

Is Financial Communication on Euronext Brussels linked to Ownership Structure?

Laetitia Pozniak¹, Mélanie Croquet² and Olivier Colot³

Abstract

The aim of this research is to study the financial communication's quality of firms quoted on the NYSE Euronext in Brussels and to find a link with the ownership structure.

To reach this goal we use two techniques. First of all, we build an analysis grid of annual report in order to get a score for each company of our sample.

Then we use a Logit model in order to regress the probability of having a good quality score of financial communication with ownership structure variables and other control variables.

The results show that concentration capital in the hands of institutional investors and families tend to push companies to disclose financial information of higher quality in their annual report. The size of the firm and its level of debts also seem to have a positive impact.

JEL classification numbers: G32

Keywords: Ownership structure, financial communication, Euronext Brussels, concentration/dilution capital

1 Introduction

In Belgium, the analysis of financial communication, on the internet or in the annual report, has focused on the unregulated markets of the NYSE Euronext: the Free Market and Alternext (Pozniak, 2010; Pozniak & Croquet, 2011; Pozniak, 2013). Those markets are especially design for small and medium sized firms because their rules and obligations are softer than on the regulated market.

¹ University of Mons.

² University of Mons.

³ University of Mons.

Previous studies have highlighted that:

- There is a big diversity in the way to communicate financial information
- The link between ownership structure and financial communication is not obvious and influenced by the firm performance.

Quite the same results are found by Labelle & Schatt (2005) and Bauweraert & Colot (2013) who studied non-financial firms quoted on Euronext Paris.

The regulated market of the NYSE Euronext imposes important obligations of financial communication but has no requirement regarding the quality of this communication.

This research has two goals. First, we want to evaluate the financial communication's quality in the annual report of firms quoted on Euronext Brussels.

Second, we want to highlight the link between the ownership structure and financial communication's quality, like Labelle & Schatt (2005), de Burako (2007), Khodadadi et al. (2010) and Ben Ayed-Koubaa (2011) did.

The first point of this paper present the literature review related to the link between the ownership structure and financial communication's quality and our research hypothesis.

The second part present the methodology used to evaluate financial communication's quality and to highlight the link with the capital structure.

The third part shows the results of the annual report analysis and the Logit Model. Conclusion and future researches possibilities are finally exposed.

2 Literature Review

Several theories are usually mobilized when the link between the structure of property and financial communication is explored.

The first theory concerns the positive link between the part of the capital held by the public and the quality of financial communication. This theory is supported by the Agency theory developed by Jensen and Meckling (1976). The agency costs engendered by the separation of the property and the management of the company indeed increase when the shareholding is diluted. A financial communications of better quality would thus be a necessity in this type of company to improve the transparency of the management in the eyes of the shareholders.

The positive impact of capital dispersion on financial communication's quality is highlighted by several empirical researches, presented in Table 1.

Table 1: Impact of capital dispersion on financial communication’s quality

| <i>Autors</i> | <i>Sample</i> | <i>Aim of the study</i> | <i>Methodology</i> | <i>Capital dispersion’s measure</i> | <i>Financial communication’s measure</i> | <i>Observed effect</i> |
|--------------------------------------|---|--|---------------------|-------------------------------------|--|------------------------|
| Asbaugh, Johnstone & Warfield (1999) | 290 un-financial firms identified thanks to their AIMR rating. | Determiners of investor relation’s quality on the internet | Logistic Regression | Free float | Scoring | Positive |
| Bollen, Hassink & Bozic (2006) | 270 firms quoted in Brussels, Paris, Amsterdam, London, Johannesburg & Sidney, with biggest market capitalization | Determiners of investor relation’s quality on the internet | OLS Regression | Free float | Scoring | Positive |
| Pozniak (2013) | 68 firms quoted on French and Belgian un-regulated markets. | Determiners of internet financial communication | OLS Regression | Free float | Scoring | Un-signif icative |

The literature review concerning the connection between dispersion of the capital and quality of the financial information brings us to put the hypothesis 1 has follows:

Hypothesis 1 : Companies with diluted capital present a financial communication of higher quality.

The second theory is connected to the influence of the capital concentration on financial communication’s quality. Most of the empirical studies seem to validate the negative effect of the capital concentration financial communication’s quality. The transparency of the financial information would seem less necessary within companies controlled by a majority shareholding.

Table 2: Impact of capital concentration on financial communication's quality

| <i>Auteurs</i> | <i>Sample</i> | <i>Aim of the study</i> | <i>Methodology</i> | <i>Capital concentration's measure</i> | <i>Financial communication's measure</i> | <i>Observed effect</i> |
|-------------------------------------|---|---|-----------------------------|--|--|------------------------|
| Gelb (2000) | 3219 firms (except financial firms) | Link between capital concentration and financial communication | OLS regression | Amount of share held by majority shareholders (min 10%). | AIMR disclosure ranking | Negative |
| Paturel, Matouissi & Jouini, (2006) | SBF 120 and FTSE 100 (except financial firms) | Determiners of internet financial communication | OLS regression | Amount of share held by majority shareholders (min 5%). | Scoring | Negative |
| Ben Ali & Gettler Summa (2006) | SBF 120 (except financial firms) | Link between capital structure and financial communication | Logistic regression | Herfindhal's index | Nominated for best annual report award | Negative |
| Abdelsalam, Bryant & Street (2007) | 120 firms quoted on the London Stock Exchange | Determiners of internet financial communication | OLS regression | Amount of share held by majority shareholders (min 3%). | Scoring | Un-significative |
| Barredy & Darras, (2008) | 203 family firms | Link between capital concentration and internet financial communication | AFC and non-parametric test | Min 50% held by a family | Scoring | Negative |
| Almilia (2009a) | 303firms quoted on the Indonesia stock exchange | Determiners of internet financial communication | Logistic regression | Amount of share held by majority shareholders | Scoring | Positive |
| Ben Ayed-Koubaa (2011) | 61 firms of SBF120 studied from 2002 to 2007 | Link between corporate governance and financial communication's quality | OLS regression | Existence of a company control or not | Mistake of financial analysts' forecast | Positive |

