PROGRAM (Final)

	DAY 1 (February 15, 2013)	DAY 2 (February 16, 2013)
Registration 8:30-16:00 (Day 1-2)	9:00-10:35 Sessions **A1, B1, C1, R1**	9:00-10:35 Sessions **A2, B2, C2**
	10:35-10:50 Tea break	10:35-10:50 Tea break
	10:50-12:00 **Opening Address and Keynote Speech***	10:50-12:15 Sessions **D2, E2, F2**
	12:00-13:25 Lunch (Sunflowers Brasserie)	12:15-13:25 Lunch (Sunflowers Brasserie)
	13:25-15:00 Sessions **G1, H1, J1**	13:25-15:00 Sessions **G2, H2, J2**
	15:00-15:15 Tea break	15:00-15:15 Tea break
	15:15-16:40 Sessions **K1, L1, M1**	15:15-16:40 Sessions **K2, L2, M2** - Closing

* **Opening Address**, "*University Education in the Globalization Context: New Challenges for Institution Higher Learning in Asia*", by Professor Dato' Dr Mohd Azemi Mohd Nor, Deputy President of Universiti Kuala Lumpur. **(venue: Royale 1)**
* **Keynote Speech**, "*Strategy for Education and Training in Entrepreneurship: Exploring Feelings Through The Lenses*", by Associate Professor Dr Cordelia Mason, Deputy Dean of UniKL Business School. **(venue: Royale 1)**

Session A1: BUSINESS ETHICS & LAW (venue: Tiara 1)
Chair: Sabhi M. Al-Saleh (Dhofar University)

CSR & Performance: Any Evidence from Indonesia's LQ45? (k13-020)
Speaker: Samuel PD Anantadjaya (Swiss German University)

Too Big to Ignore: The Ethical Case for Economic Humanities (k13-153)
Speaker: Jerry Varsava (University of Alberta)

Impact of Institutional Forces on Corporate Social and Environmental Reporting (k13-003)
Speakers: Muatasim Ismaeel and Abdul Razak Abdul Hadi (Universiti Kuala Lumpur)

Culture Dimensions Comparison: A Study of Malaysia and South Korea (k13-189)
Speaker: Yeh Ying Cheah (Universiti Tenaga Nasional)

Challenges in Combating Corruption and Fixing Accountability in Iraq's Perspective (k13-025)
Speaker: Sabhi M. Al-Saleh (Dhofar University)

Session B1: INNOVATION & KNOWLEDGE MANAGEMENT (venue: Tiara 2)
Chair: Meenakshi Gupta (Indian Institute of Technology Bombay)

Science Park, Triple Helix and Regional Innovative Capacity: Province-level Evidence from China (k13-123)
Speaker: Chih-Hai Yang (National Central University)

Interfirm Cooperation in a Cultural Context. Insight from The Research on The ICT Industry in Poland (k13-109)
Speaker: Monika Golonka (Kozminski University)

Identifying Core Technology-based Services by Analyzing Business Model Patents (k13-156)
Speakers: Chulhyun Kim (Induk University) and Moonsoo Kim (Hankuk University of Foreign Studies)

Explicit Data Validation of the Internet Use (k13-191)
Speakers: Jitka Pokorna and Tereza Balcarova (Czech University of Life Sciences Prague)

Knowledge Management in Teams: Conceptual Integration and Development of a Scale (k13-135)
Speaker: Meenakshi Gupta (Indian Institute of Technology Bombay)

Session C1: MANAGEMENT SCIENCE (venue: Tiara 3)
Chair: Kamaruddin Mohd Nor (Professor of Management, University Kuala Lumpur Business School)

The Application of Network Planning Using Critical Path Method for Production of Power Transformer at PT. UniDo, Jakarta, Indonesia (k13-065)
Speaker: Gallang Dalimunthe (Widyatama University)

An Optimal Project Scheduling Model with Lump-Sum Payment (k13-118)
Speakers: Sin-Siang Wang and Shangyao Yan (National Central University)

Quantitative Identification of Mobile Service Opportunities: Document Mapping Based on Novelty Indicators (k13-133)
Speaker: Hakyeon Lee (Seoul National University of Science and Technology)

Grain Silo Scheduling Problem to Reduce Demurrage Rate in Busan Grain Terminal (k13-175)
Speakers: Jongwon Park and Woong Seop Kim (Korea Maritime University)

Production Process Reengineering PT. Enka Parahiyangan Printed News Media (k13-192)
Speaker: Astrid Saraswati Tanjung (Institut Teknologi Bandung)

Session R1: EDUCATION & BUSINESS RESEARCH (venue: Royale 1)
Chair: Myrna Q. Mallari (Tarlac State University)

The Scholars Profile and Perspectives on the Eduardo Cojuangco Project-Flagships to Reach Educational Excellence (ECF-Project Free): An Analysis (k13-016)
Speaker: Krishna V. Buenaventura (Tarlac State University)

An Exploratory Factor Analysis of The Servperf Instrument: An Empirical Study in the Context of Thailand Higher Education (k13-105)
Speaker: Narueban Yamaqupta (Prince of Songkla University)

The Research Competency and Interest of Accountancy Faculty among State Colleges and Universities in Region III (k13-015)
Speaker: Myrel M. Santiago (Tarlac State University)

Strategic Planning Enhancement Through Improved Learning Strategies - A Case for Business Students (k13-206)
Speaker: Abdulaziz Awad M Ibn Twalh (Universiti Kebangsaan Malaysia)

Status, Problems and Prospects of Internal Audit Services of State Universities and Colleges in the Philippines Towards Strengthening Internal Control System (k13-014) **Best Paper Award**
Speaker: Myrna Q. Mallari (Tarlac State University)

Session G1: ACCOUNTING & FINANCE (venue: Tiara 1)
Chair: S. Kevin (TKM Institute of Management)

The Myopia of Financial Accounting: The Case of Intellectual Capital (k13-079)
Speaker: Ayman Zerban (University of Business and Technology, Saudi Arabia)

Economic Crime in Poland and Worldwide, with Particular Focus on Financial and Accounting Fraud (k13-028)
Speaker: Ryszard Kamiński (Adam Mickiewicz University)

Investment timing, investment size, and financing costs (k13-121)
Speaker: Michi Nishihara (Osaka University)

The Possibilty of the Application of Activity Based Costing (abc) System in the Nigerian Small and Medium Enterprises (k13-147)
Speaker: Bala Sulaiman Dalhat (Abubakar Tafawa Balewa University)

A Study of the Relation between Market Index, Index Futures and Index ETFs: A Case Study of India (k13-069)
Speaker: S. Kevin (TKM Institute of Management)

Session H1: MANAGEMENT & MARKETING I (venue: Tiara 2)
Chair: Che Musa Che Omar (Professor of Management, University Kuala Lumpur Business School)

Barriers to adoption of B2B e-marketplaces: an empirical study of Indian manufacturing MSMEs (k13-197)
Speaker: Pallavi Upadhyaya (Manipal University)

An Empirical Study of Mobile Shopping Intentions: From Perspectives of the Generation Y Consumers in the U.S. (k13-084)
Speaker: Jihyun Kim (Virginia Tech)

Co-ordination: An instrument of Management (k13-183)
Speaker: Abdul Hakim (A.P.S.University, Rewa)

Global Leaders Success Relies on their Competencies and Predictors of their Leadership Potential (k13-165)
Speakers: Hifza Mahmood, Saqib Murtaza and Inam ud Din (Iqra University)

Assessing Healthscapes – a comparison among inpatients and outpatients (k13-185)
Speaker: Yogesh Pai P (Manipal University)

Session J1: MANAGEMENT & MARKETING II (venue: Tiara 3)
Chair: Reza Rahardian (Sebelas Maret University)

