PROGRAM (Final version)

	DAY 1 (February 7, 2014)	DAY 2 (February 8, 2014)
Registration 8:30-16:00 (Day 1-2)	9:00-10:35 Sessions **A1, B1, C1**	9:00-10:35 Sessions **A2, B2, C2**
	10:35-10:50 Tea break	10:35-10:50 Tea break
	10:50-12:00 **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, R1**	15:15-16:40 Sessions **K2, L2, M2 -** Closing

* **Keynote Speech**, “Seeking New Frontiers in Management Education” by Professor Dato’ Dr Mazliham Mohd Su’ud, President, Universiti Kuala Lumpur **(venue: Ballroom).**

Session A1: MANAGEMENT SCIENCE (venue: Tiara 1)
Chair: Prashant Bhaskar (University of Tasmania)

Hybrid Genetic Algorithms for Solving Facility Rearrangement Problem (k14-137)
Speaker: Atsushi Suzuki (Takasaki City University of Economics)

Sustainability Practices in Tourism Supply Chain Management (k14-147)
Speaker: Deepak Babu (Indian Institute of Technology)

Inventory Evaluation Model in Consideration of the Interrelationship of Production, Storage and Consumption (k14-144) **Best Paper Award**
Speaker: Kiho Kamiya (Aoyama Gakuin University)

Conceptualising a Resilience Based Approach to Shipping Sustainability (k14-158)
Speaker: Prashant Bhaskar (University of Tasmania)

Session B1: ORGANIZATION & HUMAN RESOURCES MANAGEMENT (venue: Tiara 2)
Chair: Gregory Laurence (University of Michigan, Flint)

Evaluation of the Intra-organizational Environment Factors Affecting the Workers’ Health (k14-103)
Speaker: Alena Fedorova (Ural Federal University)

Workplace Diversity: Benefits, Challenges, and Solution (k14-026)
Speaker: Elizabeth Foma (University of Guam)

Workplace Gossip and Perceived Organizational Politics: The Role of Dispositional Envy and Organizational Identification (k14-109)
Speaker: Chien-chih Kuo (National Chengchi University)

Who Job Crafts and To What Effect? The Relationship between Workaholism, Job Crafting, and Job Performance (k14-031) **Best Paper Award**
Speaker: Gregory Laurence (University of Michigan, Flint)

Session C1: MARKETING & CONSUMER BEHAVIOR (venue: Tiara 3)
Chair: Lawrence W.T. Lo (Hang Seng Management College)

Interpersonal Involvement in Service Encounters: Intrusion or Not? (k14-089)
Speaker: Hsuan-Hsuan Ku (Soochow University)

Are These Promotional Schemes Trustworthy? An Empirical Study with Customer’s Perception in UAE (k14-081)
Speaker: Shanmugan Joghee (Skyline University College)

The Effects of Social Media on Gen Z’s Intention to Select Private Universities in Malaysia (k14-001) **Best Paper Award**
Speakers: K. Selvarajah T. Krishnan, Karl Wagner and Sulaiman Sajilan (Universiti Kuala Lumpur)

An Exploratory Research on eWOM Information Seeking Behavior and Attitudes in Service Consumption (k14-062)
Speaker: Lawrence W.T. Lo (Hang Seng Management College)

Session G1: ACCOUNTING, BANKING & FINANCE (venue: Tiara 1)
Chair: Leila Kabigting (University of Guam)

Market Orientation, Balance Sheets and Risk Profile of Islamic Banks (k14-142)
Speaker: Shahid Anjum (Lawrence Technological University)

The Role of Audit Evidence Source in Enhancing the Quality and Reliability of Libyan Auditor's Report (k14-019)
Speaker: Nassr Saleh Mohamad Ahmad (Libyan Academy)

Hardy Perennial or Temporary Phenomenon? The Size and Value Effects in an Early Stock Market (k14-061) **Best Paper Award**
Speaker: Qing Ye (Xi'an Jiaotong-Liverpool University)

The Familiarity and Preferences for Internet Financial Reporting (IFR) Presentation Format among Malaysian Users (k14-156)
Speaker: Azleen Ilias (Universiti Tenaga Nasional)

A Study on the CAMELS Rating of Selected Banks in Guam (k14-139)
Speaker: Leila Kabigting (University of Guam)

Session H1: INTERNATIONAL TRADE, MONEY & FINANCE (venue: Tiara 2)
Chair : Michael Graff (Jacobs University Bremen)

The Determinants of Geographical Location of FDI: Evidence from China (k14-073)
Speaker: Ning Zhang (Xi'an Jiaotong-Liverpool University)

Monetary Shocks and FDI (k14-106)
Speaker: Wenli Sun (Beijing Foreign Studies University)

Internationalization Process into Thailand: Case Studies of Japanese and Chinese Electrical and Electronics MNEs (k14-033)
Speaker: Tanasak Wahawisan (Rangsit University)

Transition from Informal to Formal Foreign Exchange Transactions in Myanmar: Evidence from Export Firms Survey (k14-133)
Speaker: Koji Kubo (Japan External Trade Organization)

The Quantity Theory of Money and Quantitative Easing (k14-036) **Best Paper Award**
Speaker: Michael Graff (Jacobs University Bremen)

Session J1: EDUCATION & PSYCHOLOGY (venue: Tiara 3)
Chair: Cordelia Mason (Universiti Kuala Lumpur)

A Relationship between Emotional Intelligence and Myer Briggs Big Five Personality Model (k14-132)
Speaker: R. Indradevi (VIT University)

Interdisciplinary Approach in Higher Education & Research: Needs & Challenges (k14-065)
Speaker: Mridula Sahay (Amrita University)

Implications of Credentials, Employee Selection Process and HEI Quality on Graduate Employment Success: Employment Transition Patterns in the Labor Market of Batangas, Philippines (k14-153)
Speaker: Edgar Allan Castro (De La Salle Lipa)

The Impact of High Turnover Rate within Teaching Profession in South Africa and Its Impact on Performance (k14-104)
Speaker: Jessy Maluleka (University of South Africa)

Session K1: BUSINESS ETHICS & LAW (venue: Tiara 1)
Chair: Lehte Alver (Tallinn University of Technology)

Forces and Obstacles for Corporate Environmental Disclosure (CED) in Libya: Perspective of Stakeholders (k14-027)
Speaker: Nassr Saleh Mohamad Ahmad (Libyan Academy)

A Credit Scoring Model for SMEs based on Accounting Ethics (k14-044)
Speaker: So Young Sohn (Yonsei University)

Creative Accounting and Ethical Behavior: The Case of Estonia (k14-152)
Speakers: Lehte Alver and Jaan Alver (Tallinn University of Technology)