However, the argument according to which the capital concentration would have a negative impact on the quality of the revealed financial information seems rather restrictive given the various types capital concentration and their links with the control of the company. In a context of concentrated property, the conflicts of agency are especially situated between the shareholders of control and the minority shareholders (La Porta, Lopez de Silanes, Shleifer & Vishny, 1998). The control shareholders can effectively be tempted to appropriate "*private profits besides the public profits*" (Ledentu, 2008: 27) and / or to maintain narrow relations with the manager (Denis & McConell, 2003). Accordingly, the level of financial transparency of companies with concentrated shareholding can strongly vary according to the level of informative asymmetry between majority shareholders and minority shareholders.

Two cases of capital concentration here to be envisaged: the case of the concentration in the hands of external shareholders of control such as institutional investors and case of the company concentrated in the hands of families. The impact analysis of these two types of concentration on financial communication's quality engenders two different argumentations even if it seems that the existence of control shareholders tends to reduce the managerial opportunism (Demsetz & Lehn, 1985).

The first argumentation is the based on the manager's monitoring and the disciplinary role played by the external control shareholders who would favor the performance of companies (Kaplan & Minton, 1994 ; Morck, Nakamura & Shivdasani, 2000 ; Gordon & Smid, 2000 ; Chen, 2001 ; Wiwattanakantung, 2001). This disciplinary role would be strengthened within the framework of the shareholder structures dominated by institutional investors (Agrawal & Mandelker, 1990 ; Jiang & Habib, 2009). This type of

shareholding is particularly requiring in terms of financial quality information (Healy et al., 1999 ; Bushee & Noe, 2000). The studies of Burako (2007), Khodadadi et al. (2010) and Ayed-Koubaa (2011) highlight positive link between the percentage of capital in the hands of institutional investors and the quality of financial information disclosure.

Hypothesis 2: Companies with capital concentrated in the hands of institutional investors present a financial communication of higher quality.

The second argumentation argues that a company held by a family has a best knowledge of the activities and so a lower need for information. Besides, several studies showed that the interests of the minority shareholders were better protected within the family companies because of the presence of the family within the capital and within the management of the company. There would be thus within these companies a weaker propensity to disclose financial information (Ben ali & Gettler-Summa, 2006; Barredy & Darras, 2008 ; Amal & Faten, 2010).

Agency conflicts between majority and minority shareholders would be higher in family company. Those conflicts incite the majority to maintain the informative asymmetry between their block of control and the minority shareholding by checking the information disclosure (Ali, Chen & Radhakishnan, 2007).

Hypothesis 3: Companies with capital concentrated in the hands of a family present a financial communication of lower quality.

The link between the ownership structure and financial communication's quality could be influenced by others variables such as the firm's size, its performance, and its level of debts.

Many academic researchers highlight the size effect on the level of financial disclosure (Craven & Martson, 1999 ; Asbaugh, Johnstone & Warfield, 1999; Ho & Wong, 2001; Larran & Giner, 2002; Bonson & Escobar, 2002; Debreceeny, Gray & Rahman, 2002; Ettredge, Richardson & Scholz, 2002; Oyelere, Laswad & Fisher, 2003 ; Rodriguez & Menezes, 2003; Mendes-da-Silva & Christensen, 2004; Bollen, Hassink & Bozic, 2006; Andrikopoulos & Diakidis, 2007; Almilia, 2009a et b; Pozniak & Croquet, 2011; Pozniak, 2013). Several reasons are put forward:

- The information asymmetry between managers and shareholders is higher in bigger companies. So those companies suffer from higher agency costs. In order to reduce this information asymmetry and the agency costs, bigger companies tend to disclose more financial information.
- Bigger companies are more visible publicly and more susceptible to draw the attention of the authorities. So they disclose more financial information to look after their reputation and their image.
- Having an information system more developed than small companies, production and communication of information represent a lower cost for large companies.

Hypothesis control variable A: Bigger companies present a financial communication of higher quality.

The impact of capital structure is strengthened by the fact that within companies with strongly diluted shareholding, the risk of eviction of the managers is increased and strengthened by possible bad performances of the company (Labelle & Schatt, 2005). A financial disclosure of high quality could help the manager to differ from its bad performances and to avoid its eviction.

Bad performance could lead to takeovers in which the rate of manager replacement is raised (Martin & Mc Connell, 1991). Levant (2000) discovers that in 60 % of the cases of strategic acquisitions, the manager is replaced the year following the takeover.