Competences of Manufacturing Flexibility and Capabilities of Manufacturing Flexibility in SMEs and Large Firms (Evidence in Batik Industry Surakarta) (k13-144)
Speaker: Sarwoto (Sebelas Maret University)

Comparing Culture and Mobile Network Provider Advertisement Factors in TV and Print Media, and Its Influence Towards Consumers' Attitude (k13-054)
Speaker: Desita Herdini Arumsari (Institut Teknologi Bandung)

A Test of Model of The Relationship Between Public Service Motivation, Job Satisfaction and Organizational Citizenship Behavior (k13-107)
Speakers: Sinto Sunaryo and Joko Suyono (Sebelas Maret University)

Study on BNI Marketing Strategy Impact Towards Credit Card Revenue (k13-050)
Speaker: Indah Dewi Purnamasari (Institut Teknologi Bandung)

Manufacturing Flexibility and Spanning Flexibility: Evidence in Batik Industry (k13-104)
Speakers: Reza Rahardian and Joko Suyono (Sebelas Maret University)

Session K1: ACCOUNTING & FINANCE (venue: Tiara 1)
Chair: Kamisan Gadar (Associate Professor of Finance, University Kuala Lumpur Business School)

Cointegration Analysis of Indonesian Money Market Term Structure: Testing for Expectation Hypothesis (k13-220)
Speaker: Anggoro Budi Nugroho (Institut Teknologi Bandung) **Best Paper Award**

The Impact of Credit & Liquidity Risk on Bank Financial Performance: The Case of Indonesian Conventional Bank with Total Asset above 10 Trillion Rupiah (k13-018)
Speaker: Achsania Ruziqa (Institut Teknologi Bandung)

Strategic Valuation of Fast-Moving Consumer Goods Company in Indonesia (k13-041)
Speaker: Ira Indriasari (Institut Teknologi Bandung)

Optimal Capital Structure Analysis A Study From Indonesia Telecommunication Companies Listed in Indonesia Stock Exchange Period 2009-2011 (k13-045)

Speaker: Debby Nurhikmah (Institut Teknologi Bandung)

The Determinants of Capital Structure in Indonesian Consumer Goods Industry for the Period of 2007-2011 (k13-051)
Speaker: Putri Carmelita (Institut Teknologi Bandung)

Optimal Capital Structure Analysis Using The Weighted Average Cost of Capital Approach: An Overall Study of Cement Industry in Indonesia From Year 2004 To 2011 (k13-057)
Speaker: Chiara Ardelia Ryani (Institut Teknologi Bandung)

Session L1: EDUCATION & ENTREPRENEURSHIP (venue: Tiara 2)
Chair: Sulaiman Sajilan (Dean & Professor of Entrepreneurship, Universiti Kuala Lumpur Business School)

Creating Entrepreneurial Spirit in Indonesia: Role of Educators? (k13-085) **Best Paper Award**
Speakers: Samuel PD Anantadjaya (Swiss German University) and Irma M Nawangwulan (Universitas Pembangunan Jaya)

Investigating the Relationship between Student Preferences and Organizational Culture with Strategic Intent towards International Accreditation: Malaysian Private Universities Case (k13-218)
Speaker: Islam Bourini (Universiti Tenaga Nasional)

A Negotiation Exercise for Interactive Teaching in Operations and Supply Chain Management (k13-212)
Speaker: Mehmet Gumus (American University of Sharjah)

The Relationship between Language Barriers and education System Quality and Arab Students Satisfaction in Malaysia: A Review (k13-217)
Speaker: Islam Bourini (Universiti Tenaga Nasional)

Critical Success Factors of Technopreneurship in the Creative Industries: A Study of Animation Ventures (k13-002)
Speakers: Hanis Kamarudin and Sulaiman Sajilan (Universiti Kuala Lumpur)

Session M1: SOCIETY & CULTURE (venue: Tiara 3)
Chair: Sethu Madhavan Lakshmi Narayanan (Manipal University)

The Impact of Female Schooling on Fertility: Evidence from Population Data of Taiwanese Twins and Siblings (k13-110)
Speaker: Meng-Wen Tsou (National Central University)

Cosmic Understanding of Self and Social Behaviour in Indian Perspective (k13-201)
Speaker: H.G.R Tripathi (Govt. Girls P.G. College, A.P.S. University Rewa, (M.P.) India)

Work-Family conflict - An exploratory study of the dependents child’s Age on Working Mothers (k13-159)
Speaker: Sethu Madhavan Lakshmi Narayanan (Manipal University)

Session A2: ECONOMETRICS & FINANCE (venue: Tiara 1)
Chair: Naziruddin Abdullah (Head of Research & Postgraduate Studies, Professor of Economics, University Kuala Lumpur Business School)

Decomposing the Changes of the Divisia Price Index: Application to Inflation in the Philippines (k13-023)
Speaker: Tomoki Fujii (Singapore Management University)

Liner Freight Variation Insurance (k13-132)
Speakers: Jong-Soon Koo, Kyung-Yun Hwang and Sa-Heon Kim (Chungnam National University)

Time-varying Betas in CEE Emerging Markets: A Bivariate BEKK GARCH Approach (k13-140)
Speaker: Marie Ochem (Aquila Risk Solutions, Luxembourg)

Using Hidden Markov Model to Detect Macro-economic Risk Level (k13-075)
Speaker: Yajing Zhu (Xi'an Jiaotong-Liverpool University)

Improving Technical Analysis Indicator by Using GARCH: Case Study in Stock that is Traded at the Market Price Limit (k13-048)
Speaker: Daniel Iskandar (Institut Teknologi Bandung)

Session B2: ACCOUNTING & FINANCE (venue: Tiara 2)
Chair: Reza Najarzadeh (Tarbiat Modares University)

Changes of Return of Shares Before and After ex-Dividend Date: Case Study in Indonesia (k13-181)
Speaker: Henny Medyawati (Gunadarma University)

Comparative Performance Study between Conventional & Islamic Banking: A study in the context of Bangladesh (k13-039)
Speaker: Kamruddin Parvez (Independent University, Bangladesh)

Is the Stock Market Overvalued: A Study in the Context of Bangladesh (k13-040)
Speaker: Mohamamd Nayeem Abdullah (Independent University, Bangladesh)

The Success of Microcredit in Bangladesh: Supplementing ‘Group Lending’ Explanation with Institutional Understanding (k13-162)
Speaker: Munim Barai (Ritsumeikan Asia Pacific University)

A Study of the Competitiveness of Iran’s Banking System (k13-128)
Speaker: Reza Najarzadeh (Tarbiat Modares University)

Session C2: TRADE, GROWTH & DEVELOPMENT (venue: Tiara 3)
Chair: Karl Wagner (Professor of Management, University Kuala Lumpur Business School)

A Dynamic Perspective on an Input Output Table (k13-148)
Speaker: Shan-Ying Chu (Chung Yuan Christian University)

White and black cats: comparative analysis of multinational corporations from advanced and emerging economies (k13-112)
Speaker: Artur Klimek (Wroclaw University of Economics)

Internet Usage and Economic Growth (k13-146)
Speaker: Shan-Ying Chu (Chung Yuan Christian University)

Agglomeration Economies and the Location of Foreign Direct Investment: Empirical evidence from Vietnam (k13-142)
Speaker: Hoai Nam Trinh (Nagoya University)

Reexploring the Geothermal Potential of West Malaysia (k13-004)
Speaker: Karl Wagner (Universiti Kuala Lumpur)

Session D2: SOCIETY & CULTURE (venue: Tiara 1)
Chair: Bala Maniam (Sam Houston State University)

Japanese Acceptance of Nuclear and Radiation Technologies after Fukushima Diichi Nuclear Disaster (k13-172)
Speaker: Shigeru Matsumoto (Aoyama Gakuin University)

