Management Ownership Concentration Shareholding in Group of Family, Board Composition and Earnings Management

Konnut Pugatekaew

A Thesis Submitted in Partial Fulfillment of Requirements for
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ABSTRACT

Listed companies are organizations that disperse shares to general investors, who comprise a wide range of stakeholders. However, if that company has a concentrated shareholding structure for a certain group of people; such as, family, and appoints representatives as executives to control the direction of the operation in accordance with the interests, it would use the power of selected committee members in various faculties, including the use of discretion to conduct earnings management. The objectives of this research were to examine how the management ownership of a concentrated shareholding of a family group would influence the composition of the Board of Directors in accordance with the 2017 guideline practices that the Securities and Exchange Commission (SEC) has recommended and how they conducted earnings management. In addition, further studies were reviewed on how the concentration of the shareholding would provide related opportunities for the Chairman of the Board of Directors and CEO, and how the relationship would cause earnings management as well.

The sample group was listed companies in the Stock Exchange of Thailand (SET) from all industry groups except companies listed in banking, financial, and insurance. The sample was collected between 2014-2018 from 162 companies that were defined as a family business. The statistical regression method was used with panel data analysis for testing the hypothesis. Moreover, the measurement of earnings management used the Modified Jones Model (1995).

The results of the research showed that shareholding was concentrated in the family group, and there were executives representing the family in the opposite direction to the earnings management. While the relationship of the family shareholding role with the Chairman and CEO was a related party, it determined the number of Audit Committee members for a positive relationship. However, the research attempted to maintain the reputation of the family by trying to manage the earnings at a low level. Furthermore, the family business has an influence on setting the number of Board members according to the board's composition that was in

accordance with the criteria recommended by the SEC.

The results of this research would benefit both prospective investors for use as a guide when deciding to invest in a listed company whose shareholding is concentrated in the family group and the management who would be the representative of that group. Likewise, this study provided information for a qualitative consideration of the operating results. In addition, the research results would be beneficial to the regulator of listed companies, as this could provide information for the improvement of the rules and regulations regarding good corporate governance in listed companies in the future.

Keyword : Family business, Family-Concentrated Ownership, Board Composition, Earnings Management

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CHAPTER I

INTRODUCTION

Overview

Family businesses have an important influence on the economy from the national level to the global level. Survey data from EY family business year book 2014, and Ernst & Young Global Ltd. concluded that over 90 percent of American Business is a family business, consequently employment in the country, accounting for 57 percent, while in Thailand, found that 80 percent of companies listed on the Stock Exchange of Thailand are family businesses with a combined market value of approximately 33 percent (Ourapeephudpong, 2015). In addition to the importance of the family business towards economic growth, there is still research in the past that indicates that countries in the ASEAN region are family-run. Previous researches studied the ownership structure of seven countries in East Asian; Hong Kong, Indonesia, Malaysia, Singapore, South Korea, Taiwan, and Thailand, that concluded listed companies' in Thailand have the highest percentage of voting rights, and proportion of ownership structure as a family (Fan & Wong, 2002; Wongyim, 2018).

In general, the shareholding structure of firms in listed companies consists of institutional investors, including government agencies, foreign investors and individual investors. However, the shareholding structure of firms that are highly concentrated in some groups of individuals who are concentrated as owners will have the behavior to use the power of management or control through being a member of the board or an executive, which means it is representative of a family business. The meaning of family business is family members with the most voting rights, they are members of the major shareholders have the power to control the company and family members hold positions on the board or management (Anderson & Reeb, 2004; International Financial Corporation, 2008; Suehiro & Wailerdsak, 2004). The board of directors is considered to be an important group of people in determining the direction of the policy to create wealth for all shareholders. It also acts as a representative of shareholders in recruiting manager passed a contract of employment to perform the policy successfully (Schuler, Budhwar, & Florkowski, 2002). However, shareholders, especially the family group which is the major shareholder may be a director in the board of directors or an executive with the power to make decisions on matters affecting business operations, it also includes being a powerless director (Chunngam & Terdphoaphong, 2015). The group of family members of the major shareholders holds important positions in the company, causing various operations to consider creating wealth for their own groups and therefore neglecting minority shareholders. The degree of ownership concentration contributed to the nature of contracting, creating agency problems between ownership manager and outsider shareholding, also equal or more 25 percent of outstanding shareholding that mean level of concentration in firm, which is in accordance with the rules of the securities and exchange commission of Thailand (SEC.)

In an emerging market, especially, East Asia characteristics of controversy in agency problem issues is a conflict between management ownership or the control owner authority and minor shareholders (Fan & Wong, 2002). On one hand, agency theory suggests that the management ownership, taking into account the interests of other shareholders helps to reduce conflicts, which is to make the interests of aligning both groups (M. C. Jensen & Meckling, 1976). Alignment effect suggest that the structure concentration will try to avoid misappropriation of minority interests, in order to preserve its reputation and business. On the other hand, when the major shareholders have the power to manage, they often manage their own personal interests and often exploit minority shareholders, whose disadvantages are that they cannot access the inside information equally (information asymmetry) when compared to major shareholders this problem has been defined as the entrenchment effect (Morck, Shleifer, & Vishny, 1988). Nevertheless, generally, agency problems will mention issues between ownership and management, but in a family business, the problem is caused by the controlling shareholder and non-controlling shareholder.

The next issue of concern is about board composition, in particular the appointment of board size, independent directors, CEO duality, and audit committee. In the period 1997, Thailand’s crisis has affected Asia, which is attributed in part to a lack of strong regulatory mechanisms. The SEC has set the criteria for independent directors and audit committees as well as the powers and duties of such committees which are responsible for monitoring the implementation of the policy and also, to review the financial report to be properly prepared and to disclose sufficient information to the shareholders. Guidelines for good governance of the listed company in Thailand is issued by the SEC. Specifically, the third guideline represents matters of the effectiveness of the board, such as board size, the proportion of independent directors in the board of directors, separation between being chairman board of directors and CEO. Therefore, what should be considered next is that a company that is a family business with a concentration of shareholders and being a director or executive that brings, especially good practices in the effectiveness of the board of directors can be used as a mechanism that can help protect benefits and reduce conflicts between major shareholders and minority shareholders. In making decisions about investors' investments in the company one information important that is commonly used in the analysis is previous performance, used to forecast the growth trend of the firm which is a quantitative analysis. According to the accounting principles, the performance is shown in the income statement prepared under an accrual basis which provides economic benefits over a cash basis. Under the assumption of the accrual basis, there are certain types of items resulting from the management's discretion which make delay or accelerate the recognition of items in the income statement which ultimately affect earning. Also, the issue with the challenge is ownership manager, being the major shareholders are able to set an important policy, including the discretion of items, which will be related to earnings management or not.

Previously, empirical research studied the shareholding structure of the company as a family business. The results showed that there was a significant correlation with earnings management. However, the results of the study show both a positive or negative impact on the earnings. In discussions, two main ideas were considered: entrenchment effect and alignment effect. The board composition issues in regard to board size, independence of committee, the knowledge and competence of the audit committee. A lot of research found that there is a significant relationship between corporate governance and earnings management. Al-Rassas & Kamardin, (2016); Alzoubi, (2016); Jiraporn & DaDalt, (2009); Tong, (2007); and Wang, (2006) studies vary in the context of each country which gives different results, both positive and negative relationships. In addition, research in Thailand and other countries, especially in countries that are classified as emerging markets, are still mixed the results as well. Nevertheless, the study topic influence of ownership management in family firms as ownership concentration on board composition is still not studied in the Thai context.

Therefore, the key research points out the influence of holding concentrated shares in the family group that into a position in the company that how does it influence on the board composition characteristics and earnings management. In addition, the contribution of this research pays attention to the influence of family ownership shares on the role of board composition. In addition, taking variables about the relationship between the chairman and CEO attach to part of this research as well that has not been studied much in Thailand. The findings of this research may be useful to regulators in determining the level of shareholding that influences the control of the business, which plays a role in determining the composition of the board and the opportunities for earnings management.

Purposes of the Research

1. To examine the relationship between management ownership concentration shareholding in group of family and earnings management.

2. To examine influence of management ownership concentration shareholding in group of family on board composition

3. To examine influence of management ownership concentration shareholding in group of family, and board composition on earnings management.

Research Questions

1. How does management ownership concentration shareholding in group of family relate to earning management?

2. How does management ownership concentration shareholding in group of family influence on board composition?

3. How does management ownership concentration shareholding in group of family influence, and board composition on earnings management?

Scope of the Research

This research aims to examine the relationship between management ownership concentration shareholding in a group of family influence, and board composition on earnings management. This research presents four important theories used to explain the phenomena expected to arise from the research results by such theories as an agency problem, stewardship theory, stakeholder theory, and managerial hegemony theory. Their theories are discussed respectively, is related to corporate governance (Tricker, 2005). The agency problem, it is part of the agency theory, the relationship between the shareholders of both groups by one group is the business owner or founder called the "principle" had authorized the management of business for those who have been selected and hired to act as "agents" which the agent also has a stake in the holding of shares. In addition, the agent also decides on the principle of investing in various projects to create maximum returns for shareholders. If such a decision is made to increase shareholder benefits, the relationship between principles and representatives of the corresponding benefits can create high value for the business.

In contrast, if shareholders' and executives' interests and objectives are inconsistent, it will cause an agency problem. The problem is extended two features: Type I and Type II (Jensen & Meckling, 1976) However, as mentioned above, most businesses in Thailand have characteristics of family businesses that cause type II problems, which is caused by conflicts between shareholders who have control and do not have control. It also includes conflicts in a single shareholder or group common in family companies (Salvato & Moores, 2010).

Stewardship theory suggests that ownership management has an interest in other things that are useful in addition to economic interests, and always do honestly for the benefit of both the organization and the stakeholders arising from the actions of they are about wealth, personal satisfaction, and reputation which are all linked to the firm. (Freeman, Wicks, & Parmar, 2004). Stakeholder theory implies stakeholders, in addition to investors, customers, suppliers, and employees. There are still others involved, which must be taken into consideration by the business administration (Donalson & Preston, 1995). The importance of the relationship between management and stakeholders is an indication of the consistency in relationships. which is necessary to help create equity satisfaction, therefore, using the stakeholder theory to explain the relationship is because shareholders expect the business to have maximized profits and increase wealth which the goal is a commitment that the management will manage to meet achieve objectives (Mokthaisong, Buasook, Jampachaisri, & Lonkani, 2014). Therefore, shareholders or investors are one of the business's key stakeholders and influence monitoring administration of the management. Finally, managerial hegemony theory states that executives and CEOs use power to control the board of directors, which has failed non-executive directors and independent directors to fulfill their roles (Mallette & Fowler, 1992). According to the roles, the chairman of the board director or CEOs has authority in the selection process and can control those directors, which will affect decisions about the business performance.

Another issue of this study is the mechanism of good governance, especially board composition in the family business. The meaning of corporate governance is a system that provides the process and structure of leadership and control of the business to be responsible for their duties with transparency and to create competitiveness in order to maintain capital and value to shareholders in the long term within the framework of good ethics (The Securities and Exchange Commission, 2017). In the governance system structure, it consists of 3 groups related to each other as a shareholder is ownership of the business whose main objective is to receive a return on investment. Management is a person with knowledge and ability through recruitment from the board of directors to act as a representative of shareholders in operating under the employment contract. Finally, the board of directors is a group of people who have been selected by shareholders to act as a policy monitoring of shareholders instead.

As can be seen, all three groups have an inevitable relationship. However, the management will create the maximum wealth for the shareholders, achieve business objectives with transparency, and have a monitoring mechanism. The Securities and Exchange Commission, Thailand (SEC.), is the regulatory agency that has issued regulations on corporate governance code as a guideline for the creation of a good governance system in listed companies with eight practices. However, in this study, we paid attention to the principles that three is strengthened board effectiveness, due to it is a practice that involves creating an audit mechanism by appointing an independent committee to monitor the operations of the management department, balancing power between the board of directors and the management. This process will ensure that the board of directors and management have a responsibility to the shareholders to maintain benefits and take into account sustainable performance. In addition, the shareholding of the board of directors or the management team, which is a group of persons holding shares from 25 percent in accordance with the Securities and Exchange Act of 2008, requires that the shareholders in such the proportion have the right to oppose the meeting resolution on important matters. The board of directors or the management as being the shareholding over 25 percent has the power to manage the firm may use discretion through accrual accounting transactions that have an effect on profit or loss to present in a financial statement.

Discretionary accruals accounting is a form of use to verify that a firm has earnings management, which many kinds of research in the past have commonly used this method in the analysis (Sun & Rath, 2010). Researchers using accruals to detect the earnings are the model's ability to separate accruals into discretionary and non-discretionary accruals correctly; neither is observable directly in financial statements.

The theories and related concepts above explain the relationship between management ownership shareholding levels that holds important positions and board composition on earnings management. This study uses populations from companies listed on the Stock Exchange of Thailand, also collects data from all industry groups, except banks, securities, life insurance, and insurance, including property funds and infrastructure funds. The key important criteria for the company selection are divided into two things; shareholders from the first to the fifth in the shareholding structure that has voting rights of the firm individuals or groups of people with the same surname or vary, but the information is disclosed in the annual report that is kindred that has a proportion shareholding of 25 percent or more. Moreover, the person or person representing the group, according to the shareholder, has the chairman of the executive committee, chief executive officer, and executive committee.

Finally, 709 companies were selected by the criteria (data ended on December 31, 2018). The study was conducted during that period since 2012 due to the SEC having improved the principles and guidelines for good corporate governance in accordance with the ASEAN corporate governance scorecard. The study data were collected from the annual report for the past five years during the period 2014-2018 from www.sec.or.th, and companies' websites. Earnings management analysis uses the forecasting model from the discretionary accruals concept by using a cash flow approach of Belkaoui (2004) for total accruals measurement and using the Modified Jones 1995 models to create regression equations in assessing the relationship between independent variables and dependent variables. Regression analysis is used to test and examine the hypothesized relationships.

Organization of the Dissertation

This research is organized into five chapters. Firstly, chapter one represents the overview and motivation of this research, purposes of the research, research question, scope of the research, and research organization. Secondly, a review of the relevant literature concerns the theoretical framework to explain the conceptual model and develops the testing-related hypotheses. Next, chapter three sums up the research method, including the data collection procedure, the variable measurement of each construct, the statistics, and equations to test the hypotheses, and the summary operational variables of constructs. Then, chapter four shows empirical results. Finally, the last chapter gives details on the conclusion, discussion, limitations, and suggestions for future research directions.

CHAPTER II

LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

This chapter provides theoretical concepts related to the family business, corporate governance, and earnings management including related research to develop the research framework which will be presented in various topics in the following

1. Characteristics motivating the behavior of the family ownership concentration firms
2. Corporate Governance
3. Theory about corporate governance
4. Corporate Governance Code for Listed Companies in Thailand
5. Concept of Earning Management
6. Relevant Literature Review and Research Hypotheses Development

Characteristics Motivating the Behavior of the Family Ownership Concentration Firms

The family business is defined by a lot of meanings, such as an organization that issues securities for sale in the primary market and the issued shares are traded on at least 1 stock market and the family has a significant influence in policymaking future strategic directions. In addition, business operations are supervised by family members including participation in administration or voting rights or both (Vorachardtarn, 2016). One of the family members who have the most voting rights has the power to control, has the intention to send business to the next generation (International Financial Corporation, 2008). In other words, a company that has the following qualifications: The founding family members can control the company in many ways, and the family members are business descendent (Suehiro & Wailerdsak, 2004), or if a family member holds the position of director the company, it means being a family company (Anderson & Reeb, 2003). Presently, the family business is characterized by managing the organization through important positions, with family members fully involved in the management or hiring a professional manager assigned by the family to be an executive. However, the nature of participation in the family company when divided according to the proportion of ownership of the family will have behavior that influences the direction of the firm as shown in Figure 1

Ownership concentration is the holding of shares by a specific group of people, which results in the group having the power to manage or any orders to fall on the controlling shareholder. Companies listed on, especially, emerging markets are mostly based on the family business and when the business is expanded, it was raised by the public through a listing on the stock exchange. Nevertheless, the shareholding structure has a high proportion of individual investors, such as holding most families and the group still has the power to control the business through being a committee or executive. Therefore, the family business is that the members who are the majority of people with voting rights in the business can enter power or play an important role in business policies through management, also the objective of business succession from the founder. The problem that the small shareholders encounter is the transfer of the interests of the minority shareholders to the major shareholders, such as paying special dividends to the group of major shareholders (Chunngam & Terdphoaphong, 2015).

Paiva, Lourenço, Branco, and Lourenço (2016) sum up, different advantages of being a family business in the view that if the family preserves control of power. Firstly, the family can look after high ethical standards, positive commercial values, the name itself may be a carrier of reputation, and a sense of responsibility which may contribute to transfer of continuity of their business from one generation to the next. Secondly, families tend to invest longer and expand that point more sustainably than other types of investors. In addition, the long-term investment of the family tends to discourage other people from participating in the nature of foresight, with a narrow view and value-destructing seeking behavior. Finally, the family provides effective checks on a professional manager, if monitoring requires knowledge of the firm’s technology, families potentially set on superior oversight because their lengthy tenure permits them to move further along the firm’s learning curve.

	Family holds between 20-50%	Family holds over 50%
Fully Participate	Sharing distribution / professional managers have a role in policymaking - Shareholding 20-50% -Families hold important positions such as CEO, CFO, COO - Supervision by the board and sub-committees are under all family members.	The family has full control over the ownership of the business. (Holding more than 50% of common stock) - Families hold important positions such as CEO, CFO, COO - Supervision by the board and sub-committees are under all family members.
Assign to Profession	Stock distribution / control distribution and supervision - Assign professional managers to set policies. - The family maintains a position on the board of directors that is not an important position or has executive power. - Family members have a high proportion of being members of committees and sub-committees are family members	Assigned professional managers to make decisions, but the family still has close control - Control over ownership rights of more than 50% - Assign professional managers to manage tasks on behalf of the family. - Supervision through the Executive Committee and Sub-committee Under the control of family members

Vorachardtarn (2016)

Figure 1 Influence on Controlling of Family Business Management

The better monitoring of management is likely to mitigate managerial opportunistic behavior designed to maximize the managers' own wealth, including economic incentives to reduce agency cost. The behavioral accounting researches in family firms refer that ownership concentration leads to closer monitoring of management which means the fewer chances for earnings management (Paiva et al., 2016).

On the other hand, the family firms may suffer from disadvantages such as lack of specialists, informal channels of communication and family feuding (Poutziouris, Wang, & Chan, 2002). Furthermore, family conflicts and internal political issues will make the company worse. The process to make that business grow may not be compatible with the objectives of endless family control, and the company often experiences many conflicts arising from sibling competition from their parents, marriage feuds and desire to spread ownership among family members (Kellermanns & Eddleston, 2004). Families and businesses that are not fully connected are more likely to have conflicts, which are difficult to resolve by repelling family members out of the company because this will adversely affect family relationships and management.

Motivating Behavior of the family firm

Some family's owner may become executives or board members with the power to make decisions that affect the business, including the position that does not have authority as well (Chunngam & Terdphoaphong, 2015). Regardless of whether the owner is a competent executive and a shareholder, "ownership management", their motivation affects the action. Previous studies that discussed the separation of motivation mentioned, two types of effects alignment effect and entrenchment effect. Alignment effect suggests that the structure concentration will try to avoid misappropriation of minority interests, to preserve its reputation and business. Therefore, the effect predicts that the manager has stronger incentives to act in line with minority shareholders' interests, also the effect suggests that as managerial ownership increases, firm performance increases and opportunistic managerial behavior decreases monotonically. Moreover, the opposite effect is expected to result in higher agent costs when owners hold lower levels (Akinobu & Takada, 2010).

On the other hand, minority shareholders realize that if a major shareholder is a member of the family, they operate for their own that may be wealth decrease (Fan & Wong, 2002). The entrenchment effect suggests that when a major shareholder influences on management, it will manage its own personal interests and often take advantage of the minority who has the disadvantage of not having equal access to information, asymmetry information, as compared to major shareholders. The effect will have no influence if a manager has a sufficiently large number of shares since the management has enough shares to make it in the position and there is no incentive to increase the shareholding ratio again. Furthermore, a manager with extremely low shareholding is also unlikely to increase its shareholding because it cannot control the firm with a small increase in ownership.

Corporate Governance

Governance was first mentioned in the 1980s in the United States, where the companies have undergone a major restructuring as a result of mergers and acquisitions from both domestic and foreign companies to enhance the efficiency of company assets to be used properly and worth. Furthermore, in order to protect the best interests of shareholders causing the regulators to begin to investigate and review their role in determining what direction the policy should be. For Thailand, the result of the financial crisis in 1997 caused damage to the capital market the SEC considering the necessity of restoring the monitoring and shareholder protection system by organizing a meeting to create good corporate governance in the capital market. Since 2004, Thailand has participated in an international performance evaluation program by the World Bank (Jaitad, 2012).

Corporate Governance is a system that provides a structure and process of the relationship between the board of directors, management, and shareholders. Including consider the stakeholder to create competitiveness leading to growth and adding value to shareholders in the long term (The Securities and Exchange Commission, 2017). Many others give the meaning of corporate governance such as Pairin (2012) meaning is a system that provides the process and structure of the leadership and control of the business to be responsible according to duty with transparency and to create competitiveness in order to maintain capital and to make value-added to shareholders in the long term within the framework of good ethics. While, The Securities and Exchange Commission, (2017) give meaning is a regulatory relationship including the mechanism of measures used in directing the decisions of the people in the organization to meet the objectives, including determining the main objectives, goal, strategies, policies and consider approving plans and budgets, monitoring of results and performance reporting.

Structure of Corporate Governance

From the above definition it can be concluded that in the structure of the good governance system, there are three groups involved; shareholder, management and board of directors (Jaitad, 2012).

1. Shareholder is owner or founders of businesses that expect a return on investment, which are business owners who do not take part in the responsibility for operations, including policy formulation, but use the ownership rights to vote at the shareholders' meeting on important matters, such as the selection of the board of directors to determine the policy and take action on behalf of the shareholders. The shareholders in this respect are both major and minor shareholders.

2. Management is a professional person, who is hired by the committee to act as a shareholder representative to operate under an employment contract or agreement. The management has the chief executive officer who is the head of the authority to make decisions in the operation with care, in order to maximize the long-term benefits of the organization. Including other responsibilities that are based on ethics and compliance with laws, such as providing an internal control system accounting and financial reporting, and corporate governance.

3. Board of Directors is a group of people appointed by shareholders that have a duty to set policies regarding the overall management of the business including, monitoring, and communication for shareholders. In addition, another important function is the selection and appointment of the chief executive officer.

Corporate Governance Mechanism

The corporate governance mechanism is responsible for monitoring and controlling the operations of the management team in order to help reduce conflict of interests and agency problems. The mechanism consists of five components (Jaitad, 2012)

1. Board of Director: Shareholders is chosen by shareholders to oversee management. Generally, the Board of Directors consists of representatives of shareholders, executives, and independent directors. However, the most common problem is that management representatives are primarily interested in their own interests or management ownership seeking benefits from minor shareholders. Another issue is that the independent committee does not pay attention to maintaining business interests. Because the board has held positions in many companies.

2. Proxy Fight: this combination of shareholders who are dissatisfied with the work of the management or the board through the collection of voices and proposing changes to executives. However, the mechanism is not effective for companies that have a large number of minority shareholders because it means the disruption of shareholders results in high costs if there will be a person who will be the leader to make the proxy fight.

3. Large Shareholder: one of the disadvantages of having a large number of minority shareholders causes “free-rider problem” that is no shareholder wants to create change but will benefit from that change. While the company that has a high proportion of major shareholders which are highly motivated to monitor the operations of the management because the share of the benefits is high according to the share value. On the other hand, however, having much more major shareholders will cause agency problem type II.

4. Takeover: the importance of another corporate governance mechanism for monitoring the work of the management in order to prevent “unfriendly takeover” that is, the business with the inefficient operation, poor performance, as a result, a decrease in the stock market price that business is the target of being bought by investors who still see the business potential. Those investors hoping to be able to revive that business through changing the management team, restructure the assets and liabilities for better profitability. If the management considers the possibility of such market mechanism, so always improve business efficiency to maintain profitability and value of the business in order not to be a target of being taken over. However, market mechanism also has disadvantages such as free-rider problem. For example, various minor shareholders may not sell shares to those who would take over the business, making taking over difficult because those free rider hopes to profit

from the stock price that will rise from entry occupancy. Free-rider problems may cause a market mechanism of corporate governance failure. However, what will help to prevent the failure is “takeover law” that is prudent, conducive to the work of the stock market, while preventing each other from exploiting each other.

5. Financial Structure: consists of liabilities and equity, especially debt, which is an obligation that allows executives to manage effectively in order to maintain the debt and interest expenses, causing the business to avoid the risk of bankruptcy. However, legal elements such as bankruptcy law must be strong and effective that is the law must make the executive lose power in the administration quickly after the company is filed for bankruptcy. The result of losing power will make the management fear and work hard for the organization effectively.

Theoretical Corporate Governance Foundation

The development of the theories related to corporate governance was prepared and compiled in the book “ theories of corporate governance: the philosophical foundations of corporate governance”(Tricker, 2005). By specifying the theories related to corporate governance, consisting of economic foundation, agency theory, managerial hegemony, stewardship theory, external pressures, stakeholder theory, convergence theory, the critique of shareholder value, and post-Enron theories. However, important concepts and theories form the basis for explaining family businesses and corporate governance, consisting of Agency Cost (as part of Agency theory), Stewardship theory, Stakeholder theory, and Managerial hegemony.

Agency Cost

The agency problem results from when there is a separation between ownership and control of the business. Asymmetric information and transaction costs are the key factors that make the problem significant. Both the principal and the agent have the same information, in the sense that the agent's action is observable and monitored by the principle without cost. The principle may also solve the agency problem by writing a comprehensive contract covering all possible future events and designing monitoring to observe, verify, and control the agent’s action. The monitoring includes the principle’s efforts to control its agent's behavior through an incentive design, compensation, or operational disciplines(Jensen & Meckling, 1976). It may also encourage agents by introducing an incentive model linked to the payment of benefits based on performance. However, the comprehensive writing contract and implementing monitoring and enforcement are costly (Fama & Jensen, 1983). Transaction costs arising from uncertainties, ineffective negotiations, and enforcement create limitations in the scope of the principle for complete contract settings (Hart, 1995), so it is difficult for anybody to know and be able to predict for a potential future. Revisions or new negotiations during the life of the contract may be expensive. Therefore, it is possible that the principle is to write an incomplete contract which causes "there are gaps and missing provisions" (Hart, 1995). This implies that a gap of information remains between the principle and the agent.

When a contract is incomplete, a difference of interests between the principal and agent becomes a problem only if there is an asymmetry of information between the principal and the agent. An agent, who is directly involved in a work process, has opportunities to access inside information, which the principle may not know. Information gaps make it difficult for a principal to supervise, monitor completely, and evaluate an agent's actual actions and performance, known as " moral hazard" (Fama, 1980). It is also difficult for the principle of identifying the agent's ability to carry out the assigned tasks that are known as "adverse selection." Moreover, it is hard for a principal to make the agent understand the principle's actual objectives.

