differences and absolute measures, respectively, of family versus non-family firms. Tables 3 and table 4 show the same measures for family versus non-family firms for 2004-2008.

Table 1: Performance Measures: The differences between Family and Non-family Firms (1999-2003)

Industry	Assets turnover	Profit margin	Debt/equity	Cash flow yield	Growth in revenue	Return on assets	Return on equity
Industrial	2.29%	140.07%	-4.51%	-70.09%	48.81%	52.31%	58.27%
T-test	0.273841	0.020781	0.431801	0.001336	0.008090	0.000004	0.000101
Insurance	37.46%	67.71%	21.57%	-65.41%	82.22%	71.13%	73.66%
T-test	0.023171	0.000033	0.253661	0.213447	0.015298	0.000293	0.003460
Commercial	2.17%	29.69%	-35.13%	-151.20%	75.44%	28.28%	13.26%
T-test	0.337599	0.031336	0.077628	0.458222	0.002643	0.035555	0.148913
Financial	20.57%	66.07%	16.03%	-46.36%	-9.88%	56.71%	47.79%
T-test	0.083285	0.000595	0.250071	0.196855	0.281961	0.000518	0.001538
ALL	17.33%	82.70%	-116.69%	-146.52%	47.37%	63.78%	53.31%
T-test	0.000250	0.000000	0.013926	0.059893	0.000000	0.000000	0.000000

Table 2: Performance Measures: Before Corporate Governance
The differences between Family and Non-family Firms (1999-2003)

Industry	Assets turnover	Profit margin	Debt/equity	Cash flow yield	Growth in revenue	Return on assets	Return on equity
Family	1.35	0.13	1.40	1.56	0.13	0.16	0.28
Non-family	1.10	0.02	3.05	3.81	0.07	0.08	0.13
Difference	0.25	0.11	-1.65	-2.25	0.06	0.08	0.15
% Difference	18.25%	83.71%	-116.69%	-148.52%	47.36%	61.78%	53.31%
T-test	0.000349	0.000000	0.013838	0.059696	0.000000	0.000000	0.000000

The results are summarized as follows:

1- The four selected industry analyses for 1999-2003 (Tables 1 and 2) show consistent results across all performance measures, with the one exception of growth in revenues for financial service firms. Family firms have better utilization of assets (asset turnover), are more profitable (profit margin and return on assets) and have lower financial risk (debt to equity and return on equity), except for the insurance and financial service industries. Cash-flow yield is lower across the four industries but cash-flow returns are consistently higher for the family firms across the four industries. Using the t-test, cells are significant at least at the 0.05 level, including all cells related to profit margin, return on assets, return on equity and cash flow return on assets, with two exceptions.

2- In period 1999-2003 (Tables 1 and 2), family firms exceeded non-family firms on an overall basis on the performance of asset turnover (by 17.33%) and profit margin (by 82.70%). These results produced growth in revenues for the family firms that exceeded the non-family firms' average by 47.37% and that exceeded the non-family firms return on assets by 63.78%. All differences overall were significant at 0.0001 level.

3- Financial risk as measured by debt to equity was much less for family firms than for non-family firms. This result was expected due to the family firms' lower need for debt financing. The result of this reduced debt to equity was that returns on equity, while still greater for family firms by 53.31%, differed less than return on assts. The difference in debt to equity was significant at the 0.05 level and all other differences were significant at the 0.0001 level.

4- Cash-flow yield was also lower for family firms than for non-family firms. This period produced lower relative performance measures for family firms for cash returns on total assets and cash-flow returns on equity but the measures were still significantly above those of the non-family firms. All cash-flow returns differences were significant at the 0.0001 level.

In summary, family firms were shown to maintain superior asset management, performance profitability, lower financial risk and stronger cash-flow returns over an economic period.

This study addressed a second issue: whether the family firms could sustain their superior performance five years beyond the selection period. The period 2004-2008 is a good test period for the sustainability of superior performance by family firms because it represents a contrasting drop in the market cycle from the 1999-2003 cycle. The expectation was that the family firms would continue to out-perform the non-family firms in this period, five years after the introduction of corporate governance. Tables 3, 4 and 5 show the performance measures for 2004-2008 for total asset management, profitability, financial risk and cash-flow efficiency measures.