The Study of an Anti Alcohol Campaign and Young Adult Drinking Alcohol Habit (k13-062)
Speaker: Dany Hutama Aji (Institut Teknologi Bandung)

Harmoniously Advanced Generation (k13-222)

Speaker: Nigora Khabibova (CCLP Worldwide)

Cultural Factors in Women's Labour Force Participation in Malaysia – An Undergraduate's Perception (k13-200)
Speaker: Bala Maniam (Sam Houston State University)

Session E2: STRATEGIC CHOICE, PRODUCTIVITY & PERFORMANCE (venue: Tiara 2)
Chair: Sandra Perks (Nelson Mandela Metropolitan University)

Exploring Supplier Negotiation Best Practices and Supplier Relationship Strategies in South Africa (k13-096)
Speakers: Sandra Perks and Nadine Oosthuizen (Nelson Mandela Metropolitan University)

Firm Productivity in Thai Manufacturing Industries: Evidence from Firm-level Panel Data (k13-190)
Speaker: Thanapol Srithanpong (Keio University)

The Influence of Capital Structure and Working Capital Turnover on Profitability (k13-163)
Speaker: Bonny Suryopratomo (Widyatama University)

Benchmarking Financial Performance Analaysis of Food Manufacturing Companies in Indonesia (k13-046)
Speaker: Sartika Pertiwi (Institut Teknologi Bandung)

Exploring business growth aspirations and strategic planning of hair dressing salons in South Africa (k13-095)
Speaker: Sandra Perks (Nelson Mandela Metropolitan University)

Session F2: GOVERNANCE & MANAGEMENT (venue: Tiara 3)
Chair: Niki Lukviarman (Andalas University)

Public Reporting of Human Resources - A Case Study in Hong Kong (k13-195)
Speaker: Juni Chan (Hong Kong Nang Yan College of Higher Education)

Impact of Distributive Justice, Procedural Justice, Interactional Justice, Temporal Justice, Spatial Justice on Job Satisfaction of Banking Employees (k13-103)
Speaker: Sania Usmani (Iqra University)

The Curse of Knowledge Bias-Evidence from Assets Impairments (k13-117)
Speaker: Ching-Chieh Lin (I-Shou University)

Relationship Between The Type of Auditor Opinions With The Difference of Local Government Forms in Indonesia (k13-026)
Speaker: Fitria Husnatarina (Universitas Gadjah Mada)

Corporate Governance Implementation in Indonesia: Current Development and Future Agenda (k13-070)
Speaker: Niki Lukviarman (Andalas University)

Session G2: RISK, FINANCE & PRODUCTIVITY (venue: Tiara 1)
Chair: Jimmy Teng (University of Nottingham Malaysia Campus)

A Theory of Complementarity Between Rent Seeking and Production (k13-124) **Best Paper Award**
Speaker: Jimmy Teng (University of Nottingham Malaysia Campus)

A Study of Bank Efficiency: An Empirical Study of Commercial Banks in Jordan Using a DEA during the Period 2005-2009 (k13-151)
Speaker: Abeer Al-Khoury (Princess Sumaya University for Technology)

Measuring Firm Insolvency Risk (k13-188)
Speaker: Vincent Gan (Universiti Putra Malaysia)

Risk and Return Analysis of Gold, Silver, JKSE, and Property in Cibeunying Kidul, Cibeunying Kaler, and Cidadap as The Investment Instrument for Retirement Fund (k13-055)
Speaker: Innes Tanya Sholihaty (Institut Teknologi Bandung)

Rent Seeking Contest and Indirect Risk Preference (k13-158)
Speaker: Jimmy Teng (University of Nottingham Malaysia Campus)

Session H2: SOCIAL & ECONOMIC DEVELOPMENT (venue: Tiara 2)
Chair: Mawuko Dza (Griffith University)

The Status of the Lambanog Industry in the Philippines (k13-119)
Speaker: Rodrigo Velasco (City College of Lucena)

The Impact of Zakat on Poverty and Income Inequality in Bahrain (k13-030)
Speaker: Hisham Abdelbaki (University of Bahrain)

Perceptions of Tax Agents Towards the Proposed Goods and Service Tax in Malaysia (k13-126)
Speaker: Bidin Zainol (Universiti Utara Malaysia)

Retrenchment can be Damaging to the Family and Society: The Case of Nigeria (k13-187)
Speaker: Rose Ogbechie (Lagos Business School)

Service-dominant Logic and Procurement in Africa: Lessons Learned from a Development Agenda in Ghana (k13-143)
Speaker: Mawuko Dza (Griffith University)

Session J2: MANAGEMENT & MARKETING (venue: Tiara 3)
Chair: Nathaniel Edwards (Yamaguchi National University)

Health is Wealth: Hospital Selection Factors and Service Quality in an African Setting (k13-154)
Speaker: Salime Mehtap (Princess Sumaya University for Technology)

Customer Loyalty: The Effects of Service Quality and The Mediating Role of Customer Relationship Marketing Telkom Speedy in Jember Area (k13-164)
Speaker: Astuti Widji (University of Merdeka Malang)

Measuring Service Quality of Jakarta-Bandung Shuttle Among Institut Teknologi Bandung Student (k13-063)
Speaker: Raja Falency Arifah (Institut Teknologi Bandung)

Demographic Influence in Online Experience towards Individual Factors (k13-061)
Speaker: Hedya Febritanti (Institut Teknologi Bandung)

The Evolution of Worker Autonomy in the Modern and Postmodern Eras of Business Management: Examining the Origins of Transformational Leadership and Cultural Intelligence in Contemporary Learning Organizations (k13-171)
Speaker: Nathaniel Edwards (Yamaguchi National University)

Session K2: MANAGEMENT & ENTREPRENEURSHIP (venue: Tiara 1)
Chair: Luigi Orsi (University of Padua)

Innovation, Absorptive Capacity, Environmental Complexity, Trust and Cooperation within Clusters (k13-083)
Speaker: Luigi Orsi (University of Padua) **Best Paper Award**

The Impact of Human Resource Management Practices on Service Recovery Performance among ICT Companies in Malaysia (k13-219)

Speaker: Islam Bourini (Universiti Tenaga Nasional)

Psychological Empowerment, and Employee Attitudes: Mediating Role of Intrinsic Motivation (k13-106)
Speaker: Farooq Amed Jam (International Islamic University Islamabad)

A Bibliometric Analysis of the Literature on Ethnic Entrepreneurship (k13-157)
Speaker: Luigi Orsi (University of Padua)

Session L2: TRADE, CRISIS & DEVELOPMENT STRATEGIES (venue: Tiara 2)
Chair: Milivoj Markovic (University of Zagreb)

Reactions of Stock Market to Monetary Policy Shocks during the Global Financial Crisis: The Nigerian Case (k13-116)
Speaker: Shehu Usman Rano Aliyu (Bayero University Kano) **Best Paper Award**

Strategic Orientation Based Research Model of SME Performance for Developing Countries (k13-141)
Speaker: Herath H.M.A (Wayamba University of Sri Lanka)

Globalization & Development: Challenges for Developing Countries (k13-097)
Speaker: M.M. Haris Aslam (University of Management & Technology)

The Relationship between Foreign Direct Investment and Gross Domestic Product in Indonesia (k13-049)
Speaker: Alfiani Sartika (Institut Teknologi Bandung)

Economic and Business Impact of Crisis on Croatian Trade (k13-184)
Speaker: Milivoj Markovic (University of Zagreb)

Session M2: MARKETING (venue: Tiara 3)
Chair: Mikko Sääskilahti (University of Lapland, Finland)