Session L1: QUANTITATIVE FINANCE & ECONOMETRICS I (venue: Tiara 2)
Chair: Himayatullah Khan (Institute of Development Studies)

Price Limits Need not to be Symmetric- Evidence from China's Stock Market (k14-114)
Speaker: Juan Tao (Xi'an Jiaotong-Liverpool University)

A Panel Cointegration Analysis for Macroeconomic Determinants of International Housing Market (k14-134)
Speaker: Sin-Jie Cai (National Kaohsiung University of Applied Sciences)

Systematic Risk Outliers and Beta Reliability in Emerging Economies: Estimation-Risk Reduction with AZAM Regression (k14-141)
Speaker: Shahid Anjum (Lawrence Technological University)

Unit Trust Choice Determinant: An Exploratory Study in Malaysia (k14-181)
Speaker: Nurasyikin Jamaludin (Universiti Malaysia Terengganu)

An Empirical Investigation Of Consumption Function Under Relative Income Hypothesis: Evidence From Farm Households In Northern Pakistan (k14-011)
Speaker: Himayatullah Khan (Institute of Development Studies)

Session M1: RISK, OPERATIONAL EFFICIENCY & PERFORMANCE (venue: Tiara 3)
Chair: Wan Mohd Zulhafiz bin Wan Zahari (University of Aberdeen)

Lean Production Technique: A Case Study of Thai Lubricant Manufacturer (k14-032)
Speaker: Tanasak Wahawisan (Rangsit University)

Human Capital Spillovers and Plant Productivity: Evidence from the Manufacturing Industry in Taiwan (k14-098) **Best Paper Award**
Speaker: Ching-Fu Chang (National Taiwan Ocean University)

The Role of Innovation in the Relationship between Knowledge Management and Competitive Advantage (An Empirical Study in Tourism Industry) (k14-164)
Speaker: Mohammad Taleghani (Islamic Azad University, Rasht Branch)

Consequency of Technology Changes: the Life Cycle Perspectives. A Study on the Indonesian Garment and Textile Firms (k14-145)
Speaker: Yudhi Herliansyah (Mercubuana University Jakarta)

The Unfair Contract Terms Act 1977: Does It Provide a Good Model to Follow in Regulating Risk Allocation Provisions in Oilfield Contracts in Malaysia? (k14-038)
Speaker: Wan Mohd Zulhafiz bin Wan Zahari (University of Aberdeen)

Session R1: QUANTITATIVE FINANCE & ECONOMETRICS II (venue: Ballroom)
Chair : Khalid Kisswani (Gulf University for Science & Technology)

Are GCC Countries Converging or Diverging: Evidence from 1983-2011 (k14-160)
Speaker: Yousef M. Abdul (Gulf University for Science and Technology)

Recursive Cointegration Analysis of Foreign Exchange Market Stability: An application for China and the ASEAN-5 (k14-127)
Speaker: Meng-Hui Su (National Kaohsiung University of Applied Sciences)

Gravity Model by Panel Data Approach: Empirical Evidence from Nigeria (k14-170)
Speaker: Sani Bawa (Central Bank of Nigeria)

Are U.S. States Converging: Test from 1997-2011 (k14-020)
Speaker: Khalid Kisswani (Gulf University for Science & Technology)

Session A2: ACCOUNTING, BANKING & FINANCE (venue: Tiara 1)
Chair: Ben Agyei-Mensah (Solbridge International School of Business)

The Performance Evaluation of Philippine Mutual Funds via the M^2 Measure (k14-063)
Speaker: Catherine Kalayaan S. Almonte (De La Salle University)

Default and Financial Distress – Discrepancy and Its Impact on Stakeholders (k14-097)
Speakers: Lucie Rudolfova and Tatiana Skerlikova (University of Economy Prague)

Value Creation of Intellectual Capital: Financial Performance Analyses in Indonesian Publicly-Listed Consumer Goods Industry (k14-029)
Speaker: Samuel PD Anantadjaya (Swiss German University)

The Intention to Re-use the Internet Financial Reporting (IFR) in Malaysia (k14-175) **Best Paper Award**
Speaker: Azleen Ilias (Universiti Tenaga Nasional)

Divisional Performance Measurement in the Financial Services Sector: An Empirical Evidence from Ghana (k14-051)
Speaker: Ben Agyei-Mensah (Solbridge International School of Business)

Session B2: ORGANIZATION & HUMAN RESOURCES MANAGEMENT (venue: Tiara 2)
Chair: Ahmad Almazari (King Saud University)

Does BSC Represent an Organizational Development? Evidence from Indonesian Manufacturing Firms (k14-050)
Speaker: Irma Nawangwulan (Universitas Pembangunan Jaya)

When Both Differences and Dependencies Matter: Toward an Effective Interaction Perspective on Issue-selling (k14-083)
Speakers: Qiong Wang (University of Science and Technology of China)

Socioemotional Wealth and the Succession Planning in SME Family Business in Taiwan (k14-093)
Speaker: Miao-ju Wang (National Sun Yat-Sen University)

Glass Ceiling And Sticky Floor Effect: An Exploratory Study of Female Faculty Members in Private Universities of Bangladesh (k14-121)
Speakers: Mohammad A. Ashraf and Suman Dhar (United international University)

The Impact of Affective Human Resources Management Practices on the Financial Performance of the Saudi Banks (k14-171) **Best Paper Award**
Speakers: Ahmad Almazari and Abdullah AL-Zahrani (King Saud University)

Session C2: ORGANIZATION & GOVERNANCE (venue: Tiara 3)
Chair: Niki Lukviarman (Andalas University)

Board Composition, Audit Committees, Ownership Structure and Voluntary Disclosure in the Annual Reports of Bahraini Listed Companies (k14-091)
Speaker: Sayel Ramadhan (University of Bahrain)

Does Job Satisfaction Influence Organizational Citizenship Behavior? An Empirical Study in Selected 4-Star Hotels in Jakarta, Indonesia (k14-046)
Speaker: Samuel PD Anantadjaya (Swiss German University)

Director Tenure and Financial Reporting Quality: Evidence from Korea (k14-129) **Best Paper Award**
Speaker: Keehwan Kim (Sogang University)

The Effect of Managerial, Political, and Public Interest on Budget Process in Local Government of Indonesia (k14-037)
Speaker: Harryanto Endhy, Haliah Muhammad Imran and Kartini Hanafi (Hasanuddin University)

Corporate Governance Development in Indonesia: a Path Dependence Perspective (k14-165)
Speaker: Niki Lukviarman (Andalas University)

