



Corporate governance research applied at a private university

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Abstract

Purpose – The purpose of this paper is to review the evidence regarding the link between accounting education and the industry, with particular emphasis on the links between accounting education and firm performance. In particular, the paper investigates corporate governance education and its relation to firms' performance, to improve the content of business-related programs at Frederick University.

Design/methodology approach – Survey analysis, action research and literature review are used in order to apply the findings of corporate governance research on course programmes at the university.

Findings – The main recommendation of the research is that new modules have to be introduced for both the accounting and finance and business administration degrees so as to meet the increasing need for corporate governance education. This is reflected in the interviews of managers, the student questionnaires, the faculty interviews and the literature review on the subject. These new modules will serve the increasing needs of the Cyprus business world towards better corporate governance practices. These modules should cover the main theoretical aspects concerning corporate governance and the empirical findings concerning corporate governance education and its relation with performance.

Originality/value – The paper provides new insights as to how corporate governance research could be applied to business-related degree courses at a university in Cyprus.

Keywords Cyprus, Universities, Corporate governance, Accounting education, Curricula, Performance, Family firms

Paper type Research paper

1. Introduction

Recent scandals such as Enron and WorldCom have damaged the image of financial markets. These scandals call for more emphasis to be placed on improving corporate governance education of future accounting and business professionals. One of the objectives of corporate governance is to define a way of mitigating potential conflicts between various stakeholders of the firm (Ashbaugh *et al.*, 2004). According to OECD (2004) corporate governance is a system by which business corporations are directed and controlled. Liandu (2002) defines it “as the way the management of a firm is influenced by many stakeholders, including owners/shareholders, creditors, managers, employees, suppliers, customers, local residents and the government”. Karamanou and Vafeas (2005) and ICAEW (2010) assert that sound financial disclosure (that is an objective of corporate governance) can bridge the information asymmetry gap between the managers and shareholders and can minimise agency conflicts. According to ICAEW (2010) another objective of corporate governance is to offer investor protection that can be provided through an efficient legal and regulatory framework. Corporate governance is thus a key factor in improving economic efficiency and in building investor confidence. Furthermore, accounting education has shown to be valued in the



market place which means the market recognises it can have an effect on firm performance (see Vafeas, 2009).

The study aims to review the evidence regarding the link between accounting education and the industry with particular emphasis on the links between accounting education and firm performance. Motivated by the suggestions of the literature (e.g. Bui and Porter, 2010) on the importance of manager and student perceptions on the subject, the paper also performs interviews of Cyprus Stock Exchange (CSE) managers regarding their current views on corporate governance issues. It also investigates, using questionnaires and interviews, students' and faculty views about the relevance of corporate governance education and how it should be structured. Faculty interviews, for example, provide information regarding the way modules in this area can be incorporated (e.g. undergraduate or post-graduate courses) while student questionnaires help understand the interests of the students. Finally, it applies the knowledge obtained for the suggested creation of new modules to a private university in Cyprus, namely Frederick University (FUCy).

FUCy, the host institution for the study, evolved from Frederick Institute of Technology, a private college formed in 1965, and came into being on 12 September 2007 after the government of the Republic of Cyprus accepted its application for university status (Frederick University, 2009).

The results of this study have practical work-related implications regarding the improvement of the course programme and research at Frederick University in the following ways:

- (1) The theoretical background and relevant literature can be incorporated in finance and accounting modules.
- (2) The research outcomes concerning management interviews could affect the content of finance and accounting modules. For example, whether board composition (between executive and non-executive directors) affects performance can be explained to students with reference to research results regarding manager perceptions on the subject.
- (3) The study can spur further research interest in the area and can lead to a better understanding of the subject and further enrichment of course material in the future.

2. Theoretical background and literature review

In this section we first provide the recent developments of corporate governance regulations in Cyprus that emphasise the importance of this topic in recent years. We then discuss the main elements of corporate governance theory and provide the empirical evidence from the accounting and finance literature perspective. This review highlights specific governance factors that affect the activities and performance of the firm. The last section reviews the literature showing the connection between accounting and business education and the industry activities and firm performance. This last section provides the evidence supporting the approach followed in the study in proposing for improvements in corporate governance education by providing the link of education with performance. This last section also highlights the reasons why the approach of analysing manager and student perceptions on accounting and corporate governance role (an approach followed in this study) is important in designing improvements in accounting education at business schools.

2.1 Background on corporate governance in Cyprus

The area of corporate governance is relatively new in Cyprus. According to Krambia-Kapardis and Psaros (2006) the move to implement corporate governance rules was a result of the CSE collapse in share prices in 2000. As a result of the negative effects on the wealth of investors due to the bubble, in September 2002 the Cyprus Securities & Exchange Commission issued the Code of Corporate Governance (CGC) for the CSE. The move towards stricter corporate governance focused on rules that concern the directors, ownership, control and disclosure. Among other goals, the aim of the code was to strengthen the monitoring role of the board of directors, to protect small shareholders, to adopt greater transparency and provide timely information, as well as to sufficiently safeguard the independence of the board of directors in its decision making (Cyprus Securities & Exchange Commission, 2002). According to Krambia-Kapardis and Psaros (2006) the code was based on the Anglo-Saxon model that can be explained by the Republic of Cyprus's economic and historical links to the UK.

From an academic point of view, there is a lack of corporate governance education in the academic community of Cyprus that goes against its recent importance in the business world. Only one accounting degree programme provides corporate governance as a separate module in Cyprus and one university includes business ethics as a module in accounting degree courses.