The Effect of Price and Promotion Element on Perception of Thai Service Quality towards Japanese Tourists (k13-131)
Speaker: Pakin Witchayakawin (Prince of Songkla University)

Creating a New Framework for Standardization/Adaptation Issue in Global Marketing (k13-178)
Speaker: Bin Fang (Kanazawa Seiryo University)

How Do Interaction Activities Between Customers and Firms, and Among Customers Influence the Lifetime and Sales of Mobile Application Products? (k13-196)
Speaker: Jaihak Chung (Sogang University)

User Experience - From a Participant to an Activist (k13-186)
Speaker: Mikko Sääskilahti (University of Lapland, Finland)

~ END ~

Guide to Presenters and Session Chairs

- Please be ready in the session five minutes before the schedule.
- The session chair will allocate the available time equally among all papers to be presented in the session. Each paper has to be presented within the time allotted sparing 3-5 minutes for discussion.
- The session chair should remind the speaker three minutes before the time he or she is expected to end the presentation. If the speaker goes beyond the time allotted, the session chair should remind her or him to end the presentation.
- SIBR assumes no responsibility if presenters are unable to finish their presentation in the assigned session for any reasons.
- LCD projector, screen and laptop (notebook) computer will be provided. Presenters are reminded to store their presentation files in their own USB storage devices.

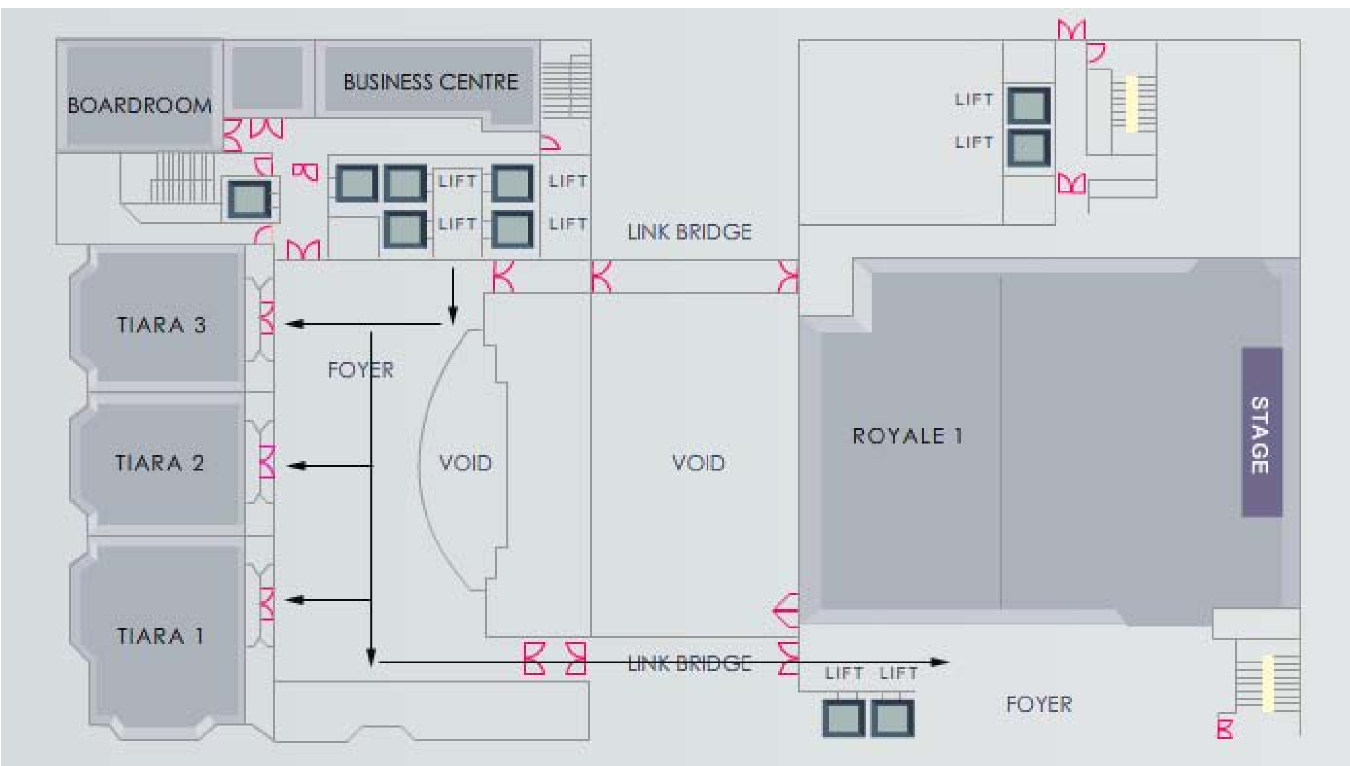
Conference Registration Desk

Conference participants will collect attendance certificate, best paper award certificate (awardees only), proceedings CDROM and official receipt from the registration desk. Please mention your Paper I.D. code at the desk to speed up the process. The conference registration desk will be open from AM08:30 to PM16:00 on February 15th-16th, 2013. Presenters assigned to morning sessions can register after they have finished their presentation.

Others

- To conserve the environment, the conference will minimize the use of papers, and will NOT provide nylon bag/plastic folder.

Floor Plan (Level 2)



List of Delegates

k13-183	Abdul Hakim	A.P.S.University, Rewa
k13-003	Abdul Razak Abdul Hadi	Universiti Kuala Lumpur
k13-206	Abdulaziz Awad M Ibn Twalh	Universiti Kebangsaan Malaysia
k13-151	Abeer Al-Khoury	Princess Sumaya University for Technology
k13-018	Achsania Ruziqa	Institut Teknologi Bandung
k13-049	Alfiani Sartika	Institut Teknologi Bandung
k13-220	Anggoro Budi Nugroho	Institut Teknologi Bandung
-	Anu Varsava	University of Alberta
k13-112	Artur Klimek	Wroclaw University of Economics
k13-192	Astrid Saraswati Tanjung	Institut Teknologi Bandung
k13-164	Astuti Widji	University of Merdeka Malang
k13-079	Ayman Zerban	University of Business and Technology, Saudi Arabia
k13-200	Bala Maniam	Sam Houston State University
k13-147	Bala Sulaiman Dalhat	Abubakar Tafawa Balewa University
k13-126	Bidin Zainol	Universiti Utara Malaysia
k13-178	Bin Fang	Kanazawa Seiryo University
k13-163	Bonny Suryopratomo	Widyatama University
-	Che Musa Che Omar	Universiti Kuala Lumpur
k13-057	Chiara Ardelia Ryani	Institut Teknologi Bandung
k13-123	Chih-Hai Yang	National Central University
k13-117	Ching-Chieh Lin	I-Shou University
k13-156	Chulhyun Kim	Induk University
k13-043	Citra Nurul Djajanti	Institut Teknologi Bandung
-	Cordelia Mason	Universiti Kuala Lumpur
k13-048	Daniel Iskandar	Institut Teknologi Bandung
k13-062	Dany Hutama Aji	Institut Teknologi Bandung
k13-045	Debby Nurhikmah	Institut Teknologi Bandung
k13-054	Desita Herdini Arumsari	Institut Teknologi Bandung
k13-106	Farooq Amed Jam	International Islamic University Islamabad
k13-026	Fitria Husnatarina	Universitas Gadjah Mada
k13-065	Gallang Dalimunthe	Widyatama University
-	George Mills	Pan-Pacific Strategic Investments Ltd.
k13-201	H.G.R Tripathi	Govt. Girls P.G. College, A.P.S. University Rewa, (M.P.) India
k13-133	Hakyeon Lee	Seoul National University of Science and Technology
k13-002	Hanis Kamarudin	Universiti Kuala Lumpur
k13-061	Hedya Febritanti	Institut Teknologi Bandung
k13-181	Henny Medyawati	Gunadarma University
k13-141	Herath H.M.A	Wayamba University of Sri Lanka
k13-165	Hifza Mahmood	Iqra University
k13-030	Hisham Abdelbaki	University of Bahrain