Session D2: MARKETING & CONSUMER BEHAVIOR I (venue: Tiara 1)
Chair: Rosni Abd Wahid (Universiti Kuala Lumpur)

Repositioning the DAWNNEWS Channel to Mass Market (k14-069)
Speaker: Syed Muhammad Fahim (DHA Suffa University)

Mediational Effect of Customer Satisfaction between Service Quality and Service Loyalty: An Islamic Banking Context (k14-108)
Speaker: Raja Rub Nawaz (PAF Karachi Institute of Economics & Technology)

An Investigation of Switching Cost and Service Quality in Different Age Groups of Customers Switching Banking Services in Malaysia (k14-002)
Speakers: Rosni Abd Wahid, Anthony Were Nalyaali and Adbdulla Murad AlMandoos (Universiti Kuala Lumpur)

Session E2: MARKETING & CONSUMER BEHAVIOR II (venue: Tiara 2)
Chair: Sathish A.S. (VIT University)

Thai Consumers' Perception of Choice Criteria for Men Cosmetic Selection and Market Segmentation by Perceptions (k14-068)
Speaker: Krairoek Pinkaeo (Bangkok University)

Price and Quality of Remanufactured Products Related to Consumer Behavior (k14-087)
Speaker: Wong Ming Wong (Shantou University)

A Preliminary Study of Microfilm and Its Advertising Effectiveness (k14-099)
Speaker: Chi-Cheng Wu (National Sun Yat-sen University)

Customer Loyalty: A Customer Experience Approach with SPECIAL REFERENCE to Organised Retailing in India (k14-131)
Speaker: Sathish A.S. (VIT University)

Session F2: ACCOUNTING, BANKING & FINANCE (venue: Tiara 3)
Chair: Herry Achmad Buchory (EKUITAS Economics College)

Financial Performance Analysis Before and After Global Crisis (Case Study in Indonesian Oil and Gas Sector for the Period of 2006-2011) (k14-022)
Speaker: Laura Lahindah (Harapan Bangsa Business School)

Bankruptcy Prediction Model: An Industrial Study in Indonesian Publicly-listed Firms During 1999-2010 (k14-021)
Speakers: M. Sienly Veronica (Universitas Kristen Maranatha) & Samuel PD Anantadjaya (Swiss German University)

Improving Estimation of Value at Risk Calculations by Using Copulas (k14-161) **Best Paper Award**
Speaker: Ahmad Zendehdel (Islamic Azad University)

The Existence of The Extensible Business Reporting Language (XBRL) In Malaysia: From Stakeholders' Perspective (k14-174)
Speaker: Azleen Ilias (Universiti Tenaga Nasional)

Analysis of Factors Affecting Implementation Banking Intermediation Function (k14-157)
Speaker: Herry Achmad Buchory (EKUITAS Economics College)

Session G2: INNOVATION, EFFICIENCY & PERFORMANCE (venue: Tiara 1)
Chair: Ming K Lim (University of Derby)

Analysis of Innovative Activities, Intellectual Property, and Financial Performances (k14-060)
Speaker: Matthew Chang (Hsuan Chuang University)

Determinants of Entrepreneurial Success on Indonesian Food Service MSMEs (k14-028)
Speaker: Samuel PD Anantadjaya (Swiss German University)

Strategic Intention & Financial Support on MSMEs: An Investigative Study in Indonesian Creative Industry (k14-045)
Speaker: Samuel PD Anantadjaya (Swiss German University)

The Value-added Calculation and Cost Estimate by the Manufacturing of the 3D Printer (k14-128)
Speaker: Masaaki Ohba (Nihon University)

A Measurement of Information and Communication Technology contribution on Corporate Competitiveness Management and Efficiency between Taiwan and China Finance Industry (k14-126)
Speaker: Ming K Lim (University of Derby)

Session H2: INTERNATIONAL TRADE & FINANCE (venue: Tiara 2)
Chair: Saleh Mothana Obadi (Slovak Academy of Sciences)

Current Assessment of FDI in The Middle East and North African Region (k14-039)
Speaker: Ritab Al-Khouri (Qatar University)

Malaysia's Commodities Export Performance during Asian Currency Crisis and US Subprime Mortgage Crisis (k14-101)
Speaker: Hamideh Pouresmaeili Anari (Universiti Putra Malaysia)

Relationship among Carbon Price, Oil Price and Four European Stock Indexes (k14-064)
Speaker: John Wei-Shan Hu (Chung Yuan Christian University)

To What the Extent the Food Prices are Affected by Crude Oil Price Drives: Causality and Co-integration (k14-102)
Speaker: Saleh Mothana Obadi (Slovak Academy of Sciences)

Session J2: MARKETING & CONSUMER BEHAVIOR (venue: Tiara 3)
Chair: Soniya Billore (Linnaeus University)

How the Antecedent of Customer Loyalty in High Category Hotels in the Province of Central Java (k14-113)
Speaker: Soemarjati Suwandi (University of Sebelas Maret)

The Impact of Social Media Marketing on Brand Equity: An Empirical Study on Mobile Service Providers in Jordan (k14-167)
Speaker: Anas Al Hadid (Applied Science Private University)

Consumers' Perceptions Towards Motivational Intentions Of Social Entrepreneurs in Malaysia (k14-140)

Speaker: Rajeeshwaran Moorthy (Upper Iowa University)

Generation Y: Behavior and Attitudes Towards Retail Banking Services in India (k14-112) **Best Paper Award**
Speaker: Soniya Billore (Linnaeus University)

Session K2: SOCIAL & ECONOMIC DEVELOPMENT (venue: Tiara 1)
Chair: Lavanya Rekha Bahadur (H.R. College of Commerce & Economics)

Testing the Okun's Law for Asian Countries: Pooled Mean Group Estimation Technique (k14-016)
Speaker: Nanthakumar Loganathan (Universiti Malaysia Terengganu)

India's New Law on Sexual Harassment and its Implications on the Corporate Sector (k14-150)
Speaker: Jaya Mathew (K J Somaiya Institute of Management Studies & Research)

Income Inequality and Happiness: Evidences from Canada (k14-043)
Speaker: Ehsan Latif (Thompson Rivers University)

Healthcare Management in the Indian Public Sector (k14-143)
Speaker: Lavanya Rekha Bahadur (H.R. College of Commerce & Economics)

Session L2: MANAGEMENT & ENTREPRENEURSHIP (venue: Tiara 2)
Chair: Reza Rahardian (Sebelas Maret University)

Stock Out Analysis: An Empirical Study on Forecasting, Re-Order Point and Safety Stock Level at PT. Combiphar, Indonesia (k14-024) **Best Paper Award**
Speaker : Laura Lahindah (Swiss German University)