Futhermore, conflicts between majority and minority shareholders would be less important in good performing firms (Charlier & Lambert, 2013).

Hypothesis control variable B: Companies with higher performance level present a financial communication of higher quality.

The role played by company's level of debts on the level of financial disclosure was studied by several empirical researches. Most of these works (Debreceeny, Gray & Rahman, 2002 ; Oyelere, Laswad & Fisher, 2003 ; Laswad, Fisher & Oyelere, 2005 ; Andrikopoulos & Diakidis, 2007 ; Almilia, 2009a) discovered a positive link. The authors mobilize the agency theory to explain that: the increase of the debts came with the increase of agency conflicts between shareholders and creditors. To reassure its creditors on its capacity to pay its debts, the company will tend to communicate more information. According to Jensen and Meckling (1976) the most indebted companies should rather communicate voluntarily information with the stakeholders of the company to reduce the information asymmetry.

Hypothesis control variable C: Companies with higher debts level present a financial communication of higher quality.

3 Data and Methodology

In this section, we present first of all the sample which our study concerns.

Then, we develop elements allowing estimating the quality of financial communication and we explain how we built our analysis grid of annual reports.

The scoring is specified and we demonstrate the way this score allow us to classify our sample in two groups: the companies with higher quality of financial communication and the others.

Finally, the Logit model is exposed and the explanatory variables are defined.

3.1 Sample

This study concerns 68 firms quoted on the stock market of Brussels which belong to the NYSE Euronext. We choose to focus on companies members of compartment A and C. This choice allows measuring the size effect. Proxy of the size is naturally the market

capitalization because companies quoted on the compartment A have market capitalization over the billion euros (blue chips); companies quoted on the compartment C have market capitalization lower than 150 million euros (small caps).

In our sample, 47 Belgian companies are situated in compartment A and 21 in the compartment C.

3.2 Evaluation of Financial Communication's Quality

The study of the financial communication's quality is not a recent subject because one of the first studies carried out on the subject is the one of Cerf (1961). However, Ben Ayed-Koubaa (2011) underlines the rarity of the definitions of the quality of the information and the fact that it makes difficult evaluating this quality. According to Michailesco (1999), to be of quality, information needs to be sincere, valuable and understandable. Bertrand (2000) defines the quality of the information through the meeting of three criteria: the comprehensiveness, the precision and the reliability.

Many authors measure the quality of information with the level of voluntary disclosure. They can be divided in two categories which use the annual rapport as the main communication tool.

The first category study the voluntary effort of communication (Firth, 1979; Mac Nally et al. 1982; Chow & Wong Boren, 1987; Cooke, 1989 & 1991; Meek et al. 1995; Raffournier, 1995; Michailesco, 1999; Depoers, 1999; Ho & Wong, 2001; Chau & Gray, 2002; Ferguson et al. 2002; Akhtaruddin et al. 2009).

The second category study sector information disclosure and corporate communication (Bradbury, 1992; Mc Kinnon & Dalimunthe, 1993; Mitchell et al. 1995; Scott, 1994; Entwistle, 1999; Stolowy & Ding, 2003).

Those studies use the same methodology to measure the level of voluntary disclosure: with the help of an analysis grid, they count the item of the grid available in the annual rapport and they get a score of voluntary disclosure.

Ben Ayed-Koubaa (2011) mentions the evaluation of information's quality by independent organisms. Three kind of evaluation are possible:

- Scores given by "Association for Investment Management and Research » (AIMR). Those scores were used by several researchers (Lang & Lundholm, 1996 ; Sengupta, 1998 ; Healy et al., 1999 ; Bushee & Noé, 2000 ; Gelb, 2000 ; Botosan & Plumlee, 2002);
- Transparency index developed by the international center of research and financial analysis (used in Hope, 2003);
- The evaluation of SBF 120 done by Sofres Institute in 2000 at Euronext's demand. This evaluation was used at first place by Labelle & Schatt (2005).

Ben Ayed-Koubaa (2011) says that the precision of analysts' previsions is a better measure of information's quality than a score. Nevertheless we can observe very different prevision and we are not sure that prevision's gap is a signal of bad communication.

In this study the quality of financial communication is measured by a scoring established thanks to our analysis grid of 40 items. The constitution of this analysis grid is based on the works of Botosan (1997), Robb et al. (2001), Beattie & Pratt (2002), Vanstraelen et al. (2003) and Beattie et al. (2004). They developed their analysis grid inspiring themselves of Jenkins committee's report. This committee, created in 1991 by American Institute of Certified Public Accountants, was in charge of working on the relevance and the utility of

financial communication. This report proposes recommendations to improve the quality of financial communication of companies (Robb et al. 2001), it is a foundation in this domain and it influences very widely researches in the financial communication's fields (Beattie et al. (2004).