According to Jensen and Meckling (1976), agency cost incurred from the principle-agent relationship is defined as the sum of three costs: monitoring costs to the principle, bonding costs to the agent, and residual loss. Firstly, monitoring costs arise when the principle attempts to control an agent by implementing monitoring activities such as auditing, incentive plans, budget restrictions, or operating provisions. Bonding costs are paid by an agent to guarantee that they will avoid harmful activities to the principle's wealth or compensate for such activities' loss. In practice, it is difficult for tracking and bonding activities to control the agent's actions perfectly. Therefore, the remaining costs arising from the agent's decision's differences will be called "residual loss".

Ownership Structure, Controlling, and the Agency Problem

In the context of a corporation, ownership is a source of shareholders' residual rights of control, giving shareholders the right to participate in the corporation (Grossman & Hart, 1986). Therefore, the size and distribution of ownership have an important effect on the degree of power and incentive that shareholders have to monitor in the corporation (Boonyawat, 2013). Naturally, the ownership structure is classified into two main types; dispersed and concentrated. Firstly, ownership disperses that means common shares with voting rights are distributed to many minor shareholders, and each shareholder owns a little fraction of the shares in the firm. On the other hand, if significant fractions of shares with voting rights are distributed to individuals or small shareholders, likely ownership concentration groups. Both types of ownership can create serious agency problems if the distribution of ownership and control is inappropriate, and monitoring is weak.

Moreover, what happens is a conflict of interest between the principal and the agent, in the end, this will result in the value of the business gradually decreasing from the level it should be. The problem is divided into 2 types: Type I and Type II (Jensen & Meckling, 1976). Firstly, type I relates to the separation between ownership and management, which leads to differences in benefits. However, in the company of family business, ownership, and overlapping management result in fewer conflicts than the non-family firm (Salvato & Moores, 2010). Type I problem is an ordinary matter that usually occurs in developed countries, a stock exchange that is considered to be developed, such as the United States, United Kingdom, Germany.

Secondly, type II problem arises from the conflict between the controlling shareholder and non-controlling shareholder or, in other words, is the conflict between the majority shareholder and minority shareholders. Besides, conflicts may arise as a single shareholder or a group of shareholders whose problems are often found in the family business (Salvato & Moores, 2010). The family, which is a major shareholder, has power over management through being an executive that is a high probability they will snatch the interests of minorities. Frequently, family companies have more problems than non-family companies. Because families have the power to control benefits and if businesses have weak corporate governance structures, allowing families to rely on power-seeking personal gain by seizing from minor shareholders(Paiva et al., 2016). In addition, such problems are commonly found in developing countries and emerging markets (Wang & Yung, 2011).

Jensen and Meckling (1976) suggested that the agency problem solutions should allow managers to participate in business ownership by holding shares for the interests of shareholders (principles) and managers (agents) having the same goal, namely the management will set policies and implement the maximize shareholder wealth is stable because management has become a stakeholder. In addition, assumptions about maintaining a strong interest (Entrenchment hypotheses) are used to describe shareholders' structure. Assuming holding shares with concentrated ownership is a condition that the shareholder has control and acts that is an advantage in minority shareholders' interests. The problem is mostly the conflict between majority and minority shareholders that the agency theory may not use adoption alone for interpreted earnings management practice in family firms (Salvato & Moores, 2010).

Ownership Concentration, Controlling Shareholders and the Agency Problem

The voting rights and cash-flow rights associated with the shares influence the behavior of shareholders towards their firms. Meanwhile, cash-flow rights affect shareholders' wealth as a dividend or capital gains while control rights give shareholders the power to monitor managers and to protect themselves against being exploited by managers (Shleifer & Vishny, 1997). As a result, incentives, and the power of shareholders to monitor managers should increase when they hold substantial shares in firms.

Ownership and control may not be separated in firms with concentrated ownership. A presence of more shareholders may be dominant shareholders is also familiar in firms with concentrated ownership. These shareholders are known as controlling shareholders, so it is worth noting that controlling shareholders' timing means shareholders who own, directly or indirectly, a large number of votes in the company and are involved in the control of operations and the company's policy. Theoretically, the number of shares owned by dominant shareholders should increase their ability to control and their incentive to control them. Controlling shareholders with significant control is more likely to participate in a firm's operations, major decisions, and policies. In many cases, they also take a management role in the firms as CEO or directors. The number of ownership with voting rights that identifies a shareholder as dominant ranges from 10 percent to 50 percent(Porta, Lopez-De-silanes, & Shleifer, 1999; Shleifer & Vishny, 1997). However, no research suggests absolute shareholding that indicates total control, and the rules for controlling influence depend on the economic and legal environment of each country (Wiwattanakantang, 2001).

According to the agent control theory, shareholders are more motivated to oversee the management's work because they will share the loss of wealth arising from the management's work, and they have enough power to do so with less cost. In terms of alignment of interests, other shareholders also benefit from monitoring provided by dominant shareholders (Holderness, 2003). However, if the controlling shareholders are concerned only with their own interests, they may pressure managers to act for their personal benefit (Holderness, 2003; Young, Peng, Ahlstrom, Bruton, & Jiang, 2008). Such benefits may take many forms and might include transfer pricing via related party transactions or benefits in terms of personal satisfaction and reputation (Hart, 1995). Therefore, this ownership characteristic can create another serious agency problem arising from conflicts of interest between two groups of principles (Type II problem). Concentration ownership in management creates opportunities for managers interested in themselves to participate in opportunistic actions by increasing their wealth by receiving excessive compensation and avoiding an audit—however, the concentrated shareholding of those who are management both effective and inefficient with the company Jensen and Meckling (1976) propose that the fractions of shares owned by managers are theoretically linked to managers' incentives. There suggest that higher ownership managers are more motivated to increase the company's value by taking advantage of less management because they share wealth and loss, such as other shareholders like equal. Therefore, managing ownership can help reduce agency costs by adjusting shareholders' and managers' interests to the same goal that leads to increased firm performance (an alignment effect).

For another point when the power of ownership management is too high. The managers with more voting power can protect themselves from internal or external control and discipline (Lins, 2003), It is difficult for other shareholders to cancel managers who create a poor performance with significant voting rights in the company. The managers become entrenched (an entrenchment effect) if they hold too many shares in the firms.

In contrast, Demsetz and Lehn (1985) argue that each organization's ownership structure is designed to be optimal at which profits are maximized. In other words, the owners of a company have always traded off between benefits and costs by being diffused or concentrated, due to market pressures. Therefore, the level of ownership management that is expected to be watched from the outside and to reflect the existence of other corporate governance mechanisms such as the labor market, management of the market for corporate control, the composition of the board of directors (Fama & Jensen, 1983), and the competitiveness of product markets (Demsetz, 1983). For example, to avoid a decrease in the firm's market value as investors expect to be at risk from being managerial exploitation, owner-manager adjust their own management and introduce alternative corporate governance mechanisms to maximize a firm's value.

However, agency theory is based on the assumption of market efficiency. In fact, markets are not always efficient that often suffer from limited transparency and asymmetric information (Fan & Wong, 2002; Mcconnell, Servaes, & Lins, 2008). In conclusion, in practice, capital markets' imperfections prevent firms from achieving their optimum ownership structure with dominant shareholders is commonly found in

Europe in Asian countries. At the same time, concentration is more evident in emerging countries such as Thailand, Indonesia, and Malaysia (Boonyawat, 2013).

Stewardship theory

The stewardship theory by Donaldson and Davis (1991), explains that the basic concept of the theory is based on the study of psychology and sociology. The executives without conflicts of interest will be as “Steward” protecting the interests of the organization rather than personal interests in doing. So, it is most effective for stakeholders, and in the end, will help the organization achieve its objectives. The theory suggests that steward's acts for the public rather than for his own benefit by believing that the needs of the organization and people will be most successful only when respecting and maintaining the relationship as if they were the company owner. Moreover, stakeholders will keep up with the organization's long-term prosperity that means that executives can make good use of corporate resources this steward role plays both personal and organizational objectives at the same time (Chatiwong, 2017). Such theories believe that people are honest by themselves and include honesty in the allocation of business resources (Davis, Schoorman, & Donaldson, 1997). Therefore, being the chairman of the board, the director and the chief executive officer are the same person who can manage the organization very well. The ability to manage a business that focuses on the interests of the company is the final principle, resulting in good performance (Mokthaisong et al., 2014).

Another aspect is the long-term view of the business. Family-owned companies are interested in creating wealth and forwarding to the next generation by looking at the actions to make the business successful in the long term instead of looking for benefits in the short-term from the difference in stock prices in the market. This theory points to the ownership of management that has been motivated by other things rather than personal interests in the economy, such as satisfaction and future reputation, and often done for the benefits of both organizations and stakeholders. In addition, the belief is that stewards (management ownership) are driven by higher-level needs, they identify with the organization, including its objectives and activities for its collective good (Paiva et al., 2016). The stewardship theory is applied, especially, with the family firm due to the owners tend to put their sense of ownership and they think that this is their company (Anderson & Reeb, 2003).

In summary, the theoretical point of view shows that stewards are satisfied and motivated to want to achieve stable stability. Given that the steward is motivated to behave in ways that are consistent with the objectives of a firm. As a result, the overall resources needed to monitor the behavior of agents will be reduced.

Stakeholder Theory

Freeman et al. (2004) mentioning this theory that shareholders are stakeholders the management has to procure a lot of resources from all the employees and those involved in the supply chain to support the business to be successful. Management and entrepreneurs must consider legal benefits and those affected by the activities of the business. (Freeman et al., 2004). Stakeholders apart from investors, customers, distributors, and employees, there are other stakeholders including governments, political groups, communities, and trade-related parties. They must be considered together with business administration. If able to manage those who are interested in the business indirectly with the management of the business, it will lead to the profitability of the business (Donalson & Preston, 1995). The importance of the relationship between management and stakeholders is an indicator of the stability in relationships necessary to help create shareholder satisfaction. Therefore, using the stakeholder theory to explain the relationship due to shareholders expect the business to have maximized profits and increase wealth. The goal is a commitment that the management will manage to achieve those objectives (Mokthaisong et al., 2014). Therefore, shareholders or investors are one of the business's key stakeholders and those who have the power to control, monitor, and administration of the management (Mokthaisong et al., 2014).

Managerial Hegemony Theory

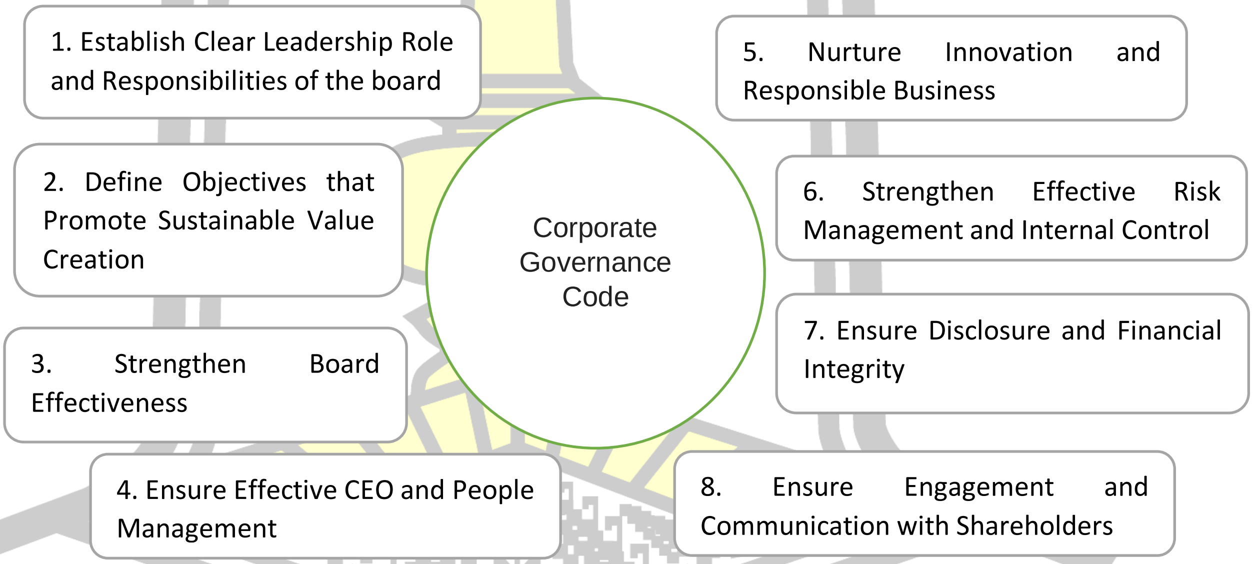
This theory states that executives and CEOs may use the power to dominate the board of directors, which can result in a non-executive director and independent directors being unable to respond to their role (Mallette & Fowler, 1992). According to the roles, the board director's chairman has the authority to select the directors and control them. Vancil (1987) argued that the authority used the power of selection to choose what is still suspicious, that is, the ability and independent decision-making of external directors, which will influence decisions about business performance. These may have a negative impact on the role of participation in the decision-making process and can freely express their opinions and, at the same time, continue to act as an audit of the management. This conflict will impair the firm's efficiency from the outside directors being dominated by the company's authoritarian.

Corporate Governance Code for Listed Companies in Thailand

The SEC has established the code of good corporate governance for listed companies in the year 2017. Such ethics help ensure transparency and accountability of the board of directors in order to build investor confidence in creating long-term sustainability for the business. The code is integrated into the business process, therefore, under the CG code framework the board should have the following roles (Jantadej, 2018). (1) setting objectives, goals of the business that are going to create value for the business sustainably (2) accomplish the goals by having a committee that facilitates the achievement of the specified objectives. Supervise and develop executives and employees in the organization to be competent. Promote innovation and responsible business operations and (3) monitoring and disclosing information by ensuring that there is an appropriate internal control and risk management system, maintaining financial credibility and disclosure, as well as the participation of shareholders and communication with shareholders. Also, compliance with governance under the CG code aims to achieve at least 4 governance outcomes: (1) able to compete and have good performance, taking into account the long-term impact (2) conduct business with respect to ethics and have a responsibility to shareholders and stakeholders (3) beneficial to society and develop or reduce negative impacts on the environment and (4) able to adapt under changing factors.

CG code consists of two important content, practice principles and sub-practices. There are eight practices and the last part is the practice guidelines and explanations in order to comply with the first part of the practice. The eight principles are as follows figure 2

These 8 practices are what the board of directors can apply for corporate governance, and being integrated into the business process, starting from determination of objectives, implementation of objectives and monitoring, evaluation of operations, and disclosure of information as shown in table 1 , presenting the business operation process with the principles of corporate governance in all 8 items.



The Securities and Exchange Commission (2017)

Figure 2 Eight Principle Guidelines of CG Code for Listed Companies in Thailand in 2017

From the above mentioned that there are eight guidelines. However, this research focus on the part of the committee in accordance with the third set of guidelines to strengthen board effectiveness by providing appropriate guidelines linked to earnings management. The third approach consists of nine items:

Sub-Practice 3.1

The committee should be responsible for determining and reviewing the board structure, both in terms of size, composition, and proportion of independent directors that are appropriate and necessary for bringing the organization in line with the main objectives set the guidelines are as follows:

3.1.1 The board of directors should have a composition of directors with various qualifications in terms of skills, experience, ability as well as gender and age that are necessary for achieving the main objectives of the organization.

Table 1 The Business Process With 8 Principles Under the CG Code Framework (Jantadej, 2018)

Business Process	Eight principles practices
1. Setting Objectives	Practice 1 Establish Clear Leadership Role and Responsibilities of the board Practice 2 Define Objectives that Promote Sustainable Value Creation
2. Perform according to the objectives	Practice 3 Strengthen Board Effectiveness Practice 4 Ensure Effective CEO and People Management Practice 5 Nurture Innovation and Responsible Business
3. Monitoring, performance evaluation and information disclosure	Practice 6 Strengthen Effective Risk Management and Internal Control Practice 7 Ensure Disclosure and Financial Integrity Practice 8 Ensure Engagement and Communication with Shareholders

3.1.2 The board of directors should consider the appropriate number of directors in order to be able to perform effectively which requires at least 5 directors but not more than 12 directors.

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3.1.3 The board of directors should have a proportion between the executive directors and non-executives. Most of them should be non-executive directors who can freely give opinions on the work of the management. And the board of directors should have the number and qualifications of independent directors in accordance with the regulators

Sub-Practice 3.2

The board of directors should select the appropriate person as chairman, and ensure that the composition and operations of the board are conducive to independent judgment. The guidelines are as follows:

3.2.1 The chairman of the board should be an independent director.

3.2.2 The chairman and the president have different responsibilities and should have clearly defined authority. However, the person who holds the position of chairman and president should be a different person.

3.2.3 The chairman of the board plays a leading role of the board of directors with the following duties:

3.2.3.1 Supervise, monitor, and ensure that the performance of the board of directors is effective and achieve the main objectives of the organization.

3.2.3.2 Ensuring that all directors participate in promoting an ethical corporate culture.

3.2.3.3 The management allocates sufficient time to present matters that directors will discuss important issues carefully.

3.2.3.4 In the event that the chairman and the manager are the same person or the chairman of the board is not an independent director, the board of directors should promote the balance of power between the board and the management. For example, the board should consist of more than half of independent directors. One independent director should participate in determining the meeting agenda.

3.2.3.5 The board of directors should set the policy for independent directors to hold office for a period of not more than nine years from the date of appointment to be the first independent director and

3.2.3.6 The board of directors should consider appointing sub-committees to carefully consider important issues.

Sub-Practice 3.3

The board of directors should supervise the recruitment and selection of directors with a transparent and clear process in order to obtain a board that has qualifications consistent with the specified elements. The guidelines are as follows:

3.3.1 The committee should establish a recruitment committee in which the most members and the president should be independent directors.

3.3.2 The recruitment committee should arrange a meeting to consider the criteria and procedures for recruiting people in order to obtain qualified directors who will make the board of directors have elements of knowledge and appropriate expertise and

3.3.3 The recruitment committee should consider the criteria and methods of selection of directors to recommend the board of directors before the previous committee members who are retired by period.

Sub-Practice 3.4

In proposing remuneration for directors to shareholders for approval the board of directors should consider the structure and compensation rates that are appropriate to the responsibilities and motivate the directors to lead the organization to operate in both short and long terms goals. The guidelines are as follows:

3.4.1 The committee should set up a remuneration committee in which most members and the president should be independent directors to consider the policy and criteria for determining compensation.

3.4.2 The remuneration of directors should be determined in accordance with the company's strategy and long-term goals by considering experience, duties, roles and responsibilities including the benefits expected from each director and

3.4.3 Shareholders must approve the structure and remuneration of directors both monetary and non-monetary forms

Sub-Practice 3.5

The board of directors should supervise all directors to be responsible for their duties and allocate sufficient time. The guidelines are as follows:

3.5.1 The board should ensure that there are mechanisms that encourage directors to understand their roles.

3.5.2 The board of directors should set the rules for holding positions in other companies of the directors by considering the performance of directors who hold many positions and should specify the number of listed companies that each director has to maintain the position appropriately but overall, should not exceed 5 companies and

3.5.3 Each director should attend at least 75 percent of the total number of board meetings held each year.

Sub-Practice 3.6

The board of directors should supervise to have a framework and mechanism for monitoring the policies and operations of the subsidiaries and other businesses that the company has invested significantly at the appropriate level for each business Including they have an accurate understanding. The guidelines are as follows:

3.6.1 The board of directors should consider setting up a supervision policy for subsidiaries which include

3.6.1.1 Appointment of a person to be a director, an executive or a person with power to control in a subsidiary company, in writing

3.6.1.2 The scope of duties and responsibilities of the person who is the representative of the company in accordance with article 3.6.1.1, and let the representative of the company take care to ensure compliance with the policy of the subsidiary company.

3.6.1.3 The internal control system of the subsidiary is appropriate and concise enough, and various transactions are done in accordance with relevant laws and regulations and

3.6.1.4 Disclosure of statement of financial position and financial performance, a transaction with connected person acquisition or disposition of assets, capital increase, capital reduction, dissolution of subsidiaries.

3.6.2 To participate in investing in other businesses significantly such as holding shares with voting rights between 20 percent but not over 50 percent. The board of directors should make shareholders 'agreement for clarity about the power of management.

Sub-Practice 3.7

The board of directors should arrange for an annual performance evaluation of the board of directors. Sub-committees and individual directors. The evaluation results should be used for further development of duties. The guidelines are as follows:

3.7.1 The committee and sub-committee should evaluate the performance at least once a year.

3.7.2 Performance evaluation should be evaluated both in groups and individuals which must at least be a self-assessment method and

3.7.3 The board of directors may consider providing external consultants to assist in formulating guidelines and suggesting issues for evaluating the performance of the board of directors at least every 3 years and disclosing such actions in the annual report.

Sub-Practice 3.8

The board of directors should supervise the board and each director to have knowledge, understanding of roles, business characteristics and laws related to business operations. As well as encouraging all directors to regularly enhance skills and knowledge for performing their duties. The guidelines are as follows:

3.8.1 The board of directors should ensure that the newly appointed person is advised and has useful information to perform the duties, which includes an understanding of the main objectives, corporate values, as well as business characteristics and business practices and

3.8.2 The board of directors oversees that directors are continuously trained and developed the necessary knowledge and should disclose training and knowledge development information in the annual report.

Sub-Practice 3.9

The board of directors should ensure that the operation of the board is completed. Also, they can access the necessary information and has a company secretary who has the necessary knowledge and experience to support the board's operations. The guidelines are as follows:

3.9.1 The board of directors should arrange a meeting and have a meeting agenda of the board in advance, so that directors can arrange the time and attend meetings.

3.9.2 The number of meetings of the board of directors should be considered to be appropriate to the duties and responsibilities of the board of directors and the nature of the business, but should not be less than 6 times a year.

3.9.3 Meeting documents should be sent to the directors at least 5 working days before the meeting date.

3.9.4 The board should encourage the managerial director to invite senior executives to attend meetings with the board to provide additional information as related to the problems directly and

3.9.5 The board of directors should determine the qualifications and experience of the appropriate company secretary to perform duties in providing legal advice and regulations that the board must know.

Roles of Duties and Responsibilities of Director and Board of Director

When the business has raised funds from the general public which has changed from a family business to a public (listed company) that the appearance of the management needs change. The roles of owners and managers are separated in which the owner of the money or the shareholder does not directly manage the business, but appoints the director as a representative to manage the business in the form of a committee. However, the board did not manage the company itself, but the manager has been appointed to manage the company for another layer. In fact, shareholders may be appointed as directors or managers that means the shareholder, directors, and managers may be the same person in which case this can be done. Nevertheless, the person holding such a position must distinguish the role between each moment in which the person is acting. In addition, always remember that his/her duties as a director or manager is for all shareholders, not acting for themselves in any way.

For Thailand according to the public company act, it is broadly stated that the board of directors has the power and duty to manage the company in accordance with the objectives, regulations and resolutions of the shareholders' meeting. Therefore, the board of directors will have more or less power depending on the company's regulations and resolutions of the shareholders' meeting. However, some issues are required in the law that must be approved by the shareholders' meeting before proceeding, such as capital increase - capital reduction, dividend payment, and merger that means the board has no authority to approve those matters arbitrarily. However, the main duties of the board may be divided into 2 areas (The Securities and Exchange Commission, 2004)

1. Policy setting and business strategy

The committee is responsible for being a leader in determining direction. The goals and strategies of the organization in order to be the most beneficial to the shareholders whose duties in this context include:

1.1 Recruiting people with knowledge and the ability to hold senior management positions. However, even though the board does not have to manage the job on a regular basis, it is their duty to recruit qualified persons to perform such duties.

1.2 Determining the vision, goals, policies, as well as the operating budget as expected, together with the management to ensure that the plan is generally accepted.

1.3 Assigning authority to executives to be able to carry out the tasks according to the goals in accordance with the specified policy.

1.4 Determining measures to enable executives to work according to the performance management system goals, such as determining performance indicators. Also, should supervise the management to communicate the various policy goals to employees at all levels of the organization as well.

1.5 Providing appropriate risk management systems

2. Monitoring operation in management for monitoring and balancing the board of directors must be responsible for the company's performance to shareholders. Therefore, the checks and balances role of the board should include:

2.1 Building confidence in the system to store accurate and complete accounting information and documents in order to ensure the accuracy of the information later in order for the board to be able to monitor the management's performance and allow shareholders to follow the operating results of the company.

2.2 Providing a system to report actual performance that is in accordance with the goals or not. Including problems and obstacles in order for the board to be able to monitor and improve the plans and strategies as appropriate.

2.3 Providing adequate internal control systems to ensure that transactions are approved by authorized personnel there are correct accounting arrangements and systems can prevent misuse of company assets.

2.4 Performance evaluation and remuneration for executives.

2.5 Approving transactions or proposing comments to shareholders to approve transactions with care honest by taking into account the best benefits of the company.

However, the board of directors can effectively comply with both of the above principles, which must have a corporate good governance model and working methods of the board in accordance with the good corporate governance principles as follows:

1. Board of director structure

To make the performance of the board more efficient. The board can appoint a committee that came up to perform duties in lieu of some committees as needed by each company. This is based on the size, business volume, complexity or needs of specific expertise, etc. In addition, the board is also responsible for monitoring the operation to be in line with the goals and the scope of the board of directors. The committee is also divided into sub-committees, namely:

Executive Committee

The board of directors may choose to appoint an executive committee or not, as appropriate for the business. But if appointed, it should clearly define the scope of authority subject to which the executive committee is often assigned to consider, such as screening matters before proposing to the board of directors, approving operations related to the business that is normal for the company. However, the executive director may or may not be an executive.

Audit Committee

Audit Committee is a duty to inspect and balance in order to supervise the business adequately and independently. By means of independence that means free from the influence of major shareholders and executives. The committee members of the audit committee should not hold shares more than 5 percent. In addition, according to the SEC's regulations and the SET regulations, the board of directors must appoint an audit committee consisting of at least 3 independent directors to perform the following functions

- Review to ensure that the company has accurate and compelling financial reports.
- Review the adequacy and effectiveness of the internal control system.
- Review the company to comply with relevant laws and regulations.
- Consider and select the auditor's remuneration.
- Ensuring that disclosure of information about connected transactions is accurate and complete.
- Prepare the audit committee report and submit to the board of directors and disclose in the annual report.
- Perform other matters as assigned by the board of directors

Nominating Committee

The appointment of the nomination committee is to seek and scrutinize the appropriate persons before proposing to the board of directors or the shareholders' meeting, but the committee was appointed to act temporarily. However, in a company that does not appoint this committee, the board of directors should serve in this position without any person having absolute power to appoint a director or senior management.

Compensation Committee

The appointment of this committee is based on the principle that the remuneration of top executives and directors should be appropriate to the authority, duties and amount of responsibility that reflects the ability to perform the tasks that meet the goals as well. The evaluator and the compensation person must not be the same person if any company does not appoint this committee, the board of directors must perform such duties. In addition, the executive director being assessed must not attend the meeting as well.

Risk Management Committee

In a complex business, this committee was appointed to control the risk of the company consisting of knowledgeable the directors good understanding and expertise in business in order to identify risks and set preventive measures, monitoring with care appropriately. However, some companies may assign the audit committee to do this duty as well which is considered part of having an adequate and appropriate internal control system.

However, the SEC and the SET do not specify the regulations for listed companies to have a nomination committee and compensation committee but encourages them to have transparent recruitment and remuneration for directors and senior executives and is in accordance with good governance. By all members of the audit committee, most members of the nomination committee, and compensation committee should be independent from the management.