The Effect of Organization Commitment and Procedural Fairness on Participative Budgeting and Its Implication to Performance Moderating by Management Accounting Information (k14-075)
Speaker: Andry Arifian (Bandung Raya University)

Potential, Motivation, and Success Factors in Entrepreneurship Affecting Managing Capability of Thai Beauty Entrepreneurs for the ASEAN Economic Community (AEC) (k14-076)
Speakers: Suthinan Pomsuwan (Bangkok University) and Watchara Akkara (Sakon Nakhon Rajabhat University)

Trust and Commitment in Supplier Relationship of Food Service Industry (k14-135)
Speaker: Reza Rahardian (Sebelas Maret University)

Session M2: ORGANIZATION & HUMAN RESOURCES MANAGEMENT (venue: Tiara 3)
Chair: R. Indradevi (VIT University)

Personality Type and Job Satisfaction among Managers and Staff in Islamic Azad University of Neyshabur, Iran (k14-162)
Speaker: Davood Kaveh (Islamic Azad University)

The Role of Public Relations Departments in Enhancing the Image of Jordanian Ministries (k14-180)
Speaker: Ali Al Hadeed (Islamic Science University of Malaysia)

A Conceptual Exploration of the Competitive Capabilities in Terengganu's SMEs (k14-179)
Speaker: Siti Nur 'Atikah Zulkiffli (Universiti Malaysia Terengganu)

Critical Analysis of Skills Retention within South African Public Service (k14-115)
Speaker: Mapome Joel Mohajane (University of South Africa)

~ 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.
- The organizers assume no responsibility if speakers are unable to finish their presentation in the assigned session for any reasons.
- LCD projector, screen and laptop (notebook) computer will be provided. Speakers are reminded to store their presentation files in their own USB storage devices. The organizer will NOT provide Internet connection.

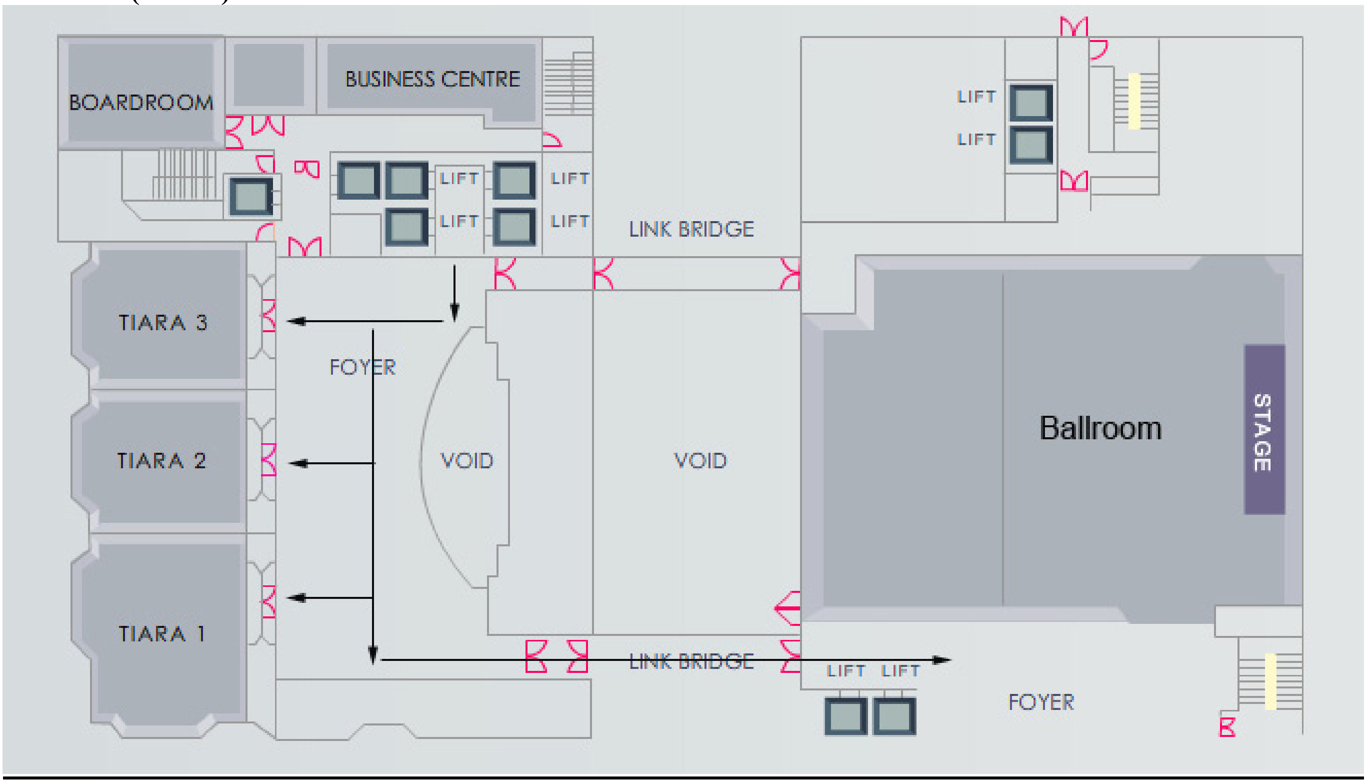
Conference Venue

Visit http://sibresearch.org/kuala-lumpur-venue.html for location and maps.

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 7th-8th, 2014. Speakers assigned to morning sessions can register after they have finished their presentation.

Floor Plan (Level 2)



Acknowledgement:

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Dr. Cordelia Mason (Emcee), Deputy Dean of UniKL Business School
Mr. Zulkarnian Ahmad
Mr. Wan Abdul Hadi
Ms. Adibah Zainualdin
Ms. Nur Ayuni
Mr. Shahril
Ms. Hazimah
Ms. Shariza