Table 3: Analysis grid of annual reports

| 1) Financial and non Financial informations | |
|---|--|
| a. Financial | |
| 1 | Return on assets (ROA) |
| 2 | Return on equity (ROE) |
| 3 | Cash-flow |
| 4 | Investment amount |
| 5 | Operating capital |
| 6 | Earnings per share (EPS) |
| 7 | Market capitalization |
| b. Non Financial | |
| 8 | Number of workers |
| 9 | Salaries |
| 10 | Markets shares |
| 11 | Numbers of sales |
| 12 | Price for a product |
| 13 | Customers' satisfaction |
| 2) Managers' analysis | |
| 14 | Variation of sales |
| 15 | Variation of operating profit |
| 16 | Variation of financial costs and revenues |
| 17 | Variation of net profit |
| 18 | Variation of receivables |
| 19 | Variation of investments |
| 20 | Variation of market shares |
| 3) Forecasting of.. | |
| 21 | Future market shares |
| 22 | Future cash-flow |
| 23 | Future investments |
| 24 | Future sales |
| 25 | Future earnings |
| 26 | Future risks |
| 27 | Future opportunities |
| 28 | Reasons explaining difference between actual results and announced et les prévisions faites précédemment |
| 4) Information about managers and shareholders | |
| 29 | Identity and description of managers |
| 30 | Identity of important shareholders and their number of shares |
| 31 | Number of managers 'shares |
| 32 | Number of workers 'shares |
| 33 | Managers 'salaries and how it is calculated |
| 5) Information about firms 'environment | |
| 34 | Description of the firms |
| 35 | Objectives of the firms |
| 36 | Information about competitors |
| 37 | Information about barrier entry |
| 38 | Information about principal products / services |
| 39 | Information about the market |
| 40 | Information about contract with bigger customers |

Using the analysis grid to measure the quality of financial communication, we give 0 point when the item is absent, 1 point when available and 2 point when the item is developed in details. There are 40 items in our grid, so the score is minimum 0 and maximum 80.

The financial communication tool analyzed in this study is the annual report 2011, available on companies' websites.

Bertrand (2000) says that the annual report is a privileged channel evaluating financial communication's quality. Indeed, it's a privileged source of information for institutional investors and financial analyst, the coherence between the various supports of financial communication and the accessibility of the document.

Hail (2002) underlines the difficulty evaluating financial communication because the researcher's perceptions could influence the score. To limit this bias, only one researcher of our team analyzed the 68 annual reports. Furthermore, a validity test (Hassan & Marston, 2010) is made to check the results 'stability. Actually, 3 rapports chosen randomly were analyzed a second time, some weeks after the start of the study. The scores were the same so it shows the stability in the evaluation.

Table 4: Average scores of financial communication

| Firms | Average Score (Std. Dev) | Score max. | Score min. |
|--------------------------|--------------------------|------------|------------|
| Blue chips 21 firms | 39.05 (13.21) | 54 | 12 |
| Small caps 47 firms | 32.49 (10.70) | 51 | 8 |
| Total Sample 68 firms | 34.51 (11.83) | 54 | 8 |

Looking table 4, we can see a weak average score of financial communication: 34.51 points up to 80 points in the grid. The second remark concerns the average scores slightly higher for companies in compartment A of the NYSE Euronext Bruxelles. The highest minimum and maximum scores also find themselves within the companies of big capitalization.

The following table presents a division of the sample according to the average score and size of companies.

Table 5: Average scores of financial communication according to companies' size

| Repartition according average score | Number of firms | Number of firms according size criteria | Percentage |
|-------------------------------------|-------------------|---|------------|
| Score < 34.51 | 29 firms (42.65%) | 5 blue chips | 23.81% |
| | | 24 small caps | 51.06% |
| Score > 34.51 | 39 firms (57,35%) | 16 blue chips | 76.19% |
| | | 23 small caps | 48.94% |

When the sample is cut according to the average score of financial communication, we notice that more than half companies of the sample present an individual score upper to the average score of 34.51 points. Besides, more than 75 % of blue chips of the total sample belong to this category of companies presenting a better quality of financial

communication. This observation pleads in favor of a size effect on company's financial communication quality. This effect will be tested during this research.

3.3 Logit Model

To test our hypothesis presented below we use a Logit model which allow regressing the probability for companies to be have a financial communication score higher than the average score of the sample. Contrary to the Probit model, the Logit model does not suppose the normal distribution of residues (Evrard, Pras & Roux, 2009).

The aim of this regression is to predict the membership group according to explanatory variables. Two groups are defined:

- Firms with a communication score higher than the average score of the sample;
- Firms with a communication score lower than the average score of the sample.

The general model takes on the following shape: $P = P(Y=1/X_1, \dots, X_p)$ where :

- Y is the dependent variable, the probability of financial communication quality;
- X_1, \dots, X_p are the explanatory variables.

Table 6: Variables definitions and measures

| Variables | Definitions | Measures |
|-----------|-------------------------------|--|
| SCORE | Financial communication score | Binary variable taking the value 1 if the score of the company is higher than the average score of the sample (34.5), otherwise 0. |
| FREEFLOAT | Capital dispersion | Percentage of shares in the public |
| INVINS | Capital concentration | Percentage of shares held by institutional investors |
| FAM | | Binary variable taking the value 1 if the percentage of shares held by a family is higher than 25%, otherwise 0. |
| ROE | Performance of the company | $ROE = (\text{cash flow}) / \text{Equity capital}$ |
| SIZE | Size of the company | Natural logarithm of market capitalization |
| DEBT | Level of debts | Ratio : Total debt / total assets |

4 Main Results

The Mobel Logit 1 study the link between capital dilution and financial communication's quality.