k13-142	Hoai Nam Trinh	Nagoya University
k13-165	Inam ud Din	Iqra University
k13-050	Indah Dewi Purnamasari	Institut Teknologi Bandung
k13-055	Innes Tanya Sholihaty	Institut Teknologi Bandung
k13-041	Ira Indriasari	Institut Teknologi Bandung
K13-085	Irma M Nawangwulan	Universitas Pembangunan Jaya
k13-217, k13-218, k13-219	Islam Bourini	Universiti Tenaga Nasional
k13-196	Jaihak Chung	Sogang University
k13-153	Jerry Varsava	University of Alberta
k13-084	Jihyun Kim	Virginia Tech
k13-124, k13-158	Jimmy Teng	University of Nottingham Malaysia Campus
k13-191	Jitka Pokorna	Czech University of Life Sciences Prague
-	Joanne Fernandes	University of Exeter Business School
k13-104, k13-107	Joko Suyono	Sebelas Maret University
k13-132	Jong-Soon Koo	Chungnam National University
k13-175	Jongwon Park	Korea Maritime University
k13-195	Juni Chan	Hong Kong Nang Yan College of Higher Education
-	Kamaruddin Mohd Nor	Universiti Kuala Lumpur
-	Kamisan Gadar	Universiti Kuala Lumpur
k13-039	Kamruddin Parvez	Independent University, Bangladesh
k13-004	Karl Wagner	Universiti Kuala Lumpur
k13-016	Krishna V. Buenaventura	Tarlac State University
k13-132	Kyung-Yun Hwang	Chungnam National University
k13-083, k13-157	Luigi Orsi	University of Padua
k13-097	M.M. Haris Aslam	University of Management & Technology
k13-140	Marie Ochem	Aquila Risk Solutions, Luxembourg
k13-143	Mawuko Dza	Griffith University
k13-135	Meenakshi Gupta	Indian Institute of Technology Bombay
k13-212	Mehmet Gumus	American University of Sharjah
k13-110	Meng-Wen Tsou	National Central University
k13-121	Michi Nishihara	Osaka University
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Corporate Governance Implementation in Indonesia; Current Development and Future Agenda

Niki Lukviarman

Governance Research Program
Faculty of Economics-Andalas University
Lukviarman@gmail.com

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Abstract

This paper is about specific features of corporate behavior among companies in Indonesia in relation to corporate governance implementation. The basic proposition underlying the paper is that, in the absence of the single corporate governance model different legal and institutional settings affect how the governance participants react in relation to certain costs and benefits of their actions to maximise wealth. After more than a decade of implementation, corporate governance development in Indonesia still ranks among the lowest of its neighbouring countries. By comparing such development to other Asian countries, the paper aimed at assessing the level of current achievement in governance practices and determines policy recommendations for corporate governance implementation in the future. This paper argues that any effort to promote governance practices should consider the country's specific factors. Appropriate regulatory environment, therefore, is necessary to determine the rights and obligations of governance participants and the incentive to promote sound governance practices.

Keywords: Corporate Governance, Governance Characteristics, Governance Development, Governance Mechanisms,

1. Background

The importance of sound corporate governance practice has been accepted for more than a decade in Asian region particularly in the wake of the crisis in late 1997. Various scholars (e.g. Johnson et al. 2000, Dickinson and Mullineux 2001, Capulong et al. 2000, Greenspan 1999, Gregory 2000) argues that weaknesses in Asian corporate governance systems as one of the major sources of the economic meltdown in these countries. Indonesia, as one of the countries most affected by the crisis, has been forced to consider corporate governance issues at the forefront of the nation's agenda for corporate and economic policy (Lukviarman 2011).

The International Monetary Funds (IMF) has made the adoptions and reforms on corporate governance as a condition for its assistance for several countries in the Asian region (Rosser 2003). In the case of Indonesia, initiatives have been developed to address the issues of structural weaknesses in the country's corporate sectors in order to sustain its economic development. Such initiatives have been presented in the improvement of institutional and organizational mechanisms to promote the effective governance systems. This effort includes enacting the Code for Good Corporate Governance in 1997, which is renewed in 2006, followed by several legal and regulatory reforms to support the implementation of such a code (see Lukviarman 2011).

The purpose of this paper is to describe recent issues in the implementation of the corporate governance system in Indonesia after more than a decade. Based on such development, future agenda for reform will be discussed to achieve better governance practices. The paper addresses the issue of corporate behavioral patterns from the financial point of view, and describes business practices within its environment which influence the country's governance orientation. Following Cheung and Chan (2004), this paper argues the importance of understanding a country's specific business system through its macro cultural variables as a means of enhancing appropriate corporate governance practice in one country. In this regard, the term corporate governance is used to describe the system by which companies are controlled, directed and made accountable to shareholders and other stakeholders (Lukviarman 2004).

To observe business system practices in relation to a country's financial system and governance orientation, this paper takes a macro perspective with the organization as its primary unit of analysis. Using a descriptive method of analysis, the agency theory hypothesized by Jensen and Meckling (1976) will be utilized to describe relevant financial aspects in relation to corporate governance system on a secondary data basis. Secondary data has been gathered from various sources, such as recent publications of the Asian Corporate Governance Association (ACGA). These data will be analyzed to assess recent issues of corporate governance development in Indonesia in comparison to other Asian countries. The country's corporate governance system and its development will be utilized to gain insights into the merits of proposals to reform Indonesia's corporate governance in the future.

This paper begins with review of the nature of the agency perspectives as a basis for analyzing the corporate governance, followed by a discussion on the role of culture as a variable that influenced corporate governance practices across countries. In the next section it describes the role of a financial system in shaping the governance orientation within one country. The paper then discusses key features of corporate governance in Indonesia, including ownership and control issues and characteristics of governance mechanisms. Subsequent section will discuss current development of corporate governance in Indonesia in comparison to other Asian countries and the future agenda of implementation, followed by concluding comments.

2. Corporate Governance; the Agency Perspective

A company as an organization governs its activities within the boundaries of systems of the country in which it is based. From this point of view, in order for a company to successfully achieve its objectives, it should better adapt to its environment. In this regard, corporate governance system can be functioned as providing the rules and regulations on how the company governs its activities in pursuing objectives. Any such system is designed to provide check and balance mechanisms to maintain equilibrium within a company by considering the interested parties involved. By ensuring each party behaves according to these rules and regulations, the possibility of achieving the company's objectives without harming any of its stakeholders' interests is enhanced (see Lukviarman 2004 for details).

The governance terminology is commonly used and widely known. Despite the fact that it has been applied for more than a decade in various organizations, this concept is continuously developing, particularly in business organizations. This evolution is considered to be important in order to meet the needs of a changing corporate environment. Moreover, corporate governance becomes critical in enabling a company to perform competitively in the market place (Lukviarman 2004) and to increase the firm's access to international capital markets (Cheung and Chan 2004). Indeed the OECD (2004, p.11) argues corporate governance as 'one key element in improving economic efficiency and growth as well as enhancing investor confidence'. As such, there is an increasing necessity to apply good governance induced by the markets. This will make corporate governance more critical in the future.

Despite progressive development of this concept there is still considerable debate on what actually constitutes corporate governance (Lukviarman 2004). This is partly due to the broader implication of this concept that might be different across companies and countries. In fact, the OECD (1998, 2004) report that there is no single universal model of corporate governance system and the concept is continuously developing particularly in business organizations. However, the dominant view of corporate governance hinges on the issue of separation of ownership and control within the firm, which is modeled by the agency theory (Berle and Means 1932, Jensen and Meckling 1976, Fama and Jensen 1983a,b, Keasey et al. 1997). The agency theory identifies potential conflicting interests among parties within a company, which in turn affects corporate behavior in different ways (Jensen and Warner 1988).