2. Board Composition

The board of directors should consist of people who have sufficient knowledge and experience in business to set policies for the management and are sufficiently independent to perform monitor and balances on the management's operations. Consisting of directors with diverse knowledge in order to find opportunities and risks in different perspectives, however, some directors may also be executives because they are close to the business and can act to link the work of the board with the management. While the appropriate size of the directors in the board should not be too small to make up for a lack of diversity in thinking, but there should not be too many numbers until lacking efficiency and agility. The code of good corporate governance for listed companies in the year 2017 provides guidelines that the number of directors is appropriate in order to be able to perform efficiently which requires at least 5 directors but not more than 12 people (The Securities and Exchange Commission, 2017).

3. Recruitment and appointment of directors

Because the director is a representative of every shareholder the recruitment and appointment process should allow shareholders to propose and select qualified persons trustable to be a director at least in proportion to the shareholding. In selecting such persons, also taking into account that the person is independent to hold the position of director in the position of an independent director. The SEC and the SET that the company must have at least 3 independent directors. In addition, according to the principles of good corporate governance, also recommends that independent directors should not be less than 1 in 3 of the total number of directors in the board. In the case of the appointment of the directors who are due to retire for another term and come back again. There should also be a mechanism to evaluate the duties of the directors who completed that term first in order to strengthen the responsibilities of the directors and ensure that only good directors will be re-elected for another term.

Director and Good Governance

Directors play a role in being an intermediary that connects the shareholders with management. Therefore, the director is a person who is important in creating good corporate governance in the company, which has good governance that affects the confidence of shareholders according to good governance principles, so confidence can occur when the management of the company is based on 4 principles: (The Securities and Exchange Commission, 2004)

1. Respecting the rights of shareholders and treating all shareholders equally.

Directors should consider that shareholders have the right to participate in important decisions through a resolution at the shareholders' meeting, with the right to receive full compensation without being distorted, and have the right to be treated fairly without discrimination, whether from the number of shares held or from relationships with major shareholders.

2. Accountability

Directors should be aware that they have the duty and responsibility to operate for the best interest of the company by the structure, composition, and operating methods of the board that should encourage this responsibility.

3. Information disclosure and operational transparency

Decisions and operations within the company should be transparent and verifiable. Director is a representative of the shareholders that obliged to disclose sufficient and accurate information so that the shareholders can follow up on the operating results and have the opportunity to make appropriate investment decisions in the future.

4. Fair treatment for the stakeholder

The business will grow sustainably in the long run. Directors should treat stakeholders with fairness and ethics.

Concept of Earnings Management

Accounting profits shown in the financial statements are important for users of financial reports, especially investors for use in investment decisions to delay investment, avoid investing or investing more through the use of accounting data for basic analysis profitability and dividend payment in the future. The accounting profits are made on an accrual basis which is more beneficial to economic decisions than a cash basis. On the other hand, transactions under such the accrual may be created through the use of discretion from the management, which is a way to earnings management as the management wants.

The concept of earnings management has been given various meanings, such as the management intervened in the process of preparing financial reports with the intention of creating benefits for themselves and focusing on earnings management in the process of preparing financial reports presented to external users only by considering the management to generate appropriate earnings according to the situation by choosing accounting practices in accordance with generally accepted accounting principles (Schipper, 1989). While Mulford and Comiskey (1996)meaning is performance management to change according to the direction that the management wants with the intention and Healy and Wahlen (1999) argues that it was caused by the management's discretion in the preparation of financial reports and altering the list structure shown in the financial report to make the stakeholder misunderstandings about performance or to misrepresent information that affects decisions. In addition, Mulford and Comiskey (1996) identified five techniques for earnings management:

1. Boosting current-year performance: earnings recognition faster than it should be, revenue recognition with uncertain events, recording expenses is lower than reality.

2. Discretionary accounting change: changing policies or changing the accounting estimate that is in accordance with the management's discretion, with the objective to increase the profit in the current period which such changes do not meet the accounting standards or use alternatives from the accounting standards to give options.

3. Timed management actions: delaying sales means, the management may agree with the customer to expedite the order at the end of the year in order to record sales revenue while providing an agreement to extend payment to customers. This can also mean delaying the payment of expenses because the business is lacking liquidity or requiring the payment of expenses that should not be paid in the current period in order to require low profits for reasons of tax savings.

4. Reducing current year performance shortening the useful life of assets, liabilities recognition in a higher amount than reality, recording various reserve items.

5. The Big Bath: this technique is caused by the management that in the current period there may be a loss. Therefore, bringing the expenses of the next accounting period to be recognized as expenses for the current period and in the next period, the income statement can show profit more easily.

The motivation of Managers to use discretion for earnings management

Financial reporting standards such as IFRSs, GAAP, and Thai accounting standard allowing management to exercise discretion when preparing financial reports. The reports done by specific knowledge of manager or dominant owner-manager is expected to choose accounting method and policies for accounting recognition, estimates, and disclosures that are suitable to a firms' business economic (Boonyawat, 2013). The flexibility of the accounting standards open up opportunities for the manager to exercise accounting discretion based on their "self-serving information" such as managers may choose accounting methods that aim to encourage a firm's earnings to meet bonus targets (Healy & Wahlen, 1999). Consequently, the operation of accounting discretion may lead to an increase in the wealth of all contract parties or, an enlargement in owner-managers' wealth (Watts & Zimmerman, 1990).

The motivation of the owner-manager, who has control over the preparation of financial reporting, in using opportunities through discretion is a reflection of the conflict of interests, especially, type II problem. Much of the literature in the past addresses the motivation of the manager to engage in opportunistic accounting discretion In this regard, the motivation issues can be summarized into 3 types (Boonyawat, 2013), contracting motivations, capital market motivations, and regulatory and tax-related motivation and political cost.

1. Contracting Motivation

A contract is written, which engages an agreement between the manager and other parties. In many cases, accounting numbers are used as a benchmark to control and monitor a contract (Healy & Wahlen, 1999). Firstly, compensation or bonus plans are introduced to commit the interest of managers to other contract parties. The managers may be motivated to operate accounting discretion to increase their compensation rewards that are committed to accounting numbers by boost current earnings (Watts & Zimmerman, 1990). On the other hand, a bonus plan may lead to income reductions if managers deliberately use techniques such as revenue waiting to be realized to reduce income when no minimum threshold is met for bonus payments. (Watts & Zimmerman, 1990).

Finally, it's possible that a manager may be motivated to the discretion to avoid the violation of debt covenants. This is because the financial leverage ratio is often used, depending on the accounting figures to meet debt obligations or the cost of violating debt settlement is high (Boonyawat, 2013).

2. Capital Market Motivations

The use of accounting data from financial reports that has an effect on capital market responses by securities analysts, investors, including regulatory agencies which use the information to evaluate the business's performance, also may be an incentive for the managers to exercise accounting discretion for the capital market (Healy & Wahlen, 1999). Motivation may come from the need for equity financing, short-term spreads, or the response to investors' needs in the stock market.

3. Regulatory, tax-related motivation, and political cost

The manager may be motivated to involve in the discretion in order to avoid a regulatory violation, tax, and political cost. Firstly, regulation enforces by law or capital regulators led to the use of accounting discretion to encounter regulatory requirements as SEC., National Bank or other regulations. For example, the banks in Thailand are required to maintain their capital above a minimum level, based on earnings. In addition, the managers may be motivated to operate the discretion for tax objective (Ball, Robin, & Wu, Shuang, 2003). Practically, the managers may choose accounting policies such as depreciation that can save taxes instead of reflecting on the company's actual performance. In Thailand context the revenue department requires agreement between financial and tax accounting when a firm calculates expensed for a tax deduction. According to disparity may motivate the managers to choose accounting policies by which they can minimize their tax payment (Boonyawat, 2013).

Detecting Earnings Management Methods

There are various methods for examining earnings management and previous empirical studies found that managers are involved in managing income through accounting choice, real transactions, income smoothing and discretionary accruals (Sun & Rath, 2010). This research provides detail as:

1. Accounting Choice

A lot of studies found that managers can exercise discretion through the choice of accounting methods. Watts and Zimmerman (1978) they found managers will lobby for and choose accounting policies that can decrease tax payments and increase accounting earnings. They developed a positive accounting theory which suggests managers will always choose accounting policies that lead to the maximization of their personal wealth (Hagerman & Zmijewski, 1979). They found that there was an incentive compensation plan that had an effect on the manager's decision through the determination of accounting policies of inventory method, depreciation method, cost of pension, and costs amortization.

Researchers use accounting choices as the measure of earnings management for several reason. Firstly, the choice can have a material impact on reported earnings and consequently are unlikely to be adopted without management consideration of the effects. Secondly, there is provides a purely discretionary measure. In addition, no assumption needs to be made concerning the magnitude of the discretionary component of an accounting choice or change, also this makes the detection of earnings management relatively easier.

2. Real Transactions

Next to the options in the accounting policy that managers can manage income, whether they want to increase or decrease profits through real transactions. For example, managers can accelerate sales through price increases, discounts, or additional credit conditions more sales will help increase the turnover for the current period. Managers can also increase production. In addition, other items related to the sale of fixed assets and cutting R & D expenses, which also cause profits to increase as well.

Schipper (1989) is one of the first to consider that earnings management through real transactions: “A minor extension of earnings management definition would encompass real earnings management, accomplished by timing investment or financing decisions to alter reported earnings or some subset of it”. Prior researches studied to point out real earnings management as the type of transactions that have been used by managers to avoid losses and negative changes in earnings reporting in the current period (Roychowdhury, 2006). For example, discounts on sales price are used to rise selling, overproduction is used to expand fixed overhead over more units also reducing the cost of goods sold. However, some research has found that it is difficult to monitor earnings management through real methods because there is no comparison to verify that the actions of the manager have been carried out correctly (Sun & Rath, 2010). For example, the actual item cannot be detected because the financial statements do not reveal clear information for use in comparison against real actions (Ball & Shivakumar, 2008).

3. Income Smoothing

Earnings management has developed from the income smoothing hypothesis that management would choose accounting practices that would help create the maximum benefit or wealth for themselves. By the maximum benefit will increase according to the stability of the job that it is responsible to maintain the level and growth rate of their own interests in line with the growth rate of the business. Also, the management will achieve the goal of maximum benefit and growth there of partly depends on making the shareholders satisfied by making good performance. The more shareholders receive more returns that the stability of the executive's duties and other benefits will increase as well. Finally, the shareholders' satisfaction will increase according to the average growth rate in the profit of the company and the stability of profit. In conclusion, income smoothing is a technique that adds credibility to the ability to forecast profits for investors which has a clear objective to reduce the temporal volatility of earnings and to produce a steadily growing stream of profit. Investors use numerical data, especially earnings from the income statement which has distributed income according to the management's discretion. In addition, different methods may be used, such as profit distribution, by recognizing revenue faster or delaying expense recognition. So, the impact of such actions the management anticipates that affects future performance (Jaitad, 2012). The company has a high volatility of cash flows that related to earnings management are likely to be involved in income smoothing (Z. Wang & Williams, 1994). Cash flows is less subject to management manipulation than accruals. Low earnings volatility indicates the accruals has been used to reduce the earnings volatility. Such an approach is applied in detecting income-smoothing. On the other hand, Dechow and Skinner (2000) they argue that the purpose of GAAP using accrual basis to reduce the volatility in an entity's underlying cash flow of the business to provide better information on the economic decisions of investors towards the company rather than cash flow. Consequently, it becomes extremely difficult to separate the normal smoothing required by GAP from excessive smoothing raised from management manipulation, and this approach has a narrower application.

4. Discretionary Accruals Accounting

Before discussing the literature review about discretionary accruals first should understand in accrual basis. The basis is an item that is recorded on an accrual basis in a particular period, taking into account revenue recognition and matching between revenue and expense. Regardless of whether or not to receive cash in the period in which the transaction is recorded. In this regard, the above assumptions are made in order for the financial report to reflect the operating results for the period appropriately. However, in assessing whether the management has used discretion through accrual items or not, it cannot be estimated directly but is estimated from total accrual. Total accruals can be disintegrated into two components as discretionary accruals and non-discretionary accruals.

Discretionary accruals are adjustments to cash flows selected by the managers within the flexibility or alternative of accounting regulations such as changes in accounting policies or changes in accounting estimates are at the discretion of the management with the objective to increase profits in the current period, which such changes do not meet accounting standards or choose alternatives from accounting standards that option to be used. On the other hand, the accrual that is not a decision is to improve the accounting and cash flow of companies that are forced to comply with accounting standards. Basically, more management discretions are made through accruals basic. Significantly, objective of accrual basis for users that earned assessment in the period through revenue recognition and matching between revenue and expense that depend on management discretions. So, accrual in place simply for manipulating sustainable earnings because of the accounting system creates an accrual in order to recognize revenue. When they are earned and match expenses to revenues, regardless of whether cash has been received or paid often give managers opportunities to manipulate earnings (Dechow, 1994; Sun & Rath, 2010). From a literature review of detecting methods for earnings management that conclude most researchers prefer to use the concept of accrual based on discretionary accruals rather than other methods (Sun & Rath, 2010). Because researchers using the accruals to detect the earnings is the ability of the model correctly separate accruals into discretionary and non-discretionary accruals, also neither is observable directly in financial statements. Previous research has used different models to separate these two components by discretionary and non-discretionary. Despite the various forms of recognition that have been developed as validity and reliability of models for estimating discretionary and non-discretionary accruals have often been criticized. Until the conclusion of the calculation, so discretionary accruals are the difference between total accruals and non- discretionary accruals thus it can explain as:

Total Accruals Model

Concept of total accruals estimation consists of 2 concepts (Belkaoui, 2004)

1. Cash Flow Approach

TA_t = $Earnings_t - CFO_t$

TA_t = Total accruals at period t

$Earning_t$ = earnings at period t

CFO_t = Cash flows from operations at period t

2. Balance Sheet Approach

$$TA_t = \Delta CA_t - \Delta CL_t - \Delta Cash_t + \Delta DCL_t - DEP_t$$

TA_t = total accruals at period t

ΔCA_t = change in current asset

ΔCL_t = change in current liabilities

$\Delta Cash_t$ = change in cash and cash equivalent

ΔDCL_t = change in debt included in current liabilities

DEP_t = depreciation and amortization

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Non-discretionary accrual model

Based on the literature review of previous researches, using earnings management measures through discretionary accruals that separated total accrual is discretionary and non-discretionary accruals. Found that there are models to measure including;

The Healy Model (1985)

Healy studied the relationship between management discretionary accrual and earnings under the executive compensation plan. Using the average of total accrual divided by total assets in the previous year as follow:

$$NDA_t = \frac{1}{\mathrm{n}} \Sigma_\mathrm{t}\, \mathrm{TA_t}/\mathrm{A_{t-1}}$$

NDA_t	=	non-discretionary accruals
$\mathrm{TA_t}$	=	total accruals at period t
$\mathrm{A_{t-1}}$	=	total assets at period t -1
n	=	total number of years

The DeAngelo Model (1986)

DeAngelo studied using book-value as a representative of market value to be used in the case of buying a business by repurchasing stocks from debt formation. The researcher viewed that the change in total accruals is the total representation of discretionary accruals which are caused by the proportion of total accruals in the current year divided by the total assets of the previous year as follows:

$$\mathrm{NDA_t} = \mathrm{TA_t} / \mathrm{A_{t-1}}$$

NDA_t	=	non-discretionary accruals at period t
$\mathrm{TA_t}$	=	total accruals at period t
$\mathrm{A_{t-1}}$	=	total assets at period t -1

The Jones Model (1991)

DeAngelo (1986) model is criticized as unreasonable at total accruals should be changed according to normal business operations. In 1991, Jones has created a model that controls the impact of the economic events of the business when the business environment changes, such as changes in sales and the value of property, plant and equipment that affect non-discretionary accruals. In addition, an ordinary least square method (OLS) is used to estimate the coefficients of variables and divide by the beginning of the asset to reduce the error from the estimation as follows.

$$NDA_t = \beta_1\left(\frac{1}{A_{t-1}}\right) + \beta_2\left(\frac{\Delta REV_t}{A_{t-1}}\right) + \beta_3\left(\frac{PPE_t}{A_{t-1}}\right) + \varepsilon_t$$

NDA_t	=	non-discretionary accruals at period t
ΔREV_t	=	change in revenue at period t
PPE_t	=	property Plant and Equipment at period t
A_{t-1}	=	total asset at period t -1
α_i	=	firm specific parameter
ε_t	=	measurement error at period t

From the above equation when the coefficients from the regression analysis and change from NDA_t. (non-discretionary accruals) being TA_t (total accrual). When has non-discretionary accruals that deduct from total accruals, therefore the value of discretionary accruals.

The Modified Jones Model (1995)

Jones (1991) model still has a weak point in that if executives make manipulated through sales on credit, so the model cannot detect the earnings management. Because the model it is not considered that the sales be discretionary accruals. Moreover, the model is also used to describe the change of accruals quite low and the value of discretionary accruals that has been used to detect the earnings management is not as good total accruals, and the error term that has been correlation with total accruals which makes the model incomplete (Dechow et al., 2011).

Consequently, Dechow et al. (1995) developed the Jones's (1991) to reduce estimation errors discretionary accruals. They assume that the change in sales on credit to be the result of the management's discretion in earnings management through credit allowing decisions, so the model is called modified Jones's 1995. The model adds changes in accounts receivable in the regression equation and then removing the changes in revenue before estimates non-discretionary accruals. However, this model is not complete due to the assumption that all changes in sales on credit to be derived from earnings management, which may estimate discretionary accruals over reality (Junhom & Srijunpetch, 2012). Modified Jones 1995 as follows:

$$NDA_t = \beta_1\left(\frac{1}{A_{t-1}}\right) + \beta_2\left(\frac{\Delta REV_t - \Delta REC_t}{A_{t-1}}\right) + \beta_3\left(\frac{PPE_t}{A_{t-1}}\right) + \varepsilon_t$$

NDA_t	=	non-discretionary accruals at period t
ΔREV_t	=	change in revenue at period t
ΔREC_t	=	change in receivable
PPE_t	=	property plant and equipment at period t
A_{t-1}	=	total asset at period t -1
α_i	=	firm specific parameter
ε_t	=	measurement error at period t

The Dechow and Dichev model (2002)

Dechow offers estimation non-discretionary accruals that is different from other models. The model uses the concept of accrual quality. They focus on accrual items related to working capital only. The accrual will be used as estimates for cash flows received or paid in the past that reflect current and future cash flows. Because recording accrual items reflect the business that will receive or pay that cash flow in the future. On the other hand, the company must record the accrual item if receiving or paying cash in advance. Therefore, they believe that past, present, and future cash flows should be related to the amounts of accrued items in general of business. The model follows as:

$$\Delta WC_t = \beta_0 + \beta_1 x\, CFO_{t-1} + \beta_2 xCFO_t + \beta_3 xCFO_{t+1} + \varepsilon_t$$

ΔWC_t = Changes in working capital in the period t to compared with period t-1 which is used as representation of accrual items

CFO_t = Cashflow from operation at period t

ε_t = measurement error at period t or be discretionary accruals that does not involve cash receiving or paying

Performance Matched Model (2005)

This model was developed by Kothari et al. (2005) with the idea that companies in the same industry have nearby performance, should have the same level of accrual items. They control variables as well as return on asset (ROA) in the modified Jones (1995) to solve the correlation problems that arise from the relationship between normal accruals and improved to reflect more performance as Dechow et al. (1995). Proposed in the research proposal that normal accruals are highly variable for unusual performance.

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$$NDA_t = \beta_1\left(\frac{1}{A_{t-1}}\right) + \beta_2\left(\frac{\Delta REV_t}{A_{t-1}}\right) + \beta_3\left(\frac{PPE_t}{A_{t-1}}\right) + \beta_4(NI_t/A_{t-1}) + \varepsilon_t$$

NDA_t	=	non-discretionary accruals at period t
ΔREV_t	=	change in revenue at period t
ΔREC_t	=	change in receivable
PPE_t	=	property Plant and Equipment at period t
NI_t	=	net Income at period t
A_{t-1}	=	total asset at period t -1
α_i	=	firm specific parameter
ε_t	=	measurement error at period t

From the above mention, various accrual model detecting used in the study with family firm found that most often use models such as Jones (1991), modified Jones (1995), and Kothari et al. (2005). However, in this study, the researcher chooses to use the modified Jones (1995), which is the model that has been improved to be appropriate. In addition, from past research studies under the context of family firm in Thailand, it has been found that there is a significant relationship between independent variables and earnings management.

Estimating Discretionary Accrual with Data Characteristics

Using models for estimating earnings management by the discretionary accrual according to can be applied to different types of accounting research, such as event-specific earnings management. For example, earnings management around period equity offering, IPOs, merger, acquisition, and other things, or use with studies that do not directly address studies where there is no firm-specific event, such as investigating earnings management to increase managerial compensation, smoothing reported earnings, and other things (Jeter & Shivakumar, 1999).

Furthermore, whether it is an event or a non-event study of the methodology, there are two types of data: time-series and cross-sectional. The different types of such data will affect the coefficient estimation. In the discretionary accrual model. To examination, some studies typically decompose total accruals into expected non-discretionary and discretionary accruals, a scheme that relies on the descriptive accuracy of the expectations model used. Most of the models of the accruals require the estimation of one or more parameters. The time-series models' parameters are estimated for each firm in the sample using data from previous periods to the event study. To estimate model parameters in time-series that use data from an estimation period during which no systematic earnings management is expected to occur. Dechow et al. (1995) study using time-series data with Jones's model. They found the model to have low power in detecting earnings management. Also, the model is miss specified for firms with extreme cash flow. Guay, Kothari, and Watts (2017) lead the study method of Dechow et al. (1995) to study with time-series, and present evidence consistent with the prior research argument that all the models estimate discretionary accruals with considerable imprecision. The time-series models can be used to estimate a firm's discretionary accruals. These models suffer from severe survivorship bias as well as selection bias. Typically, the time-series models require at least ten observations in the estimation period to obtain minimally reliable parameter estimates (Jeter & Shivakumar, 1999). Research that uses annual information, this requirement implies that the sample firms must survive for at least eleven years. Therefore, the firms are more likely to be large, mature firms with more significant reputational capital to lose if earnings management is uncovered; thus, this methodology introduces a selection bias. In contrast, the cross-sectional approach has the practical advantage of generating larger samples, but it does not generate firm-specific coefficients (Jeter & Shivakumar, 1999).

On the other hand, in cross-sectional models, the parameters are estimated each period for each firm in the event period using contemporaneous accounting data of firms in the same industry. In addition, there makes no assumptions regarding systematic earnings management in the estimation sample but implicitly assumes that the model parameters are the same across all firms in as estimation sample. The cross-sectional models have been generally well some kind of literature such as Chaney et al. (1995); DeFond and Jiambalvo (1994) and Subramanyam (1996). Jeter and Shivakumar (1999) studied the parameter estimate from cross-sectional models that are conceptually different from those obtained using time-series models; also, it is of interest to examine the specification and power of cross-sectional models. Cross-sectional models, though not real substitutes for time-series models, can be highly useful to researchers examining event-specific earnings management as they provide industry-relative measures of abnormal accruals (Jeter & Shivakumar, 1999).

Relevant Literature Review and Research Hypotheses Development

This section reviews the literature relevant for hypotheses development that generates a conceptual framework linking up family ownership concentration, corporate governance mechanism, and earnings management. In order to comprehend all relationships, the literature review is divided into three sections. Firstly, hypotheses development on management ownership concentration shareholding and earnings management. Secondly, the strengthened board effectiveness in good governance, financial and accounting knowledge background of the audit committee, and earnings management. Finally, the level of corporate governance rating and earnings management. Besides, in order to understand the overall context of this research, it is summarized as a conceptual model as follow figure 3

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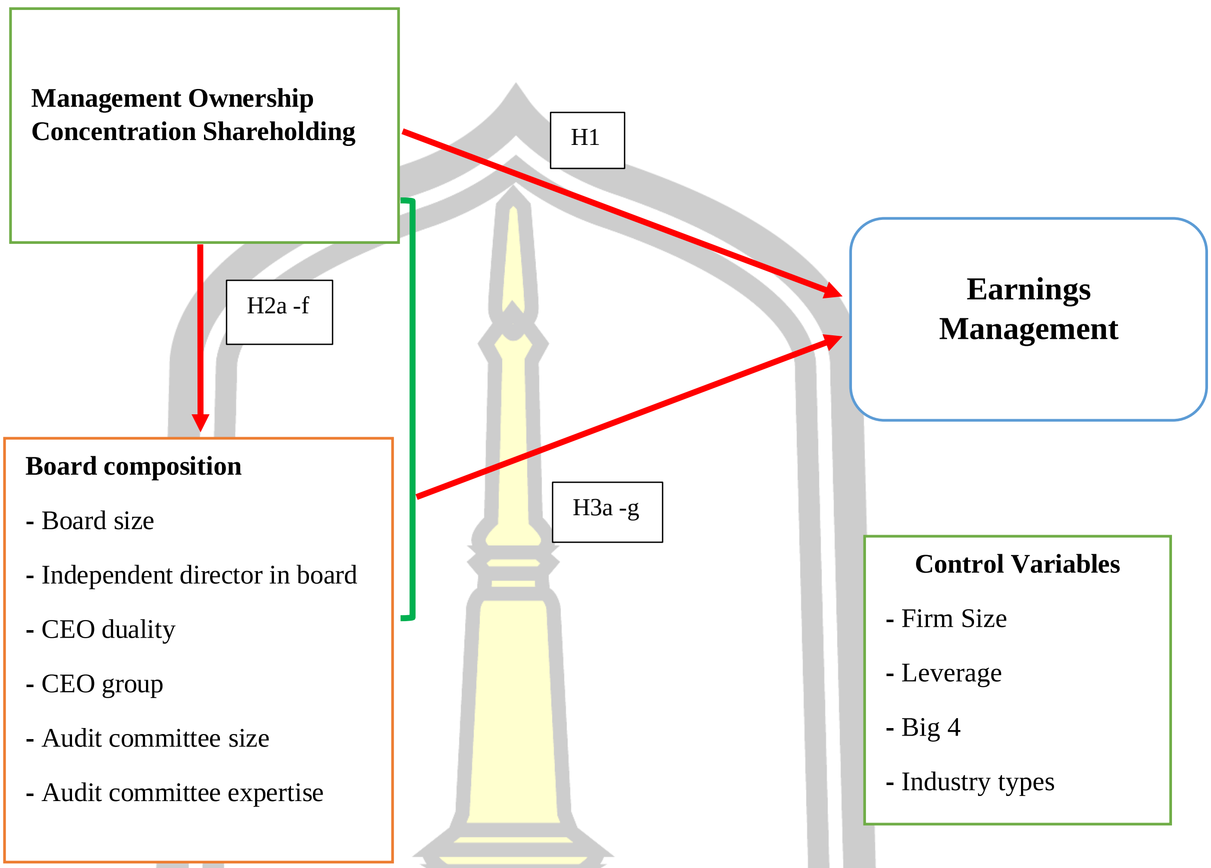

Figure 3 Conceptual Model of Management Ownership Concentration Shareholding in Family Firm, Board Composition and Earnings Management

Management Ownership Concentration Shareholding and Earnings Management

The literature review above may be concluded that the level of share ownership influences the interests of between manager, who is the business executive, and be a major shareholder or a person who is dominant shareholders, and minority shareholders. While holding a high proportion of shares in the family group, which is a characteristic of the family business, is an important quality in which the family members of the major shareholders have the right to vote or oppose the meeting's resolution on important matters. According to Thailand's securities and exchange act, the year 2008 requires shareholders to hold shares ranging from 25 percent with the right to object to the resolution of the meeting on important matters. In addition, the meaning of the word family firm is that the person who is the representative of the family can set policies for the operation of the company through having a position as a director on the board or important positions related to the management of the company. Subsequent major problems that result from access to control, including the formulation of important policies of the company, may result in conflicts of interest between the group of controlling shareholders who are major shareholders and executives with minority shareholders (Type II problem). There are two perspectives in creating motivation at the manager's discretion.