Table 7: Capital dilution and financial communication’s quality

| logistic regression | | | | number of obs = | 65 | |
|----------------------------------|--------------|------------------------|----------|------------------------|----------------------------|------------|
| log pseudolikelihood = -37.26176 | | | | wald chi2 (4) = | 11.83 | |
| Iteration n°4 | | | | Prob >chi2 = | 0.0187 | |
| | | | | Pseudo R2 = | 0.166 | |
| Score | Coef. | Robust Std.Err. | z | P> z | [95% Conf.Interval] | |
| freefloat | -0.0077567 | 0.0106639 | -0.73 | 0.467 | -0.0286577 | 0.0131442 |
| debt | 0.0275466 | 0.0114351 | 2.41 | 0.016 | 0.0051342 | 0.049959 |
| profit | -0.0068546 | 0.0114926 | -6 | 0.551 | -0.0293797 | 0.0156704 |
| size | 0.3098301 | 0.1403957 | 2.21 | 0.027 | 0.0346596 | 0.05850005 |
| _cons | -3.998183 | 1534474 | -2.61 | 0.009 | -7.005696 | -0.9906692 |

Model Logit 1 is statistically significant at 5 percent.

Coefficient of the “free float” variable, measuring the capital dilution, appears to be un-significant. This variable does not explain the financial communication’s quality. Our first hypothesis can’t be validated.

Otherwise variables “debt” and “size” are statistically significant at 5 percent. It means that bigger firms and more indebted firms have a higher probability to show a better financial communication.

The second model studies the link between capital concentration in the hand of families or institutional investors and financial communication’s quality.

Table 8: Capital concentration and financial communication’s quality

| logistic regression | | | | number of obs = | 65 | |
|-----------------------------------|--------------|------------------------|----------|------------------------|----------------------------|-----------|
| log pseudolikelihood = -30.961915 | | | | wald chi2 (4) = | 16.84 | |
| Iteration N°4 | | | | Prob >chi2 = | 0.0048 | |
| | | | | Pseudo R2 = | 0.307 | |
| Score | Coef. | Robust Std.Err. | z | P> z | [95% Conf.Interval] | |
| instinvestor | 0.039338 | 0.0191559 | 2.05 | 0.04 | 0.001793 | 0.0768829 |
| family | 2.456513 | 0.7546758 | 3.26 | 0.001 | 0.9773759 | 3.935651 |
| debt | 0.036792 | 0.0136347 | 2.7 | 0.007 | 0.0100685 | 0.0635155 |
| profit | -0.0040015 | 0.0093423 | -0.43 | 0.668 | -0.022312 | 0.014309 |
| size | 0.2507048 | 0.1345616 | 1.86 | 0.062 | -0.013031 | 0.5144406 |
| _cons | -5.274659 | 1.957313 | -2.69 | 0.007 | -9.110923 | -1.438395 |

Model Logit 2 is statistically significant at 1 percent.

Variables “family” and “instinvestor”, measuring the capital concentration, are also statistically significant at 1 percent. It means that the probability of having a better financial communication is higher for firms held by families or institutional investors.

This result allows us to validate our hypothesis 2.

However the positive impact of “family” variables goes against our hypothesis 3 and the results of previous researches (Ben ali & Gettler-Summa, 2006; Barredy & Darras, 2008; Amal & Faten, 2010). This result can be explained by less items of the analysis grid available in the annual report but more developed. Those detailed information can bring more points in the total scoring. So family firms would communicate fewer items but they would more detail them.

To complete the previous results, the matrix of confusion was elaborated from the explanatory variables of the second tested model. The results of this matrix allow to validate the discrimination of the financial communication’s quality

Table 9: Matrix of confusion.

| | | Classified | | |
|------------|-------|-------------|-------------|--------------|
| | | 0 | 1 | Total |
| True Score | 0 | 23 79.31 | 6 20.69 | 29 100.00 |
| | 1 | 9 25.00 | 27 75.00 | 36 100.00 |
| | Total | 32 49.23 | 33 50.77 | 65 100.00 |

Thanks to this matrix, we can find that only 15 companies appear as badly classified on the basis of the discriminating variables inserted into the logit model. It means that for 77 % of the companies of the sample, there is a match between the theoretical classification based on the logit model and the classification observed during the analysis of annual reports. This percentage of well classified companies is completely acceptable and valid the discriminating capacity of the explanatory variables.

5 Conclusion

The aim of this paper was double. First, we wanted to study financial communication’s quality in the annual report of blue chips and small caps quoted on Euronext Brussels. Then, we wanted to identify ownership structure variables which influence this quality.

The ownership structure was measured by the way of capital dilution and concentration, and also controls variables such as size, performance and level of debts.

The results of our Logit model show that a firm has more chance of having a high quality communication in its annual report if:

- the market capitalization is high
- the level of debt is high
- institutional investors have a high part of the capital
- families have a high part of the capital

The originality of this paper was to study firms quoted on the regulated markets of Brussels despite other Belgian studies focused on unregulated markets.

Then, the way of evaluating the quality of financial communication is also original because items of the analysis grid are weighted.

All studies suffer from limits. In this paper, we can point out the scoring technique and the subjectivity in giving 1 or 2 point for an item.

In future researches we could study more in depth the positive impact of family ownership highlighted in this paper and we could enlarge the sample to midcaps.