List of Delegates

Paper ID	Delegate	Affiliation
k14-171	Abdullah AL-Zahrani	King Saud University
k14-002	Adbdulla Murad AlMandoos	Universiti Kuala Lumpur
k14-171	Ahmad Almazari	King Saud University
k14-161	Ahmad Zendehdel	Islamic Azad University
k14-103	Alena Fedorova	Ural Federal University
k14-180	Ali Al Hadeed	Islamic Science University of Malaysia
k14-167	Anas Al Hadid	Applied Science Private University
k14-075	Andry Arifian	Bandung Raya University
k14-002	Anthony Were Nalyaali	Universiti Kuala Lumpur
k14-137	Atsushi Suzuki	Takasaki City University of Economics
-	Ayana Cathleen Sy	St. Scholastica's College
k14-156, k14-174, k14-175	Azleen Ilias	Universiti Tenaga Nasional
k14-051	Ben Agyei-Mensah	Solbridge International School of Business
k14-063	Catherine Kalayaan S. Almonte	De La Salle University
-	Cereena Tolentino	St. Scholastica's College
k14-099	Chi-Cheng Wu	National Sun Yat-sen University
k14-109	Chien-chih Kuo	National Chengchi University
-	Chilukuri Vindo Babu	-
k14-098	Ching-Fu Chang	National Taiwan Ocean University
k14-162	Davood Kaveh	Islamic Azad University
k14-147	Deepak Babu	Indian Institute of Technology
k14-153	Edgar Allan Castro	De La Salle Lipa
k14-043	Ehsan Latif	Thompson Rivers University
k14-026	Elizabeth Foma	University of Guam
-	Ella Jeramie Silvestre	St. Scholastica's College
-	Fahed S Beneid	Public Authority for Applied Education & Training
-	Farline Georgette Grefalda	St. Scholastica's College
-	Graciella Flores	St. Scholastica's College
k14-031	Gregory Laurence	University of Michigan, Flint
k14-037	Haliah Muhammad Imran	Hasanuddin University
k14-101	Hamideh Pouresmaeili Anari	Universiti Putra Malaysia
k14-037	Harryanto Endhy	Hasanuddin University
k14-157	Herry Achmad Buchory	EKUITAS Economics College
k14-011	Himayatullah Khan	Institute of Development Studies
-	Honey Joy Rosal	St. Scholastica's College
k14-089	Hsuan-Hsuan Ku	Soochow University
-	Hyoji Kim	St. Scholastica's College
k14-050	Irma Nawangwulan	Universitas Pembangunan Jaya
k14-152	Jaan Alver	Tallinn University of Technology
k14-150	Jaya Mathew	K J Somaiya Institute of Management Studies & Research
-	Jeanne Aramae Cruz	St. Scholastica's College
-	Jenine Macalima	St. Scholastica's College

k14-104	Jessy Maluleka	University of South Africa
k14-064	John Wei-Shan Hu	Chung Yuan Christian University
-	Joyce Antoniette Royo	St. Scholastica's College
k14-114	Juan Tao	Xi'an Jiaotong-Liverpool University
-	Jummai Saratu Abubakar	Sokoto State Polytechnic
k14-001	K. Selvarajah T. Krishnan	Universiti Kuala Lumpur
-	Kamille Calauad	St. Scholastica's College
k14-001	Karl Wagner	Universiti Kuala Lumpur
k14-037	Kartini Hanafi	Hasanuddin University
k14-129	Keehwan Kim	Sogang University
-	Kenneth Lin Fatt Soo	-
k14-020	Khalid Kisswani	Gulf University for Science & Technology
k14-144	Kiho Kamiya	Aoyama Gakuin University
k14-133	Koji Kubo	Japan External Trade Organization
k14-068	Krairoek Pinkaeo	Bangkok University
-	Kristine Mari Pajota	St. Scholastica's College
-	Kyung Tae Lee	Yonsei University
k14-022, k14-024	Laura Lahindah	Harapan Bangsa Business School
k14-143	Lavanya Rekha Bahadur	H.R. College of Commerce & Economics
k14-062	Lawrence W.T. Lo	Hang Seng Management College
k14-152	Lehte Alver	Tallinn University of Technology
k14-139	Leila Kabigting	University of Guam
k14-097	Lucie Rudolfova	University of Economy Prague
k14-021	M. Sienly Veronica	Universitas Kristen Maranatha
k14-115	Mapome Joel Mohajane	University of South Africa
-	Maria Kathrina Apolonia Natividad	St. Scholastica's College
-	Marielle Arca	St. Scholastica's College
k14-128	Masaaki Ohba	Nihon University
k14-060	Matthew Chang	Hsuan Chuang University
k14-127	Meng-Hui Su	National Kaohsiung University of Applied Sciences
k14-093	Miao-ju Wang	National Sun Yat-Sen University
k14-036	Michael Graff	Jacobs University Bremen
k14-126	Ming K Lim	University of Derby
k14-121	Mohammad A. Ashraf	United international University
k14-164	Mohammad Taleghani	Islamic Azad University (Rasht Branch)
k14-065	Mridula Sahay	Amrita University
-	Muhammad Ahmad BK	Sokoto State Polytechnic
-	Muhammad Ayub Hassan	The Hope School
k14-016	Nanthakumar Loganathan	Universiti Malaysia Terengganu
k14-019, k14-027	Nassr Saleh Mohamad Ahmad	Libyan Academy
k14-165	Niki Lukviarman	Andalas University
k14-073	Ning Zhang	Xi'an Jiaotong-Liverpool University
k14-181	Nurasyikin Jamaludin	Universiti Malaysia Terengganu
k14-158	Prashant Bhaskar	University of Tasmania
-	Prof Christian Anne C. De Lumen	St. Scholastica's College

k14-061	Qing Ye	Xi'an Jiaotong-Liverpool University
k14-083	Qiong Wang	University of Science and Technology of China
k14-132	R. Indradevi	VIT University
-	Rania Mohamed Mohamed Hussein Amer	National Center for Social and Criminological Research
k14-108	Raja Rub Nawaz	PAF Karachi Institute of Economics & Technology
k14-140	Rajeeshwaran Moorthy	Upper Iowa University
k14-135	Reza Rahardian	Sebelas Maret University
-	Ricardo Rosche	IPMC Office Bangkok
k14-039	Ritab Al-Khouri	Qatar University
k14-002	Rosni Abd Wahid	Universiti Kuala Lumpur
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Corporate Governance Development in Indonesia; A Path Dependence Perspective

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ABSTRACT

This paper is about specific features of corporate behavior among companies in Indonesia from the view of path dependence perspective. The basic proposition underlying the paper is that corporate systems across the world differ markedly with respect to their historical origins, methods of capital mobilization and structure of ownership (La Porta et al., 1997). The development of corporate structures in Indonesia can be seen as following a theory of path dependence. Following Bebchuk and Roe (1999) there are two sources of path dependence: structure driven and rule driven. A path dependence theory holds that the corporate structures of an economy depend on the structures with which the economy started, and corporate rules will themselves depend on these structures. As a corollary, La Porta et al. (1997) argue that differences among countries in the structures of law and their enforcement, such as the historical origin of their laws, account for differences in financial development. Thus, it might be argued that the financial system in a country will determine the particular governance orientation that governs the relationship between various parties involved within a corporation.