The conflicts of interest between various parties are caused by the differences in objectives of each party based on their positions and interests of the company. To reduce such conflicts and to ensure the achievement of the company's objectives in the most efficient way, there is a need for rules and the control mechanisms in directing the company's operations. However, identifying which party has the dominant conflict with shareholders is of importance to determine the nature of the agency problems (Lukviarman 2004). Once the agency problems within the agency relationships are identified, one could verify the appropriate type of control mechanism to be used as a means of corporate governance (Fama 1980, Fama and Jensen 1983a, Jensen and Meckling 1976).

3. Corporate Governance; the Role of Culture

There are distinct differences in corporate governance contexts across countries (Kim and Hoskisson 1997, Thomsen and Pedersen 2000, Cheung and Chan 2004) and they can be seen to change over time (OECD 2004). Consequently, there is no specific corporate governance system that is best suited for every company and all countries. Other reasons for such differences arise from the overall structure of economies and regulation (Mayer 1997), comparative politics (Kay and Silberston 1995), and social pattern and economic development (Cadbury 1999). However, the existence of different systems will enrich governance practice and encourage the development of efficient governance structures that will create wealth for the society as a whole (Blair 1995). Following Aoki (2001) it is agued that corporate governance needs to be understood in the context of a wider range of institutional domains.

Although corporate governance systems have shown distinct differences across countries, there exists a common objective of good governance; that is to ensure sustained growth or survival of the companies and the attainment of the multiple goals of their stakeholders (Charkham 1995, Prowse 1995, Pedersen and Thomsen 1997). According to Cheung and Chan (2004) differences in such systems are caused by the cultural aspects in the society where the governance system exists. Therefore, a corporate governance system that subsists in one society is influenced by the culture of that society. It might be argued that by understanding the culture of one country will provide a sound analytical basis in the design and implementation of governance for strengthening corporate sectors in that country.

In order to assess the governance practices of a country, it is important to understand the core macro-cultural values that exist there (Kuada and Gullestrup 1998, Cheung and Chan 2004). They argue that the macro-cultures of societies in which firms are located have a strong influence on the manner in which they are governed. Therefore, in the corporate governance context, such macro-cultural variables will have an impact on the country's economic systems and, in particular, its financial system. This in turn will affect ownership patterns (Berglof 1990), corporate systems (Moerland 1995), corporate structure (Roe 1993), disciplinary mechanisms (Prowse 1995), as well as the governance orientation (Kim and Hoskisson 1997). Given differences between any two countries' macro cultural variables, it might be argued that it is highly unlikely that corporate governance systems that work well in one country will also fit into the others, due to their different cultural context.

4. Corporate Governance and The Financial System

The financial system refers here to the industrial finance system (Berglof 1990, Vitols 2005), that is, the institutional arrangements designed to transform savings into investments and to allocate funds among alternative uses within the industrial sector. This allocation is handled by a set of financial markets and a set of financial institutions providing various intermediation services. Since company legislation differs from country to country, Pedersen and Thomsen (1997) argue that it will affect the financial system and company's choice of financing in a number of ways. From the financial point of view, therefore, it is crucial to observe the financial system in one country in determining its particular corporate governance orientation.

Corporate governance is important in defining the financial system since financial titles are not merely claims for payment, but are also linked to property rights and are thus part of corporate governance (Schmidt and Tyrell 1997). As a corollary, several studies have observed different governance orientation across countries based on the financial system as applied in a specific country. The distinction of governance orientations may help explain differences in corporate behavior, especially with respect to handling agency problems. Moerland (1995) distinguish two different systems:

market-oriented and network-oriented systems, while Berglof (1990) differentiate between bank-oriented and market oriented systems, Kim and Hoskisson (1997) discriminate between market and managed systems, while Rajan and Zingales (2001) segregate between arm's length versus relationship-based systems.

In general there are two disciplinary mechanisms in any corporate governance system: the market for corporate control and the internal control mechanism (Walsh and Seward 1990). The market-based mechanism for corporate control, which also known as external control mechanism, consist of several devices; the capital market (Fama and Jensen 1983a), the product market (Hart 1983), and the managerial labor market (Fama 1980). On the other hand, the internal control or organizationally based mechanism for corporate control, consist of the board of directors (Fama and Jensen 1983b), and the managerial incentive schemes (Fama 1980). Based on such disciplinary mechanisms, one could expect different corporate governance system to arise as a result of varied financial systems and the market for capital mobilization across countries.

5. Key Features of Corporate Governance in Indonesia

5.1 Ownership and Control Issues

Ownership structure refers to the configuration of shares held by individuals or organizations within a company, and it depends on the way a company fulfils its financing needs. In general there are two methods of financing: the internal and external. A company's internal financing refers to the sources of funds from the sale of corporate equities or by using retained profits. An external financing, on the other hand, involves borrowing from financial intermediaries and in particular through commercial banks (see Lukviarman 2001 for further discussion).

Corporations in Indonesia are characterized by relatively highly concentrated ownership and are mainly family controlled. As much as 67.5% of such corporations are owned by top five shareholders, 48.2% owned by largest shareholders, and only 0.6% are widely held corporations (Lukviarman 2001). Almost 85% of companies have the controlling owners appointed managers who belong to the controlling group. Furthermore, 66.9% of corporations in Indonesia exercise their control through pyramid structures (also called parent-subsidiary structure) with the ultimate owners and 53.4% by controlling owner alone (see Lukviarman 2001 for details).

The abovementioned data suggests that ownership structure in Indonesia is highly concentrated and, with this size of ownership, majority shareholders may have powerful controlling rights. Further study by Lukviarman (2004) also found similar pattern of ownership structure among non-financial publicly listed companies in Indonesia. Additionally, many of the Indonesian companies typically controlled by families or few individuals, and there is often little separation between ownership and management. This may result in management acting in the best interest of a few major shareholders rather than in the best interest of the company. The study by Capulong et al. (2000) documented that the pattern of ownership concentration among publicly listed companies in Indonesia barely changed during 1993-1997. This study found that one reason for the relatively stable ownership concentration is the prevailing practice of raising equity mainly through right issues. It is also believed that such a pattern is also due to a tendency to sell only small portions of equity to the market. Another study by Claessens et al. (2000) found that the amount of financing raised by the companies through capital market is less than 30% of their total finance.

The tendency for majority shares to be held by the founding owner is also combined with relatively small and not well-developed capital market (OECD 2000, 2004). Moreover, this study also found that the Indonesian capital market is among those with the lowest liquidity within East Asian countries, as indicated by the concentration of market capitalization in certain companies and thin trading volumes. The of lack well-developed capital market and the tendency of the controlling owners to sell small amount of a company's equity in this market, might be one of main reasons why most of the firms rely on bank finance for their financing needs. This is indicated by relatively higher debt to equity ratio among publicly listed companies in Indonesia, compared to companies in other East Asian countries (Lukviarman 2001). Therefore, it can be argued that external financing through commercial banks dominates corporate financing in Indonesia, as opposed to internal or equity financing through capital markets.

5.2 The Internal Control Mechanism

The active role of a board of directors in performing their supervisory and advisory tasks is believed to be an efficient and a less expensive governance mechanism. This can possibly be achieved if directors are independent of management and have appropriate knowledge of the firm (Van den Berghe and De Ridder 1999). Together with the managerial incentive scheme, the agency theorists (Rindova 1999) argue that the board will play an important role as an internal monitoring device to ensure the managers act consistently with shareholders' interests. This point of view emphasizes the importance of the director's role and an incentive scheme in a corporate governance mechanism.