2.2 Theoretical background on corporate governance

Economic models that are incentive based to influence management behaviour may motivate some governance features. These models fall into two main categories. The first is an agency model that supports the view that managers have different interests to those of the shareholders (that is the owners). This may lead to decisions being made that meet the manager's interest that are costly to the shareholders. According to Jensen and Meckling (1976), agency theory is concerned with aligning the interests of the managers and the owners. In that respect a family owner acting as a manager keeps the interests aligned of these two groups aligned. Agency theory also analyses the conflicts between large shareholders and small shareholders. According to Villalonga and Amit (2006) these conflicts could arise when a large shareholder who is in a controlling position extracts private benefits at the expense of smaller shareholders. The large shareholder who has a controlling stake could represent a family interest and would have greater incentives in expropriating assets at the expense of small shareholders leading to agency problems. In summary, there are arguments both in favour and against large ownership stakes, which could also determine a positive or negative impact of family ownership (see also the discussion of empirical evidence that follows).

Those who support the agency model believe that the best option is that corporate governance mechanisms should be implemented to protect shareholders from management's conflict of interest (Fama and Jensen, 1983). Otherwise this will generally result in negative effects on financial performance. For example, the agency model recommends that one way corporate governance mechanisms could be implemented is for the roles of chairman and CEO to be separate (that is non-CEO duality) since it will help the board to be in a better position to monitor management opportunism.

The second model is based on stewardship theory. This supports the view that managers are good stewards of the firm's resources. It asserts that if managers are left alone they will act responsibly and will effectively manage the assets they control

(Donaldson and Davis 1991, 1994). According to Donaldson and Davis (1994) stewardship theorists assert that senior management will not purposely put the shareholders in a disadvantage since they fear this will jeopardise their reputation. In contrast to the agency model, the stewardship model implies that there is no need for corporate governance mechanisms to be implemented in order to obtain financial performance benefits. Supporters of the stewardship theory would thus assert that CEO duality is a means to improving performance. According to Donaldson and Davis (1991) this is because CEO duality is a positive force leading to effective and efficient decision making.

2.3 Empirical evidence relating to corporate governance

There are various corporate governance mechanisms that may be related to performance. These include amongst others board and ownership factors. Corporate governance literature has mostly focused on the following factors: board size, board composition, CEO duality, audit and remuneration committees, insider ownership and family ownership. A detailed review of the literature is beyond the scope of this study, however, we point out the main issues involved.

The board of directors is one of the most important corporate governance mechanisms in controlling and supervising managers (see e.g. Perry and Shivdasani, 2005). Relating to the effectiveness of the board, there is long debate of whether the size of the board can affect performance. For example, Lipton and Lorsche (1992) and Jensen (1993) support the view that large boards are ineffective and Coles *et al.* (2008), Cheng (2008) and Larmou and Vafeas (2010) among others found conflicting evidence under special conditions.

Another corporate governance mechanism that is anticipated to affect corporate governance is board composition. The board may be composed of executive directors who are full time employees of the firm and have managerial duties and non-executive directors whose primary employment is outside the firm and are meant to provide specialised knowledge, long experience and useful business links that can facilitate business activities. Non-executive directors that are independent are also meant to monitor the management. Previous research has given mixed results concerning the relationship between board composition and performance. For example, Baysinger and Butler (1985) and Yoo (2005) found a positive relationship and Bhagat and Black (1999) and Bhagat and Black (2002) that found no evidence.

The duality of roles of the chairman and CEO is another factor considered in the literature. The first view, which is the most prevalent, supports non-CEO duality based on the agency theory predictions. This is based on the view that the enhancing the role of the board is to better monitor management opportunism. Under this view, this role of the board will be negatively affected under CEO duality. Evidence on this area tends to be in line with the prediction that CEO duality is harmful for firm performance (see e.g. Yermack, 1996; Sanda *et al.*, 2003; Lam and Lee, 2008). The second view, supported by stewardship theory supports the view that CEO duality can be successful since the managers may be good stewards of the firm's resources. Some authors like Chen *et al.* (2005) detect a significant positive relationship between CEO duality and market value. Georgiou (2010) found evidence that family firms (FF) that applied CEO duality for Cyprus firms had improvements in performance[1].

The establishment of audit and remuneration committees is considered an important corporate governance mechanism to increase investor protection (see e.g. Cyprus Securities & Exchange Commission, 2007). Empirical evidence has mostly

focused on the role of audit committees. It investigates whether their composition is important (e.g. Klein, 1998) or whether more effective audit committees can improve the accuracy of financial information (e.g. Karamanou and Vafeas, 2005). Concerning the relationship between audit committees and firm performance, Defond *et al.* (2005) found that there is a positive effect on the share price (abnormal returns) when financial accounting experts are appointed to the audit committee as opposed to non-accounting experts. Chan and Li (2008) also found a positive relationship between firm value and the independence of the audit committee.

There are two schools of thought regarding the impact of insider ownership. The first is that there is a positive relationship between insider ownership and performance. Jensen and Meckling (1976) assert that firm value is positively correlated with the level of insider ownership. Their main arguments is that this is because there will be reduced agency costs since there is goal alignment between the management and its shareholders (subsequent studies by Kiel, 2003; Cole and Mehran, 1998 confirm this theory's predictions). The second school of thought is that the relationship between insider ownership and performance is negative. This could be explained by the fact that insiders could make decisions that are to the detriment of the other minority shareholders and the firm as a whole. Claessens *et al.* (2002) found evidence that the excess of shareholder voting rights over cash flow rights has a negative effect on the firm value.