The advantage of having management ownership in controlling business by avoiding things that will affect the reputation includes taking into account the business's sustainability in the hope of long-term benefits "alignment effect." The effect suggests that the large shareholder has the motivation and ability to participate in the monitoring process than minority shareholders because wealth can be reduced due to mismanagement (Jensen & Meckling, 1976; Morck et al., 1988). Examples that point to influential shareholders are able to adequately control the company's operations when their shareholding proportion starts at 20 percent or 25 percent of the shareholding. Therefore, the effect can predict that the manager has more substantial incentives to act in line with minority shareholders' interests; also, the effect suggests that as managerial ownership increases, firm performance increases, and opportunistic managerial behavior decreases monotonically (Boonyawat, 2013). In addition, high ownership proportion can be viewed as a credible commitment for minority shareholders, such as that a dominant shareholder will not exploit a corporate asset (Fan & Wong, 2002). To conclude, the alignment effect suggests that increasing ownership concentration to a particular threshold may reduce the conflict of interests between major shareholders, a manager, and minority shareholders, if they are motivated to monitor financial reporting and limit the opportunistic discretionary accounting of manager ownership.

On the other hand, a higher proportion of ownership may lead to the entrenchment effects, allowing major shareholders who are a manager to take advantage of the ability to access important information more than the ability to recognize and access information of minority shareholders. Moreover, the manager may exploit corporate assets to gain benefits, as self-dealing transactions benefit their owned or owned group. Regarding discretion, the management owner has sufficient control in the company to influence the financial report's preparation. They may limit information disclosure to the public to avoid costs or hide the exploitation of property of the company, also reducing corporate transparency and misleading minority shareholders. Therefore, the entrenchment effect predicts that increased ownership concentration or management ownership may increase discretionary accounting's opportunistic use by managers.

There is research in the past that studies earnings management in the family business, which gives results that vary according to each country's context and the development of the stock market—related research groups under the context of developed markets, such as the USA and Europe. Bertin, Jara and Iturriaga (2014) focus on the effect of power shareholders' distribution on earnings management in family-owned firms. They concern that the firm's challenge has the largest shareholder can be outlined by the ownership concentration, the shareholders' legal protection, and the other shareholders' nature. The sample was collected from non-financial firms from six countries they have been developed market and use the legal system, both common and civil law, as the USA, Canada, UK, France, Spain, and Italy. The result shows that the distribution of power among shareholders affects earnings management in family firms and is related to the legal, institutional environment when shareholders' rights are less protected in civil law countries. Finally, the researchers concluded that non-family shareholders could reduce or alley earnings management.

One study in the USA.-market Ali, Chen, and Radhakrishnan (2007) examined the corporate disclosures compared between family and non-family firms in the S&P 5oo. The study found that quality reporting for earnings in family firms is better than non-family firms that measured earnings quality by the level of discretionary accrual. However, non-family firms make much voluntary disclosure about corporate governance practices rather than the family. There is research in the developed market that gives conclusions from the research in the same direction. Also, family firms have relationships opposite to earnings management through discretionary accruals from the management's discretion compared with non-family firms (Jiraporn & DaDalt, 2009; Tong, 2007). Besides, Reyna (2018) examined the relationship between various types of shareholders as family, institutions, and earnings management with a collected sample of 67 listed companies in the Mexican Stock Exchange for the period 2005-2015. The results present that family ownership reduces earnings management.

For researches that are studied under the context of the Asian region which is likely to be an emerging market. The results of the studies give different results from important research such as empirical research of Chi, Hung, Cheng, and Lieu (2015) studying stock ownership, comparing between businesses with family and non-family and earnings management with the shareholding of family members holding from 20 percent in the high-technology group in Taiwan by collecting data for the past seven years. The results showed that family firms are positively related to earnings management. Ding, Qu, and Zhuang (2011) studied the characteristics of family firms in China that often cause type II agency problems. This study focuses on ownership manager in the company that must be shareholding more significant than or equal to 10 percent, which is considered a major shareholder, having the power to control the operation. The study indicates that Chinese family firms have higher earnings management throughout discretionary accruals from the management's discretion compared with non-family firms, which is consistent with the view that family firms engage in more opportunistic reporting behavior. The researchers concluded that the study results were in contrast to what was found in the USA. Hyo and Soon (2008) study on issues of shareholders' concentrated ownership that controlling firms that listed on the Korea Stock Exchange as of 2004 and 2005 with discretionary accruals. The result shows the controlling shareholders' ownership has a positive relationship with the accruals.

Moreover, there is a study of the shareholding structure of each type of investor and earnings management in emerging market as Jordan Al-fayoumi, Abuzayed, and Alexander (2010) collect data from all industries registered during 2001-2005 by categorizing investors into three groups; insider (percentage of share hold by officers of director within the firm and their families), institutions, and blockholders. Measurement earnings management uses discretionary accruals. Also, the result indicates that insiders' ownership is positively significant with earnings management. The researchers concluded that consistent with the entrenchment effect as insiders' ownership be able to become unworkable in aligning insiders to make value-maximizing decisions—previous research conducted under the context of the Stock Exchange of Thailand, which provides different results. Wongyim (2018) study the family ownership structure effect on earnings management from 780 firm years. The study found most companies have a family shareholding structure and found a significant positive relationship with earnings management. The researcher concluded that companies with a high proportion of family-owned shares tend to more earnings management than a company with a distributed shareholding in the shareholding structure. In addition, research of Jaitad (2012) research provides consistent research results that found that the board of directors and the executives' shareholding is related in the same direction as earnings management. On the other hand, some studies give results in the opposite direction, such as research Boonyawat (2013) examined managerial ownership concentration from 1994 – 2007. The study shows managerial ownership that high concentration has a significantly negative on discretionary accrual of the manager. Moreover, Phovijit, Bilowats, and Sittipongpanich (2012) study the impact of ownership structure that includes shareholding by controlling shareholders, an Anglo-American institutional investor, and North American institutional investors hold stock over 25 percent and earnings management. The result shows the shareholdings by controlling shareholders have negative effects on earnings management.

However, there is a study that does not find relationships. Junhom and Srijunpetch (2012) examine whether the family-owned and managerial structure in family firms affects earnings quality and collected data from 327 firms for three years. The result shows that the family-owned and managed structure is not significantly associated with the magnitude of abnormal accruals. However, the shareholding concentration has a negative relationship with accrual items but not statistically significant. In which the researcher gave confidence to the alignment effect more than the entrenchment effect. While Kulsrison, Meeampol, and Vichitlekarn (2009) studied ownership shareholding concentration and shareholding of directors and managers that affect earnings quality. The result shows that shareholding concentration and directors' and managers' shareholding have no significant relationship, both working capital, and net-operating accrual.

Some research studied the details of the management's shareholding proportion, including the directors and executives who are family members of the major shareholders with earnings management or the company's earnings quality in different contexts. Gillian, Tan, Ho, and Chen (2002) examines management ownership and informativeness of earnings with the stock exchange of Singapore. The results showed a significant negative relationship between management ownership and income increasing discretionary accruals when the management's shareholding level is less than or equal to 25 percent. In contrast, more than 25 percent of the shareholdings found significant positive relationships. The researchers concluded that the relationship between independent variables and dependent variables is non-linear. Mokthaisong et al. (2014) study the shareholding of the CEO and the quality of profit. The study found that the management's shareholding by holding shares not exceeding 5 percent and between 5 – 25 percent has a significant negative impact on earnings quality. (Positive results with the discretion of accrual items).

From a review of past research literature that studies about management ownership concentration shareholding and earnings management found, the study results are still mixed, especially in the context of Thailand. However, in this study, the researcher is interested in studying the level of shareholding of the directors or executives in the family group and being the major shareholders that propose hypotheses based on the alignment effects. The research hypothesis is as follows:

H1: Management shareholding from the family group has a negative impact on earnings management.

Influence of management ownership concentration and Board Composition

In emerging markets, where most organizations still belong to families and, there is still a control influence in which the market continues to develop rules about good corporate governance that are not yet strengthened (Ilhan-Nas et al., 2018).

Board of the director is one component of the mechanism of governance in which the board that contains family members, rather than independent members, may have a greater effect on the firm’s strategic decision. Besides, being a family owner believes that the board of directors is only one element in controlling their company (Selekler-Goksen & Oktem, 2009). Based on the agency problem mentioned above, this can be used to describe the influence of ownership concentration on board composition effectiveness in family firms that is the Type II problem. In firms owned by a single or group of families that dominate control, information asymmetry is lower between management and control. The interests of the owners and managers are easily aligned (Shleifer & Vishny, 1997). Nevertheless, the asymmetry between controlling and minority shareholders makes dominant stockholders powerful enough to use private benefits of control, giving rise to the conflict of interests between the controller and the minority agency problem (Crisostomo, Lima Vicente Brandao, 2019). The high concentration of ownership and weak investor protection, such as emerging markets, conflicts between control and minority shareholders tend to increase due to excess power in the hands that may look for personal benefits and benefits of the group through the controlling (Lepore, Paolone, & Cambrea, 2018).

Previous research about good corporate governance in managing ownership concentration suggested two effects that were under the framework of the agency's problem. Firstly, according to the results of a large number of stock ownership that can be controlled, shareholders are motivated to maintain a weak internal control system to facilitate personal interest retrieval. Secondly, the controlling may not rely on the board monitoring function because they have both the ability and incentives to monitor executive management directly (Crisostomo, & Lima Vicente Brandao, 2019; Shleifer & Vishny, 1997). Both views suggest that firms with highly concentrated ownership, usually associate with the presence of controlling shareholders, prefer weak corporate governance, which contrasts with the performance for strong corporate governance in a developed market (Desender, Aguilera, Crespi-Cladera, & Garcia-Cestona, 2013). In family firms, given family members' presence on the board of directors and management team, a sophisticated corporate governance system is needed. The problem may arise if the manager who represents family presence may lead to inferior corporate governance quality (Gedajlovic, Carney, & Chrisman, 2012;

Villalonga & Amit, 2006). Family control may also be detrimental to the firm given the possible entrenchment of family members in firm management and on the board (Wang, 2006). Moreover, family firms are more likely to deviate from the standard of best practice in corporate governance (Arcot & Bruno, 2012).

Many prior studies influence concentrated shareholding in family groups and board composition effectiveness such as board size, board independence, CEO duality, CEO and Chairman from the same group, which is the criteria that correspond to practice 3 ; strengthen board effectiveness. However, in this study, additional elements from the above elements by increasing audit committee size and the audit committee's number have the financial background and accounting knowledge. Assigning research hypothesis for the influence of concentrated shareholding in family groups and board composition effectiveness as follows:

Board size

The number of directors is an important factor for the efficiency of the board. Some studies claim that the advantages of having a larger board in the family firm may bring a number of directors with diverse experience, knowledge, and expertise (Xie, Davidson, & Dadalt, 2003). However, the advantages of having a board are smaller, showing higher coordination and communication between them and the manager (Hasan, Rahman, & Hossain, 2014).

In Thailand, refer to the Public Company Act, which requires that the listed company have at least five executive directors, each of which can determine their own directors deemed appropriate under the company's regulations. However, in practice, listed companies often follow a code of good corporate governance for listed companies in the year 2017, which recommends the appropriate number of directors between 9 -1 5 people. The issue of interest is that in businesses that hold a high proportion of shares in a particular family group, how many board size? The board of directors has an important role in determining the direction of business operations and auditing to counterbalance the management of the management to operate in accordance with the policy framework to create the highest return for those shareholders, which will help reduce costs or agency problems.

Previous empirical researches studied the influence of family ownership concentration and corporate governance in emerging markets as Hasan et al. (2014) examined the influence of family ownership concentration and CG structure of companies listed in the Dhaka Stock Exchange (DSE) Bangladesh between 2010-2011. The result shows that the influence of family ownership on board size is significantly negative. The researchers conclude that family ownership discourages the inclusion of more independent members on the board to maintain their control in the business. Moreover, Crisostomo and Lima Vicente Brandao (2019) suggests that families may use private control benefits through a weak CG system, which supports families' entrenchment effect holding high proportions of voting shares.

As a result of previous research, the influence of management ownership concentration in family and board composition effectiveness, in which the board's size is a relationship opposite to the level of family influence. Describing the said relationship from the above mentioned that firms with highly concentrated ownership and have the power to control the business by being an executive continuing to enter into influences in determining the board's composition, such as board size. There are often circumstances that prefer weak corporate governance, which contrasts with the performance for strong corporate governance in other markets (Desender et al., 2013) which is consistent with the entrenchment concept that efforts to have weak corporate governance. However, for this study, the researchers believe the CG code for listed companies in Thailand is a guideline for suitable corporate governance mechanisms in the organization that is suggested by The SEC. Therefore, the researcher is confident that the influence of the shareholding will cause the firms to determine the number of committees in accordance with good practice. Leading to the assumption:

H2a: Management shareholding from the family group has a positive influence on the board size.

<u>Independent director in the board</u>

The only belief that an executive director, a third party that is not related to the business, will have a role to follow and balance management's power better than the executive committee appointed by the person in the organization itself (Mokthaisong et al., 2014). Because the executive director, who is an external person, has the motivation to work to create efficiency for the business. However, if the independent committee can control the management to be able to carry out various policies, it will benefit the independent directors themselves. The independent committee will also have a well-known reputation in the business community and need the labor market to hire to help control and supervise the business to succeed (Fama & Jensen, 1983). On the other hand, the committee is a person within the organization or is associated with the organization will have less motivation to monitor the management's effectiveness due to the responsibilities under the executive committee. There is a connection with the management, making it impossible to show the ability or use discretion to control the management to make decisions that will maximize the business's benefits. In addition, if explained from an agency perspective, insider director who want to protect their relationship with the firm cannot objectively monitor the family members' activities (Ilhan-Nas et al., 2018).

The business with a high proportion of family shareholding structure and having a representative from the family to act as an executive director is reluctant to appoint independent directors because they are afraid of losing control and disbelieve that a non-executive director as an independent director will understand the firm (Hasan et al., 2014). In addition, in most family-owned firms, the families generally prefer to establish boards that do not try to alleviate their discretion over decision making (Anderson & Reeb, 2004). Boards are dominated by family members or close friends and there are few truly independent directors (Hasan et al., 2014).

Past research that studies the influence of family share ownership and the number of independent directors on the board, such as Anderson and Reeb (2004) examines board composition used to limit firm wealth's expropriation by the large shareholder with founding-family ownership in S&P 500. Some companies have a family of founders and have a few independent directors. The company's performance is much worse than non-family companies. In addition, additional test results indicate that businesses with shareholders as family members often try to reduce the number of independent directors, in contrast to external shareholders who want their independent representatives. In comparison, the research studied under the context of emerging markets to examine the association between family ownership and board independence found negative significance. That indicates the board independence is impossible under family-based governance; also, family ownership in the ownership structure means less independence of the board (Hasan et al., 2014). However, this study believes that the CG code for listed companies in Thailand is a guideline for suitable corporate governance mechanisms in the organization. Therefore, the researcher is confident that the influence of the shareholding will cause the business to determine the number of independent committees in accordance with good practice, leading to the assumption:

H2b: Management shareholding from the family group has a positive influence number of independent directors in the board of director

<u>CEO Duality</u>

The Chairman of the Board of Directors' position plays a role in being the board of directors' leader in overseeing and monitoring the management's balance of work. While the CEO is the highest leader of the management team, it plays a role in managing the business to achieve the business's goals. It can be seen clearly separate the role between the chairman and the CEO is considered to follow the guidelines of good corporate governance for listed companies. To enhance corporate governance efficiency, it can monitor and balance the management team's power independently and without the management (Sarkar, Sarkar, & Sen, 2008).

However, in some cases, the CEO wants to have a role in controlling or entering his own president to control or set policies in order to be able to act in the desired direction, in addition to reducing or eliminating conflicts between the board and the management. If there is no separation of roles, be careful about the use of power and prestige of the person that may affect the board of directors' direction to comply with the business policy as desired (Mokthaisong et al., 2014). On the one hand, from mentioning both individuals' roles above as for the board's chairman, there is another important duty evaluation of the management's administrative activities.Therefore, the chairman and CEO being the same person are like evaluating for themselves, which is possible that the assessment must be in the direction that first benefits itself (Jensen & Smith, 1984). Byard, Li, and Weintrop (2006) suggests that the presence of a CEO duality is associated with poor quality of financial information. Besides, the shareholding structure that the family has influence in controlling the business. Suppose the same person tracking the activities of the CEO is difficult for the board to check the balance. In that case, that is why it should avoid influential personalities for transparency and validation as studied (Hasan et al., 2014). The relationship between family ownership and CEO duality as a dominant personality found positive significance. It indicates that the influence of family ownership ensures a dominant personality that obstructs good corporate governance. In addition, some study has found that owner-manager that practice duality leadership could create even more serious agency problems in the firms (Schulze, Lubatkin, Dino, & Buchholtz, 2001).

On the other hand, the two individuals are duality and are the family members who have the power to control the business; also, they want to make the operations of the business successful in supporting the business to grow continuously with sustainability. According to the stewardship theory, both individuals are the same people who can manage the business to achieve the goals. Because the duality looks at the organization's goals primarily and when the organization can achieve that goal that has been rewarded and monetary rewards have also earned a reputation for success. The duality in family firms is more concerned about their firms' survival and protecting their legacy for the next generation (Amran, 2010). Based on the reasons mentioned above, the past research results indicate the results that can be both beneficial and negative effects of being the same person. For this study, the researchers believe the shareholding will result in a duality position. This is in line with the alignment effect concept leading to the assumption:

H2c: Management shareholding from the family group has a positive relationship to CEO duality

CEO-Group

In addition to Being CEO duality what should be further attention is CEO-group (when the CEO belongs to the same group as the chairman) in many cases the CEO and Chairman come from the same group the relationship together as father and son or pedigree. In family ownership concentration, may motivate a CEO who is a founder to transfer a business to the kindred without considering their kindred's competency (Anderson & Reeb, 2003; Bertrand, Johnson, Samphantharak, & Schoar, 2008; Mehrotra, Morck, Shim, & Wiwattanakantang, 2013). On the other hand, the founders and CEOs of the same group may contribute to each other. Each company may have the ability, expertise in business, or relationships with political networks (Polsiri & Wiwattanakantang, 2004).

However, an indirect research study related to the influence of family members who are executives and the relationship between the same group this study is still relevant to CEO ancestry, CEO founder. The above definition described at the beginning of the term, the CEO-group, implies a meaning that can indicate family members' interrelationships in controlling the business administration through are chairman and CEO. From the research results of Boonyawat (2013) study of companies listed on the Stock Exchange of Thailand, the study concluded that CEO descendants had harmed accounting performance after the reforms of Corporate governance in Thailand. However, in this study, the researchers believe that the shareholding will lead to a relationship between the chairman of the board and CEO, which will benefit the company in line with the alignment concept. Thus, leading to the assumption as:

H2d: Management shareholding from the family group has a positive relationship to CEO-Group with the same group as the chairman

Audit Committee size

In this study, in addition to the study of board composition, there are other important elements in the mechanism of good governance, which are internal governance characteristics (e.g., size committees' and expertise). The audit committee has an important role in implementing corporate governance principles and increasing firm value. Moreover, the audit committee improves firm performance by enhancing information quality (Al-Okaily & Naueihed, 2019). The committee will investigate the sufficiency and integrity of the information supplied by management and disseminated to stakeholders in order to diminish information asymmetry and alleviate conflicts of interests (Agyemang-Mintah & Schadewitz, 2018; Anderson & Reeb, 2004).

The family business will adopt audit committees and other good governance practices to gain legitimacy, unlike non-family firms that are economically motivated. The family business is motivated by non-economic goals, such as preserving family wealth and retaining family control (Gomez-Mejia, Cruz, Berrone, & De Castro, 2011). As such, family firms could be enchanted good performance and valuation even if they did not comply with the best general corporate governance practices (Al-Okaily & Naueihed, 2019).

In this study, referring to the 2017 code, the researcher is interested in studying the influence of ownership concentration on family groups that are executives and role play and recruitment audit committee characteristics, size, and expertise. From the determination of criteria and qualifications of the independent directors and the audit committee of listed companies issued by the Stock Exchange of Thailand in 2017, the code regarding audit committee effectiveness requires the audit committee to have at least three members whose audit committee size could enhance audit committee effectiveness. Firm performance is better than achieved when the committee's size is more significant, while small audit committees lack the skills and knowledge diversity (Karamanou & Vafeas, 2005). Diversity in skills helps the audit committee to use expertise and experience to protect the interests of stakeholders and to improve monitoring. (Mohd Saleh, Mohd Iskandar, & Mohid Rahmat, 2007).

However, in family firms is high levels of family business experience and family culture (value overlap and commitment) will lessen the necessity for a large active and varied board (Garcia-Ramos & Garcia-Olalla, 2011) Likewise, it is expected that it will help reduce the needs of professionals and the active audit committee (Al-Okaily & Naueihed, 2019). On such issues, consistent with past research of (Jaggi & Leung, 2007) to study whether the establishment of audit committees in Hong Kong firms would constrain earnings management, especially in firms with family-dominated corporate boards. They conclude that audit committee monitoring effectiveness is significantly diminished if family member dominant corporate boards. In addition, this might be due to the audit committee members' loyalty to a family member, and other outside independent members of the audit committee are unlikely to oppose family members since their reappointment depends on their relationship with the family members who hire them (Al-Okaily & Naueihed, 2019). Thus, the outside members will have to prove loyalty to controlling family members, which will compromise the committee's effectiveness regardless of size and variety. In addition, the research of Al-Okaily and Naueihed (2019) studied audit committee characteristics, size, expertise, and meeting frequency effectiveness, impacting performance in the family firm that listed on FTSE 350 of London Stock Exchange. The paper shows that the size is significantly positive relationship to only non-family firm performance, while negative but insignificantly related to family performance. However, there are studies that found a positive relationship between family ownership and audit committee effectiveness (size, and expertise) (Al-musali, Qeshta, Al-attafi, & Al-Ebel, 2019). The researcher suggests that the effectiveness of the audit committee in enhancing firm financial performance depends in part on the ownership structure of firms. In this study, the researcher believes the CG code for listed companies in Thailand a guideline for suitable corporate governance mechanisms in the organization which the SEC advises listed companies to follow. Therefore, the researcher is confident that the influence of the shareholding will cause the business to determine the number of audit committees following good practice, thus, leading to the assumption:

H2e Management shareholding from the family group has a positive relationship to audit committee size

Audit Committee Expertise

In the issue of audit committee expertise, from the determination of the independent directors' criteria and qualifications and the audit committee of listed companies Issued by the Stock Exchange of Thailand in 2017. The code regarding audit committee effectiveness requires that a listed company have at least one audit committee with sufficient knowledge and experience to review financial reports' reliability. Financial or accounting experts can better understand financial statements and report to monitor the firm's financial reporting system (Xie et al., 2003).

Another point of view, family firms with high family ownership concentration and involvement levels have less information asymmetry than non-family firms due to less separation of control and ownership (Ali et al., 2007). Accordingly, there is less demand for the assertion that financial statement is free from significant errors, and therefore, less demand for expert audit members to oversee financial statements. In turn, this knowledge enables them to monitor managers effectively and choose reporting methods that improve the value of accounting as a way of communication. Accordingly, the managers' incentive to earnings management and hide opportunistic behavior at the expense of shareholders is relatively low in family firms. Consequently, this reduces the demand for monitoring by expert audit members. Past research found that the audit committee's expertise is significantly positive in non-family firm performance, but insignificantly negative in family firm performance (Al-Okaily & Naueihed, 2019).

Moreover, A study of the shareholding structure and the effectiveness of the audit committee in the Cooperation Countries in the Arabian Gulf region (Gulf Cooperation Council) and audit committee effectiveness (independence, size, expertise) found that the family shareholding structure has a significant positive relationship with the effectiveness (Al-musali et al., 2019). From pointing out the importance of the audit committee expert and being part of the verification process, whether it is in a family business or not. Thus, the researchers believe the CG code for listed companies in Thailand is a guideline for good corporate governance mechanisms in the organization that the SEC office recommends. Therefore, the researcher is confident that the influence of the shareholding will cause the business to determine the number of audit committees with expertise in accounting or finance in accordance with good practice. Thus, leading to the assumption

H2f: Management shareholding from the family group has a positive relationship to number of audit committee expert.

Ownership Concentration Shareholding in Group of Family Influence on Board Composition and Earnings Management

The controlling shareholder, a major shareholder as family ownership concentration, can influence firms by selecting a board of director member and voting on changes in the corporate structure. In practice, they also apply their influence through informal channels, such as negotiations and dialogues with management (Guthrie & Sokolowsky, 2010). The above shows that the major shareholders play a large role in selecting the chairman of the board directors through the majority voting rights of the high shareholding percentage, and once the chairman receives the nominating the board, including an independent committee. Therefore, when a major group of shareholders has control over the directors' management may engage in income-increasing earnings management to report favorable financial performance (Habbash, 2013).

H3a: Management shareholding from the family group has a negative impact on earnings management.

Board size

The guidelines of good corporate governance principles in sub-practice 3.1 mentioned the board size and in 3.1.2 mention the board's appropriate amount. Previous empirical research that studies board composition and earnings management that studied specifically with board size have different research results. The study's conclusion that gives negative results to earnings management is because of the large board size firm's there will be a variety of knowledge, board's experience, and expertise more likely to be more effective in constraining earnings management than small board size. While the summary results are positive, larger boards seemed to be ineffective in discharging their oversight duties relative to the smaller board because board members lack knowledge about company affairs, including the directors' conflicts together (Fauzi & Sanusi, 2015).

On one hand, the results of the study found negative relationships with earnings management, such as Bradbury, Mak, and Tan (2006) examine the relationship between the board, audit committee characteristics, and abnormal accruals by collecting data from companies listed on the Singapore and Malaysia Stock Exchange. The result of the study found that board size is related to significantly negative abnormal accruals. Having studied under the context of emerging markets in both Nigeria and Kenya, the result provides consistent research results in the same direction (Iraya, Mwangi, and Muchoki 2015; Uwuigbe, Ranti, and Bernard 2015).

On the other hand, some researches, especially, Asian market as Indonesia and Malaysia show the result is positive between board size and discretionary accruals (Fauzi & Sanusi, 2015; Rahman Abdul & Mohamed Ali, 2006). Alves (2011), however, studying how board structure affects earnings management, the research believes board size is non-linear—the result support to predict non-linear board size and earnings management. However, some researches do not find relationships such as Bataineh et al. (2018) which studies the influence of the family shareholding structure in Jordan. In Thailand, Jaitad (2012) did not find a significant relationship between board size and earnings management. However Boonyawat (2013) study of the impact of ownership structure and CG mechanism found that board size has a significant positive impact on accounting discretion

As a result of previous research, the relationship between board size and earnings management is positive, negative, and has no relationship. However, in this study, researchers believe that a company with a family shareholding structure and having a family member as a board and management team is often involved in efforts to determine the number of committees to be in accordance with the SEC's regulations. The researchers also believe that the governance mechanism that has been established will reduce the management discretion to manage profits through open items. Therefore, it leads to the following assumptions:

H3b: Board size in the ownership concentrated shareholding, who are executives in the family group has a negative impact on earnings management

Independent director in board

From the guidelines of good corporate governance principles in sub-practice 3.1 mentioned the board size and in 3.1.3 suggestions should have a proportion of non-executive directors more than directors with executive positions, so that directors who do not have such authority can give opinions and suggestions to operate independently. The board of directors, comprised of a high proportion of non-executive directors, is expected to be more independent and, therefore, more effective.