Table 3: Performance Measures: After Corporate Governance
The differences between Family and Non-family Firms (2004-2008)

Industry	Assets turnover	Profit margin	Debt/equity	Cash flow yield	Growth in revenue	Return on assets	Return on equity
Industrial	-11.81%	89.69%	-31.66%	-64.88%	-21.12%	60.69%	53.75%
T-test	0.082131	0.003581	0.348525	0.117867	0.462733	0.002174	0.133858
Insurance	42.15%	105.02%	-32.25%	-211.61%	128.77%	102.71%	64.87%
T-test	0.095301	0.000043	0.283974	0.169485	0.009269	0.001340	0.101489
Commercial	13.34%	46.90%	-41.02%	-47.98%	61.56%	43.61%	35.90%
T-test	0.153522	0.049233	0.031825	0.241236	0.000045	0.033977	0.065030
Financial	16.041%	81.17%	31.96%	58.28%	112.66%	54.96%	106.43%
T-test	0.275233	0.014526	0.257896	0.157844	0.308811	0.085709	0.003481
ALL	14.01%	105.31%	-268.15%	-9.16%	147.18%	67.88%	61.16%
T-test	0.071182	0.000000	0.021087	0.255594	0.002454	0.000000	0.000049

Table 4: Performance Measures: After Corporate Governance
The differences between Family and Non-family Firms (2004-2008)

Industry	Assets turnover	Profit margin	Debt/equity	Cash flow yield	Growth in revenue	Return on assets	Return on equity
Family	1.14	0.14	1.18	3.07	0.07	0.12	0.21
Non-family	0.96	-0.01	4.69	3.34	-0.02	0.04	0.09
Difference	0.18	0.15	-3.51	-0.27	0.09	0.8	0.12
% Difference	14.01%	105.30%	-259.13%	-8.14%	145.18%	67.89%	61.13%
T-test	0.071181	0.000000	0.020072	0.253481	0.002234	0.000000	0.000050

Table 5: Effect of Non-operating items

Industry	Before Corporate Governance			After Corporate Governance		
	T-test	Family	Non-family	T-test	Family	Non-family
Industrial	0.005378	-0.06	-0.59	0.025525	-0.25	-0.76
Insurance	0.004487	-0.07	-0.68	0.035521	-0.12	-1.61
Commercial	0.224829	-1.52	-3.99	0.106326	-0.23	-0.77
Financial	0.048781	0.06	-0.11	0.053831	0.27	-0.28
ALL	0.000035	-0.18	-1.78	0.000000	-0.11	-0.94

The following results were found:

1- For this period, the four-industry analysis shows similar results which have differences significant at least at the 0.05 level. These results would seem to indicate that family firms in these industries are maintaining their position, although with more variation, relative to their respective industries on the objectives of profitability.

2- Family firms in the four industries continue to have lower debt to equity ratios and thus lower financial risk but continue to have superior return on equity. They also have mixed results with regard to cash-flow yield but do generate superior cash-flow returns.

3- When all family firms are compared with the non-family firms, the family firms demonstrate strongly superior results, with the exception of cash-flow yield (consistent with the 1999-2003 period). All differences are significant at the 0.0001 level, with the exception of asset turnover (0.07) and debt to equity (0.02).

These results strongly support the proposition that family firms maintain superior performance with regard to total asset management, profitability, financial risk and cash-flow efficiency drivers.

4- The performance measures, however, show more variability among industries and between family firms and non-family firms. It was expected that family firms would out-perform non-family firms and this was the case generally for the 1999-2003 period for each of the selected industries; however, overall, the family firm advantage was non-significant.

5- The 2004-2008 period shows more variability in the performance measures but, overall, the family firms improved their performance in relation to the non-family firms. The results did not support the proposition that family firms will have cash-flow yields superior to those of non-family firms. Cash-flow yield shows inconsistent results for the 1999-2003 and 2004-2008 periods but, overall, for both periods the yields of non-family firms exceed those of the family firms by amounts that are significant at the 0.05 level. One reason for this anomaly is that the income for non-family firms is low compared with income for family firms. In Table 2, for instance, profit margin in 1999-2003 for non-family firms is only 2%, versus 13% for family firms. In the 2004-2008 period in Table 4, the non-family firms on average actually had a loss of 1%, versus a profit margin of 14% for the family firms.