Family ownership is a corporate governance mechanism that can also affect performance. Martinez *et al.* (2007) state that there are two schools of thought concerning the costs and benefits of family businesses. The first school states that there are costs of family ownership in that they can appoint incompetent family members to manage the business. The second school states that family ownership provides benefits in the form of long-term commitment and the ability to monitor managers. Morck *et al.* (1988), Cosh *et al.* (2001) and Gugler *et al.* (2004) found evidence that FF that have high insider ownership had a negative effect on performance. Cronqvist and Nilsson (2003) provide empirical evidence that family ownership with increased voting rights has a negative impact on firm value. There are few studies showing a positive impact of family ownership (compared to non-family) under special conditions. Villalonga and Amit (2006) show that family ownership creates value only when the founder serves as CEO or as a chairman with hired CEO.

2.4 The impact of management education on firm's performance

Some studies provide supporting evidence on the importance of accounting education on improving business performance. Vafeas (2009) examines the appointments of controllers showing that appointees with an accounting degree create a favourable stock market response compared to the appointment of a controller without an accounting degree. Furthermore, appointees holding degrees from specific academic programmes create a more favourable market response compared to the rest. These results highlight that accounting education, and in particular accounting content and quality of programmes are valued by the market. Further to this, other academic scholars have emphasised the need of business schools improving the useful skills of their graduates through improvements in accounting and business education (e.g. Mintzberg and Gosling, 2002; Pfeffer and Fong, 2002).

Albaum and Peterson (2006) provided evidence using questionnaires about the ethical attitudes of business students. The ethical attitude of business students is connected with the likelihood of more corporate scandals arising in the future like the

ones of Enron and WorldCom. Khan and Sethi (2009) also provided evidence of the importance of student education in corporate governance by finding a gap between what is taught in business schools and the requirements of the complex corporate sector. According to Bui and Porter (2010) one primary cause of the gap relates to the differences in the perceptions between employers and educators concerning the competencies which accounting graduates should possess. Bui and Porter (2010) also emphasise the importance of students' perceptions about the accounting programmes and the accounting profession. Bui and Porter (2010) results emphasise the role of examining the perceptions of employees and students (which is performed in our study). This could help bridging the gap between what is taught and what is required in the corporate sector.

O'Leary (2009) indicates that a possible reason for the gap is the view of some educators on the need for ethics education (that includes corporate governance). O'Leary (2009) found evidence to suggest that more ethical instruction could have a positive effect on accounting student's ethical attitudes. O'Leary (2009) arguments suggest incorporating corporate governance education in accounting degrees could improve ethical attitudes and governance structures between firm's stake holders. Since the ethical aspects are connected with corporate scandals causing large financial disasters, a direct implication of these findings could be that the corporate sector could gain from improvements in governance education by reducing the impact of corporate scandals.

The need for corporate governance is also supported by Khan and Sethi (2009) who found evidence that business graduates primary source of knowledge regarding corporate governance comes out of course sources. They suggest, similarly with the proposal of this study, that business schools should restructure their curriculums so that corporate governance is more significant covered in their courses.

3. Methodology and analysis

In this section we analyse manager interview, student questionnaires and faculty interview results. The manager interviews and student questionnaires utilise a statistical analysis with the methodology described below.

3.1 Methodology for manager interviews and student questionnaires

For the manager interviews we have considered FF vs non-family firms (NFF) responses, whereas for the student questionnaires male vs female student responses. For the manager interviews, the choice of comparison between FF and NFF is motivated by the evidence shown in the literature on differences in objectives (e.g. long-term vs short-term goals) as well as governance (e.g. duality of roles of manager and chairman) of these two type of firms reviewed in the previous section. Differences in responses between these two groups would shed more light on how to better structure course modules to better accommodate the particularities of each group. The student questionnaires' separation of responses between male and female respondents is motivated by the analysis of Albaum and Peterson (2006) who also perform a similar separation to study student ethical attitudes showing some important differences between the two groups.

We have employed a *t*-test comparison of means (see e.g. DeFusco *et al.*, 2001) in order to draw some conclusions on the differences between two groups (family vs non-family and male vs female). The null hypothesis is that the difference between the

means \bar{x}_1, \bar{x}_2 of the two groups under consideration is 0 vs the alternative that the differences are statistically significant:

$$H_0 : \bar{x}_1 = \bar{x}_2$$

$$H_1 : \bar{x}_1 \neq \bar{x}_2$$

The t -statistic used under the assumption of common variance between the two groups is given below (see DeFusco *et al.*, 2001, p. 334):

$$t = \frac{(\bar{x}_1 - \bar{x}_2)}{\left(\frac{S_p^2}{N_1} + \frac{S_p^2}{N_2}\right)^{1/2}}$$

$$s_p^2 = \frac{(N_1 - 1)S_1^2 + (N_2 - 1)S_2^2}{N_1 + N_2 - 2}$$

where \bar{x}_1, \bar{x}_2 denote the corresponding means of the two groups under consideration. S_p^2 denotes the common variance, which is based on the variances of the two groups S_1^2, S_2^2 , respectively. N_1, N_2 denote the sample size for each group.