Non-executive director help to solve the agency problem that may arise from incentive issues such as board compensation (Fama & Jensen, 1983). In addition, they tend to provide effective monitoring to the executive directors and are less likely to cooperate with the executive directors to seize wealth from shareholder.

In the past, most empirical research provided consistent results between independent directors in board with earnings management, also the result shows negative relationships such as research in foreign countries as (Chi et al., 2015; Iraya et al., 2015; Uwuigbe et al., 2015).

In the context of Asia, with highly concentrated ownership as a study of Ramachandran, Ngete, Subramanian, and Sambasivan (2015) examines the influence of corporate governance practices on earnings management. Founding, the board have more independent directors reducing the incentives of earnings management. However, Hashim and Devi (2008); Rahman Abdul and Mohamed Ali (2006), studies with Malaysia listed firms that found insignificant evidence of a relationship between independence and the use of discretionary accruals. They concluded that independent directors' knowledge is more important to a board's monitoring function than the independence director's proportion.

Empirical research studied in the Stock Exchange of Thailand shows the proportion of independent directors on the board of directors. Only agricultural and food industries have a negative relationship with earnings management, while other industries are not found (Chomchan, 2007). Boonyawat (2013) not found the board independence has an impact on accounting discretion. Overall, prior research suggests two possible effects of independent directors on earnings management, either negative or no relationship. However, it is not surprising that board independence is viewed as an important governance mechanism and is much more promoted by the government and regulators. In addition, independent directors who are external parties have the motivation to work to create efficiency for the business. However, if they are able to control the management to carry out various policies, it will benefit the independent directors themselves. The directors will have a well-known reputation in the business community and result in the labor market's need to hire to help control and successfully maintain the business. (Fama & Jensen, 1983).

On the other hand, in the event that the relationship is not found, it may not be related to the number of independent directors. However, it is a matter of the director's quality that refers to their expertise that is more important than the proportion of independent directors on the board (Hashim & Devi, 2008).

Therefore, this study proposes a hypothesis based on important governance mechanisms and is much more promoted by the government and regulators. Also, independent directors, external parties have the motivation to create efficiency for the business. The results of the research; therefore, the researcher believes that the number of independent directors in the board of directors will reduce the use of management discretion in earnings management through accrual items hypothesis as follows:

H3c: The proportion of independent directors on the board of director is negatively related to earnings management.

CEO Duality

Most corporate practice recommendations strongly suggest the separation between the roles of the board chairman and the CEO. From the guidelines of good corporate governance principles in sub-practice 3.2 mention the board of directors should select the appropriate person as chairman and ensure that the board's composition and operations are conducive to independent judgment. In addition, sub-practice 3.2.2 has given guidelines on separate individuals who act as chairman and CEO, also to balance the power between the board and the management. As previously mentioned before, the role of the chairman is to monitor the CEO. If the CEO is also the chairman, there is likely to be a lack of independence between the board and the management.

Previous researches evidence on earnings management, researches result with samples in emerging markets providing consistent results in the same direction is CEO duality has a positive relationship with earnings management (Iraya et al., 2015;Uwuigbe et al., 2015). These suggest the CEO duality may reduce the effectiveness of the board and may create a conflict between management and board. In Asian countries, Roodposhti and Chashmi (2010) study CEO duality and ownership concentration on earnings management in IRAN. The result shows CEO duality was a significant positive relation with earnings management. While, Rahman Abdul and Mohamed Ali (2006) found no significant relationship between CEO duality and discretionary accruals in Malaysia. Finally, Bataineh et al. (2018) did not find evidence to support CEO duality an impact on earnings management.

In the Thailand context, Mokthaisong et al. (2014) found the CEO duality has positive with discretionary accruals, However, Boonyawat (2013) no relationship with earnings management. From the results of the above studies, they were showing both positive and non-related relationships. However, this research believes that CEO duality in the shareholding structure concentrated in family groups may reduce the board's effectiveness because the executive's work and the assessment are the same people. It has absolute control over the business. Consequently, ignoring review financial reporting also leads to a great opportunity for the manager to use accounting discretion. Therefore, the researcher has set the research hypothesis as follows:

H3d: CEO duality has a positive relationship with earnings management

<u>CEO-Group</u>

This study has contributed to examining CEO and chairman who comes from the same group that influences earnings management. This characteristic may reduce the independence of the chairman and the board to supervise the CEO. Controlling Shareholders often execute under the existing control authority for personal gain (Fama & Jensen, 1983). Research studies the relative relationship between the Chairman and the CEO who have studied in the past under Thailand's context. Bertrand et al. (2008) examined how the families' structure behind these business groups affects the organization's governance and performance that collect specific data sets of people with family ties and business groups, which are approximately 100 businesses from the largest family business in Thailand. The research found that firms managed by many descendants are associated with lower firm performance. While, Boonyawat (2013) found a negative relationship between CEO and chairman, come from the same group (i.e. father and son or relatives). Therefore, in this study, the researcher believes that the close relationship between CEO and chairman may reduce the board's effectiveness in monitoring and balance. Because there may be a sense of respect or respect for seniors from the family relationship or kinship group, it may also affect discretionary behavior to manage profits in maintaining family groups' interests. Therefore, the researcher has set the research hypothesis as follows:

H3e: CEO and chairman who come from the same group has a positive relationship with earnings management

Audit Committee

The Audit Committee is an important mechanism for good governance in monitoring its operations in achieving its objectives. Including taking part in reducing administrative discretionary behavior in earnings management or using other methods to conceal numbers in financial reports, the audit committee is used to reduce agency costs (Jensen & Meckling, 1976). The Audit Committee is, therefore, important to the stakeholders of the business. The stakeholders are important to the Audit Committee, which plays a role as the reviewer of the adequacy and quality of financial reports presented to the public. Therefore, to ensure that the board of directors will perform monitors and balances, the management is sufficient and independent. The Stock Exchange of Thailand has issued regulations requiring listed companies to have an audit committee consisting of at least three independent directors responsible for reviewing listed companies' financial reports to be more reliable.

Moreover, the audit committee must be selected by the board of directors and must be completely independent. However, if the Audit Committee is very independent, it will be the factor that helps control the earnings management (Mokthaisong et al., 2014). On the other hand, the size of the audit committee is important, which is one of the factors for relief earnings manipulation. This means that the profit in the financial report is an earnings quality.

Previous research studies under the context of emerging markets, Such as (Alzoubi (2016); Fodio, Ibikunle, and Oba (2013) found that audit committee size is negatively significantly associated with earnings management. The research suggests that audit committee size is a significant factor in mitigating earnings manipulation. While evidence from Malaysia, no relationship is found. The researcher suggests not finding that relationship that depends on the members' quality, such as knowledge and independence of the members (Al-Okaily & Naueihed, 2019). In Thailand, Mokthaisong et al. (2014) found the audit committee's size is negatively associated with earnings quality. The researcher explained it might be due to the large number of committees that may cause problems with formal procedures that may reduce the board's role. In this study, the researcher believes that the number of audit committees set by the regulator is appropriate to help reduce management's discretion for earnings management; the research hypothesis as follows

H3f: Audit committee size has a negative relationship with earnings management

The Audit Committee, which is independent of the outside, is responsible for monitoring accounting information disclosure to be accurate and adequate. In addition, they can also give advice and recommendations to the management; also, the committee should have knowledge and understanding of accounting and finance. The focus of discussions about financial reporting quality is better when financial and accounting experts being part of the committee (McDaniel, Martin, & Maines, 2002). The market reacts positively to the appointment of an audit committee with financial expertise (Davidson, Xie, & Xu, 2004).

Previous researches as Agrawal and Chadha (2005); Xie et al. (2003) provide consistent results and concludes that the audit committee is an accounting or financial expert. It can reduce the chances of earnings management. Yunos, Smith, Ismail, and Ahmad (2011) found that the proportion of audit committee members with high financial expertise is more account conservation. However, Mohd Saleh et al. (2007) found no relationship between the audit committee has accounting knowledge and earnings management. In Thailand, found relationships only industrials sector is a negative relationship between the committee's financial and accounting knowledge and the accruals (Chomchan, 2007). It can be seen clearly on previous research results shown above, leading to the research hypothesis as follows:

H3g: Audit Committee with expertise in accounting or finance has a negative relationship with earnings management.

Table 2 Summarize the Hypothesis

Hypotheses	Estimated Sign	Description of Hypothesized Relationships
H1	-	Management shareholding from the family group has a negative impact on earnings management.
H2a	+	Management shareholding from the family group has a positive influence on the board size.
H2b	+	Management shareholding from the family group has a positive influence number of independent directors in the board of director
H2c	+	Management shareholding from the family group has a positive relationship to CEO duality
H2d	+	Management shareholding from the family group has a positive relationship to CEO-Group with same group as the chairman
H2e	+	Management shareholding from the family group has a positive relationship to audit committee size
H2f	+	Management shareholding from the family group has a positive relationship to number of audit committee expert.
H3a	-	Management shareholding from the family group has a negative impact on earnings management.
H3b	-	Board size in the ownership concentrated shareholding, who are executives in the family group has a negative impact on earnings management
H3c	-	The proportion of independent directors on the board of directors is negatively related to earnings management.
H3d	+	CEO duality has a positive relationship with earnings management
H3e	+	CEO and chairman who come from the same group has a positive relationship with earnings management
H3f	-	CEO and chairman who come from the same group has a positive relationship with earnings management
H3g	-	Audit Committee with expertise in accounting or finance has a negative relationship with earnings management.

Table 3 Summary of Relevant Family Ownership, Board Composition and Earnings Management Researches

Authors	Key Issue Examined	Main Finding	Variables	Sign
Yeo et al. (2002)	The purpose of this research is how owner manager and external ownership effect on discretionary accruals	The result concludes the owner manager hold a share less than or equal to 25% that negative with income-increasing discretionary accruals but significantly positive when above 25%.	- Ownership Manager	Non-linear
Xie et al. (2003)	They study role of audit committee in preventing earnings management	Audit committee members have financial backgrounds expert associated with reduced level of discretionary accruals, also negatively related to the level of earnings management.	- Audit committees' expertise	(-)
Anderson and Reeb (2004)	To examine the mechanism as board composition to limit family influence in S&P 500 Firms	Firms have a family of founders continuously and have a few independent directors affect the company's performance is much worse than non-family firms. Moreover, additional test results indicate that businesses with shareholders as family members often try to reduce the number of independent directors, in contrast to external shareholders who want their independent representatives.	- Independent directors	(-)

Table 3 Summary of Relevant Family Ownership, Board Composition and Earnings Management Researches (Continued)

Authors	Key Issue Examined	Main Finding	Variables	Sign
Agrawal and Chadha (2005)	To empirically examines CG mechanisms are related to a company restated earnings.	The researchers concluded the audit committees have financial expertise probability of restatement is lower in company.	- Audit committees' expertise	(-)
Bradbury et al. (2006)	To examine, board characteristics and abnormal working capital accruals in Singapore and Malaysia Markets.	Board size, average board members at 7 people, negatively relate to abnormal accruals.	- Board size	(-)
Wang (2006)	To examine, relationship between family ownership and non-family on discretionary accruals from S&P 500.	Family firms report lower absolute value of the accruals that compared with non-family firms. Moreover, family ownership (family members are either on the board of directors or in the top management of the firm) and the accruals are non-liner relation.	- Family Ownership - Firm size - Leverage	Non-linear (-) (-)
Rahman et al. (2006)	To investigate, effectiveness of monitoring function of board of directors that reducing earnings management in Malaysia.	Board size, average board members at 8, is positively relate to earnings management. However, insignificant relationship between independence of board, and CEO duality and earnings management.	- Board size - Independence board - CEO duality	(+) (n/a) (n/a)

Table 3 Summary of Relevant Family Ownership, Board Composition and Earnings Management Researches (Continued)

Authors	Key Issue Examined	Main Finding	Variables	Sign
Ali et al. (2007)	They study quality of earnings report compared between family and non-family firms in the S&P 5oo.	Founding the quality reporting for earnings in family firms are better than non-family firms, and family firms with CEO are primarily responsible better disclosure practices and better disclosure-related economic consequence (good quality)	- Family Firms	(-)
Chomchan (2007)	To examine, the relationship between role of independent director in board of committee, audit committee, and chairman, and earnings management in industries listed on Thailand stock market.	Finding negatively relate between the proportion of independent director and discretionary accruals in Agro and Food sector, Finally, industrials sector is negative relation between financial and accounting knowledge of committee and the accruals.	- Independent of board committee	(-)
Jaggi and Leung (2007)	To examines whether the establishment of audit committees would constrain earnings management in Hong Kong firms	The effectiveness of audit committees is, however, significantly reduced when family members are present on corporate boards, especially when family members dominate the corporate board.	- Audit committee size	(+)

Table 3 Summary of Relevant Family Ownership, Board Composition and Earnings Management Researches (Continued)

Authors	Key Issue Examined	Main Finding	Variables	Sign
Mohd Saleh et al. (2007)	This study aims to assess the effectiveness of some audit committee characteristics, i.e. the independence of members, size, frequency of meeting and knowledge of the members, to monitor management behavior with respect to their incentives to earnings management.	The evidence shows that the presence firms which had more knowledgeable audit committee members fewer earnings management	- Audit committee expertise	n/a
Tong (2007)	The research study whether financial reporting practices of family firms and non-family.	Reporting of family firms are lower absolute value of discretionary accruals than non-family.	- Family Firms	(-)
Bertrand et al. (2008)	Analyze the structure of the families behind these business groups affects the groups' organization, governance and performance. To address constructed a unique data set of family trees and business groups for nearly 100 of the largest business families in Thailand.	To find a strong positive association between family involvement in the ownership and control of the family business. The sons of the founders play a central role in both ownership and board membership, especially when the founder of the group is gone. The availability of more sons is also associated with lower firm-level performance, especially	- CEO same group	(-)

Table 3 Summary of Relevant Family Ownership, Board Composition and Earnings Management Researches (Continued)

Authors	Key Issue Examined	Main Finding	Variables	Sign
Hyo and Soon (2008)	They study relationship between shareholders' concentrated ownership: controlling shareholder and individual control, that controlling firms, corporate governance and earnings management they listed on the Korea Stock Exchange.	The controlling shareholders' ownership: ownership concentration is positive relationship with discretionary accruals and total accruals. On the other hand, independence of the board of directors from outside is negative.	- Concentrated ownership - Outside director in the board - Leverage - Firm size	(+) (-) (-) (+)
Sarkar et al. (2008)	They study the impact of board characteristics on opportunistic earnings management in emerging market, India.	The result shows that separation of the CEO and the chairman's is negatively. Separating positions from each other reduces the scope of power of the management and allows the board to be able to monitor the management's work more efficiently, resulting in reduced earnings management.	- CEO Duality	(-)

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Table 3 Summary of Relevant Family Ownership, Board Composition and Earnings Management Researches (Continued)

Authors	Key Issue Examined	Main Finding	Variables	Sign
Jiraporn and DaDalt (2009)	To examine, family controlling and earnings management.	The family firms report lower discretionary accruals than non-family	- Family Ownership	(-)
Kulsrison et al. (2009)	To examine, ownership structure focus on shareholding concentration and shareholding of directors and managers that effects on earnings quality.	The result indicated that shareholding concentration and directors' and managers' shareholding have no significant relationship both working capital and net-operating accrual.	- Ownership concentration - Ownership Manager - Firm size - Industrial types	n/a n/a (-) (+ / -)
Al-fayoumi et al. (2010)	They focus on ownership structure that consists of three types of ownership as owner-manager, institutions and block-holder in Jordan industrials firms.	The result shows that insiders' ownership (the percentage of shares held by an officer or director within the firms and their families) is significant and positively affect earnings management.	- Insider Ownership - Firm size	(+) (+)

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Table 3 Summary of Relevant Family Ownership, Board Composition and Earnings Management Researches (Continued)

Authors	Key Issue Examined	Main Finding	Variables	Sign
Roodposhti and Chashmi (2010)	To study the effect of board composition and ownership concentration on earnings management with firms listed on IRAN stock exchange.	The research found negative significant association between CEO duality and earnings management.	- CEO duality	(-)
Alves (2011)	To study extend previous research on how characteristics board structure affect the magnitude of earnings management that is listed in Portugal.	The result shows a non-linear relationship between board size and earnings management. On the other hand, when both managerial ownership and ownership concentration are high that is less earnings management, and firm size and leverage are high is more earnings management.	- Board size - Managerial Ownership - Ownership concentration - firm size - leverage	Non linear (-) (-) (+) (+)
Ding et al. (2011)	To examine, accounting properties of family firms in China that focus on ownership manager has must be greater than or equal 10% of share.	Chinese family firms have higher discretionary accruals than non-family.	- Family firm - Firm size - Loss	(+) (-) (-)

Table 3 Summary of Relevant Family Ownership, Board Composition and Earnings Management Researches (Continued)

Authors	Key Issue Examined	Main Finding	Variables	Sign
Yunos et al. (2011)	This paper empirically tests the effect of inside concentrated owners and board of directors on accounting conservatism; and whether the inside concentrated owners moderate the effect of the board of directors on conservatism. Samples were selected from the population of Malaysia listed companies	Higher proportion of financial expertise on the board is associated with more conservatism.	- Audit committee expertise	(-)
Jaitad (2012)	This study points out relationship between the board of director structure and managerial ownership that listed on Stock Exchange of Thailand.	Owner manager who hold a share, are positive with earnings management. While board size members are not related to earnings management.	- Board size -Managerial Ownership - Leverage - Industrial type	(-) (n/a) (+) (-)

Table 3 Summary of Relevant Family Ownership, Board Composition and Earnings Management Researches (Continued)

Authors	Key Issue Examined	Main Finding	Variables	Sign
Junhom and Srijunpetch (2012)	To investigate, both the family ownership and managerial structure in family firm (family's member hold the stock over 25% and who is board member or manager) effect on earnings quality	Finding demonstrates that the family ownership and managerial structure are not significantly associated with abnormal accruals.	- Managerial family ownership - Family ownership - Firm size - Leverage	n/a n/a (-) (+)
Phovijit et al. (2012)	They study the impact of ownership structure that includes shareholding by controlling shareholders who are holding over 25% and earnings management.	The result shows the shareholdings by controlling shareholders have negative effects on earnings management.	- Controlling Shareholder - Firm size - Leverage - Big 4 - Industrial type	(-) (-) (+) (+) (-)

Table 3 Summary of Relevant Family Ownership, Board Composition and Earnings Management Researches (Continued)

Authors	Key Issue Examined	Main Finding	Variables	Sign
Boonyawat (2013)	Providing empirical evidence ownership structure and other CG on managers' accounting discretion, and firm performance.	High management ownership concentration by families, limits the use of the discretion. is a negative relationship with accounting discretion. Board size is positive with accounting discretion, while not found relationship independent board, CEO duality. Finally, CEO same group has an effect on worse performance.	- Management Ownership - CEO duality - CEO same group - Board size - Independent board	(-) (n/a) (-) (+) (n/a)
Fodio et al. (2013)	This study investigates the effect of corporate governance mechanisms on reported earnings management of listed Insurance companies in Nigeria. The	The study finds that board size, board independence and audit committee size are negatively and significantly associated with earnings management	- Board size - Independent board - Audit committee size	(-) (-) (-)

Table 3 Summary of Relevant Family Ownership, Board Composition and Earnings Management Researches (Continued)

Authors	Key Issue Examined	Main Finding	Variables	Sign
Bertin et al. (2014)	To examine, how the distribution of power among shareholders, the shareholders' legal protection and the nature of the other shareholders in six countries. They affect earnings management compared between family ownership and non-family firms.	The result shows the distribution of power among shareholders affects earnings management in family firms, and related to the legal institutional environment when the rights of shareholders are less protected in civil law countries.	- Family Ownership (Civil law) - Leverage - Firm size	(+) (-) (+)
Hasan et al. (2014)	To study the existing practices of CG as well as the relationship between family ownership and CG structure in Bangladesh.	Family ownership had a significant negative influence over board size, independent board. In contrast, a significant positive dominant on CEO duality.	- Board size - Independent board - CEO duality	(-) (-) (+)
Mokthaisong et al. (2014)	To study, ownership structure and corporate governance mechanisms effect on discretionary accrual.	CEO ownership hold a stock less than 5% and equal 5% to 25% that negative effect. In addition, CEO duality and audit size has positively.	- CEO ownership - CEO duality - Audit size	(-) (+) (-)
Uwuigbe et al. (2015)	Basically, they study the effects of corporate governance mechanism on earnings management that listed on Nigeria.	Finding board size and board independence have significantly negative effect on discretionary accruals. In contrast, CEO duality is a significant positive effect on the accruals.	- Board size - Board independence - CEO duality	(-) (-) (+)

Table3 Summary of Relevant Family Ownership, Board Composition and Earnings Management Researches (Continued)

Authors	Key Issue Examined	Main Finding	Variables	Sign
Ramachandran et al. (2015)	To examine the influence of corporate governance practices on earnings management. Specifically, the core objective of this study is to test whether the roles of the board of directors and other key committees influence earnings management (EM) through discretionary accruals (DAC). This study has analyzed the governance practices of companies listed in the Singapore stock exchange	Founding, the board have more independent directors reducing the incentives of earnings management	- Board independence	(-)
Chi et al. (2015)	They examine the relationship between family firms and earnings management by considering the influence of independence board in Taiwan, only high-technology firms over 7 years	Finding the family firms are positively related to earnings management and testing interaction effects as the proportion of independent directors interacted with family firms to reduce the earnings management	- Family - Independent board	(+) (-)

Table3 Summary of Relevant Family Ownership, Board Composition and Earnings Management Researches (Continued)

Authors	Key Issue Examined	Main Finding	Variables	Sign
Fauzi and Sanusi (2015)	They study the relationship between Managerial Ownership, board size and independent committee and earnings management that is all listed industries on Indonesia Stock Exchange.	Firstly, the result indicates managerial ownership is negative effects on discretionary accruals, while a positive influence on board size.	- Managerial ownership - Board size	(-) (+)
Iraya et al. (2015)	The study examined the effect of corporate governance practices on earnings management of companies listed at the Nairobi Security Exchange (NSE).	The study found ownership concentration, board size, and board independence negative related to earnings management, but CEO duality positive relation.	- Ownership concentration - Board size - Independent board - CEO duality	(-) (-) (-) (+)
Alzoubi (2016)	This paper is to examine the association between internal corporate governance mechanism and earnings management of Jordanian companies	The article found audit committee size is negatively significantly associated with earnings management.	- Audit committee size	(-)

Table3 Summary of Relevant Family Ownership, Board Composition and Earnings Management Researches (Continued)

Authors	Key Issue Examined	Main Finding	Variables	Sign
Bataineh et al. (2018)	To examines the effect of family ownership and board characteristics on Earnings Management in Jordan	Family ownership is a positive association with earnings management, while board size and CEO duality no evidence is found.	- Family Ownership - Board size - CEO duality	(+) n/a n/a
Wongyim (2018)	To study, the family ownership structure of firms on earnings management that listed on the Stock Exchange of Thailand.	Firms have a high proportion of family shareholding more trended earnings management than disperse shareholding.	- Family Ownership - Leverage - Big 4 - Firm size	(+) (+) (-) (-)
Al-musali et al. (2019)	To study the influence of ownership types on the level of audit committee effectiveness in the GCC countries. The committee effectiveness consists of independence, size, expertise etc.	Family ownership has a significant positive association with the audit committee effectiveness.	- Audit committee effectiveness	(+)

Table3 Summary of Relevant Family Ownership, Board Composition and Earnings Management Researches (Continued)

Authors	Key Issue Examined	Main Finding	Variables	Sign
Al-Okaily and Naueihed (2019)	To provide, empirical examine the relationship between audit committee characteristics and firm performance and using family ownership be involvement moderate the latter relationship.	The results show evidence the audit committee characteristics as size, and expertise not significantly related to firm performance in family firm	- Audit committee size - Audit committees' expertise	(n/a) (n/a)
Crisostomo and Lima Vicente Brandao (2019)	High ownership concentration makes controlling block holder on the quality of CG that measured by CG score in Brazil	Controlling block holder has a negative effect on CG score when the controlling block holder is family	- Family ownership	(-)

CHAPTER III

RESEARCH METHOD

The previous chapter reviews the concept of ownership concentration shareholding in a family firm, corporate governance mechanism, and earnings management including a theoretical foundation, a literature review, and hypotheses development. This chapter describes the research methods used in the study. Firstly, the description concerns sample selection and data collection procedure which includes population and sample, and data collection method. Secondly, the variable measurements are described. Finally, data analysis method represents a statistical techniques and equation models.

Sample Selection and Data Collection

Population and Sample

This study's population is the company listed on the Stock Exchange of Thailand, including the M.A.I stock exchange from the following industries; Agro. & Food, Consumer, Industrials, Property & Construction, Resources, Service, and Technology, a total of 709 companies (on May 31, 2019.) Since the year 2014-2018, the reason for studying in the period is that since 2012, the SEC has revised the principles and guidelines for good corporate governance to be in line with the ASEAN corporate governance scorecard. Therefore, it concluded that criteria for determining which listed companies are a concentrated shareholding and be family-owned business must have the following two characteristics:

1) Shareholders from the first to the fifth in the shareholding structure that has voting rights of the firm Individuals or groups of people with the same surname or vary. However, the information is disclosed in the annual report that is kindred has a proportion shareholding of 25 percent [1]or more.

2) Person or some individual be representing the group according to 1) has the position of Chairman of the board, Chief Executive Officer, or Executive Committee

However, companies that do not have the following characteristics will not be used in the study:

1) The company listed in the banking, financial, and insurance industry, including property fund and infrastructure fund. Because those companies have a financial report format, including accounting standards that are unique and different from general businesses.

2) Companies that have been revoked or rehabilitated according to the conditions of the SEC.

3) Companies that have recently registered during 2014 – 2018 may not have a financial report for one year, causing the information to be used does not correspond to the actual performance.

4) Companies with incomplete information

5) Companies with a fiscal year that does not end on December 31, such companies will have an impact on the year in which data is collected from 2014 - 2018

Based on the above criteria, it affects the data used to measure independent variables and dependent variables.

The total population of 709 companies selected for selection, excluding Banking, Financial, and insurance industry, including property fund and infrastructure fund. Companies have been revoked or have been rehabilitated, recently having registered during 2014 – 2018, incomplete information, fiscal year are not December 31, and a shareholding structure from the first to the fifth in a legal entity or government or family with a proportion of shareholding less than 25%. Therefore, there are 162 samples used in this study, 810 observation (firm-year) as follows:

Table 4 Details of Sample

Total number of companies from 7 industry groups	709
Property fund and infrastructure fund	(60)
Companies have been revoked or have been rehabilitated	(28)
Companies just listed	(44)
incomplete information	(3)
fiscal year is not December 31	(18)
A legal entity or government or family with a proportion of shareholding less than 25%.	(394)
Sample	162

Data Collection

After receiving the sample group, which is the structure of the shareholders concentrated in the family group. This research focuses on family groups' shareholding and has important management positions such as chairman, executive director, CEO, and managing director. In addition, other data used in the analysis are financial reports, financial ratios. Therefore, in this study, we collect data from the annual report (56-2), which is publicly available information that appears in the database of the SEC Office (www.sec.or.th), and from the websites of various companies.