Keywords: *Path Dependence Theory, Governance Development, Rules Driven, Structure Driven*

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 the development of the corporate governance system in Indonesia from the view of path dependence perspective. The paper addresses the issue of governance structure of corporations in Indonesia from the legal 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).

This paper begins with review governance structures in Indonesia as a basis for analyzing the corporate governance, followed by a discussion on the context and the structures of the corporation as a variable that influenced corporate governance practices across countries. This section also discusses the issue of governance structure on ownership and its relation to firm performance within companies in Indonesia. In the next section it describes the governance and the view of path dependence perspective in relation to the development of corporate structure and rules that govern the corporations in Indonesia, followed by concluding comments.

2. Governance Structures in Indonesia

The corporate governance structure in Indonesia is characterized by the fact that most companies are managed and owned principally by founding family members, implying that there is little divorce of ownership and control. Indeed, majority owners can retain control of their companies even though the companies are listed, which implies that ownership rights and management control are coupled in the hands of a small circle of family members and trusted business associates (Lukviarman, 2004). This situation is heightened by a relatively small, undeveloped, and illiquid capital market which provides no discipline and control of management through the market for corporate. As has been argued by Patrick (2002, see also Lukviarman 2013), the Indonesian stock exchanges are not strong, effective self-regulating institutions, and government oversight in practice is not strong. The highly concentrated and family-based ownership structure of companies leaves corporate decisions in the hands of the controlling family. Small and public investors have little or no power to protect themselves from appropriation by large shareholders as a result of weak legal protections.

Apart from the high level of ownership concentration, most of the companies in Indonesia belong to or have an affiliation with business groups, which are also owned by family (family business groups). Patrick (2002) argues that business groups in Indonesia control most of the listed companies, directly or through pyramiding of stock ownership through other firms. Higher reliance on external sources of financing through bank loans is also a general feature of firms in this country. Theoretically, banks should be in a position to play a significant corporate governance role by monitoring business client performance and management behavior. However, each top business group in Indonesia controls at least one bank, which serves mainly to finance group activities with little autonomy available to the bank-manager to make sound and independent decisions (Patrick 2002). Patrick (2002) also found that about half of all bank lending was to companies in its own group, and loans to such groups were of the order of 20 times the legal lending limits. This situation implies weaknesses in the implementation of regulatory rules in Indonesia.

Checks and balances within corporate governance practices could also be achieved through the active role of boards of directors in their supervisory and advisory tasks. This internal control mechanism is believed to be an efficient and low cost governance mechanism. This could be possibly achieved if directors are largely independent of management and have appropriate knowledge of the firm (Van den Berghe and De Ridder 1999). However, board members in Indonesia are appointed due to their close relationship, mostly family ties, with the major shareholders (Capulong 2000). The ADB (Capulong 2000) also claimed that almost 85 per cent of companies' controlling owners in Indonesia appointed members of their family to the management team and/or Board of Directors. The dominance of family-related board members in this country could hinder the effectiveness of their monitoring role in providing checks and balances on a company's operation.

The Asian Development Bank (Capulong 2000) suggests that weaknesses in corporate governance in East Asian countries appears to owe much to 'highly concentrated ownership structure, excessive government interventions, under-developed capital markets, and the weak legal and regulatory framework for investor protection' (p.2). In the case of Indonesia, the currency composition and term structure of corporate foreign debts has caused the country to be extremely vulnerable to the crisis (Lukviarman 2004). Moreover, the weakness in basic regulatory structures for the corporate sector and poor compliance and enforcement appear to be the major problems in this country. In sum, Husnan (2001) concludes that apart from weaknesses in appropriate governance systems, a key problem in corporate governance in Indonesia is the non-enforcement of the legal and regulatory frameworks that exist.

3. Governance Structure, Ownership Structure and Performance

The study by Lukviarman (2004) shows that ownership of majority companies in Indonesia is heavily concentrated in the hands of individuals, families or companies. In the case of private-domestic owned companies, the controlling family shareholders might have almost complete control over all firms within their family business group. This suggests that there is little separation between ownership and control in this country; this differs from Berle and Means' (1932) thesis of separation of ownership and control in the modern corporation. The result is consistent with the findings of La Porta et al. (1998) and Das (2000) that corporate ownership is heavily concentrated in emerging market economies, with families typically controlling corporations. The evidence suggests that there are no performance benefits from majority ownership among private-domestic firms in Indonesia. Although majority companies are usually large, further evidence shows that majority-owned firms did not perform differently from either dominant- and dispersed-owned firms. The result suggests that there are no advantages to the concentrated ownership structure in enhancing firm performance as predicted by the agency theory.

Previous studies by Demsetz and Lehn (1985), and Holderness and Sheehan (1988) found that concentration of ownership tends to be inversely related to firm size. Further study by Pedersen and Thomsen (1997) also found that increased company size tends to lower the percentage of ownership concentration, as the absolute risk of holding a given fraction of the shares is larger in large companies. The study by Lukviarman (2004) among non-financial companies in Indonesia found that majority-owned firms include a higher incidence of large companies than their dominant and dispersed ownership counterparts. The reason may be that company size plays a different role in Indonesia and does not function as the theory predicts because the institutional setting differs with regard to the level of ownership concentration, the governance structure, and legal system.

Demsetz and Lehn (1985) hypothesize that ownership concentration of a firm is endogenously determined. From this point of view, they argue that firms will adopt a certain ownership structure that is appropriate to their own characteristics. Consequently, 'the concentration of ownership should vary systematically across firms depending on the characteristics of each firm that is related to the shared and private benefit of block ownership' (Holderness 2003, p. 56). In the case of Indonesia, Lukviarman (2004) argues that the dominance of majority ownership patterns could be seen as following this argument, in order that the controlling owners can retain their private benefits in a company. In relation to family ownership, since private-domestic majority-owned firms are controlled by family, Lukviarman (2004) further argued that holding a large amount of shares in the company could protect the familial wealth.

The fact that there is no performance advantage in majority ownership over other non-majority (dominant and dispersed) forms of ownership may suggest that given the risks inherent in not diversifying wealth, an alternative motivation might exists, for example expropriation by the controlling owner. Further, the use of pyramidal ownership structures across shareholdings and the appointment of supervisory or management board members who are related to the founder or owning families are both the means and consequences of concentrated ownership. Taken together, these factors might be seen as shaping the expropriation process of corporate wealth by controlling shareholders. According to Das (2000, p. 5) this expropriation can be achieved by 'selling output or assets at below market prices to firms controlled by majority or controlling shareholders or managers, but which outside investors have financed'. These practices may discourage market-based transactions and direct the corporation into paying more than necessary for services provided to the firms in which they are interested.