The critical values (t -critical) under significance levels α equal to 1, 5 or 10 per cent were obtained from Student's t -distribution tables with $N_1 + N_2 - 1$ degrees of freedom. The null hypothesis is rejected with a level of significance α when the t -statistic obtained exceeds the t -critical value with α level of significance.

For the management interview data several questions had binary values which implies that a z -test based on proportions (e.g. see Anderson *et al.*, 2005) could also be employed. We have performed this additional test and the results obtained are similar with the t -test reported in the text (these results are available upon request).

3.2 Management interview results

Managers in CSE firms have been interviewed concerning corporate governance issues. A sample of 25 managers was interviewed which included managers working in the Main, Parallel and the Alternative markets category. Of the total sample, 18 managers were family owned and seven non-family owned. It should be mentioned that at 31 December 2009, there were 129 listed firms on the CSE. Table I includes data for means and variances and indicates when the differences between FF and NFF are statistically significant[2]. Other information included in the managers' responses is also discussed below in connection with Table I results.

Family and non-family participants are roughly similarly distributed with respect to their CGC adoption level. For those companies that partially comply with the CGC, question 3 asked on which points they did not comply. Half of these firms stated that they did not comply because they fail to comply to non-duality of CEO and chairman and 25 per cent because they did not establish a remuneration committee. Other factors mentioned as reasons for non-compliance with the CGC include: annual meetings not exceeding the minimum number and non-executive directors on the board not exceeding the minimum requirement.

Question 4 asked the participants to classify their firms according to the market and industry. Half of the FF in the sample are listed in the Alternative and Special Categories Market (hereafter MD3) whereas non-family are split mainly between the

Question number	Variables	Family firms		Non-family firms		Significance
		Mean	Variance	Mean	Variance	
1	<i>General information</i>					
2	Comply with CGC (Y/N)	0.28	0.212	0.29	0.235	
2	Partly comply with CGC (Y/N)	0.33	0.235	0.29	0.238	
2	Do not comply	0.39	0.252	0.43	0.286	
4	MD1	0.22	0.183	0.43	0.286	
4	MD2	0.28	0.212	0.14	0.143	
4	MD3	0.5	0.265	0.43	0.286	
4	ID1	0.11	0.105	0.43	0.286	*
4	ID2	0	0	0.43	0.286	***
4	ID3	0.22	0.183	0	0	
4	ID4	0.28	0.212	0.14	0.143	
4	ID5	0.11	0.105	0	0	
4	ID6	0.28	0.212	0	0	
	<i>The effect of corporate governance practices on performance</i>					
6	Company assess performance using Sales? (Y/N)	0.33	0.235	0.14	0.143	
6	Company assess performance using ROA? (Y/N)	0.67	0.235	0.14	0.143	**
6	Company assess performance using market value? (Y/N)	0	0	0.71	0.238	***
7	CGC have an effect on performance? (Y/N)	0.56	0.26	0.57	0.286	
8	CGC have an effect on sales growth? (1-3, 3: strong)	2.61	0.369	2.57	0.286	
8	CGC have an effect on ROA? (1-3, 3: strong)	2.28	0.683	2.43	0.619	
8	CGC have an effect on market value? (1-3, 3: strong)	2.11	0.458	1.71	0.905	
	<i>Board composition</i>					
	<i>Committees</i>					
10	Audit committees have an effect on performance? (Y/N)	0.17	0.147	0	0	
11	Remuneration have an effect on performance? (Y/N)	0.06	0.06	0.29	0.238	
	<i>The role of directors</i>					
13	Company uses duality of roles of CEO and manager? (Y/N)	0.44	0.261	0.29	0.238	
13	Duality affects performance? (Y/N)	0.5	0.265	0.57	0.286	
14	Company use non-executive directors? (Y/N)	1	0	1	0	

(continued)

Table I.
Descriptive statistics of
CSE manager's interviews:
family and non-family
firms

Table I.

Question number	Variables	Family firms		Non-family firms		Significance
		Mean	Variance	Mean	Variance	
14	Non-executives % use (provided % by responder)	0.657	0.03	0.733	0.027	
14	Non-executive affect performance? (Y/N)	0.33	0.235	0.71	0.238	*
15	Board expertise affects performance? (Y/N)	0.44	0.261	0.71	0.238	
16	Manager expertise affects performance (Y/N)	0.5	0.265	0.71	0.238	
	Other board factors					
17	Board size (number provided by responder)	7.78	4.536	8.43	24.952	**
17	Board size affects performance? (Y/N)	0.72	0.212	0.71	0.238	
18	Meetings (annual number of meetings provided by responder)	6.72	1.74	10.43	79.952	***
18	Meetings affect performance? (Y/N)	0.44	0.261	0.29	0.238	
	<i>Ownership effect on performance</i>					
19	Family ownership affects performance? (Y/N)	0.78	0.183	0.14	0.143	***
20	Foreign ownership (% provided by responder)	0.06	0.06	0.14	0.143	
20	Foreign ownership affects performance? (Y/N)	0.22	0.183	0.43	0.286	
21	Insider has significant stake (Y/N)	1	0	0.43	0.286	***
21	Insider ownership affects performance? (Y/N)	0.94	0.06	0.43	0.286	***

Notes: The interview sample consists of 25 managers for firms listed in the CSE. Of the sample, 18 managers were from family and seven managers from non-family firms. Market classifications are the following: MD1, Main; MD2, Parallel; MD3, Alternative. Industry classifications are the following: ID1, banks and insurance; ID2, general financial; applies to the firms in the financial sector (with the exception of firms in ID1 and investment companies); ID3, retail; applied to food and general retailers; ID4, industrial and real estate development; applies to manufacturers, construction firms and firms that operate in real estate; ID5, technology; applies to firms in the computer sector (that is hardware, software and computer services); ID6, other services; applies to firms in the following sectors: media, travel and leisure, hotels and support services. Statistical significance: ***, 1 per cent level; **, 5 per cent level; *, 10 per cent level. A *t*-test comparison of means using common variances was used.