References

- [1] Abdelsalam, O. H., Bryant, S. M. & Street, D. L., An examination of the comprehensiveness of corporate internet reporting provided by London-listed companies, *Journal of International Accounting Research*, **6**(2), (2007), 33 p.
- [2] Agrawal, A., & Mandelker, G., Large Shareholders and the Monitoring of Managers, the Case of Antitakeover Charter Amendments., *Journal of Financial and Quantitative Analysis*, **25**(2), (1990), 143-167.
- [3] Akhtaruddin, M., Hossain, M.A., Hossain, M., & Yao, L., Corporate governance and voluntary disclosure in corporate annual reports of Malaysian listed firms, *Jamar*, **7**(1), (2009), 1-19.
- [4] Ali, A., Chen, T.Y., & Radhakrishnan, S., Corporate disclosures by family firms », *Journal of Accounting & Economics*, **44** (1/2), (2007), 238-286.
- [5] Almilia, L., An Empirical Study of Factors Influencing internet Financial and Sustainability Reporting in Indonesia Stock Exchange, *Working paper*, (2009a), **21** p. Available at:
http://www.afaanz.org/openconf/2009/modules/request.php?module=oc_program&action=view.php&id=158
- [6] Almilia, L., Determining Factors of internet Financial Reporting in Indonesia, *Accounting & Taxation*, **1**(1), (2009b), 87-99.
- [7] Amal, H., & Faten, L., La transparence de l'entreprise et la structure de propriété : cas des entreprises françaises, *Actes du 31ème Congrès de l'Association Francophone de Comptabilité*, (2010), 1-29.
- [8] Andrikopoulos, A. & Diakidis, N., Financial reporting practices on the internet: the case of companies listed in the Cyprus stock exchange, *Working paper*, (2007), 22p
- [9] Ashbaugh, H., Johnstone, K. & Warfield, T., Corporate reporting on the internet, *Accounting horizons*, **13**(3), September, (1999), 241-257.
- [10] Barredy, C. & Darras, N., L'utilisation d'internet dans la communication auprès des actionnaires minoritaires dans les entreprises familiales cotées, *Journal des entreprises familiales*, **1**(1), Hiver, (2008), 41-68.
- [11] Bauweraerts, J. & Colot, O., Second blockholder, institutional investors, family ownership and performance: An analysis on the French stock market, *IFERA Annual Conference*, 02-05 juillet 2013, St. Gallen, Suisse, (2013), 21 pages.
- [12] Beattie, V., & Pratt, K., Voluntary Annual Report Disclosures: What Users Want , Research Report, Edinburgh: Institute of Chartered Accountants of Scotland, (2009).
- [13] Beattie, V., McInnes, W., & Fearnley, S. (2004), A methodology for analysing and evaluating narratives in annual reports: a comprehensive descriptive profile and metrics for disclosure quality attributes, *Accounting Forum*, **28**(3), (2004), 205–236
- [14] Ben Ali, C. & Gettler-Summa, M., La communication financière et la structure de propriété: le cas français, *Comptabilité, Contrôle, Audit et Institutions*, Association Francophone de Comptabilité, Conférence, halshs-00558437, version 1, Hammamet, Tunisie, (2006), 30 p.
- [15] Ben Ayed-Koubaa, H., Qualité de la communication financière au sujet des pratiques de gouvernance d'entreprise : cas du SBF 120, *Actes du 32ème Congrès de*

- l'AFC, Comptabilités, économie et société*, Montpellier, (2011), 1-47.
- [16] Bertrand F., Les stratégies de communication financière des grandes des grandes sociétés françaises cotées : une étude empirique, *Working paper*, n°569, IAE, Aix en Provence, Centre d'Etudes et de Recherche sur les Organisations et la Gestion, (2000), 1-28
- [17] Bollen, L., Hassink, H. & Bozic, G., Measuring and explaining the quality of internet investor relations activities: a multinational empirical analysis, *International Journal of Accounting Information Systems*, vol. 7, (2006), 273-298.
- [18] Bonson, E. & Escobar, T., A survey on voluntary disclosure on the internet: Empirical evidence from 300 European Union companies, *The International Journal of Digital Accounting Research*, 2(1), (2002), 27-51.
- [19] Botosan, C. A., Disclosure level and the cost of equity capital, *The Accounting Review*, 72(3), (1997), 323-349.
- [20] Botosan, C.A., & Plumlee, M.A., A Re-examination of disclosure quality and the expected cost of capital, *Journal of Accounting Research*, 40, (2002), 21-40.
- [21] Bradbury, M.E., Voluntary disclosure of financial segment data : New Zealand evidence, *Accounting and Finance*, 32, (1992), 15-26.
- [22] Bushee, B. & Noe, C., Corporate Disclosure Practices, Institutional Investors, and Stock Return Volatility, *Journal of Accounting Research*, 38, (2000), 171-202.
- [23] Cerf, A.R., *Corporate Reporting and Investment Decision*, Berkeley, Public Accounting Research Program, Institute of Business and Economic Research, University of California, 1961, 177 pages
- [24] Charlier P. & Lambert G., Modes de gouvernance et performances des entreprises familiales françaises en fonction des conflits d'agence, *Finance, Contrôle et Stratégie*, 16(2), (2013).
- [25] Chau, G.K, & Gray, S.J., Ownership structure and corporate voluntary disclosure in Hong Kong and Singapore, *The International Journal of Accounting*, 37(2), (2002), 247-265.
- [26] Chen, J., Ownership Structure as Corporate Governance Mechanism: Evidence from Chinese Listed Companies, *Economics of Planning*, 34, (2001), 53-72.
- [27] Chow, C.W., & Wong-Boren, A., Voluntary financial disclosure by mexican corporations, *The Accounting Review*, 62(3), (1987), 533-541.
- [28] Cooke, T.E., Disclosure in the corporate annual reports of Swedish companies, *Accounting and Business Research*, 74, (1989), 113-124.
- [29] Cooke, T.E., An assessment of voluntary disclosure on the annual report of japanese corporations, *International Journal of Accounting*, 26, (1991), 295-308.
- [30] Craven, B.M. & Marston C.L. (1999), "Financial reporting on the internet by leading UK companies", *The European Accounting Review*, 8 (2), (1999), 321-333.
- [31] Debreceeny, R., Gray, G. & Rahman, A., The determinants of internet financial reporting, *Journal of Accounting and Public Policy*, 21 (4-5), Winter, (2002), 371-394.
- [32] Demsetz, H., & Lehn, K., The structure of corporate ownership : causes and consequences, *Journal of Political Economy*, 93 (6), (1985), 1155-1177.
- [33] Denis, D.J., & McConnel J., International Corporate Governance, *Finance Working Paper*, 05/2003, European Corporate Governance Institute, (2003), 1-62.
- [34] Depoers, F., Contribution à l'analyse des déterminants de l'offre volontaire d'information des sociétés cotées, *Thèse de doctorat en sciences de gestion*, Paris Dauphine, 1999.