Measurements

This research has important variables consisting of independent variables, dependent variables, and control variables. Each type of variable is defined as the definition and method of measurement for this study as follows.

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Independent Variables
Management Ownership Concentration Shareholding

We apply the concept of measuring the company's variables with the concentrated shareholding in the family group and the characteristics of being a family business from Junhom and Srijunpetch (2012), research. Additional improvements of the researcher and applying the meaning of family business feature from International Financial Corporation (2008). The shareholders from the first to the fifth in the structure that vote rights to the firm Individuals or groups of people with the same surname or vary, but the information is disclosed in the annual report that is kindred that has a proportion shareholding of 25 percent or more.

To sum up, this variable's measurement uses a proportion of voting rights from the first to the fifth in the shareholding structure: individuals or groups of people with the same surname or vary and hold the position of chairman of the chief executive officer, executive committee.

While the group of the board composition consists of 6 variables including:

Board Size. From the guidelines of good corporate governance principles in sub-practice 3.1 mentioned the board size and in 3.1.2 mention the appropriate amount of the board. This construct is measured by the number of members in the board directors.

Independent director on the board. The guidelines of good corporate governance principles in sub-practice 3.1 mentioned the board size. In 3.1.3, suggestions should have a proportion of independent directors more than directors with executive positions. The SEC and the regulations of the Stock Exchange of Thailand stipulate that the company must have at least three independent directors. In addition, according to good corporate governance principles, independent directors should not be less than 1 in 3 of the total number of directors on the board. The director is non-executive directors, so it does not have such authority to give opinions and suggestions to operate independently. This construct is measured by the proportion of independent directors to all members of the board of directors.

CEO duality. From the guidelines of good corporate governance principles in sub-practice 3.2 mention the board of directors should select the appropriate person as chairman and ensure that the board's composition and operations are conducive to independent judgment. In addition, sub-practice 3.2.2 has given guidelines on separate individuals who act as chairman and CEO, also to balance the power between the board and the management. However, in this study, consider that in the firm that is concentrated shareholding in a family group if they do not follow the guidelines, both the chairman and CEO are the same. This construct is measured by a dummy variable with a value of 1 if the person or the family member is a representative of a major shareholder holding from the first until the fifth in shareholding structure any position both chairman of the board and chief executive officer and 0 otherwise. The results from dummy variable measurements can explain that the concentration of shares in family groups significantly influences the duality positions and how the CEO duality affects the earnings management.

CEO-Group. The previous research review about the relative relationship of the person who is the chairman and the chief executive officer makes it possible to measure these variables' results by construct reference from Boonyawat (2013). The researcher uses a dummy variable with a value of 1 if the board director's chairman and the CEO are a person with the same surname or being disclosed from the annual report that there is a relative relationship, and 0 otherwise. The results from dummy variable measurements can be used to explain that the concentration of shares in family groups has a significant influence on controlling the power to manage the business with a group of major shareholders with control power. It also corresponds to the family business's definition that the previous generation's founder wants to pass on management to the next generation, also how the CEO group affects earnings management.

Audit committee size. According to the code of good corporate governance for listed companies in 2017, the code defines the criteria and qualifications of independent directors and listed companies' audit committees to ensure the effectiveness—the number of the audit committee measures this construct.

Audit committee expertise. The Stock Exchange of Thailand determines the expertise of the audit committee in 2017. This study is set to be a continuous value according to the number of the audit committee with expertise in accounting or finance, in which the amount is disclosed in the annual report.

Dependent Variables

Based on the literature review of earnings management models, which have many models used in the study, detecting method literature, discretionary accruals is preferred in detecting earnings management research. Because researchers using accruals to detect the earnings can correctly separate accruals into discretionary and non-discretionary accruals, neither is observable directly in financial statements (Sun & Rath, 2010).

This research is a study of a period in which the coefficient estimation model for measuring appropriate discretionary accrual is cross-sectional. The method has no assumptions regarding systematic earnings management in the estimation sample but assumes that the coefficient is the same across all firms as the estimation sample. The cross-sectional provides to reduce the problem of selection bias (Jeter & Shivakumar, 1999). The estimation of the coefficient on discretionary accrual from the cross-sectional appears to be less imprecise than those estimated using by the time-series (Jeter & Shivakumar, 1999).

This research, we chose to use the abnormal accruals-performance model by Modified Jones by discretionary accruals: DACC is the estimation of earnings management as follows:

Step1: Total Accruals: TAC testing as the regression equation as follows:

$$\frac{\text{TCA j,t}}{\text{TA j,t}} = \beta 0 + \beta 1,\text{j}\frac{1}{\text{TA t}-1} + \beta 2,\text{j}\frac{\Delta\text{REV}}{\text{TA t}-1} + \beta 3,\text{j}\frac{\text{PPEt}}{\text{TAt}-1} + \varepsilon\text{t} \qquad (1)$$

Where:

TCA = total accrual calculated from net income – cash flow from operation at year t

TA_{jt} = total asset of firm j at t-1

$\beta_{j,t}$ = the coefficient of firm j at t

ΔREV_{jt} = change in net revenue of firm j at t compared with at t-1

PPE_{jt} = property plant and equipment of firm j at t

ϵ_t = error term of regression equation of firm j at t

Step 2: Calculating accrual items from operations by using the coefficients obtained from (1) to replace the values in the equation as follows:

$$NDAjt = \beta 1, j \frac{1}{TA\ t-1} + \beta 2, j \frac{\Delta REV - \Delta REC}{TA\ t-1} + \beta 3, j\ \frac{PPEt}{TAt-1} \quad (2)$$

Where:

NDA_{jt} = non-discretionary accruals of firm j at year t

TA_{jt} = total asset of firm j at t-1

$\beta_{j,t}$ = the coefficient of firm j at t

ΔREV_{jt} = change in net revenue of firm j at t compared with at t-1

ΔREC_{jt} = change in account receivable of firm j at t compared with at t-1

PPE_{jt} = property plant and equipment of firm j at t

TA_{jt} = total asset of firm j at t-1

$\beta_{j,t}$ = the coefficient of firm j at t

Step 3: Discretionary accruals

$$DACCjt = \left(\frac{TCA\ j,t}{TA\ j,t}\right) - NDAjt \quad (3)$$

DACCjt = discretionary accruals firm j at t

TCA = total Accrual calculated operation at year t

TA_{jt} = total asset of firm j at t-1

Control Variables

Some variables might affect relationships between independent and dependent variables in this research. The control variable's inclusion reduced spurious relationships (Chang, Witteloostuijn, & Eden, 2010). Based on management ownership concentration, shareholding, and good governance literature found that there should be variables that should be controlled: firm size, financial leverage, loss,

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audit firm, and type of industry. Therefore, this research's control variables might affect the relationships between management ownership concentration shareholding, good governance, and earnings management. The related literature is detailed as follows:

Firm Size. A lot of previous research studies about management ownership concentration shareholding and good governance that firm size was measured by the natural logarithm of total assets. The researches as Hyo and Soon (2008), Al-fayoumi and Alexander (2010) found a positive relationship between firm size and earnings management. The cause of the relationship is in the same direction as earnings management because larger firms may face more serious agency problems, also the firms are engaging more in earnings manipulation (Al-fayoumi et al., 2010; Hyo & Soon, 2008). On the other hand, the research in the context of the Stock Exchange of Thailand found that there was a relationship in the opposite direction (Junhom & Srijunpetch, 2012; Phovijit et al., 2012). Such a relationship because larger firms have fewer incentives for earnings management than small firms (Phovijit et al., 2012). To sum up, in this research, firm size is measured by the natural logarithm of total assets.

Leverage. Financial risk or leverage is used to measure the total debt proportion compared to the total asset. This reflects the proportion of investment in the company's assets, which is derived from debt formation. On the one hand, external debt formation represents growth opportunities that may need to provide external financing that may improve their managerial performances by reducing capital (Hyo & Soon, 2008). On the other hand, external debt formation is risky, having an obligation to repay the principal and interest in the future, which may have a high rate. It is also pressured for the management to keep on this ratio to a low level so that the lender is confident that the business has a low risk of default (Jaitad, 2012). Past research studied management ownership concentration shareholding and good governance by using leverage as a control variable measured by total liabilities divided by total assets. Alves (2011); Jaitad (2012); Junhom and Srijunpetch (2012); Wongyim (2018) found a positive relationship between leverage and earnings management. Because the higher debt levels increase the risk of breach of the covenant, the manager may be motivated to manage income in order to comply with the terms of the contract (Alves, 2011). In contrast, some researches give negative results to earnings management, such as Wang (2006) and Hyo and Soon (2008), monitoring by external lenders reduces the opportunities to manipulate the earnings (Park & Shin, 2004). To sum up, in this research, leverage is measured by total liabilities divided by total assets.

Big 4. The size of the audit firm affects the quality of the auditing. The large firm has quality operations and can prevent financial reports mistakes because they must keep their reputation. Moreover, the audit firm often has large customers, therefore having to work standards (Phovijit et al., 2012). The study examined the effect of ownership structure on earnings management that result showed auditing from big four groups negatively correlates with the earnings (Wongyim, 2018). The researcher concluded that the listed company using the audit firms in the big four groups had a low level of earnings management that implies a high quality of profit because it shows strong and more efficient auditing than the non-big four audit firms. In contrast, Phovijit et al. (2012) found a positive relationship with earnings management. For this research, we measure the Big 4 by dummy variable that equal 1 if the listed companies use services from big 4 and 0 otherwise.

Industrial type. In this study, the samples were used from each industry; that amount was not equal. There are also differences in the business environment, some operations that have special characteristics in some industries. Those factors will reflect different accounting practices in each industry. To control the impact of the abovementioned, the industry type use as a control variable by dividing the industry according to the classification criteria of the Stock Exchange of Thailand, which consists of 8 industry groups including; Agro & Food Industry, Consumer Products, Financials, Industrials, Property & Construction, Resources, Services, and Technology. However, this study will not bring the financial industry to come to study. Therefore, to measure the control variable's value is defined as a dummy variable, as shown in table 5.

Table 5 Industrial Type of Sample

Industrial types	Dummy Variable						
	Indus 1	Indus 2	Indus 3	Indus 4	Indus 5	Indus 6	Indus 7
Agro. & Food	1	0	0	0	0	0	0
Consumer	0	1	0	0	0	0	0
Industrials	0	0	1	0	0	0	0
Property& Construction	0	0	0	1	0	0	0
Resources	0	0	0	0	1	0	0
Services	0	0	0	0	0	1	0
Technology	0	0	0	0	0	0	1

Where:

INDUS1: Agro & Food is 1 and 0 otherwise.

INDUS2: Consumer is 1 and 0 otherwise.

INDUS3: Industrials is 1 and 0 otherwise.

INDUS4: Property & Construction is 1 and 0 otherwise.

INDUS5: Resources is 1 and 0 otherwise.

INDUS6: Services is 1 and 0 otherwise.

INDUS7: Technology is 1 and 0 otherwise.

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Table 6 Summary of Measurement Details of Variables

Variables	Symbol	Measurement
Independent		
1.ManagementOwnership Concentration Shareholding	MOCS	The proportion of voting rights from the first to the fifth in the shareholding structure is individuals or groups of people with the same surname or vary.
2.Board Size	BSIZE	Number of members in the board of directors.
3. Independent director in board	IDIB	The proportion of independent director to all members in the board of director.
4. CEO duality	CDUAL	Dummy variable with a value of 1 if a person or the family member is a representative of a major shareholder holding from the first until the fifth in shareholding structure any position both chairman of the board and chief executive officer and 0 otherwise.

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Table 6 Summary of Measurement Details of Variables (Continued)

Variables	Symbol	Measurement
Independent		
5. CEO-Group	CGROUP	Dummy variable with a value of 1 if the chairman of the board director and the CEO is a person with the same surname or being disclosed from the annual report that there is a relative relationship, and 0 otherwise.
6. Audit committee size	AUDS	Number of audit committee.
7. Audit committee expertise	AUDE	Number of the audit committee that has expertise in accounting or finance.
Dependent		
1. Earnings Management	DACC	Abnormal accruals the Performance model by Modified Jones (1995).
Control		
1. Firm Size	FSIZE	The natural logarithm of total assets.
2. Leverage	LEV	Total liabilities divided by total assets.
3. Big 4[2]	BIG 4	The value is 1 if the firms use auditing from big 4 and 0 otherwise.

Table 6 Summary of Measurement Details of Variables (Continued)

Variables	**Symbol**	**Measurement**
Control		
6. Industrial Type	*INDUS*	INDUS1: Agro & Food is 1 and 0 otherwise.
		INDUS2: Consumer is 1 and 0 otherwise.
		INDUS3: Industrials is 1 and 0 otherwise.
		INDUS4: Property & Construction is 1 and 0 otherwise.
		INDUS5: Services is 1 and 0 otherwise.
		INDUS6: Resource is 1 and 0 otherwise.
		INDUS7: Technology is 1 and 0 otherwise

Data Analysis Method

Data analysis in this research is divided into 2 types:

1. Initial data analysis as descriptive statistics

This type of statistical analysis is used to describe and narrative the properties of variables, including, maximum, minimum, mean, median, frequency and proportion, and standard deviation.

2. Inference statistics Analysis

For inference statistics used in the analysis to test the research hypothesis, the relationship of independent variables and dependent variables. For this research, the panel data regression tool will be used due to the property of the data that the researcher uses in this study is the data collected for a period of 5 years from 2013 - 2017. Panel data or Cross-sectional time-series data is a dataset in which the behavior of entities are observed across time (Reyna, 2019). In addition, the characteristic of the data used is the balance panel data because each sample has the equal observation (Gujarati & Porter, 2009). That is data used as a variable from 162 companies with a period of 5 years or equivalent to 810 observations.

Statistical Techniques

From the above mentioned, the data used in this study we chose the panel data regression model, which is generally divided into 4 types (Gujarati & Porter, 2009; Piriyakul, 2016).

1. Pooled OLS Regression

The pooled method is a regression analysis method that ignores whether the cross-section unit is affected by external factors that are unique or not, and have long time data records that are any different. This method has the assumption that the constants and coefficients of variables in the equation are equal every year and throughout the period considered. Therefore, there will be no estimation of the difference between companies during the study period. The form of polled OLS model will use the Ordinary Least Square equation: OLS parameter estimation method without considering cross-section and time series data but will consider the overall. Therefore, this method cannot be used to effectively analyze panel data. It may also cause heterogeneity bias.

2. Fixed effect least squares dummy variable (LSDV)

The pooled OLS method is not suitable because it does not consider the variation of time and observation variation. The LSDV method assumes that the constant of slope coefficient, and each intercept will change according to cross-sectional data, which means the data of each company by the static parameter estimation method. This will create a dummy variable instead of each company.

3. Fixed effect within-group model

This method of parameter estimation uses the deviation of each variable from the average value then used to estimate the parameters in Ordinary Least Square equation

4. Random effect model (REM)

This method has the assumption that in the regression equation is composed of error values from cross-section ε_i and error from time series μ_{it} This estimation method uses random methods from large populations. For testing model should be Fix or Random effect be done by testing with the method Hausman test or Breusch-Pagan Lagrange Multiplier test (Piriyakul, 2016).

1. Hausman test

The test with this method is assumed that H_0: FEM = REM , H_1: FEM or H_0: w_{it} not related to independent variables time-invariant variable (REM) , H_1:w_{it} related to independent variables time-invariant (FEM). If accepting H_0 means may use FEM or REM but, REM will have less than variance or H0: difference in coefficients not systematic.

2. Breusch-Pagan Lagrange Multiplier test

The statistics used for testing by the hypothesis that $H_0 : \sigma_u^2 \neq 0 , H_1 : \sigma_u^2 = 0$ or H_0 : no random effect in model (using Pool OLS) and H_1 : Random effect in model.

However, before analyzing panel data regression, it is necessary to check the conditions under the assumption of classical linear regression model: CLRM (Gujarati & Porter, 2009) as follow:

1. The mean of the error value is zero that is E(e) = 0
2. Error (e) is a variable with normal distribution (Normality)
3. Variance of error with constant predictive variable (x_i)
(Homoscedasticity) $Var(e) = \sigma^2$
4. Independence of error e_i and e_j both must be independent of each other ($i \neq j$) that is co-variance (e_i,e_j) = 0 (No autocorrelation)
5. All independent variables must be independent (multicollinearity)
6. The model of the regression equation must be determined correctly (Regression specification error test) both the form of the function of the regression equation and the independent variables are put in the complete model.

Examination of conditions based on the above assumptions, statistical techniques are used for investigation, including:

Variance Inflation Factors (VIF’s)

The VIF’s measure how much the variance for detection the multicollinearity problem for regression coefficients correlation between multiple independents. The problem is not serious in regression equation, if the VIF was lower than 10 on the scales (Hair, Black, Babin, Anderson, & Tatham, 2010).

Correlation Analysis

Pearson's relationship technique is a common method for testing correlation between variables. In addition, the regression hypothesis does not require the problem of multi-value relationships. Pearson coefficient there is a range of values between +1 and -1 that lack accuracy with an estimation of regression coefficients. However, the correlation coefficient must not exceed 0.8 for the criteria for investigating the problem (Hair et al., 2010).

Model

The proposed hypotheses are transformed into eight equations as guidelines for the steps to do regression analysis. In addition, this study uses discretionary accruals of Modified Jones (1995). These equations are demonstrated as follows.

Model 1

DACC = $\beta_0 - \beta_1(MOCS) + \beta_2(LnFSIZE) \pm \beta_3(LEV) + \beta_4(BIG4) + \beta_5 + (INDUS1) + \beta_6(INDUS2) + \beta_7(INDUS3) + \beta_8(INDUS4) + \beta_9(INDUS5) + \beta_{10}(INDUS6) + \beta_{11}(INDUS7)$

Model 2

BSIZE = $\beta_0 + \beta_1(MOCS) + \beta_2(LnFSIZE) \pm \beta_3(LEV) + \beta_4(BIG4) + \beta_5 + (INDUS1) + \beta_6(INDUS2) + \beta_7(INDUS3) + \beta_8(INDUS4) + \beta_9(INDUS5) + \beta_{10}(INDUS6) + \beta_{11}(INDUS7)$

Model 3

IDIB = $\beta_0 + \beta_1(MOCS) + \beta_2(LnFSIZE) \pm \beta_3(LEV) + \beta_4(BIG4) + \beta_5 + (INDUS1) + \beta_6(INDUS2) + \beta_7(INDUS3) + \beta_8(INDUS4) + \beta_9(INDUS5) + \beta_{10}(INDUS6) + \beta_{11}(INDUS7)$

Model 4

CDUAL = $\beta_0 + \beta_1(MOCS) + \beta_2(LnFSIZE) \pm \beta_3(LEV) + \beta_4(BIG4) + \beta_5 + (INDUS1) + \beta_6(INDUS2) + \beta_7(INDUS3) + \beta_8(INDUS4) + \beta_9(INDUS5) + \beta_{10}(INDUS6) + \beta_{11}(INDUS7)$

Model 5

CGROUP = $\beta_0 + \beta_1(MOCS) + \beta_2(LnFSIZE) \pm \beta_3(LEV) + \beta_4(BIG4) + \beta_5 + (INDUS1) + \beta_6(INDUS2) + \beta_7(INDUS3) + \beta_8(INDUS4) + \beta_9(INDUS5) + \beta_{10}(INDUS6) + \beta_{11}(INDUS7)$

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Model 6

AUDS = $\beta_0 + \beta_1(MOCS) + \beta_2(LnFSIZE) \pm \beta_3(LEV) + \beta_4(BIG4) + \beta_5 + (INDUS1) + \beta_6(INDUS2) + \beta_7(INDUS3) + \beta_8(INDUS4) + \beta_9(INDUS5) + \beta_{10}(INDUS6) + \beta_{11}(INDUS7)$

Model 7

AUDE = $\beta_0 + \beta_1(MOCS) + \beta_2(LnFSIZE) \pm \beta_3(LEV) + \beta_4(BIG4) + \beta_5 + (INDUS1) + \beta_6(INDUS2) + \beta_7(INDUS3) + \beta_8(INDUS4) + \beta_9(INDUS5) + \beta_{10}(INDUS6) + \beta_{11}(INDUS7)$

Model 8

DACC = $\beta_0 - \beta_1\,(MOCS) - \beta_2(BSIZE) - \beta_3(IDIB) + \beta_4(CDUAL) + \beta_5(CGROUP) - \beta_6(AUDS) - \beta_7(AUDE) + \beta_8(LnFSIZE) + \beta_9(LEV) + \beta_{10}(BIG4) + \beta_{11}(INDUS1) + \beta_{12}(INDUS2) + \beta_{13}(INDUS3) + \beta_{14}(INDUS4) + \beta_{15}(INDUS5) + \beta_{16}(INDUS6) + \beta_{17}(INDUS7)$

Chapter IV

RESULTS

The previous chapter describes research methods that provide to recognize how to collect and analyze data to test hypotheses. In this chapter, we represent statistical test results, which are classified. Firstly, it presents descriptive statistics in order to understand the important basic information of the sample. Secondly, the hypothesis test results with Regression analysis techniques. Finally, the conclusion of the hypothesis to show in the form of a table. Descriptive Statistic

Table 7 Number of Companies in Each Industry Group

Industry (INDUS)	Firms	n	%
INDUS1: Agro & Food	23	115	14.60
INDUS2: Consumer	12	60	7.60
INDUS3: Industrials	32	160	20.30
INDUS4:Property& Construction	29	145	18.40
INDUS5: Services	42	210	26.60
INDUS6: Resources	9	45	5.70
INDUS7: Technology	11	55	7.00
Total	158	790	100

The number of listed companies classified by industry groups is shown in table6 from the example of 162 companies with outlier data; therefore, there are only 158 companies as follows: companies in services is the highest number 42 companies or 210 samples, representing 26. 60 percent, while industrial and, property & construction approximate number is 32 and 29 companies, or 20.30 and 18.40 percent, respectively. On the other hand, resources, the least number of companies are nine companies or 45 samples, 5.70 percent.

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Table 8 Number of Companies Classified by Type of Stock Exchange

Type of Market (SET)	Firms	n	%
SET	121	605	76.60
MAI	37	185	23.40
Total	158	790	100

Number of listed companies when classified by type of stock exchange, namely SET and MAI in table 7, it is found that the number of the companies in the SET the largest number is 121 companies (n = 605), accounted for 76.60 percent, while MAI is a total of 37 registered companies (n = 185), representing 23.40 percent.

Table 9 Descriptive Statistics of Dependent and Independent Variables

Variables (All industries)	Mean	SD.	Min.	Max.
DACC	-.02321	0.11102	-0.68623	1.08918
MOCS	50.85	13.01749	25	79.91
BSIZE	9	1.92730	6	15
IDIB	42.47	0.82546	30	66.67
AUDS	3	0.40470	3	5
AUDE	1	0.62250	1	4

Table 9 shows the descriptive of variables, discretionary accrual displays average as -.0231. The proportion of voting rights from individuals or a group of people with the same surname or vary the average proportion of shareholding from all 7 industrial groups is 50.85 percent. The number of members in the board of directors the average number of committees on boards is 9 people. The proportion of independent directors to all members of the board of directors with the average proportion being 42.47 percent. Finally, the variables related to the audit committee, consisting of size and expertise. It is found an average of the 3 audit committee members, and number of the audit committee that has expertise in accounting or finance found an average of the number of expertise of 1 person.

Table 10 Percentage of CEO Duality and CEO Group

CEO Duality	Duality		Non-duality	
	n	%	n	%
All industries	146	18.50	644	81.50
CEO Group	Relationship		Non- Relationship	
	n	%	n	%
All industries	313	39.60	477	60.40

The variables relating to the chairman of the board and CEO are shown in table 10. The results of the companies with person or the family member is a representative of a major shareholder holding any position both chairman of the board and chief executive officer found that the amalgamation of the two positions of the top executives of the listed companies as a sample. There is a small proportion compared to the separation of the person's position in all industries, representing 18.50 percent (146 companies). The relationship between the chairman and the CEO shows that there is 39.60 percent in the relationship of 313 companies.

Table 11 Descriptive Statistics of Control Variables

All industries	Mean	SD.	Min.	Max
FSIZE	22.04	1.43698	16.43560	26.66131
LEV	0.45	0.20664	.002551	1.39620
	Big 4		Non – Big 4	
	n	%	n	%
Big 4	430	54.40	360	45.60

Table 11 shows the descriptive statistics of control variable groups. the size of assets measured by the natural logarithm of total assets. The average value of all industries is 22.04 million baht. In terms of leverage measured by total liabilities divided by total assets, the all industry averages 0.45. Using the audit services from the Big 4 group, compared to companies that do not use the Big 4 services it is found that in all industry there are 54.40 percent.

Hypothesis Testing

In hypothesis testing, the researcher tested the reliability of the data so that the model can be accurately estimated. Since the data, however for this study is panel data, having to perform statistical tests to confirm the selection of the estimation model between the fixed effects model (FEM) and the random-effects model (REM). For the criteria for choosing the said model, use the Hausman Specification statistic under the null hypothesis that the effects of each variable are not related to other variables. If the above assumptions are accepted, the REM model will be appropriate. If rejecting the primary assumption, the FEM estimate is appropriate (Piriyakul, 2016).

Statistical values obtained from all 8 models have a Hausman value between 0.2068 - 0.6499, with the significant values greater than 0.05, therefore null hypothesis is accepted. In conclusion, this REM model is suitable for estimation in the model. In addition, there are use Generalized Least Square (GLS) robustness for solving heteroskedasticity to get an effective regression (Wooldridge, 2013).

A table11 shows the Pearson correlation matrix to represent investigation of the relationship between the variables shows that the relationship of all variables is not greater than .80 which causes collinearity (Hair et al., 2010). The maximum relationship is .468 (CGROUP and CDUAL), while the least relationship is .002 (INDUS6 and CGROUP). As for the relationship between family ownership and earnings management, there is a significant opposite to P-value <0.05. In addition, the relationship between stockholding and board composition shows that independent director in board (IDIB) is a significant opposite relationship at -.077, p-value < 0.05. relationship of the chairman and CEO (CGROUP), and audit committee size (AUDS) is a significant positive relationship at .094 and .126, p-value< 0.01. Finally, the relationship between control variables and earnings management shows that LEV, BIG4, and INDUS5 is a negative relationship with and -.154, p-value < 0.01 and ,0.05, while INDUS4 has a positive relationship at p-value < 0.01.