Companies incorporated under the Indonesian Company Law (2007) have two boards, thus called the two-board system: the Board of Commissioners (Supervisory Boards) that performs supervisory and advisory roles, and the Board of Directors (including management) that performs the executive roles (Lukviarman 2004). The study by Capulong et al. (2000) revealed that in a lot of instances, the members of the Supervisory Board are appointed due to their close relationship, including family ties, with the major shareholders who own a large number of shares. The same study also found systematic evidence that many board members lack the required competence and fail to maintain their independence. This might be attributed to the fact that almost 85% of the company's controlling owners appointed members of their family to the management team and/or Board of Commissioners (Lukviarman, 2001). This dominance of family-based controlling shareholders might be seen to have contributed to the ineffectiveness of the role of directors in providing checks and balances on a company's operations.

The use of incentive mechanisms to align management interest with those of shareholders, as has been suggested in the agency theory, could be considered as not appropriate in the case of Indonesia. This is partly due to the fact that management is also a part of the majority or controlling owners. Indeed, Capulong et al. (2000) shows that most companies in Indonesia remunerate their CEOs and Supervisory Boards by fixed compensation only or by fixed compensation and a profit related bonus. Moreover, the said study also found that the management determines the remuneration of the Supervisory Board, which is actually supposed to supervise and advice the management. In sum, relying on a control mechanism through the role of the Supervisory Board or through managerial incentives may not work well in most companies in Indonesia.

5.3 Market Competition and the Market for Corporate Control

The market for corporate control refers to the control function provided by market competition as a corporate governance instrument in disciplining management behavior. Within this mechanism are included the capital market (Fama and Jensen 1983b), the product market (Hart 1983), and the managerial labor market (Fama 1980). These devices operate through fear of crises such as the possibility of mergers and acquisitions (Claessens et al. 2000) in disciplining inefficient management. Theoretically, the takeover processes occur if the markets perceive the current management team to be inefficient based on certain performance indicators. Ideally, the market is supposed to react by offering an alternative to replace such management through a friendly or hostile takeover. Therefore, the objective of such mechanism is aimed at ensuring incumbent managers perform competently, lest the market acts in response to discipline them.

The market for corporate control works well in the market economies, characterized by relatively well-developed capital market and low ownership concentration (Aoki 1995, Cheung and Chan 2004). This control mechanism will work effectively in circumstances where a relatively dispersed ownership exists, and the markets are very active in monitoring the company's performance. The study by Capulong et al. (2000) and Lukviarman (2004) in Indonesia found that the market for corporate control has been largely inactive. This is partly due to the difficulties of takeover processes, since ownership is so concentrated on and dominated by the role of the family-based shareholder. Moreover, ownership concentration among companies in Indonesia (Lukviarman 2001, 2004) shows that only a small portion of corporate ownership is in the hands of non-controlling owners. Consequently, less than 30% of a company's shares may be owned by minority or outside shareholders. Therefore, reliance on the market for corporate control in disciplining incumbent managers seems to be inappropriate or even impossible in Indonesia.

6. Discussion

6.1 Corporate Governance Development

Initiatives underlying the corporate governance reform in Indonesia have been presented in the form of a Code for Good Corporate Governance in 1997 (and renewed in 2006), followed by recommendations for legal and regulatory reform to support the implementation of such a code. The National Committee on Governance (KNKG) believes in the importance of institutional framework and further development of sectoral policies at the institutional level for this code to be applied in an Indonesian context. In this regard it might me argued that corporate governance reform agenda in Indonesia also aimed to strengthen the current institutional structure. This view is in accordance with the importance of the totality of the institutional and organizational mechanisms to promote the effective governance systems.

Corporate governance as guidance for a company's best practices arises in the context, and is affected by, differing national frameworks of law, regulation and stock exchange listing rules, and differing societal values (see Lukviarman 2004 for details). Therefore, to understand one nation's corporate governance practices, one must understand the underlying legal and enforcement framework. As has been argued by the OECD (1999; 2004) the primary role for regulation is to shape a corporate governance environment compatible with societal values that allows corporations to succeed in generating long-term economic gain. In order for governance practices to achieve effectiveness they should be supported by an enabling regulatory framework to achieve better corporate performance. In this regards, regulations is necessary to develop the legal environment, which in turn, determines the rights and obligations of the market participants.

In the effort to move towards a more democratic society, Indonesia is facing challenges of many kinds, including the paradigm change needed to embrace good corporate governance. In the wake of the Asian crisis and further environmental changes, Indonesia had made some moves towards greater corporate openness. The government of Indonesia introduced a new Company Law (2007) and enacted the Capital Market Law as the legal instrument regulating listed securities and market players. Following the economic crisis, the government passed a new Bankruptcy Law and created a new Commercial Court. These laws aimed at enabling creditors to force debtors into bankruptcy and thus increasing protections for creditors. Subsequently, the Indonesian government has also adopted a law against corruption, collusion, and nepotism (KKN). In sum, the government of Indonesia has put a comprehensive effort in enhancing regulatory reform as a foundation for better governance practices in this country.

Although concerted efforts have been put to improve corporate governance implementation in Indonesia, the development is still low in comparison to other Asian countries. Recent study by the Asian Corporate Governance Association (ACGA 2011) indicates that corporate governance development in Indonesia is still behind its neighboring countries in Asia. Corporate governance scores presented in table 1 reveals that weak political system perceived to be major obstacle that is necessary for promoting corporate governance practices in Indonesia. As a result, although the basic regulatory structure for the corporate sector appears to be already in place, poor compliance and enforcement appear to be major problems, apart from gaps and loopholes that lead to complications in the implementation of corporate governance mechanisms. In spite of efforts to improve efficiency of corporate governance structures, inefficiency that could constrain the performance of the market and, hence national economic outcomes, still persists within this framework. This is not to mention that corporate governance environment necessary for promoting sustained development of corporate governance practices is not in subsist, partly due to weak political system as indicated by ACGA (2011).

Table 1. Corporate Governance "CG Watch" Market Scores

Ranking & Country	2007	2010	Change (point)	Trend of Corporate Governance Reform
1. Singapore	65	67	(+ 2)	Improving slowly, negatives cancel positives
2. Hong Kong	67	65	(- 2)	Some regression, static overall
3. Japan	52	57	(+ 5)	Improving, but will reform be sustained?
= 4. Taiwan	54	55	(+ 1)	Static overall, loss of focus
= 4. Thailand	47	55	(+ 8)	Improving, but political uncertainties remain
6. Malaysia	49	52	(+ 3)	Improving, but held back by "CG culture"
= 7. India	56	49	(- 7)	Over-rated last time, but slow improvements
= 7. China	45	49	(+ 4)	Improving, but held back by "CG culture"
9. Korea	49	45	(- 4)	Regressing, turning inward
10. Indonesia	**37**	**40**	**(+ 3)**	**Improving, but weak political system**
11. Philippines	41	37	(- 4)	Regressing, but new government may help

Source: Asian Corporate Governance Association (2011)

There are several points that relate to the effectiveness of law and regulations as a result of weak political system and lack of supporting environment in promoting sound corporate governance practices in Indonesia. First, Indonesia does not yet have a culture of compliance with disclosure since there are no strong rules for disclosure. Second, controlling shareholders face limited risks of lawsuits and civil sanctions due to insufficient procedural controls and weak protection of minority shareholders. Third, there is a problem with enforcing law and regulations that correlates to weak political system. The establishment of the Corruption Eradication Commission (KPK) in Indonesia could be seen as an effort to demonstrate commitment towards increasing enforcement capacity in this country. From the view of governance, instituting KPK is in line with the OECD (2011) recommendation on the importance of regulatory enforcement aimed at strengthening institutional capacity. However, the OECD (2011) noted that the effectiveness of such institution depends on its capacity and resources to enforce existing regulations in promoting sound governance development.