- [35] Entwistle, G.M., Exploring the R&D disclosure environment, *Accounting Horizons*, **13** (4), (1999), 353-385.
- [36] Ettredge, M., Richardson, V. & Scholz, S., Dissemination of information for investors at corporate web sites, *Journal of Accounting and Public Policy*, **21**, October, (2002), 357-369.
- [37] Evrard, Y., Pras, B. & Roux, E., *Market. Fondements et méthodes des recherches en marketing*, Paris, DUNOD, 4^{ème} édition, 2009, p. 703.
- [38] Ferguson, M.J., Lam, K.C., & Lee, G ;M., Voluntary disclosure by state-owned enterprises listed on the stock exchange of Hong Kong, *Journal of International Financial Management and Accounting*, **13**(2), (2002), 124-152.
- [39] Firth, M., The impact of size, stock market listing, and auditors on voluntary disclosure in corporate annual reports, *Accounting and Business Research*, **9** (36), (1979), 273-280.
- [40] Gelb, D., (2000), Managerial Ownership and Accounting Disclosures: an Empirical Study, *Review of Quantitative Finance and Accounting*, **15**(2), (2000), 169-185.
- [41] Gorton, G. & Schmid, F, Universal Banking and the Performance of German Firms, *Journal of Financial Economics*, **58**, (2000), 28-80.
- [42] Hail, L., The impact of voluntary corporate disclosures on the ex-ante cost of capital for Swiss firms, *European Accounting Review*, **11** (4), December, (2002), 741- 773.
- [43] Hassan, O., & Marston, C., Disclosure measurement in the empirical accounting literature: a review article, *Economics and Finance Working Paper Series*, September, 10-18, (2010), 1-58.
- [44] Healy, P., Hutton, A. & Palepu, K., Stock performance and intermediation changes surrounding sustained increases in disclosure, *Contemporary Accounting Research*, **16** (3), (1999), 485-520.
- [45] Ho, S. & Wong, K., A study of the relationship between corporate governance structures and the extent of voluntary disclosure, *Journal of International Accounting, Auditing and Taxation*, **10** (2), (2001), 139-156.
- [46] Hope, O., Firm-level Disclosures and the Relative Roles of Culture and Legal Origin, *Journal of International Financial Management and Accounting*, **14** (3), (2003), 218-248.
- [47] Jensen, M.C. & Meckling, W. H., Theory of the Firm: Managerial Behavior, Agency Cost and Ownership Structure, *Journal of Financial Economics*, **3**, (1976), 305-360.
- [48] Jiang, H., & Habib, A., The impact of different type of ownership concentration on annual report voluntary disclosures in New Zealand, *Accounting Research Journal*, **22** (3), (2009), 275-304.
- [49] Kaplan, S. & Minton, B., Appointments of Outsiders to Japanese Boards: Determinants and Implications for Managers, *Journal of Financial Economics*, **36** (1994), 225-257.
- [50] Khodadadi, V., Khazami, S. & Aflatooni, A., The effect of corporate governance structure on the extent of voluntary disclosure in Iran, *Business Intelligence Journal*, **3**(2), (2010), 151-164.
- [51] Labelle, R., & Schatt, A., Structure de propriété et communication financière des entreprises françaises, *Finance Contrôle Stratégie*, **8**(3), septembre, (2005), 77-104.
- [52] Lang, M., & Lundholm, R., Corporate disclosure policy and analysts, *The Accounting Review*, **71**, (1996), 467-492.
- [53] LaPorta, R., Lopez-de-Silanes F., Shleifer A., & Vishny, R.W., Law and Finance, *Journal of Political Economy*, **106** (1998), 1113-1155.