Main Market (hereafter MD1) and MD3[3]. The industry classification is similar to the total sample population of CSE as analysed by Georgiou (2010).

Question 6 asked the interview participants how their firms measured performance between: sales growth; return on assets (hereafter ROA); market performance or, any other variables apart from the first three. Table I results show that the majority of FF use the ROA measurement to assess their performance whereas NFF in their majority use a market performance measurement.

According to Table I, a majority of interviewees (56 per cent in FF and 57 per cent in NFF) stated that the CGC had an effect on performance. Amongst FF the participants believe that CGC has a more important effect on sales growth, followed by ROA and then market value. A similar pattern emerges for NFF. These patterns show that market participants have a different view compared to theory regarding the link between corporate governance and value; theory supports the view of a link between CGC and market value since stricter corporate governance can have a reduction in the company's cost of capital and an increase in firm value.

According to Table I, the interviewees perceive there is little or no impact between the establishment of audit and committees and performance. The main reason given by them for the weak link is that whilst interviewees believe that audit committee leads to a more effective audit, the benefits from this committee barely cover its operating costs. A similar weak link holds between the establishment of remuneration committee and performance. Their views go against theoretical arguments in the area that support a positive link between the establishment of committees and firm performance.

Concerning the link between CEO duality and financial performance, Table I shows that CEO duality exists in 44 per cent of the FF interviewees and 29 per cent of the NFF interviewees. When the managers were asked whether CEO duality affects performance around half of the managers (for both FF and NFF) believed that duality affects performance. The interview results can be reconciled to the empirical data (see Georgiou, 2010) that shows that investors in the CSE perceive that CEO duality in general is not harmful to investor protection. It should be emphasised that this result goes against the current perception and the established requirements in the CGC that require CEO non-duality.

Question 14 considers the extent of the relationship between non-executive directors and financial performance. As it is shown in Table I all firms in the interview sample have non-executive directors. When managers were asked the percentage of non-executive directors on the board, this showed that around two in three directors on the boards of FF firms were non-executive though the corresponding figure for NFF was higher. This difference can be explained by the fact that the NFF operate in industries where the regulatory framework is stricter and where there are requirements for the application of corporate governance procedures.

When interviewees were asked to state whether they perceived a relationship exists between non-executive directors and performance, one in three managers in FF perceived there was an effect. The corresponding result for NFF was at much higher levels at 71.4 per cent. Various possible reasons were given for the possible link including: their valuable experience helps the firm; their advice is valuable and will lead to positive benefits and, the costs for supporting non-executives outweigh the benefits since costs are immaterial. On the other hand interviewees that were negative on the benefits of non-executives asserted that non-executives have a monitoring role and not a value-creating role and, non-executives offer prestige to the firm but no

real benefits. Empirical evidence in Georgiou (2010) provides significant evidence of a positive relationship between the percentage of non-executive directors and ROA and insignificant evidence on a positive relationship between the percentage of non-executive directors and market value.

Questions 15 and 16 looked at the extent of the relationship between board and management expertise and performance. "Skills" were defined in the question as the education level of board member or manager. The results show a material difference in the perception of this relationship between FF and NFF although the difference is not statistically significant; NFF believe more strongly in the link between board and management skills and performance. The explanation for this difference is due to the fact that most interviewees in NFF are in the financial sector where there more complex regulations than other sectors and where these managers perceive that management and director expertise are vital if the firms are to perform well. The empirical data in Georgiou (2010) would appear to support the perception of FF managers since there is no relationship between expertise and performance.

Question 17 looked at the link between board size and financial performance. The results show that the average board size for NFF is statistically significantly different than FF (although the mean differences are small). When asked to justify their results two main reasons were given for the perceived effect: the first is that smaller boards operate more effectively and perform much better. The second reason that was supported by fewer managers in the sample was that larger boards are bureaucratic, less efficient and less effective. These results are in line with empirical evidence found in Georgiou (2010) and theoretical and empirical evidence provided by Lipton and Lorsche (1992) and Jensen (1993).

Regarding board meetings (question 18), it was found that on average NFF is on average greater than the corresponding figure for FF. This can be explained by the fact that larger NFF that are listed in the MD1 meet more frequently than FF that are mainly quoted in the MD2 and the MD3. When managers were asked if meetings have an effect on performance the majority of interviewees see no link between the number of meetings and performance. It was also found that more managers of FF believed there was a link between these two factors whereas this was not the case with NFF. The majority of persons who stated there was a link between meetings and performance found that there was a negative relationship and that having too many meetings may harm the decision-making process. The empirical evidence regarding the frequency of meetings found in Georgiou (2010) is in contrast to the interview data and indicate that there is a positive link between the number of meetings and performance. This raises the question whether CSE managers do not properly view the use of meetings as an effective corporate governance mechanism.