4. Context and Governance Structures

There are distinct differences in corporate governance contexts across countries and they can be seen to change over time. As a consequence, there is no specific corporate governance system that is best suited for every company and all countries. In general, every governance systems could be classified as being either market-dominated or bank-dominated (Schmidt and Tyrell 1997). Market-oriented governance systems generally refer to the Anglo-Saxon countries (i.e. the U.S. and the U.K) where the capital market plays an important role in their economy. In these countries the market for corporate control takes a place at the heart of their control system, which is known as the "outsider control system". Continental European countries and Japan have been categorized as having bank-oriented governance systems. Within these countries, the role played by the market for corporate control is almost insignificant (Schmidt and Tyrell 1997). The term "insider dominated control" is often used to describe this system, characterized by relatively stable and concentrated ownership structures by some of the shareholders. According to Kuada and Gullestrup (1998) the cultural aspects in the society where the governance system exists could be seen as the cause of the differences between these two systems.

According to Whitley (1990), from a sociological perspective the historical patterns of state authority and business-government relations have shaped the structure and consequences of corporate ownership and control. Historically, the relationship between businesses and the state in Indonesia goes back to the era of independence, where government became directly involved in industry as a result of the nationalization of Dutch-owned firms (Husnan 2001). Since this period, the business pattern and legal framework for companies in Indonesia was based on the Dutch system. It was in 1995 that the government introduced the new Company Law, followed by new bankruptcy laws and the establishment of a special Commercial Court in 1998 (Robins 2002). However, under these new regulations including Company Law No. 40 in 2007, many business practices are still inherited from a Civil Law system invented by the Dutch (Lindsey 2002) during 350 years of its colonialism in Indonesia.

5. Governance and Path Dependence Perspective

The development of corporate structures in Indonesia can be seen as following a theory of path dependence (Bebchuk and Roe 1999). This theory holds that the corporate structures of an economy depend on the structures with which the economy started, and corporate rules will themselves depend on these structures. According to Bebchuk and Roe (1999, p.127) there are two sources of path dependence: structure driven and rule driven. 'Initial ownership structures are affected by the structures with which the economy started because they affect the identity of the structure that would be efficient for any given company and because they can give some parties both incentives and power to impede changes on them'. As a corollary, La Porta et al. (1997) argue that differences among countries in the structures of law and their enforcement, such as the historical origin of their laws, account for differences in financial development. This in turn will affect a country's financial system and subsequently a company's choice of financing in different ways (Berglof 1990). Thus, it might be argued that the financial system in a country will determine the particular governance orientation that governs the relationship between various parties involved within a corporation.

There remains one important question in regard to what determines the ownership structure in Indonesia from the view of path dependence perspective. In particular this question relates to whether the observed pattern of ownership structure (i.e. the dominance of ownership concentration within a family) is a response to the lack of law and regulatory framework, or these ownership patterns bring about the ineffectiveness of legal and regulatory enforcement in this country.

The issue of the determinant of the pattern of ownership structure in Indonesia is important, since it will influence corporate governance reform initiated by the Indonesian government. It is already apparent, based on the previous discussions, that the concentration of ownership in the hands of small number of families in Indonesia could endanger efforts to institute more transparent business practices and the protection of minority shareholders' rights. The following part describes various views in regard to the determinant of ownership structures in Indonesia.

Demsetz and Villalonga (2001, p. 210) hypothesized 'the ownership structure of a corporation should be thought of as an endogenous outcome of decisions that reflect the influence of shareholders and of trading on the market for shares'. This implies that certain ownership structures that emerge are appropriate given the firm's own characteristics. Their argument is based on the result of previous studies in the U.S. that failed to generate ownership-performance relationships. In sum, Demsetz and Villalonga (2001) suggest that a firm's ownership structure reflects the decisions made by those who own the company and 'ought to be influenced by the profit-maximizing interests of shareholders' (p. 210).

As has been argued in previous section that the development of corporate structures in Indonesia can be seen as following a theory of path dependence. The applicability of the construct of a path dependent ownership structure to companies in Indonesia is consistent with the pattern of their development stages. There is domination by concentrated-family ownership, even where the company is already listed in the capital market. Majority or concentrated ownership structures are path determinative as a result of the original structures that were established in the early stages of development.

The rule driven path dependence focuses on 'how the initial structure of corporate ownership and the initial stage of legal rules shape future legal rules' (Gorga 2003). In this context, the initial legal rules in Indonesia and the new laws introduced in the mid-1990s (i.e. Company Law 1995) and at the beginning of 21st century (i.e. new Company Law 2007) are still inherited from the legal rules invented by the Dutch. The application of both structure and rules driven by the issue of concentrated ownership can be seen from the following statement,

> 'Rules that enable controllers to extract large private benefit of control are beneficial to controllers of existing publicly traded companies. In a country in which ownership structure is largely concentrated at T0 (with or without such rules), controlling shareholders of existing companies will be a powerful interest group with substantial resources. The influence of this group will make it more likely that this country will have or maintain such rules at T1. And because such rules encourage the use or retention of concentrated ownership, the presence of such rules at T1 will in turn help maintain or even strengthen the initial dominance of concentrated ownership' (Bebchuk and Roe 1999, p. 159).

The path dependence theory, therefore, assumes that ownership structure is endogenously determined and this structure will persist, as it is perceived to be consistent with profit maximization for existing shareholders.

On the other hand, Denis and McConnel (2003, p. 30) argue that the emergence of a concentrated ownership structure could also be seen as 'the equilibrium response to lack of investor protection around the world'. They argue that weak legal protection in most developed countries has made companies turn to ownership concentration because of the lack of appropriate governance mechanisms. They argue 'it appears that only ownership concentration can overcome the lack of protection' (p. 30).

The implication of this statement in the case of Indonesia could be seen from two points of view. First, it relates to the findings of previous studies by La Porta et al. (1998) and CLSA (2012) that Indonesia is among these countries with the lowest score on legal protection among the East Asian countries. The lack of investor protection encourages the company's owners to protect themselves internally by exercising tight control via concentrated ownership within family business groups. Furthermore, most companies in Indonesia, especially the largest of them, are Chinese owned through family business groups. Despite their economic success, they are a minority ethnic group in this country and have suffered official discrimination from the nationalist economic policy (Mackie 1992). Consequently, they have been confronted by a fundamentally hostile environment where they could only trust close family members (Redding 1990, Kao 1993). This has forced them to utilize tightly controlled family-owned and managed operating structures as the basis for their business activities. In either case, in the absence of a legal and regulatory framework to protect the interests of shareholders, ownership concentration with kin-based networks arises as a basic defense against the hostile environment.