Finally, the cash-flow yield was tested in Table 6 which revealed consistent results except for the financial service industry in 2004-2008. In this period, cash-flow yield for family firms exceeded that of non-family firms. In all cases, non-family firms produced higher cash-flow yield than family firms and, except for commercial industry the differences are significant. Overall, the differences are significant on cash-flow yield for 1999-2003 compared with for 2004-2008 at the 0.0001 level.

Table 6: The differences of cash flow yield between family and non-family firms

Industry		Before Corporate Governance				After Corporate Governance		
	T-test	Cash flow yield difference	Family	Non-family	T-test	Cash flow yield difference	Family	Non-family
Industrial	0.000763	-72.07%	1.37	2.24	0.009437	-62.88%	1.45	2.38
Insurance	0.008731	-67.41%	1.83	2.85	0.020285	-202.59%	1.65	4.69
Commercial	0.175060	-149.21%	2.57	6.17	0.121839	-47.95%	1.66	2.48
Financial	0.000066	-46.38%	1.59	2.19	0.221975	56.26%	11.80	5.17
ALL	0.000000	-148.52%	1.68	3.93	0.411147	-9.19%	3.16	3.39

These results, while not consistent with original expectations, are understandable in light of low incomes and non-operating items such as losses that cause non-family firms generally to have higher cash-flow yields than higher-performing family firms. However, as shown in Tables 1 and 2, family firms' superior profitability when combined with their lower cash-flow yields produces significantly superior cash-flow performance measures. These results also support the premise that it is always important to examine the details of the operating section when interpreting the cash-flow yield.

8. Summary and Conclusions

This study investigates the corporate governance and accounting performance measurements in 37 family-owned and non-family Bahrain firms. It contributes to corporate governance literature, especially as studies on this vital topic are characterized by scarcity in developing countries such as Bahrain, the subject of study here. The conclusions from this study are as follows.

1- Family firms were able to sustain superior performance beyond the selection period and through differing market conditions.
2- Family firms display superior operating asset management although their performance was variable.
3- With lower net income and higher proportions of non-operating negatives in relation to net income versus family firms, non-family firms can be expected to have higher cash-flow yields.
4- Family firms produce superior cash-flow returns through superior asset management and profitability but they also have lower financial risk as represented by lower debt to equity ratios, which tend to moderate the returns on equity and cash-flow returns on equity.

The evidence collected from 37 firms in Bahrain supported the hypothesis. The results indicated that the performance of the family firms is better than the non-family firms. This implies that management accounting facilitates the execution of effective corporate governance by assisting the Board of directors to measure the performance. Also, it implies that Bahrain like many other less-developed countries may still need to develop a country code of best practice in corporate governance. The growth economies have tended to adopt the available international codes with minimal adjustments. These include, for example, the King III report (2009) on corporate governance in South Africa, the Combined Code of best practice from the United Kingdom (UKCC) (FRC, 2010). The choice might have depended on the source of training of the managers, directors or auditors of these firms. However, these codes may emphasize compliance more than value creation. This may have encouraged the tendency of “box-ticking” on the recommendations, to avoid arousing international criticism. As a result, many Board members may not actually take definite steps to ensure that they fulfill their responsibilities.

In these non-family firms, the Boards do not use enough management accounting information in evaluating and monitoring organizational performance; in approving major financial decisions; in providing direction and support to the senior managers;

and in ensuring compliance of the firm with effective corporate governance guidelines.

This study is not free from limitations. Firstly, the sample size of the study may need to be extended in future research. Secondly, although the study can contribute to the understanding of corporate governance and accounting performance measurements in the family-owned firms, the findings of the study may not be able to be generalized to other countries. Such findings could be different from country to country due to industrial composition, economic status and corporate governance rules and regulations.

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