Table 12 Pearson Correlation Matrix

Variables	DACC	MOCS	BSIZE	IDIB	CDUAL	CGROUP	AUDS	AUDE	FSIZE	LEV	BIG4	INDUS 1	INDUS 2	INDUS 3	INDUS 4	INDUS 5	INDUS 6	INDUS 7
MOCS	-.081*																	
BSIZE	-.057	-.006																
IDIB	.037	-.077*	-.264**															
CDUAL	.049	.005	-.071*	.018														
CGROUP	.084*	.094**	.030	-.202**	.468**													
AUDS	.012	.126**	.381**	.042	-.041	-.029												
AUDE	.047	-.042	.183**	.103**	.086*	.003	.172**											
FSIZE	.039	-.025	.284**	-.088*	.140**	.092**	.008	.141**										
LEV	-.073*	-.070*	.046	.054	.029	-.082*	-.027	.055	.145**									
BIG4	-.098*	.055	.120**	-.061	.049	-.054	-.032	.035	-.138**	.082*								
INDUS1	.032	.066	.139**	.018	.081*	.077*	.211**	.083*	-.140**	-.054	-.118**							
INDUS2	.031	.047	-.136**	.049	-.075*	-.047	-.053	.042	-.027	-.171**	-.208**	-.144**						
INDUS3	.012	.065	-.051	.102**	-.013	-.022	-.088*	.065	.128**	-.157**	-.196**	-.136**	-.239**					
INDUS4	.116**	-.175**	.005	-.016	.010	.077*	.009	.030	-.039	.108**	-.248**	-.173**	-.303**	-.285**				
INDUS5	-.154**	.004	.149**	-.072*	-.006	-.071*	.020	-.086*	-.015	-.039	.108**	-.248**	-.173**	-.303**	-.285**			
INDUS6	-.030	-.044	-.108**	-.034	-.033	.002	-.069	-.015	.117**	.088*	.104**	-.101**	-.070*	-.124**	-.117**	-.148**		
INDUS7	.024	.058	-.138**	-.058	.011	-.018	-.082*	-.144**	.110**	.174**	.170**	-.113**	-.078*	-.138**	-.130**	-.165**	-.067	1

*. Correlation is significant at the 0.05 level (2-tailed), **. Correlation is significant at the 0.01 level (2-tailed)

Table 13 Multiple Regression Analysis Results of Model 1

Independent Variables	Dependent variable: DACC		
	Coef.	t-test	p-value
Intercept	-0.12479	-1.60	0.110
MOCS	-0.0006 *	-1.75	0.081
LnFSIZE	0.00838**	2.21	0.027
LEV	-0.05877**	-1.98	0.048
BIG4	-0.02481**	-2.03	0.042
INDUS2	0.00257	0.12	0.904
INDUS3	-0.00992	-0.59	0.558
INDUS4	0.00559	0.27	0.785
INDUS5	-0.03788**	-2.34	0.019
INDUS6	-0.02305	-0.90	0.370
INDUS7	0.01048	0.42	0.675
F-Value	4.56 (0.000)		
R^2	0.0550		
Maximum VIF	2.15		

Beta coefficients with standard errors in parenthesis, *** p<0.01, ** p<0.05, * p<0.10

Random effects GLS regression for solving Heteroscedasticity

As a result, from table13, it was found that the coefficients of the shareholding had a negative relationship with profit management (H1: β1 = -0.0006, $p < 0.10$) significantly. Therefore, it can be concluded that management ownership concentration shareholding in the family group from 25 percent to earnings management is reduced. The model can also predict the relationship between independent variables and dependent variables (R^2) as 0.055, and examining whether independent variables have relationships among themselves or not multicollinearity, finding that the VIF is the highest 2.21, which is not a multicollinearity problem.

Moreover, control variables are company size (LnFsize), the proportion between total debt and total asset (LEV), and the use of audit services in the BIG4 group (BIG4) have a sign with the earnings. LnFsize is a relationship in the same direction as earnings management. That is, listed companies with high asset sizes have the opportunity to manage the earnings in the same direction. On the contrary, leverage ratio and auditing by the big four, there is a relationship opposite to earnings management. Besides, the Resources (INDUS5) is a relationship with profit management in the opposite direction when compared to the Agro. & Food.

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Table 14 Multiple Regression analysis results of model 2 and 3

Independent Variables	Dependent Variables					
	Model 2 (H:2a)			Model 3 (H:2b)		
	BSIZE			IDIB		
	Coef.	t	p-value	Coef.	t	p-value
Intercept	1.58044	0.77	0.443	0.43917	5.10	0.000
MOCS	0.00504	0.64	0.520	-0.00021	-0.57	0.567
LnFSIZE	0.37971***	4.63	0.000	-0.00048	-0.12	0.901
LEV	0.09888	0.41	0.683	0.02143	1.00	0.318
BIG4	0.02994	0.25	0.802	-0.00062	-0.06	0.955
INDUS2	-1.25799**	-2.14	0.033	0.01286	0.39	0.696
INDUS3	-0.78232	-1.60	0.111	0.01551	0.70	0.486
INDUS4	-0.98927**	-2.00	0.046	-0.00842	-0.39	0.693
INDUS5	-0.25009	-0.52	0.603	-0.01289	-0.65	0.516
INDUS6	-1.83971***	-3.91	0.000	-0.01556	-0.57	0.568
INDUS7	-1.99689***	-3.94	0.000	-0.01943	-0.73	0.464
F-Value	17.29 (0.000)			2.13 (0.021)		
R^2	0.1757			0.0175		
Maximum VIF	2.15			2.15		

Beta coefficients with standard errors in parenthesis, *** p<0.01, ** p<0.05, * p<0.10
Random effects GLS regression for solving Heteroscedasticity

Table 14 shows the test results of the influence of executives' concentrated shareholding in the family group with board size. It was found that the holding shares of more than 25 percent of executives from family groups do not have a significant influence on the number of directors on board size (H2a: β1 = 0.00504, p > 0.05). The model can predict the relationship between independent variables and dependent variables (R^2) as 0.1757; the VIF is the highest 2.15, which does not cause multicollinearity. However, the study under the Thai code of good corporate governance for listed companies in the year 2017 recommends the appropriate number of directors between 9-15 people. Moreover, table 8 shows the sample groups that have complied with the recommendations of having an average number of 9 committee members, which means that the companies that are sample groups, on average, have complied with the SEC's guidelines

The control variable showed a statistically significant positive relationship with board size, which implies a large business's size with more transactions. Therefore, it is necessary to have many directors on the board of directors. In addition, other control variables are Consumer (INDUS2), Property & Construction (INDUS4), Services (INDUS6), and Technology (INDUS7), and these all negative relationships with the board size, which has the board size that has fewer directors than the comparison group.

The results of the test of the influence of concentrated shareholding among family executives and the number of independent directors on the executive board shows in table13 found that the holding of 25 percent had no significant influence on the determination of the number of independent directors in the board of director (H2b: $\beta1 = -0.00021$, $P > 0.05$). The model can also predict the relationship between independent variables and dependent variables (R^2) as 0.0175, the VIF is the highest 2.15, which does not cause multicollinearity. In addition, considering from table 9 that shows the proportion of independent directors to the total number of directors on the board with an average proportion of 42.47 percent, also the guidelines of good corporate governance principle suggestions should have a proportion of independent committee not less than 33 percent of the total number of directors on the board.

Table 15 The Binary Logistic Regression Analysis Results of Model 4 and 5

Independent Variables	Dependent Variables					
	Model 4 (H:2c)			Model 5 (H:2d)		
	CDUAL			CGROUP		
	Coef.	t	p-value	Coef.	t	p-value
Intercept	-24.40926	-3.22	0.001	-0.67940**	-2.25	0.025
MOCS	0.01927	0.65	0.517	0.00389***	2.93	0.004
LnFSIZE	0.47462	1.35	0.176	0.05228***	3.66	0.000
LEV	1.04792	0.50	0.619	-0.29513***	-3.23	0.001
BIG4	-0.02382	-0.03	0.979	-0.08773**	-2.28	0.023
INDUS2	-3.58265	-1.18	0.237	-0.16401**	-2.13	0.033
INDUS3	-1.97433	-1.22	0.223	-0.11773**	-1.97	0.049
INDUS4	-1.83861	-1.14	0.256	-0.03324	-0.51	0.607
INDUS5	-1.61800	-1.09	0.276	-0.14457***	-2.58	0.010
INDUS6	-2.25880	-0.96	0.335	-0.07447	-0.87	0.387
INDUS7	-3.27602	-1.35	0.178	-0.10030	-1.24	0.215
Likelihood Ratio (LR)	420.84 (0.000)			658.50 (0.000)		
Wald Statistic	0.0000			0.0000		
Maximum VIF	2.15			2.15		

Beta coefficients with standard errors in parenthesis, *** p<0.01, ** p<0.05, * p<0.10
Random effects GLS regression for solving Heteroscedasticity

Hypothesis testing for the relationship between independent variables is quantitative data (Shareholding proportion) and the variable under (CEO Duality), a qualitative variable. Therefore, when testing the hypothesis to use the binary logistic regression technique, however, consider selecting a suitable method between fixed effect and random effect as in other hypothesis tests. Table 14 results from the logistic regression equation examined with the Chi-square model showing the Likelihood Ratio (LR). Statistical significance (P-value, 0.000) that is to reject the null hypothesis (H_0: $\beta_1 = \beta_2 = \ldots = \beta_p = 0$), when testing the significance of the logistic regression coefficient of each predicted variable with Wald statistic, it was found that accept the null hypothesis (P-value, 0.8385) means that the predicted variable (shareholding ratio of 25%) does not affect the probability. The VIF is the highest 2.15, which does not cause multicollinearity. In addition, every control variable has no effect on probability, as well.

However, what are important observations in this study according to table 9, which shows the percentage of CEO duality and non-duality. In all industry groups, it is found that CEO duality has 146 positions in the sample or 18.50 percent, while there are no-duality 644 sample positions or 81.50 percent. This may be analyzed as being a family business with both positions is a small chance of possible. In other words, is family businesses follow best practices.

Hypothesis testing for the relationship between independent variables is quantitative data (Shareholding proportion) and the variable under (CEO Group), a qualitative variable. Therefore, in the hypothesis testing, use the binary logistic regression technique from table 14. The logistic regression equation results validated the chi-square model's use to show the likelihood ratio (LR). From table 17, it has statistically significant (P-value, 0.000). However, when testing the significance of each predicted variable's logistic regression coefficient with the Wald statistic (P-value, 0.000). It is found that the predictive variable (shareholding ratio since 25 percent) affects the probability of the event; a family-owned company will have the chairman of the board director, and the CEO is a person with the same surname or relationship (H2b: $\beta 1$ = 0.00390, $p < 0.01$). However, the control variable with LnFize, LEV, and Big 4 are statistically significant. Furthermore, INDUS 2, INDUS3, and INDUS5 have less than Agro. & food.

What the considerations of the relationship between a chairman of the board director and the CEO are in table 9. The sample group has 313 or 39.60 percent that chairman of the board director and the CEO who are related, while there is no relationship between 477 samples, 60.40 percent.

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Table 16 Multiple Regression Analysis Results of Model 6 and 7

Independent Variables	Dependent Variables					
	Model 6 (H2: e)			Model 7 (H2: f)		
	AUDS			AUDE		
	Coef.	t	p-value	Coef.	t	p-value
Intercept	3.61566***	8.65	0.000	-0.17365	-0.34	0.737
MOCS	0.00160*	1.69	0.091	0.00125	0.82	0.413
LnFSIZE	-0.01589	-0.92	0.355	0.07045**	3.08	0.002
LEV	0.15142*	1.95	0.051	-0.01473	-0.17	0.867
BIG4	-0.07803	-1.52	0.129	0.06375	1.55	0.120
INDUS2	-0.30226*	-1.90	0.058	0.02053	0.10	0.922
INDUS3	-0.30659**	-2.21	0.027	-0.02903	-0.18	0.857
INDUS4	-0.20989	-1.50	0.132	-0.14289	-0.85	0.394
INDUS5	-0.19404	-1.38	0.166	-0.23573	-1.54	0.123
INDUS6	-0.30932**	-2.34	0.020	-0.23921	-1.03	0.304
INDUS7	-0.32858***	-2.56	0.010	-0.53277**	-2.45	0.014
F-Value	6.56 (0.000)			6.32 (0.000)		
R^2	0.0610			0.0665		
Maximum VIF	2.15			2.15		

Beta coefficients with standard errors in parenthesis, *** p<0.01, ** p<0.05, * p<0.10
Random effects GLS regression for solving Heteroscedasticity

The results of the influence's test of the concentrated shareholding among family management executives on the number of audit committee members in the audit committee, table 15, shows that shareholding of more than 25 percent of the executives from the family group is a significant positive influence on the number of members of the audit committee (H2e: $\beta 1 = 0.00160$, $P < 0.10$). In addition, the model can predict the relationship between the independent variable and the dependent variable (R^2) at 0.0610, and the VIF is the highest 2.15, which is the level that does not cause multicollinearity. However, the sample complies in table 8, where the sample group has an average of the audit committee at three members.

In addition, the control variable was found to be statistically significant by debt to assets ratio (LEV) is a positive relationship. The control variables relating to the significant types of industries are INDUS2, INDUS3, INDUS6, and INDUS7 have audit committee size less than INDUS1.

The result of the influence's test of the concentrated shareholding among family executives on the number of audit committee members who have expertise in accounting or finance show in table15 found that the shareholding of more than 25 percent of executives from family groups do not have a significant influence on the number of audit committee members who have expertise in accounting or finance (H2f: $\beta1 = 0.00125$, $P > 0.05$). The model can predict the relationship between independent variables and dependent variables (R^2) to 0.0665, and the VIF is the highest 2.15, which is the level that does not cause multicollinearity. However, table 8 shows the average of the committee at one person.

In control, variables are related to the influence of shareholding in the same direction as LNSIZE. In addition, INDUS7 has an audit committee expert less than the comparison group.

Table 17 Multiple Regression Analysis Results of Model 8

Independent Variables	Dependent Variables					
	Model 4 (H:2c)			Model 5 (H:2d)		
	CDUAL			CGROUP		
	Coef.	t	p-value	Coef.	t	p-value
Intercept	-24.40926	-3.22	0.001	-0.67940**	-2.25	0.025
MOCS	0.01927	0.65	0.517	0.00389***	2.93	0.004
LnFSIZE	0.47462	1.35	0.176	0.05228***	3.66	0.000
LEV	1.04792	0.50	0.619	-0.29513***	-3.23	0.001
BIG4	-0.02382	-0.03	0.979	-0.08773**	-2.28	0.023
INDUS2	-3.58265	-1.18	0.237	-0.16401**	-2.13	0.033
INDUS3	-1.97433	-1.22	0.223	-0.11773**	-1.97	0.049
INDUS4	-1.83861	-1.14	0.256	-0.03324	-0.51	0.607
INDUS5	-1.61800	-1.09	0.276	-0.14457***	-2.58	0.010
INDUS6	-2.25880	-0.96	0.335	-0.07447	-0.87	0.387
INDUS7	-3.27602	-1.35	0.178	-0.10030	-1.24	0.215
Likelihood Ratio (LR)	420.84 (0.000)			658.50 (0.000)		
Wald Statistic	0.0000			0.0000		
Maximum VIF	2.15			2.15		

Beta coefficients with standard errors in parenthesis, *** p<0.01, ** p<0.05, * p<0.10
Random effects GLS regression for solving Heteroscedasticity

Table 17 shows all variables related to board composition (H3a - H3g) only MOCS correlate with management discretionary accrual (H3a: β1 = -0.00071, p < 0.10). The coefficient of other variables is H3b: β2 = -0.00384, H3c: β3 = -0.00458, H3d: β4 = -0.0019, H3e: β5 = 0.01444, H3f: β6 = 0.01136, and H3g: β7 = 0.00621. In addition, the model can be predicted relationship between the independent variables and the dependent variables (R^2) at 0.0629, with the VIF is the highest 2.26 which does not cause multicollinearity. The control variable has a relationship with the earnings by LnSIZE is in the same direction, but LEV and BIG4 have a relationship in the opposite direction. In addition, only INDUS 5 has a significant negative relationship.

Validation of results (Robustness Test)

To make the results of this study more reliable, the researcher performed robustness tests to validate the estimation. Previous research published in various journals uses various methods to check estimates' appropriateness, such as OLS, logit, panel method, and other things (Mokthaisong et al., 2014). Therefore, from the preceding, the guideline investigates the accuracy of the model. This study validated the study results are using additional statistical methods, such as pooled OLS, to compare with the Random effects model (REM).

Table18 shows the test of the influence of the family shareholding with board size found that independent variables have the same statistical significance, but slightly different at the significance level between 0.05 - 0.10. However, the independent variable's coefficient and the relationship's direction do not change in both methods at -0.0006. Moreover, the control variables in both methods were statistically significant; while the model can predict the relationship between the independent variables and the dependent variables (R^2), there is no significant difference at 0.0550and 0.0553.

1. REM and Pooled OLS methods of model 1

Table 18 Comparison of REM and Pooled OLS methods

DACC	REM			Pooled OLS		
	Coef.	t	p - value	Coef.	t	p - value
Intercept	-0.12479	-1.60	0.110	-0.11161	-1.63	0.103
MOCS	-0.0006 *	-1.75	0.081	-0.0006**	-2.18	0.029
LnFSIZE	0.00838**	2.21	0.027	0.00778**	2.41	0.016
LEV	-0.05877**	-1.98	0.048	-0.05945**	-2.88	0.004
BIG4	-0.02481**	-2.03	0.042	-0.02107**	-2.42	0.016
INDUS2	0.00257	0.12	0.904	0.00290	0.17	0.868
INDUS3	-0.00992	-0.59	0.558	-0.00888	-0.66	0.512
INDUS4	0.00559	0.27	0.785	0.00710	0.49	0.627
INDUS5	-0.03788**	-2.34	0.019	-0.03766**	-2.97	0.003
INDUS6	-0.02305	-0.90	0.370	-0.02290	-1.18	0.240
INDUS7	0.01048	0.42	0.675	0.01046	0.57	0.568
R^2	0.0550			0.0553		

Beta coefficients with standard errors in parenthesis, *** p<0.01, ** p<0.05, * p<0.10

2. **REM and Pooled OLS methods of model 2**

Table 19 Comparison of REM and Pooled OLS methods

BSIZE	REM			Pooled OLS		
	Coef.	t	p-value	Coef.	t	p - value
Intercept	1.58044	0.77	0.443	-0.00992	-0.01	0.993
MOCS	0.00504	0.64	0.520	-0.00224	-0.45	0.650
LnFSIZE	0.37971***	4.63	0.000	0.47644***	8.98	0.000
LEV	0.09888	0.41	0.683	-0.33468	-0.99	0.324
BIG4	0.02994	0.25	0.802	0.10915	0.76	0.445
INDUS2	-1.25799**	-2.14	0.033	-1.19522***	-4.19	0.000
INDUS3	-0.78232	-1.60	0.111	-0.74059***	-3.34	0.001
INDUS4	-0.98927**	-2.00	0.046	-1.07648***	-4.49	0.000
INDUS5	-0.25009	-0.52	0.603	-0.27481	-1.32	0.187
INDUS6	-1.83971***	-3.91	0.000	-1.92377***	-6.02	0.000
INDUS7	-1.99689***	-3.94	0.000	-2.01503***	-6.71	0.000
R^2	0.1757			0.1817		

Beta coefficients with standard errors in parenthesis, *** p<0.01, ** p<0.05, * p<0.10

Table 19 shows that the test of the influence of the family shareholding with board size does not have a significant difference in both methods. However, in the control variable, it was found that the statistical significance was the same in both methods except INDUS3. The model can predict the relationship between independent variables and dependent variables (R^2) slightly different at 0.1757 and 0.1817.

3. **REM and Pooled OLS methods of model 3**

Table 20 Comparison of REM and Pooled OLS methods

IDIB	REM			Pooled OLS		
	Coef.	t	p-value	Coef.	t	p-value
Intercept	0.43917***	5.10	0.000	0.52122***	9.66	0.000
MOCS	-0.00021	-0.57	0.567	-0.00046*	-1.95	0.052
LnFSIZE	-0.00048	-0.12	0.901	-0.00310	-1.22	0.224
LEV	0.02143	1.00	0.318	-0.00672	-0.41	0.680
BIG4	-0.00062	-0.06	0.955	-0.00205	-0.30	0.765
INDUS2	0.01286	0.39	0.696	0.01007	0.73	0.464
INDUS3	0.01551	0.70	0.486	0.01674	1.57	0.117
INDUS4	-0.00842	-0.39	0.693	-0.00388	-0.34	0.737
INDUS5	-0.01289	-0.65	0.516	-0.01089	-1.09	0.276
INDUS6	-0.01556	-0.57	0.568	-0.00968	-0.63	0.529
INDUS7	-0.01943	-0.73	0.464	-0.01070	-0.74	0.459
R^2	0.0213			0.0266		

Beta coefficients with standard errors in parenthesis, *** p<0.01, ** p<0.05, * p<0.10

Table 20 shows the test of the influence of the shareholding among family executives with the proportion of independent directors to the total number of directors found do not have a significant influence in the REM method and with a coefficient at - 0.00021. But in the OLS method with statistical significance, P-value < 0.10 and the coefficient at -0.00046. The model can predict the relationship between independent variables and dependent variables (R^2) different at 0.0213 and 0.0266.

4. **REM and Pooled OLS methods of model 4**

Table 21 Comparison of REM and Pooled OLS methods

CDUAL	REM Logistic			Pooled OLS Logistic		
	Coef.	t	p - value	Coef.	t	p - value
Intercept	-24.40926***	-3.22	0.001	-0.67264**	-2.77	0.006
MOCS	0.01927	0.65	0.517	-0.00013	-0.12	0.906
LnFSIZE	0.47462	1.35	0.176	0.04425***	3.86	0.000
LEV	1.04792	0.50	0.619	-0.03725	-0.51	0.611
BIG4	-0.02382	-0.03	0.979	-0.00453	-0.15	0.883
INDUS2	-3.58265	-1.18	0.237	-0.15180**	-2.46	0.014
INDUS3	-1.97433	-1.22	0.223	-0.08594*	-1.79	0.073
INDUS4	-1.83861	-1.14	0.256	-0.11735**	-2.26	0.024
INDUS5	-1.61800	-1.09	0.276	-0.09422**	-2.10	0.036
INDUS6	-2.25880	-0.96	0.335	-0.17024**	-2.47	0.014
INDUS7	-3.27602	-1.35	0.178	-0.09567	-1.48	0.141
Prob. LR	0.000			0.0033		

Beta coefficients with standard errors in parenthesis, *** p<0.01, ** p<0.05, * p<0.10

Table 21 shows the influence of the shareholding among family executives with the opportunity to the dual chairman of the board of directors. The CEO (CEODUAL) does not have a sign that is the same in both methods. However, the OLS method has statistically significant control variables such as LnFSIZE having a positive correlation at p-value < 0.001, and INDUS2 to INDUS6.

5. **REM and Pooled OLS methods of model 5**

Table 22 Comparison of REM and Pooled OLS methods

CGROUP	REM Logistic			Pooled OLS Logistic		
	Coef.	t	p - value	Coef.	t	p - value
Intercept	-0.67940**	-2.25	0.025	-9.43311	-0.98	0.326
MOCS	0.00389***	2.93	0.004	-0.01254	-0.28	0.779
LnFSIZE	0.05228***	3.66	0.000	0.44116	0.95	0.343
LEV	-0.29513***	-3.23	0.001	-4.38025	-1.51	0.132
BIG4	-0.08773**	-2.28	0.023	-2.17763	-1.13	0.260
INDUS2	-0.16401**	-2.13	0.033	-5.23401*	-1.65	0.099
INDUS3	-0.11773**	-1.97	0.049	-4.59781	-1.48	0.139
INDUS4	-0.03324	-0.51	0.607	-2.76372	-0.86	0.391
INDUS5	-0.14457***	-2.58	0.010	-5.10685*	-1.69	0.091
INDUS6	-0.07447	-0.87	0.387	-3.36113	-0.96	0.337
INDUS7	-0.10030	-1.24	0.215	-4.30927	-1.18	0.237
Prob. LR	0.0033			0.0000		

Beta coefficients with standard errors in parenthesis, *** p<0.01, ** p<0.05, * p<0.10

Table 22 shows that the REM Logistic method and Pool OLS Logistic method by REM method is statistically significant for the influence of shareholding proportion from 25% with the chairman of the board's chairman CEO the correlated person (P-value < 0.01). In contrast, the OLS method is not statistically significant. Besides, the REM method has a control variable that has a significant statistically significant difference is LnFSIZE, while the negative relationships are LEV, BIG4, and INDUS2 to INDUS5.

6. **REM and Pooled OLS methods of model 6**

Table 23 Comparison of REM and Pooled OLS methods

AUDS	REM			Pooled OLS		
	Coef.	t	p-value	Coef.	t	p - value
Intercept	3.61566***	8.65	0.000	2.91936***	11.83	0.000
MOCS	0.00160*	1.69	0.091	0.00395***	3.64	0.000
LnFSIZE	-0.01589	-0.92	0.355	0.01215	1.04	0.297
LEV	0.15142*	1.95	0.051	0.02407	0.32	0.747
BIG4	-0.07803	-1.52	0.129	-0.05510*	-1.76	0.079
INDUS2	-0.30226*	-1.90	0.058	-0.28439***	-4.53	0.000
INDUS3	-0.30659**	-2.21	0.027	-0.29262***	-6.00	0.000
INDUS4	-0.20989	-1.50	0.132	-0.20545***	-3.90	0.000
INDUS5	-0.19404	-1.38	0.166	-0.19224***	-4.21	0.000
INDUS6	-0.30932**	-2.34	0.020	-0.31375***	-4.47	0.000
INDUS7	-0.32858***	-2.56	0.010	-0.33743***	-5.11	0.000
R^2	0.0610			0.0776		

Beta coefficients with standard errors in parenthesis, *** p<0.01, ** p<0.05, * p<0.10

Table 23 shows the test of the influence of family executives' shareholding with several audit committees that were significant on both methods with a coefficient of 0.00160, P-value < 0.10, and 0.00395 P-value < 0.01. The control variables are LEV, which is statistically significant in the REM method, but the OLS method is significant in BIG4. In addition, the OLS method of all industry has positive significance. Finally, the model can be predicted (R^2) differently at 0.0610 and 0.0776.

7. **REM and Pooled OLS methods of model 7**

Table 24 Comparison of REM and Pooled OLS methods

AUDE	REM			Pooled OLS		
	Coef.	t	p-value	Coef.	t	p - value
Intercept	-0.17365	-0.34	0.737	-0.21885	-0.58	0.565
MOCS	0.00125	0.82	0.413	-0.00230	-1.37	0.170
LnFSIZE	0.07045**	3.08	0.002	0.08019***	4.47	0.000
LEV	-0.01473	-0.17	0.867	0.11115	0.97	0.333
BIG4	0.06375	1.55	0.120	0.02237	0.46	0.643
INDUS2	0.02053	0.10	0.922	0.02283	0.24	0.813
INDUS3	-0.02903	-0.18	0.857	-0.04920	-0.65	0.513
INDUS4	-0.14289	-0.85	0.394	-0.20455**	-2.52	0.012
INDUS5	-0.23573	-1.54	0.123	-0.25375***	-3.60	0.000
INDUS6	-0.23921	-1.03	0.304	-0.27876***	-2.58	0.010
INDUS7	-0.53277**	-2.45	0.014	-0.55566***	-5.47	0.000
R^2	0.0665			0.0750		

Beta coefficients with standard errors in parenthesis, *** p<0.01, ** p<0.05, * p<0.10

Table24 shows the test of the influence of the family shareholding with several audit committee experts found no significant influence in both methods. Control variables as LnFSIZE positively significant in both methods, while only the OLS negative is significant in INDUS4 to INDUS7. The model can predict the relationship between independent variables and dependent variables (R^2) different at 0.0665 and 0.0750.