6. Organization and Co-evolutionary Perspective

The co-evolution theory views 'organizations, their populations, and their environments as the interdependent outcome of managerial actions, institutional influences, and extra institutional changes (technological, socio-political, and other environment phenomena)' (Lewin et al. 1999, p. 535). The theory posits that exogenous and endogenous forces shape the environment and trigger the organization to adapt in different ways to ensure its survival. This process continues, so that organizational environments will interact and create endogenous responses to environmental change. In such environments, 'the responses taken by firms are expected to have a significant impact on their subsequent evolution and to some extent that of their environment as well' (Rodrigues and Child 2003, p. 2137).

The co-evolutionary framework, therefore, could be argued as accommodating both endogenous and exogenous determinant factors of ownership structure. This theory synthesizes both views, based on the fact that both factors are interrelated. From the standpoint of company owners, it is necessary to be aware of the relevant exogenous factors and be prepared to adjust to them as necessary, and conversely, the culture as a whole will be influenced by the governance mechanisms generally adopted by the corporate sector. According to Pfeffer and Salancik (1978) interdependence between exogenous and endogenous variables within organizations means that firms are influenced by, and use, the same environments to shape their own environments. Importantly, 'the notion of interdependence reflects the fact that by employing purposive strategies in pursuit of their self-interested objectives, human agents can play a profound role in shaping their environment' (Carney and Gedajlovic 2002, p. 7). Therefore, this view proposes that existing organizations will adapted to changes in their environment and make adjustments in response.

Lukviarman (2004) suggests that, in the case of Indonesia, determinants of the ownership structure of companies follow the co-evolutionary views. However, based on the development stages of companies in Indonesia, it might be argued that it started with the endogenously determined ownership structure. It follows the path-dependence structure driven from entrepreneurial firms up to the "family dynasty" stage. During their development, the companies were able to accommodate environmental changes so that they are able to survive and reach this final stage.

One important point during these development processes is that the family owners still maintain their position as controlling shareholders to protect their family interests. This position allows them to enjoy private benefit from control that could harm the interests of minority shareholders, particularly in the absence of strong legal and regulatory protection to prevent their actions. As a result, any attempts to improve governance practices, which they perceive as threatening their ability to extract such benefit, make them resistant or motivate them to ask compensation to accept the changes. This is based on the fact that in most Asian countries, controlling shareholders are influential people within their economies and have a special relationship with government. In the case of Indonesia, Husnan (2001, pp. 19-20) argues that,

> '...[t]he concentration of corporate control in the hands of few families is a major determinant of the evolution of an inefficient legal and judicial system, as well as the existence of corruption. Legal and regulatory developments may have been impeded by the concentration of corporate wealth in the small number of families and the tight links between companies and the Government. If the role of limited number of families in the corporate sector is so large and the Government is heavily involved in and influenced by business, the legal system is less likely to evolve in a manner that protects minority shareholders'.

In summary, ownership structure among corporations in Indonesia could be seen as endogenously determined and consistent with path-dependence theory. It is characterized by the dominance of concentrated ownership in the hands of family during the development stages of enterprise. These companies were able to adapt to the changes in organizational environments and could also influence business practice and corporate governance implementation.

7. Concluding Comments

As has been discussed in the previous section 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 (Lukviarman 2001). 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 issue is particularly relevant in the context where strong controlling shareholders tend to extract perquisites from the companies, and make inefficient decisions because of their "amenity potential".

There are several points that relate to the effectiveness of law and regulations in promoting good corporate governance in Indonesia in relation to the law and regulations. 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. Finally, although Indonesia already has an accounting standard body (the Indonesian Institute of Accountants) and has adopted the International Accounting Standard, the role of this institution is still limited.

In conclusion, the discussion on corporate governance and legal environment in Indonesia can be seen as following Friedman's argument (cited in Tabalujan 2002b, p. 161) that,

> '[t]he missing element which gives life to a legal system is 'legal culture'.... the attitudes, values, and opinions held in society, with regard to law, the legal system, and its various parts. ....those parts of general culture -customs, opinions, ways of doing and thinking- that bend social forces toward or away from the law and in particular ways'

This statement highlights the importance of considering the country's legal culture in order for the legal system to work effectively.

Tabalujan (2002) argues that there is a critical role of legal culture in the developing and transitional countries due to the practice of importing 'codes or even entire legal systems from Western nations legislation in their attempt to modernize their domestic legal frameworks' (p. 168). He further believes that the problem arises when these practices are in conflict with the local legal culture, which may result in the ineffectiveness of legal system implementation in that society. Tabalujan (2002b) proposes "*patrimonialism*" as the key element in the Indonesian legal culture that is capable of affecting corporate governance behavior in Indonesian society.

[*Patrimonialist*], as a sociological concept, owes much to the ideas of Max Weber and refers to a patriarchal system of relationships where a father-figure, similar to that found in a family, exerts authority in social business or political contexts' (Tabalujan 2002b, p. 170). In relation to corporate governance, this statement relates to the importance of network and familial relationships in one company rather than other formal (legal) relationships. From this point of view, a corporation could be seen as an institution that should be governed based on familial relationships. In regard to the relationship between legal culture and legal systems within the *patrimonialist* society in Indonesia, Tabalujan (2002a) argues that family interests serve as a legitimate authority and the traditional family values, rather than the institutionalized and formal corporate law, serve as the dominant rules. This may have a profound impact on corporate governance practice among companies controlled by families since individuals within the group will view the obligations, loyalty and responsibility to the family above others.

Previous discussion implies there is a strong influence of culture on corporate behavior, particularly with the dominance of family ownership and family business groups in Indonesia. According to Licht, Goldsmith and Schwartz (2001) there is a need to consider cultural aspects as the foundation of legal rules which underlie corporate governance practices East Asian countries. In a similar vein, Gorga (2003) argues that 'law is not the whole story, and that social norms play an important role in shaping corporate governance' (p. 49). This implies that any effort to improve corporate governance in Indonesia should consider the local culture. For instance, the agency problem that exists in Indonesia is different from the one suggested by the standard agency literature. In this country, the significant agency problem relates to the accountability of "strong" controlling shareholders to "weak" minority shareholders, and might be attributable to the country's legal culture and the absence of protection of minority shareholder rights.

In summary, it might be argues that governance and ownership structures among corporations in Indonesia could be seen as endogenously determined and consistent with path-dependence theory. It is characterized by the dominance of concentrated ownership in the hands of family during the development stages of enterprise. These companies were able to adapt to the changes in organizational environments and could also influence business practice and corporate governance implementation. Consequently, an appropriate governance system for Indonesia must be able to deal with specific environmental factors that exist in this country.

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