İşletme Araştırmaları Dergisi
ISSN: 1309 - 0712

Journal Of
Business Research
Turk
www.isarder.org

Relationship Between Company Audit Results And Board Of Directors Components: Examination In Retail And Cement Sector

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Introduction

In the framework of the new regulations appeared in the big accounting scandals of the last century we were inresult of our audit institution of the activities of both worlds in both countries has also been linked to a comprehensive manner to the new regulations and laws. This change varies from in-house regulations to the institutions and sanctions to which they are affiliated. This study, it was tried to determine the correctness of the financial statements in the firms by examining how the audit reports of the board components affect the retail and cement sector operating in a developing economy. The gender, age, education status, size, leadership structure and independence of the management board of the companies shall be determined and examined in relation to the opinions of the independent auditors and examined in the retail and cement sector according to the panel data analysis.

Examination of Board Members

As a result of the literature review, it was decided to examine the gender, age, independence, leadership structure and size of the company board members.

Gender of Board Members; The gender factor of the board components is a continuing and controversial element. Burke (1997, 2003), Zelechowski and Scienceoria (2004) and Stephenson (2004); explains the competitive advantages that companies employing women in the board of directors can benefit. In the articles, the managers who have consumer markets, customers, innovative thoughts, and women who think socially and administratively have touched on the point of conscience. Kang et al. (2007) and Adams and Ferreira (2008) found that in US-based research, women's participation in committees increased with changing social attitudes. However, less research has been done in other developed country surveys. Catalyst (2004) reports 353 Fortune 500 companies in the United States during 1996-2000. Companies with the highest representation of women in senior management teams have a 35% better return and 34% better overall return in equity. On the other hand, Farrell and Hersch (2005) found that women tend to serve in better performing institutions, but there was no relationship between gender diversity and performance on the governing board. Again in the study of Adams and Ferreira (2008), both indirect and direct connections were found, positive relationship between gender and management was determined, but there is a positive relationship between return of assets and gender

Age Status of Board Members; The management of the firm is mainly composed of a mature and experienced management board (Kang et al. 2007, p.197). In Gilpatrick's (2000) study, managers who are mature and older than the less experienced and younger age groups, appear to be higher on board memberships. Murray (1989) argues that individuals with similar values of a homogeneous governing body and having the same historical events should be formed. Since such management boards will be more familiar with the company and its values, it has been determined that healthier targets will be set and communication will be done more accurately. Houle (1990) argues, however, that an age-agnostic steering committee can provide a more efficient division of labor; mature, experienced and financially resourceful middle age group, while young group managers are open to innovation and provide the dynamics of business knowledge. However, Murray (1989) argues that decisions that support short- and long-term growth can lead to incompatibilities stemming from these age groups in the executive board.

Board of Directors and Leadership Structure; Kesner and Johnson, (1990); Lorsch and MacIver, (1989); Rechner and Dalton, (1990), there are many alternative views on the need for the board of directors to work as CEO at the same time. According to Dobrzynski (1995), some managers consider separating these roles only as emergency precautions and that some companies in financial difficulties require a temporary restructuring process. Anderson and Anthony (1986); Donaldson (1990); Finkelstein and Lorsch (1993) view of managers is related to managerial theory. According to this theory, internal and external uncertainty is reduced by the persons who are in the CEO and the board of directors, and the persons responsible for the company processes and outputs are clearly identified. At the same time, Donaldson and Davis (1991) found that increasing stock performance would result in more stock returns.

Board of Directors and Independence; The standard view among company managers is that the independence of the board is effective. Fama (1980) and Fama and Jensen (1983) propose the union of board members and employees within the firm at the effectiveness of the board of directors. Rosenstein and Wyatt (1990) found that adding another external director to the board increased corporate value. Brickley, Coles, and Terry (1994) found that the majority of board members had positive outcomes on the stock market. It is stated that the executives who take part in the management from outside the bullfight will act by considering the interests of the shareholder. According to Karpoff and Lott, firms are faced with a significant cost factor because of the fact that when corporate fraud occurs in firms, they will damage the reputation of non-company managers in the market. Beasley (1996) examined whether a large proportion of the members of the board of directors on the board had affected the deeds in the financial statements in particular and found a positive result.