6.2 Corporate Governance: The Future Agenda

The agency theory has become a popular theoretical perspective in corporate governance to explain organizational behavior. However, because much of the work of this theory is based in the United States (Bird and Wiersema 1996), its implementation in non-U.S. settings should be assessed carefully (Paredes 2004). As has been argued by Weyland (1995) the question of "ethnocentrism" is crucially important in assessing the general usefulness of American organizational theory. As such, it might be argued that the social structure in one country would determine a corporate governance system used by a company within such a country (Lukviarman 2004). As a consequence, corporate governance systems that work well in one country might work differently in another country. Without careful examination of its assumptions, the applicability of a theory under different conditions might result in different outcomes.

The agency problems, and corporate behavior in particular, seem to be much more serious and differ in various ways in Indonesia from the ways they might arise in Western countries. This might be seen to have a relationship to the economic and political system, as well as other institutional ramifications specific to this country. The study by Lukviarman (2004) identifies certain characteristics of corporate behavior that influenced the implementation of corporate governance in Indonesia. First, highly concentrated ownership in the hands of small number of individuals or groups of shareholders. Second, most of majority shareholders appoint their family members as a part of their management or board's team. Third, relatively small portions of shares are sold by public companies, which can result in the controlling owners having excessive power. Finally, it has been relatively easy for certain individuals and groups to retain majority control through the utilization of external financing by means of bank loans, as indicated by relatively high debt to equity ratio, due to the relatively small and under-developed capital market.

Based on the abovementioned discussion, it might be argued that corporate control mechanisms that work well in the developed countries can be seen to work differently in Indonesia. Accordingly Cheung and Chan (2004) argued that the country with relatively underdeveloped capital markets, such as Indonesia, will be faced with additional issues in designing and enforcing the appropriate corporate governance rules. Although basic regulatory structure for the corporate sector appears to be already in place, the study by Capulong et al. (2000) indicates the need for continuous corporate governance reform in Indonesia. Further study by Lukviarman (2004) reveals that poor compliance and enforcement appear to be major problems, quite apart from gaps and loopholes that lead to complications in the implementation of corporate governance mechanisms. The absence of the market for corporate control and the powerlessness of the Supervisory Board, as an efficient internal control mechanism, lead to the need to identify appropriate devices that could be used as an alternative governance mechanism in this country. This is particularly true if the reform is more on the adoption of governance model that has worked well in other countries, without considering specific conditions of Indonesia.

In the case of Indonesia, governance reform should be started from instituting new commitment and strong effort by the government to facilitate a sound corporate governance principles and good practices. These issues is deemed important considering recent study by the ACGA which revealed although improving, corporate governance in Indonesia is not supported by strong political system. By considering various factors which influence governance practices, the government of Indonesia should formulate renewed reform package and implement measures that suit its specific conditions, particularly in an effort to strengthen its political system. Following La Porta et al. (1998) there are connections between investors' legal rights in each country and the structure of capital markets and corporate finance in that country. Such an issue becomes more important when one considers the appropriateness of certain corporate governance models adopted, especially for transition economies and developing countries

Although regulatory bodies and other institutional set-up are already in place to facilitate stock market trading, Cheung and Chan (2004, p.19) argues that such institutional setting and regulatory framework "focused on the mechanism of stock trading and have given less attention to corporate governance issues such as investor protection". In this regard, Lukviarman (2004) states that legal system that exists may also present obstacles for enforcing proper corporate governance principles. For instance, it could be technically difficult and costly for minority shareholders to bring lawsuits against the corporate insiders, as well as class actions attempts from a group of minority shareholders in Indonesia jurisdiction. In this regard, the key issue is to bridge the information gap between corporate insiders and investors. As such the future agenda should consider appropriate corporate governance mechanisms to mitigate the potential conflict of interest between majority shareholders and other minority shareholders.

Following Cheung and Chan (2004) argument, a key aspect of improving corporate governance in Indonesia should focus on improved investor protection and more transparent information. These efforts will further enhance the development of capital markets and promote foreign investment to provide funds for long-term economic development. Such effort should begin with improving national standards of regulation and corporate practice based on common characteristics of the country's financial and business systems, as well as legal and regulatory framework that exist to support them. It should then follow by an integrated and consistent framework of code of best practice coupled with strong enforcement of such a code. Further, focus of attention and effort needs to maintaining efficient judicial systems in dealing with corporate governance matters. Moreover, concerted effort should also in place towards strengthening Indonesia's political system in promoting healthy governance environment. As a result it is expected both internal and external control mechanisms are in place in enhancing sound corporate governance implementation.

The importance of market mechanisms in providing corporate control should be enhanced, despite the fact that the current environment does not seem to support such mechanisms. Protecting stakeholder interests, for example, with legal enforceable rules might persuade companies to acquire more external financing with the impact of higher valued and broader capital markets. Such a policy would need to be followed by encouragement of disclosure practices among companies, thus enabling public to be well informed on company business practices. Opening a company to public scrutiny will enable market mechanisms to work effectively in disciplining various parties engaged in a company's affairs.

The long-term sustainability of promoting sound corporate governance practices requires high-level support from the government and related institutions. The weakness in political system as suggested by the ACGA (2011), coupled with other macroeconomic conditions that contribute to the instability of Indonesia's capital market, serves as the major obstacle for future development. Prospective investors, and foreign investors in particular, will not have a greater interest to commit their long-term funds for investment in the market which is beneficial to long-term economic development of this country. As such the government of Indonesia should put this issue as the future agenda by reviewing and imposing whether institutional settings is sufficient and make changes when necessary. Altogether these activities will form a major component in building a positive culture for future corporate governance development in Indonesia.

7. Concluding Comments

The ultimate goal of corporate governance is to monitor the behavior of management in making decisions that aligned with general stakeholder interests. Since corporate environment differ with respect to legal, regulatory, economic, social and cultural factors it is obvious that corporate governance system that worked well in other countries would not necessarily apply to Indonesia. It is argued that the desired corporate governance structure should be able to make optimal use of the available resources. Consequently, an appropriate governance system for Indonesia must be able to deal with specific environmental factors that exist in this country. However, there is no single group that could be expected to become the dominant institution in corporate governance mechanisms in Indonesia.

Inactive market for corporate control and ineffectiveness of internal governance mechanisms in providing corporate control are distinguished features of governance practice in Indonesia. The specificities of corporate practices in Indonesia is also characterised by lack of institutional and regulatory framework protecting property rights. Additionally, weak political system could also be consider as major obstacles promoting healthy governance development. In this regard, it is appropriate to consider the role of the state, as one of the primary stakeholders, yet being outside the firm's governance system, in providing rules of the game. This includes setting regulatory standards and ensuring their enforcement, thus protecting minority shareholders and other stakeholders' rights as well as defining governance principles.

The importance of market mechanisms in providing corporate control should be enhanced, despite the fact that the current environment does not seem to support such mechanisms. Protecting stakeholder interests, for example, with legal enforceable rules might persuade companies to acquire more external financing with the impact of higher valued and broader capital markets. Such a policy would need to be followed by encouragement of disclosure practices among companies, thus enabling public to be well informed on company business practices. Opening a company to public scrutiny will enable market mechanisms to work effectively in disciplining various parties engaged in a company's affairs. Above all, the most important aspect to consider for the success of an effective corporate governance system is a commitment by all parties concerned to follow the regulatory framework embodied in it. For this reason alone, it must be expected that alterations to the corporate governance system in Indonesia are only likely to eventuate as a result of a long and slow process of evolutionary change.

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