Question 19 looked at the relationship between family ownership and performance. Table I shows FF managers perceive a link between family ownership and performance whereas the opposite was true of NFF interviewees. When managers were asked to justify the relationship the main reason given by them was that family owners are motivated to perform well since their wealth is linked with firm performance. On the other hand those that stated there was no link between family ownership and performance stated that the performance was not affected by the extent of family ownership but by the quality of the management team. In contrast to the FF interviewees, the empirical data in Georgiou (2010) shows a negative relationship between family ownership and performance. However, it also shown that FF that operate in stricter corporate governance environments of MD1 and FF that increase the

percentage of non-executive directors will have performance improvements relative to their peers.

The results regarding the link between insider ownership and performance show a similar pattern with that regarding family ownership. FF believed on a positive relationship and managers of NFF that there was no relationship. The explanations provided were similar to the case of family ownership. Georgiou (2010) finds no significant relationship between insider ownership and performance. Finally, managers do not seem to support the view that foreign ownership has an effect on performance.

3.3 Student questionnaire results

The aim of the student questionnaires is to obtain information concerning the present role of corporate governance on course programmes and how students perceive the future role of corporate governance should evolved in course modules. Since the areas of the CSE and family businesses are closely related to corporate governance, questions concerning these two areas were also performed.

Thirty-eight students participated in the questionnaire[4]. The demographic characteristics of the sample are as follows. The sample comprised of 23 females and 15 males. The sample can also be broken down into 22 business administration students and 16 accounting and finance students. In addition this is broken down into 15 students in the second year, 13 students in the third year and 10 students in the fourth year.

The questionnaires included nine simple-stated questions that would be answered on a one to five scale (answers of "1" meaning the students strongly disagreed with the statement and an answer of "5" meaning they strongly agreed with the statement). Finally there was a section for students to make any general comments.

The first six statements were made on knowledge gained by students on family business, corporate governance and the CSE from existing courses. In particular, the first two questions asked students to state whether they believe family ownership or corporate governance affect performance and the next four questions their reflections as to whether three specific topics related to corporate governance (CSE, FF and corporate governance) was adequately covered in existing modules. The next three questions concerned the future development of modules concerning these three areas.

Table II presents the overall mean scores for student questionnaires based on gender. There was no significant difference in the results between male and female students. Both male and female students perceive corporate governance, the CSE and family businesses are covered adequately in their relevant courses. There is, however, general agreement among them that these subjects should be covered more in their courses or in new modules. The importance of corporate governance as perceived by students can also be seen by their relative strong agreement with the statement that corporate governance affects performance.

Table III presents the overall mean scores for student questionnaires based on the type of degree between business and accounting and finance students. There was no significant difference in the results between the type of degree course. There is agreement between students on each degree course that corporate governance affects performance and this could be linked to why they want corporate governance to be covered more in new modules. Both categories of students' state on average that existing material covers these areas in a large extend. A material difference found

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Table II.

Overall mean score for student questionnaires based on gender

	Overall Mean score	Gender	
		Male	Female
Family business affects performance	3.90	3.73	4.00
Corporate governance affects performance	3.84	4.00	3.74
Satisfactory course content on CSE	3.79	3.60	3.91
Satisfactory course content on governance	3.76	3.60	3.90
Satisfactory course content on family business	3.84	3.53	4.04
Course material: useful knowledge	4.37	4.33	4.39
New module: family business	3.97	3.80	4.09
New module: corporate governance	3.97	3.67	4.17
New module: CSE	4.26	4.27	4.26

Notes: The questionnaire sample consists of 23 female students and 15 male students. There was no statistical significance between the answers of the two groups

Table III.

Overall mean scores for student questionnaires based on degree course

	Overall Mean score	Type of degree course	
		Business	Accounting
Family business affects performance	3.90	3.82	4.00
Corporate governance affects performance	3.84	3.68	4.06
Satisfactory course content on CSE	3.79	4.05	3.44
Satisfactory course content on governance	3.76	3.86	3.63
Satisfactory course content on family business	3.84	3.86	3.81
Course material: useful knowledge	4.37	4.32	4.44
New module: family business	3.97	3.91	4.06
New module: corporate governance	3.97	3.95	4.00
New module: CSE	4.26	4.18	4.38

Notes: The questionnaire sample consists of 22 business students and 16 accounting students. There was no statistical significance between the answers of the two groups

between business and accounting students concerned CSE content since it was found that business students are relatively more satisfied with content on CSE than accounting students.

A material number of business students in their general comments at the end of the questionnaire supported the introduction of a new module in corporate governance but that it should be an optional module. In contrast to this, some accounting students believed that that corporate governance should be offered as a core subject due to its increasing importance in the business world. Some also suggested that it should be linked to CSE developments. The higher importance of corporate governance related material by accounting and finance students can be seen by their relatively higher scores to the last three questions regarding the possibility of new modules in the area.

Table IV presents the overall mean scores for student questionnaires based on year of study. There was no significant difference in the results between the years of study. Students in the second, third and fourth year on average perceive corporate governance, the CSE and family businesses as important areas to their relevant

	Overall mean score	Year of study		
		Second year	Third year	Fourth year
Family business affects performance	3.90	4.07	3.69	3.90
Corporate governance affects performance	3.84	4.13	3.69	3.60
Satisfactory course content on CSE	3.79	3.60	3.69	4.20
Satisfactory course content on governance	3.76	3.73	3.54	4.10
Satisfactory course content on family business	3.84	4.07	3.54	3.90
Course material: useful knowledge	4.37	4.47	4.31	4.30
New module: family business	3.97	4.07	4.08	3.70
New module: corporate governance	3.97	4.20	3.85	3.80
New module: CSE	4.26	4.40	4.46	3.80

Notes: The questionnaire sample consists of 15 students in the second year, 13 students in the third year and 10 students in the fourth year. There was no statistical significance between the answers of the groups

Table IV.
Overall mean scores for
student questionnaires
based on year of study

courses and there is general agreement among them that these subjects should be covered more in their courses.