Board Size; Lipton and Lorsch (1992) thinks that as management grows, the effectiveness of managers' controls is diminishing, and it becomes increasingly difficult to coordinate the difficulties of making firm strategic decisions. At this stage, they pointed out that a new understanding of management was needed. Again, Jensen (1993), who supported this argument, observed that an effective management struggle is difficult and the CEO is easier to control when there are more than seven to eight executive board members. Holthausen and Larcker (1993) found a positive relationship between board size and CEO's value, but found no consistent finding that there was a relationship between board size and company performance.

Control of Audit Institutions; The reports of the audit institutions include partners, investors, investors, managers, business people, buyers, trade unions, professional chambers, government, social security institutions, and closely monitored by following the developments in this information and the information contained in the financial statements of the enterprises. Auditing firms have a very important role in institutionalization, correct operation and reliable results in reducing accounting errors and frauds, which is achieved by both the internal and external audit of management and board members.

Data and Analysis

The study included variables such as independent audit opinion, board size, gender distribution, CEO ownership, independence, largest shareholder structure, model company performance and firm size control variables for 11 retail companies and 12 cement companies published by KAP in 2010-2016.

In the study, companies were tried to determine the importance of the opinions of the auditors by looking at the relation between the board members and audit opinions by using the literature. This analysis was carried out in two different sectors and tried to reveal sectoral differences. It was deemed appropriate to conduct the empirical dimension of the study with a balanced panel analysis. After this information, the model of our work is based on our hypotheses.

$$Y_{it} = \alpha + \beta_1 YKbyk_{1\,it} + \beta_2\, CNS_{it} + \beta_3\, CEO_{1\,it} + \beta_4\, Bgsz_{it} + \beta_5\, Fbhissedar_{1\,it} + \beta_6\, Fperf\, CNS_{it} + \beta_7\, Fbyk + u_{it.}$$

Result

The study also shows that the factors of firm size, which are defined as gender and control variables in the cement sector, are influential on auditor opinions. In the retail sector, it has been determined that auditor opinions are not influenced by any of the board members. In other words, according to the results found in the summer, auditor opinions are not affected by the presence of CEOs in the board of directors, gender distribution in the board of directors, auditors, number of board members, largest shareholder share in the board, company performance, On the other hand, it has been determined that only the gender and firm size of assets in the cement sector affect auditor opinions. The fact that they are mostly not influenced by the components of the board in both sectors shows that the delegates report more transparent and correct opinions. In particular, it is very important that auditors are not affected by the independence component. Because the auditor, who is a member of the board of directors, has no effect in the opinion of the relevant company, in fact it should be a result. On the other hand, the number of board members and the largest shareholder structure do not affect the opinions of the auditors. Only in the cement sector the size of the firm and the gender factor affect the auditor’s views. In line with these results, the opinions of the auditors in the two sectors are not affected much by the components of the board. This leads us to the fact that the views are transparent, complete, clear and accurate. When we check this by model performance variables and company size, we found that only firm size is effective in cement sector. As the firm grows, changes in the views of auditors are thought to have led to a need for more rigorous and comprehensive analysis.

In this study, a literature review with the board of directors will be studied to determine the relationship between variables revealed the results of an independent audit report opinion. In other words, the board of directors in accordance with the present situation with the position of employees with accounting scandals will be studied to determine the relationship between the audit report with significant results. Retail sector and cement sector in mind, this framework will be subject to a separate analysis, so that will be identified in the differences between sectors and by determining the relationship with the board components of the audit firm it aims to contribute to the literature.