- [54] Larran, M., & Giner, B., The Use of the internet for Corporate Reporting by Spanish Companies”, *The International Journal of Digital Accounting Research*, ISSN:1577-8517, vol. 2, n° 1, (2002), 53-82.
- [55] Laswad, F., Fisher, R. & Oyelere, P., Determinants of Voluntary internet Financial Reporting by Local Government Authorities, *Journal of Accounting and Public Policy*, 24, 2, (2005), 101-121.
- [56] Ledentu, F., Système de gouvernance d’entreprise et présence d’actionnaires de contrôle. Le cas suisse, *Thèse de doctorat*, Faculté des Sciences économiques et sociales de l’Université de Fribourg, 2008, 199 pages.
- [57] Levant, Y., Typologie des systèmes de contrôle organisationnel et performance des opérations d’acquisition, *Revue Comptabilité-Contrôle-Audit*, tome 6, (2000), 77 à 96.
- [58] Martin, K. et McConnell, J., Corporate Performance, Corporate Takeovers, and Management Turnover, *Journal of Finance*, 46 (2), (1991), 671-687.
- [59] Mc Kinnon, J.L. & Dalimunthe, L., Voluntary disclosure of segment information by australian diversified companies, *Accounting and Finance*, 33, (1993), 33-50.
- [60] Mc Nally G.M., Eng, L. & Hasseldine, C., Corporate Financial Reporting in New Zealand : An analysis of user preferences, corporate characteristics listed on the London Stock Exchange, *Journal of International Business Studies*, 20 (2), (1982), 315-336.
- [61] Meek, G.K., Roberts, C.B. & Gray, S.J., Factors influencing voluntary annual report disclosures by US, UK and Continental European Multinational Corporations, *Journal of International Business Studies*, 26 (3), (1995), 555-572.
- [62] Mendes-da-Silva, W., and T. Christensen., Determinants of voluntary disclosure of financial information on the internet by Brazilian firms, (2004), Available from World Wide Web: <http://ssrn.com/abstract=638082>
- [63] Michaïlesco, C., Une étude empirique des déterminants de la qualité de l’information diffusée par les entreprises françaises au cours de la période 1991-1995, *Comptabilité-Contrôle-Audit*, 5(1), (1999), 83-108.
- [64] Mitchell, J.D., Chia, C., & Loh, A., Voluntary disclosure of segment information : further australian evidence, *Accounting and Finance*, 35, (1995), 1-15.
- [65] Morck, R., M. Nakamura & Shivdasani, A, Banks, Ownership Structure, and Firm Value in Japan, *Journal of Business*, 73, (2000), 539-567.
- [66] Oyelere, P., Laswad, F. & Fisher, R., Determinants of internet Financial Reporting by New Zealand Companies, *Journal of International Financial Management and Accounting*, 14 (1), (2003), 26-63.
- [67] Paturel, R., Matoussi, H. & Jouini, S., Les motivations de la communication financière des entreprises françaises et britanniques à travers le web, *5ème Colloque International de la recherche en sciences de gestion*, Hammamet, Tunisie, Mars, (2006).
- [68] Pozniak, L. & Croquet, M., Analyse des déterminants de la communication financière sur l’Internet. Le cas des Marchés non réglementés de la Bourse de Bruxelles, *Journal of Small Business and Entrepreneurship*, 24 (3), (2011), 329-344.
- [69] Pozniak, L., Financial Communication on the Web - Evidence from Belgium, *Accounting & Taxation*, 1 (2), (2010), 47-58.
- [70] Pozniak, L., Internet Financial Communication. Evidence from unregulated markets in Brussels and Paris, *International Journal of Business and Finance Research*, 7 (5), (2013), 107-122.

- [71] Raffournier, B., The determinants of voluntary disclosure by swiss listed companies, *The European Accounting Review*, **4**(2), (1995), 261-280.
- [72] Robb, S., Single, L., & Zarzeski, M., Non-financial Disclosures across Anglo-American Countries, *Journal of International Accounting*, **10** (1), (2001), 71–83.
- [73] Rodriguez, L. & Menezes, C., Financial reporting on the internet. The Portuguese case, *RAE Electronica*, **2** (2), (2003), 22p.
- [74] Scott, T.W., Incentives and disincentives for financial disclosure : voluntary disclosure of defined benefit pension plan information by canadian firms, *The Accounting Review*, **69**(1), (1994), 26-43.
- [75] Sengupta, P., Corporate disclosure quality and the cost of debt, *The Accounting Review*, **73**, (1998), 459-474.
- [76] Stolowy, H., & Ding, Y., Les facteurs déterminants de la stratégie des groupes français en matière de communication sur leurs activités de recherche et développement, *Finance Contrôle Stratégie*, Mars, (2003), 39-62.
- [77] Vanstraelen, A., Zarzeski, M., & Robb, S., Corporate Nonfinancial Disclosure Practices and Financial Analyst Forecast Ability Across Three European Countries, *Journal of International Financial Management and Accounting*, **14** (3), (2003), 249-278
- [78] Wiwattanakantang Y., The Equity Ownership Structure of Thai Firms, *Working Paper Series*, 8, Institute of Economic Research, Hitotsubashi University, (2001).