Table IV shows that though the agreement is cross-sectional, the fourth year students are not so strong in their agreement concerning the introduction of these three new modules. This could be explained by the fact that they are more satisfied compared to other year students with existing course material especially on corporate governance and the CSE. In their general comments students in the second and third year students agree for the need for a module for corporate governance. The first concerns the ambition of some to pursue the ACCA examinations since corporate governance has been introduced as a module by the ACCA. These students argue that if corporate governance is introduced in the degree course it will assist them in their future studies. Another reason why students want a corporate governance module is due to its increasing importance in the business world. This could be linked to the evidence that shows that students' perceive that corporate governance affects performance. This perception is reflected in each of the years of study examined.

In summary, it has been found that students in the questionnaire sample perceive corporate governance, the CSE and family businesses as important areas to their relevant courses and there is strong agreement amongst them that these subjects should be covered more in their courses. Since students are important stakeholders in the educational organisation of the researcher, their overall views reflect the need for further development of modules relating to corporate governance.

3.4 Faculty interview results

Five members of the faculty were interviewed out of its eight members. The interview participants were asked to comment on the role of the CSE, family businesses and corporate governance on course programmes. The rationale behind the faculty staff interviews was that faculty staff are important stakeholders in the department and their views in certain respects is important for the results to be applied.

In contrast to student perceptions, faculty staff generally agreed that the role of the CSE in faculty degree programmes was not properly covered and that upgrade was needed in the form of an increase in the content in existing modules. The majority of

faculty staff believed that though there was a need for course modules to include more content on the CSE, a new module entirely devoted to the CSE was unnecessary, especially at a graduate level. This was in contrast to the student perceptions that agree for a need of a CSE module.

Concerning family businesses and their current role on the course it is agreed by all participants that the faculty course programmes have not emphasised enough its importance to the Cyprus economy where the bulk of businesses are FF. This is in contrast to students that say that they are satisfied with the content concerning family businesses. However, both students and faculty staff perceive that it is time for a new module that covers family businesses to be developed. Faculty explained that the reason is the fact that Cyprus firms have a strong family businesses culture and that this should be reflected in course programmes. Some in interviewees believe it should form part of a module that covers small- and medium-sized business practice. Faculty staff believes this module should be offered to students as an optional module.

In line with the student's perceptions it was generally agreed that the role of corporate governance should be upgraded on course programmes. The majority of participants believe this upgrade should be in the form of a new module if the course programmes are to be up to date with recent developments. A reason given for this is that the course programmes should be in line with professional bodies such as the ACCA that has in recent years introduced a module on corporate governance. Another reason for introducing a new module on corporate governance is due to the current business and social concerns about corporate and social responsibility. However, a minority of interviewees believed that the upgrade should be for corporate governance to be added on to new modules in finance.

To conclude, there is general agreement by the students and faculty staff that the roles of the CSE, family business and corporate governance should be upgraded on course programmes. For family businesses the participants believe a new module should be introduced though many believe it should be small business oriented rather than family business oriented. Concerning the corporate governance the general view is that the upgrade should be in the form of a new course module due to its increasing importance in the business world.

4. The implication of the research findings on corporate governance education at FUCy

The theory and empirical evidence illustrate the importance of corporate governance practices and its link with firm performance. Theoretical arguments state that agency conflicts between the owners and the managers, shareholders and creditors (lenders), or between large shareholders and small shareholders can be reduced with better governance practices. We have demonstrated in earlier sections that the literature has established links between corporate governance mechanisms (e.g. board size, CEO duality, etc.) and performance. We have also demonstrated the links between business education and firm performance.

The interviews of managers listed in the CSE show a number of useful insights. First, it is shown that firms' managers believe there is a link between corporate governance and performance, albeit, this link is often connected to a measure that is not supported by theory. Managers often establish arguments that go against corporate governance predictions. For example, they do not properly assess the importance of audit and remuneration committees, they believe that CEO duality affects performance positively and they see no link between the number of board

meetings and performance. They often, however, establish opinions that are in line with corporate governance theory and other empirical findings in the area. For example, they express the opinion that higher percentage of non-executives may have an effect on performance (an opinion established for NFF), or that board size affects performance.

With respect to ownership, managers often believe that family and insider ownership has a positive impact on performance. The differences in opinions between FF and NFF also support the view provided by the literature concerning differences between FF and NFF relating to performance. Managers' views can be used in new modules where students can critically assess these views seeking reasonable explanations in comparison with empirical observations on the overall sample of CSE firms.

Given the established theoretical and empirical importance of the subject, further enhancing education in this field is well motivated. The importance of enhancing students' understanding on corporate governance has been provided by evidence provided by Albaum and Peterson (2006) that implied that business students can be treated as future leaders of corporations or other stakeholders like shareholders, employees, customers and suppliers amongst others. Furthermore, Khan and Sethi (2009) found that there is a gap between what is taught in business schools about corporate governance and the requirements of the complex corporate sector. Connected to this is the increasing important role of corporate governance in the business world with the corporate failures in recent years of companies such as Enron, WorldCom, and Lehman Brothers that have been showed to be connected with a lack of effective corporate governance mechanisms.