8. Comparison of REM and Pooled OLS methods of model 8

Table 25 Comparison of REM and Pooled OLS methods

DACC	REM			Pooled OLS		
	Coef.	t	p-value	Coef.	t	p - value
Intercept	-0.14655	-1.58	0.114	-0.12977*	-1.66	0.098
MOCS	-0.00071*	-1.94	0.053	-0.00075**	-2.42	0.016
BSIZE	-0.00384	-1.26	0.207	-0.00391	-1.55	0.121
IDIB	-0.00458	-0.08	0.934	-0.00118	-0.02	0.981
CDUAL	-0.00119	-0.10	0.922	0.00152	0.13	0.896
CGROUP	0.01444	1.37	0.170	0.01358	1.44	0.151
AUDS	0.01136	1.21	0.225	0.01040	0.95	0.343
AUDE	0.00621	1.04	0.297	0.00611	0.92	0.356
LnFSIZE	0.00891**	2.47	0.014	0.00824**	2.36	0.018
LEV	-0.05707*	-1.91	0.056	-0.05763***	-2.76	0.006
BIG4	-0.02286*	-1.89	0.059	-0.01902**	-2.17	0.030
INDUS2	0.00328	0.14	0.886	0.00350	0.20	0.844
INDUS3	-0.00750	-0.41	0.682	-0.00669	-0.48	0.631
INDUS4	0.00536	0.24	0.808	0.00690	0.46	0.645
INDUS5	-0.03323*	-1.93	0.054	-0.03309**	-2.55	0.011
INDUS6	-0.02428	-0.87	0.385	-0.02420	-1.20	0.231
INDUS7	0.01134	0.42	0.673	0.01098	0.57	0.568
R^2	0.0629			0.0632		

Beta coefficients with standard errors in parenthesis, *** p<0.01, ** p<0.05, * p<0.10

Table 25 shows that the proportion of shares and board composition only MOCS variables is a significant negative influence in both methods, in which the coefficient is -0.00071 and – 0.00075, P-value < 0.05 and < 0.10. All control variables are significant only LnFsize shows a positive, while LEV, BIG 4, and INDUS5 are negative. The model can predict the relationship between independent variables and dependent variables (R^2) not different at 0.0629 and 0.0632

Summary

In conclusion, this chapter's essence is to present multiple regression analysis results using panel data with random results (REM) that are more suitable for estimation than other hypothesis testing methods. The above hypothesis test concluded that stockholding since 25 percent in the family group and having a representative or person from the family group as executive positions significantly negatively influence the management's discretion in the accrual items. To exam, the influence of the shareholding on board composition, as number of members in the board directors, the proportion of independent director to all members in the board of director, CEO duality, the relationship between the chairman of the board director and the CEO, number of the audit committee, and number of the audit committee has expertise in accounting or finance. Only the relationship between the chairman and CEO (CGROUP) and the number of the audit committee (AUDS) both of these variables are closely related to the shareholding ratio. CGROUP is strongly positive significantly while AUDS is also in the same direction.

Moreover, testing the influence of management ownership concentration shareholding in family and board composition on earnings management. It was found that only the proportion of shareholding is a significant negative relationship with earnings management. Nevertheless, all board composition variables do not find a statistically significant. Finally, the summary of the hypotheses result is provided in table26.

Table 26 Result Summary of Hypothesized Testing

Hypotheses	Estimated Sign	Description of Hypothesized Relationships	Results
H1	-	Management shareholding from the family group has a negative impact on earnings management.	Supported
H2a	+	Management shareholding from the family group has a positive influence on the board size.	Not supported
H2b	+	Management shareholding from the family group has a positive influence number of independent directors in the board of director	Not supported
H2c	+	Management shareholding from the family group has a positive relationship to CEO duality	Not supported
H2d	+	Management shareholding from the family group has a positive relationship to CEO-Group with same group as the chairman	Supported
H2e	+	Management shareholding from the family group has a positive relationship to audit committee size	Supported
H2f	+	Management shareholding from the family group has a positive relationship to number of audit committee experts.	Not supported
H3a	-	Management shareholding from the family group has a negative impact on earnings management.	Supported
H3b	-	Board size in the ownership concentrated shareholding, who are executives in the family group has a negative impact on earnings management	Not supported
H3c	-	The proportion of independent directors on the board of director is negatively relationship to earnings management.	Not supported
H3d	+	CEO duality has a positive relationship with earnings management	Not supported
H3e	+	CEO and chairman who come from the same group has a positive relationship with earnings management	Not supported
H3f	-	CEO and chairman who come from the same group has a positive relationship with earnings management	Not supported
H3g	-	Audit Committee with expertise in accounting or finance has a negative relationship with earnings management.	Not supported

CHAPTER V

CONCLUSION

The results show the test of the influence between independent variables and dependent variables in the previous chapters, by showing details such as descriptive statistics and hypotheses testing with regression analysis. This chapter summarizes key highlight study results for discussion, including research limitations and recommendations for future study directions.

This research aims to study the influence of management ownership concentration shareholding in the group of family and earnings management, the influence of the shareholding on board composition, and the influence of management ownership concentration shareholding in a family group and board composition on earnings management. This study model is empirical research by collecting data from secondary sources. The samples from companies listed on the Stock Exchange of Thailand include the M.A.I stock exchange from all industry groups; in this regard, the sample selection has two important basic criteria. Firstly, shareholders from the first to the fifth in the shareholding structure who have voting rights of the firm individuals or groups of people with the same surname or have a proportion shareholding of 25 percent or more. Secondly, a person or someone representing a group into the position of the chairman of the board director or chief executive officer or executive committee. Therefore, there are a total of 162 companies that comply with the above criteria; also, data was collected between 2014-2018 for a total of 5 years. The reason to study in those periods is that since 2012, the SEC has improved the principles and guidelines for good corporate governance in accordance with the ASEAN corporate governance scorecard.

The research data characteristics are in the form of balance panel data due to each sample having an equal observation (Gujarati & Porter, 2009). Therefore, the researchers chose to use statistical tools will use the panel data regression model. Generally, the analytical model is divided into three types: pooled OLS, which assumes that the constants and coefficients of variables in the regression equations are the same every year. The fixed effect estimates parameters with constant effects that find each variable's deviation from the mean and use the estimation of the quadratic linear least model parameters. Finally, the random effect is a coefficient representing subject-specific characteristics such as board composition and executive relations, which makes the coefficient constant within that company. However, it will change between companies in each industry. Therefore, this researcher uses random effects as an estimate. The researcher also used the Hausman specific test to confirm the selection of the appropriate model of estimation.

Conclusion

The sample group consisted of 158 firm year, which was the most service group, representing 26.60 percent, followed by industrial, property and construction, 20.30 percent and 18.40 percent, respectively. The majority of the samples were from the SET stock market, accounting for 76.60 percent. Dependent variables are discretionary accrual by Modified Jones (1995) found that the average from all industries is -.02321, the highest at 1.08918 and the lowest -.068623.

Independent variable groups consisting of the proportion of voting rights from 25 percent in the shareholding structure that is individuals or groups of people with the same surname or related party, While variables relating to good corporate governance principles are the number of members in the board of directors, the proportion of independent director to all members of the board of director, holding any position both chairman of the board and CEO, chairman of the board director and the CEO is a person that there is a relative relationship, audit committee, and expertise.

The proportion of shareholding from all seven industrial groups is 50.85 percent. The size of the board of directors average is nine people, which is in line with the CG Code for listed companies in Thailand, directors should have between 9 – 12 directors but not more than 12 directors. The proportion of independent directors is that the average proportion is 42.47 percent. The guidelines suggestions should have a proportion of non-executive directors not less than 1 in 3 of the board positions' total number of directors. CEO duality holds both positions at 18.50 percent, while the relationship between the chairman and the CEO is 39.60 percent.

Finally, the size of the audit committee is found an average of the three audit committee members, which are in accordance with the principles which specifies that the listed must have at least three persons; also a number of the audit committee expertise found an average of expertise of 1 person. According to the code, a listed company must have at least one committee with sufficient knowledge and experience to review the reliability of financial reports financial or accounting experts.

Discussion

1. Management shareholding from the family group and earnings management

To answer the research question: How does management ownership concentration shareholding in the family group relate to earnings management? The test results showed that there was a relationship in the opposite direction, which corresponds to the H1. The shareholders with a 25 percent holding stock and take important positions in the company, so have the characteristics of being a family business in which the family influences a controlled level, will be able to help reduce the opportunity to earnings management. The study result is in line with the research of Jiraporn and DaDalt (2009) comparative study of earnings management between non-family businesses and family businesses. The study found that family businesses have lower levels of earnings management than non-family businesses. Furthermore, the research result is in line with Reyna San Martin (2018) studied under the emerging market context that found family businesses help reduce the opportunity for earnings management.

The reasoning concerning the opposite direction can be explained by the concept of the “Alignment effect.” It describes the behavior of the major shareholders that be executives, trying to avoid any actions that discredit the business's reputation or snatch interests from minority shareholders and avoid the actions that will cause wealth decrease (Fan & Wong, 2002). Moreover, the reason is still consistent with the

“Stewardship theory” that explains the behavior of family businesses that want to make the business sustainable long-term success and forward it to the next generation, which will benefit in the short-term changes in stock prices.

In conclusion, the opposite effect of relationships is caused by behavior in which family executives are motivated, which can be summarized into two issues. Firstly, Family businesses have behaviors that expand the scope of investments in the long run, which helps limit the pressure on earnings management “to make the quarterly numbers to satisfy capital market participants” (Jiraporn & DaDalt, 2009). Therefore, earnings management propends to be reversed over time in the long-range, resulting in less performance manipulation. The families’ longer period as the major shareholders does not pay more attention to economic benefits than the company's reputation and sustainability (Jiraporn & DaDalt, 2009). Finally, family ownership makes every effort to maintain its reputation, which means the company's reputation well as incentives and economic benefits, including motivated by non-economic goals, such as the preservation of the family wealth and retaining family control (Gomez-Mejia et al., 2011). The major shareholders who are executives in the company as well will try to avoid acts that damage the reputation of their business (Boonyawat, 2013). The reputation that has been accumulated from the past Can be used as a benefit when fundraising is required from the stock market. Besides, reputation is an inheritance asset to descendants (Boonyawat, 2013). As a result, they are the reputation that will act as a mechanism in committing to the family to maintain a sustainable business (Jiraporn & DaDalt, 2009).

On the other hand, the opportunity that earnings management can be reduced may demonstrate the effectiveness of good governance mechanisms, which means that earnings management measures are based on data from financial reports that have been audited by the board of directors, including auditors. However, when the major shareholder and executive influence the direction of financial performance reporting, it cannot be done by using monopoly power. Because there are also good governance mechanisms to help reduce such actions, such as independent directors and the audit committee.

2. Management shareholding from the family group and board composition

To answer the research question, how does management ownership concentration shareholding in the group of family influence on board composition? The results showed that there was no relationship between the number of members in the board of directors, and the proportion of independent director to all members in the board of director, chairman of the board and chief executive officer duality, and the number of the audit committee that has expertise in accounting or finance, except for chairman of the board director and the CEO is a person with the same surname or related party and a number of the audit committee.

The board size no significant relationship is found which is not consistent with the research results of Hasan et al. (2014) research results that study the family's shareholding and the governance structure in Bangladesh. The study found that there is a significant negative relationship. The researcher argues that it is an indication of ownership that tries to discourage many directors from maintaining the family's control in the business. For this research, probably because the board's structure, consisting of many outside parties, joins the board of directors. Most listed companies have a number of committees just to comply with the rules specified by the Stock Exchange of Thailand and the SEC office (Uangudom, 2000), which is consistent with the descriptive statistic results found that the number of directors in the board of directors has an average of 9 persons, also accordance with the criteria and best practices recommended by the SEC. In addition, the results of this research show a positive relationship. There imply the family business places importance on trying to keep the number of directors at a suitable level on a regular basis. Because family businesses want to maintain their reputation in terms of transparency, the committee's size affects the management's transparency and responsibility (Hasan et al., 2014).

The proportion of independent directors on the board of directors that independent directors from outside, in the meaning of the SET, indicate that be independent of major shareholders or groups of major shareholders or the management of that company (Kumlungsua, 2016). In addition, other qualifications are determined to be independent directors, such as shareholding, not more than 1 percent, not being a person who has blood or legal relationship with a major shareholder or controlling person, and other things. This study's results are inconsistent with Hasan et al. (2014) found that the relationship between family shareholding has an opposite direction to the independence of independent committees in accordance with good governance requirements. However, according to descriptive statistics from this research, it was found that the listed companies have a number of committees just to comply with the rules specified by the Stock Exchange of Thailand and the SEC office (Uangudom, 2000). This is consistent with the descriptive statistic results, which shows that the proportion of independent directors exceeds 1/3 of the minimum according to the guidelines.

On the one hand, there is a small possibility that the board of directors' independence is governed by good governance in which a family is still an influential person. The families often try to reduce the independence of the directors (Hasan et al., 2014). In addition, the family is not willing to appoint independent directors because of fear of losing control. Also, it does not believe that non-executive directors understand the company's competitive situation and are afraid to open to various ideas and views from the outside (Ward, 1991). On the other hand, it may be because these independent directors want to maintain their reputation in the labor market (Hermalin & Weisbach, 1991).

Chairman of the board and chief executive officer duality, the result shows that the influence of family ownership does not affect CEO duality. As mentioned consistently, descriptive statistic data such as the percentage of CEO non-duality is 81.36 percent. CEO duality has a greater proportion of separation between the chairman and CEO. The results were inconsistent with Hasan et al. (2014), they study the relationship between family shareholding and the same person's hold position. Although this research results do not find a significant level of relationship from the proportion of listed companies used as examples, it illustrates that family businesses would like to show that improvements in balance and power mechanisms have been made to benefit auditing and transparency (Jensen, 1993). Also, it may be that in the present, the family business has management characteristics in an organization through important positions by allowing family members to participate in the management fully or to hire professional managers assigned by the family to be executives (Vorachardtarn, 2016). In addition, due to the nature of the business, families are often worried about the business's survival, which must maintain the business and reputation for the next generation. Therefore, there are efforts to maintain the family business image that shows attention to transparency (Amran, 2010).

The Chairman of the board director and the CEO, a person with the same surname or related party, shows the relationship between the two people. The study found that family businesses have opportunities where the chairman and CEO have relationships. Although previous research did not take the above variables to study in terms of family ownership and the opportunity that the two of them have a relationship, no research in the past can directly bring the results. However, the researcher used descriptive statistics to explain, which shows that the proportion between having a relationship and having no relationship between the two persons is close. In addition, if bringing the stewardship theory to explain the relationship that happened to show that the relationship between the two people will successfully manage the business. Because both have a bond and a sense of ownership, resulting in the ability to make management decisions that focus on the business's interests as a primary goal (Davis et al., 1997). Finally, they may also rely on each other to bring business knowledge, expertise, or relationships with political networks that benefit the business (Polsiri & Wiwattanakantang, 2004).

Audit committee size, a number of external audit committee members without management positions, the result showed that the shareholding of the family had influenced the determination of the number of audit committees in the same direction. According to the descriptive statistics, the audit committee's sample number is in accordance with the 2017 code. It requires the audit committee to have at least three members that audit committee size could enhance audit committee effectiveness. These research results are related to Al-musali et al. (2019), which studies the shareholding structure and the audit committee's effectiveness. This research shows that the number of audit committee members increases in proportion to family ownership. There are many explanations for this matter, but the key point is that family shareholders have a strong incentive to support the audit committee to protect wealth, maintaining the family reputation and social image from financial scandals. Therefore, families use the audit committee as a monitoring tool that strengthens and supports them (Al-musali et al., 2019). It is also in line with the family business's alignment effect, trying to maintain the business's reputation, which is motivated by goals beyond economic benefits. Family businesses will use the audit committee and good corporate governance practices to be in accordance with the law (Gomez-Mejia et al., 2011).

The audit committee's Number has expertise in accounting or finance from the study; there is no relationship in business with family nature, which is not consistent with Al-musali et al. (2019). The results of the descriptive statistics show that the samples have followed the guidelines set by the SEC. The result of the relationship is not found that maybe family-owned companies with higher family ownership while less information asymmetric than non-family-owned companies due to less separation of control and ownership, therefore there is little demand for expert investigating members (Al-Okaily & Naueihed, 2019; Ali et al., 2007). As a result, the family has a level of power that can be controlled, the cost of monitoring costs such as auditing can be reduced, so it may not be necessary to use more experts than the number of guidelines set (Jensen & Meckling, 1976).

It can be seen that the major shareholders belonging to the family group also have important management positions. The results of this research showed a significant level of relationship, including the chairman and CEO as a related party, and the number of independent directors responsible for auditing; both variables are related in the same direction as the shareholding. The power relations of executives indicate that centralization of control and the direction of increase for the audit committee encourage family businesses to represent transparency. The reason for this is consistent with the concept of alignment effect and stewardship theory. Furthermore, the family business's objective is forwarding the business to the next generation, which will avoid any actions that may affect the future's reputation. An important mention of this research results, although there is no relationship and other board composition variables, form descriptive statistic that indicates most listed companies to behave the code of good corporate governance for listed companies in the year 2017. However, it is only to comply with the Stock Exchange rules of Thailand and the SEC office.

On the other hand, other variables related to board composition were not found in relationships, which can also be explained by stewardship theory and alignment. The agency cost can also be explained, especially the monitoring cost that the business can reduce. Due to the family's controlling level of power, causing less information asymmetric problems, it is unnecessary to promote a higher governance system than the SEC's guidelines.

However, being concentrated in too many shares is a disadvantage to the business. In perspective, it may affect the governance mechanism when the ownership managers, who have a lot of power through a high proportion of shares, will inevitably be votes in the resolution to protect oneself from internal and external controls (Lins, 2003). It is difficult for the minority shareholders to cancel or withdraw the manager that is not doing well. This will result in conflicts between the controlling shareholder and the non-controlling shareholder (Type II problem) in the family business.

3. Management ownership concentration shareholding in group of family, and board composition on earnings management.

Testing the influence of board composition on earnings management in response to research questions; how does management ownership concentration shareholding in a group of family influence on board composition and earnings management? From the statistical hypothesis testing, all the board variables are not statistically significant except for the family group's management shareholding.

The family ownership concentration is a relationship opposite to profit management, which provides the same research results as the H1 hypothesis. The result of this research, if compared with the results of the previous studies studied under the context of the Stock Exchange of Thailand of Junhom and Srijunpetch (2012) which has the direction of a negative relationship with earnings management through the use of management discretion in accrual items but not to a level of significance. It also corresponds to Boonyawat (2013) research studied ownership structure and other CG on managers' accounting discretion, in which the study results are significantly related. This research concludes that the family's major shareholders have a strong role in the business auditing process, helping to reduce conflict of interest in selecting accounting policies (Mokthaisong et al., 2014). It also corresponds to the stewardship theory that the management serves as a steward, trying the administration to be more consistent with the business's interests.

Moreover, stakeholder theory can explain the relationship in the opposite direction, that is to say, aside from focusing on creating wealth, but only for shareholders. The entity should distribute assets and wealth to other stakeholders, such as employees, business partners, customers, or other stakeholders, resulting in management responsible for the impact of decisions on those involved with all the business (Blair, 1995). Therefore, minority shareholders are one of the important stakeholders in the business, including influencing the management of the management as well (Mokthaisong et al., 2014).

The absence of a board size relationship is consistent with the research of Jaitad (2012) and Bataineh et al. (2018), which studied in the context of emerging markets, no relationship was found with earnings management. The relationship may explain a good governance mechanism from the SEC's guidelines, which has successfully maintained an active market in Thailand. Which it may be due to listed companies have a board size that is appropriate for the size of the business and the complexity of the business (Jaitad, 2012). Also, they implemented an active market; there is no need for changing in terms of board size (Bataineh et al., 2018).

Independent directors are responsible for controlling and reviewing the management's operations to achieve the company's objectives. The result does not show a relationship with earnings management, which is consistent with Chomchan (2007), and Boonyawat (2013), which studied Thailand's stock exchange. In addition, this is consistent with research conducted with markets in ASEAN, such as Malaysia that does not have the same relationship with Thailand (Hashim & Devi, 2008; Rahman Abdul & Mohamed Ali, 2006). The cause that the research found no relationship; on the one hand, it may be an indication that the independent directors in the sample may not have complete independence. Most businesses in Thailand tend to rely heavily on business networks; therefore, it may be difficult for the family to identify and appoint a truly independent committee (Boonyawat, 2013). It also harmonizes the managerial hegemony theory. Management uses the power to select independent directors close to the management, which causes the management audit's role not to be sufficient (Wan Mohammad, Wasiuzzaman, & Nik Salleh, 2016). Moreover, knowledge of independent directors is important for performing their duties and giving recommendations rather than focusing on the number of independent directors (Boonyawat, 2013).

On the other hand, the probable cause of not finding a relationship may be due to the independent directors trying to avoid being dominated by the management, which will benefit the independent directors because of maintaining the reputation of not having interests with the management. The reputation will make it known in the business community and create demand for employment in the labor market, believing that these independent directors will help control and oversee the business to succeed (Fama & Jensen, 1983).

Separating the position of chairman and CEO, the result of this study does not show a significant relationship with earnings management opportunities, which is consistent with the research of Bataineh et al. (2018), and Boonyawat (2013). From the results of basic statistics, it was found that it has a high proportion of companies that have such actions that are in accordance with the recommendations by the regulator. It can imply that the regulatory agencies have developed and improved to be successful in applying to the stock market. Therefore, it may not be necessary to change in the term of CEO duality regulation (Bataineh et al., 2018). While stakeholder theory can also explain that the management must consider the legal benefits and other related persons that may be affected by the business activities, including stakeholders influence the management's management (Mokthaisong et al., 2014). Therefore, external pressures help reduce opportunities for earnings management.

The relationship between the chairman and the CEO has a high proportion of companies. The result does not show a relationship with earnings management at a significant level, inconsistent with (Boonyawat, 2013). However, when considering the duality, it should be noted that although the sample group has a separation between the chairman and CEO, the relationship between the two parties is not very different when compared to non-relationship. This may imply the stewardship theory, which hypothesizes that individuals are honest by themselves and include integrity in the allocation of business resources (Davis et al., 1997). The relationship between the two will have strong ties and a sense of business ownership. Therefore, it is possible to make management decisions that focus on the interests of the business. When considering the business's benefits, it will avoid actions that will reduce the business's value in the future, therefore, may not find opportunities for earnings management (Mokthaisong et al., 2014).

Audit committee size does not find a relationship with earnings management, which is not consistent with the research of Alzoubi (2016), and Fodio et al. (2013). The relationship cannot be found due to the number of directors that have not been clearly specified and appropriate for each industry group. Therefore, it may not be sufficient to protect and limit management's scope for earnings management (Chomchan, 2007).

An audit expert's point is that previous studies have found relationships with earnings management in certain industry groups, which means having knowledge and understanding of companies' accounting environment in that industry (Chomchan, 2007). However, in other industry groups that do not find a relationship, it may be because the audit committee does not understand the accounting environment, which results in the effectiveness of prevented earnings management.

Control variables is a statistically significant relationship with earnings management. The result of this research is consistent with the literature review of previous researches. Firm size is a relationship with positive earnings management, which means large listed companies. Also, the transaction's complexity is much more likely to be earnings management than companies with smaller sizes. Leverage is a financial risk indicator, found that listed companies with high financial risk have low opportunity to manage a profit. It may be due to the intensive monitoring by creditors, resulting in reduced opportunities for earnings management. Finally, the use of auditing services from the BIG 4 group found that it reduced the opportunity to manage profits better than the non-Big4 group. This may imply that the BIG 4 group has high standards for auditing. In addition, strict operations for maintaining the office's reputation that has accumulated for a long time to be accepted.

Summary

The research results can answer the research questions that concluded that family shareholding has a negative relationship with earnings management. It is important to notice that when compared with previous research results in emerging markets, relationships are often found in the same direction as earnings management. Therefore, this study's key findings are in accordance with the stewardship theory, which shows that families focus on maintaining the business's reputation and managing their business on sustainability.

Board composition is a mechanism of good governance. The results show no relationship with earnings management through the use of discretion of executives in accrual items. An important issue that consistent with the answer to the second question is the influence of the management, who has a high shareholding and represents the family in determining the number of committees, independent directors, audit committee, and the number of specialized expertise of the audit committee which has a number that requirement the criteria of the SEC's guideline. This is consistent with the managerial hegemony theory, which has the effect of management influence on committee members' selection. It may affect the directors' independence, which affects the decision-making and monitoring of the management. In contrast, The absence of such a relationship may imply the regulations outlined in the appropriate SEC guidelines to help reduce the opportunity to manage listed companies' earnings management.

The majority of listed companies are separated from the chairman of the board director and CEO, which research results did not show any relationship with earnings management. It may be due to the external pressures of various stakeholders that influence the management control of the management, which harmonizes the stakeholder theory, which is an element of the concept of corporate governance.

The relationship between the chairman and CEO, which the researcher append presented in this research, showed no correlation with earnings management. In addition, the issue that is a remark from the research results that pointed out, although the family firms will comply with the proposed rules that the chairman of the board and CEO should be separated, but those companies have circumstances to encourage both the chairman and CEO to have a relationship through ancestry or related party. There is supporting the study from the second hypothesis, which concludes that the relationship between the two persons will be more found in accordance with the proportion of family ownership increased. The stewardship theory explains that family businesses will consider the reputation and forward the business to the next generation to avoid earnings management, which is just creating short-term benefits.

Theoretical and Managerial Contribution

Theoretical Contribution

This research aims to provide an understanding of the influence of concentrated ownership of shareholding in the family group, in which the group has sent representatives to take important positions in the management of the firms, and having an influence on earnings management. The study found that the direct relationship between family ownership and discretionary accrual earnings management has the opposite influence. This is in line with the stewardship theory and alignment effect that explains how to maintain an organization's reputation and conduct business on a sustainable basis. In order to inherit the next generation without considering only short-term financial interests, but must pay attention to things that are superior to long-term economic benefits such as corporate reputation. The research also supports the managerial hegemony theory that found the relationship between executive shareholders' influence and the board's selection. To sum up, the results of this study firmly confirm the theory and concepts. In particular, the use of such theories and concepts to explain the phenomena in the emerging market.

Managerial Contribution

The study found the relationship between family ownership shares in which the group sends representatives to important positions in the organization and income management in the opposite direction. The results show that family firms have an opportunity for earnings management with low discretion. Therefore, this study's results will be beneficial stakeholders, especially investors, whether they are individuals, institutions, or funds, both local and abroad, which places great importance on choosing investments in the family firms. It gives confidence in the investment that the money invested will be able to create wealth for shareholders consistently and sustainably.

It is also useful for regulators to use as information in reviewing the criteria related to good corporate governance, especially the board's composition to be appropriate. Furthermore, the research results should be reviewed for issues related to the top management relationship. This is to create more efficient governance systems and up to date following the business environment rapidly changing in modern times.

Limitations and Future Research Directions

<u>Limitation</u>

This research limitation is that it is impossible to find true shareholders from 56-1, and annual report because some companies have cross-shareholding or pyramid-type. In addition, a holding company or a fund company that is a foreign juristic person is established as a major shareholder. This causes the researcher not to access the holding company's shareholder information or the funds that are foreign juristic persons. Therefore, the results of shareholding and family management considerations may not be entirely accurate.

<u>Future Research Direction</u>

1. To study by dividing the level of shareholding divided into various groups to consider the impact on earnings management.

2. To study earnings management by using other models to test the use of management discretion through accrual items.

3. To study the form of earnings quality in other dimensions apart from the management's discretion through accrual items such as earnings persistence, asymmetric timeliness, and timely loss recognition, and earnings informativeness.

4. To study, taking control variables such as the size of the company, financial risk, and the use of audit services from the Big 4 group to study together with earnings management and board composition.

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