Concerning corporate governance education at FUCy this area is covered spasmodically in various disciplines such as accounting, auditing and finance. The available public information concerning the course programmes is the course outlines that may be found in pages 98-99 of the FUCy prospectus of 2009-2010. Concerning the accounting modules it is covered in ABSA 308 where the disclosure requirements of corporate governance are covered. Further to this it is covered in the auditing modules of ABSA 408 and ABSA 409 that examine the role of corporate governance and the audit. Finally it is covered in the finance modules of AFIN 102 and AFIN 305 that briefly cover the key aspects of corporate governance in Cyprus. With the exception of ABSA 409 that is taught solely on the accounting and finance degree course all mentioned modules are taught on both business and accounting and finance degree programmes. There is little to no coverage in these two-degree programmes of corporate governance theory and empirical evidence regarding the results of corporate governance research. Further to this it should be emphasised that three of these six modules are optional courses on the accounting and finance degree programme hence limiting the potential information provided to students concerning corporate governance education. For business administration students the situation is even worse since only AFIN 102 is a compulsory module.

Another factor that should be looked at concerning the role of corporate governance education is the relationship between FUCy and the ACCA professional examinations. The degrees courses in accounting and finance and business administration are strongly influenced by the ACCA professional examinations since the ACCA has awarded a number of exemptions to FUCy for these degree programmes. More specifically nine exemptions were awarded to the accounting degree programme and eight exemptions for the business administration. Many accounting students have declared an intention to pursue the ACCA examinations after completion of their

accounting and finance degrees covering areas of corporate governance theory and looking at the various corporate governance mechanisms such as board and CGC compliance factors. Hence it could be argued that the introduction of more corporate governance education to the two degree programmes at FUCy will to a greater extent not only help students in their business practice but also in pursuing the ACCA professional examinations.

The evidence from the student questionnaires and faculty interviews support the case for more corporate governance education. Accounting students support a new corporate governance module that should be offered as a compulsory module in their degree programme whereas business students though agreeing with accounting students concerning further corporate governance education stated that it should be offered as an optional module.

The CSE is not covered directly in any module though stock market theory is covered in most of the AFIN courses. The most detailed coverage is given in AFIN 305 and AFIN 306 that are both optional modules. Whilst students agreed with a module covering the CSE the faculty staff disagreed. They recognised that the role of the CSE in degree programmes was underdeveloped and that upgrade was needed in the form of an increase in the content concerning the CSE in existing modules. Since faculty staff agreed on the importance of corporate governance material this means that CSE material can be included as a part of a corporate governance module.

Concerning family business there is no specific coverage in either of the courses. However, it is embedded in management theory covered in the ABSO modules. However, both students and faculty staff perceive that it is time for a new module that covers family businesses to be developed due to the Cyprus business culture that is heavily geared towards family businesses. Some interviewees believe it should form part of a module that covers small- and medium-sized business practice. However, faculty staff believes this module should be offered to students as an optional module and some believe it should be connected to a module on SMEs.

Overall, the results support the view of an introduction of at least two modules: one in corporate governance and practice and one for small- and medium-sized firms that would cover elements concerning FF. The former course can be offered as part of core courses in the business accounting and finance programme (and as an elective in the business administration programmes) and the latter as an elective in both programmes. Additional coverage concerning CSE can be introduced in existing courses.

5. Conclusions

The CSE manager interviews regarding their views on several corporate mechanisms and their effect on performance provides a current picture of the situation and the importance of corporate governance placed by Cyprus firms. Often the managers see a strong link between several mechanisms and performance while in other cases they provide views that go against theoretical arguments or empirical evidence. The information contained in these interviews can be used to enhance new modules in the area where students can critically assess this information in connection with the theoretical and empirical findings in the area.

Student questionnaires and faculty interviews show evidence to suggest that there is little coverage of corporate governance, the CSE and family businesses on the current degree programmes concerning accounting and finance and business administration. Both students and faculty staff believe that the areas of corporate

governance, family businesses and the CSE are important areas towards the degree programmes of accounting and finance and business administration. Both agree that there is a need for an upgrade of these three areas in the degree programmes mentioned since they perceive they are not covered in enough detail. However, there are different views concerning the type of upgrade.

The main conclusion reached is that there is need for extra coverage in the degree programmes for the areas of corporate governance, family businesses and the CSE. It is recommended that a new module be introduced for both the accounting and finance and business administration degrees about corporate governance theory and practice. The course can be included as part of the core programme for the accounting and finance degree and part of the elective courses in business administration degree. This module will cover the main theory and empirical evidence concerning corporate governance and also pursue a link to the CSE. In addition, a new elective course on small- and medium-sized firms can be offered that can have extensive coverage of family businesses. New and existing courses should also be enhanced with additional material regarding the CSE.

Notes

1. Other studies like Daily and Dalton (1992) found no relationship between CEO duality and performance based on data from the Inc. 100 (the hundred fastest growing US private companies).
2. Due to small sample size the test for significance should be interpreted with caution and are only considered indicative of the important differences.
3. Firms in the MD1 are required to comply fully with the CGC, firms in the MD2 are required to partially comply with the code whereas firms in the MD3 are not required to comply with the code.
4. The sample comprised of 40 students but two students did not answer the questionnaire.

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Further reading

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