

**CORPORATE BOARD:
ROLE, DUTIES & COMPOSITION**

**СОВЕТ ДИРЕКТОРОВ: РОЛЬ,
ОБЯЗАННОСТИ И СОСТАВ**

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Journal Corporate Board: Role, Duties & Composition is published three times a year by Publishing House "Virtus Interpress", Kirova Str. 146/1, office 20, Sumy, 40021, Ukraine.

Information for subscribers: New orders requests should be addressed to the Editor by e-mail. See the section "Subscription details".

Back issues: Single issues are available from the Editor. Details, including prices, are available upon request.

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Журнал "Совет Директоров: Роль, Обязанности и Состав" издается три раза в год издательским домом Виртус Интерпресс, ул. Кирова 146/1, г. Сумы, 40021, Украина.

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EDITORIAL

Dear readers!

This issue of the journal is devoted to several issues of corporate board practices.

Nhut H. Nguyen and **Yubo Liu** states that the 1998 Asian Financial Crisis and more recent corporate scandals in the U.S. have triggered growing attention of researchers and policy makers on the agency problem between controlling shareholders and minority investors. One respect of this problem is private benefits of control. In their paper they extend the findings in Dyck and Zingales (2004) and show that the degree of investor protection still matters in curbing private control benefits for the period 1999–2007. More importantly, they find that private benefits of control have decreased significantly over time. Finally, their analyses show weak evidence of differential decreases in the value of control between weak and strong investor protection countries.

Bethuel Sibongiseni Ngcamu points that few researchers have studied the perceptions of employees about knowledge management and processes for converting tacit into explicit knowledge within the public service, especially in local government. The purpose of the study is to gain knowledge about, and insight into, employees' perceptions about the factors that contribute to strategies for managing knowledge, knowledge management processes to convert tacit into explicit knowledge, as well as their views regarding the implementation of knowledge management strategies, and their perceptions about the ways in which knowledge management can contribute to organizational effectiveness and efficiency in their workplace. The census approach was used and data was collected using questionnaires which were administered to 80 employees of eThekweni Municipality, of which 66 questionnaires were suitably completed. Results of the article indicate that there exist significant relationships amongst the key variables of the study relating to knowledge management, and that each of the areas of knowledge management studied needs improvement.

Karima Dhaouadis' study seeks to understand how the firm's ownership structure and the board of directors' composition influence the structural capital. The latter is apprehended by three main levers: TMT compensation, innovation, and firm's reputation. By mobilizing several panel linear regressions on 274 American firms, the results show that the firms which heavily invest in structural capital are more successful and chaired by the younger and heterogeneous TMT. No disciplinary effect of the board on structural capital has been found. The results support the cognitive theory assumptions. The classic perspective failed to explain the structural capital phenomena. In order to enhance their structural capital, firms must pay a close attention to their board cognitive contribution and not to its disciplinary role.

Rakesh Pandey, Dennis Taylor, Mahesh Joshi investigates the impacts of family presence and board independence on corporate financial performance in 131 large listed firms from India, an emerging economy dominated by the presence of large business groups having concentrated ownership. Family presence includes the extent of family ownership and appointment of family CEO and family chairperson. Employing a multiple linear regression model, this study first detects a positive relationship between family ownership and financial performance. Second, a negative relationship is found between family CEO and firm performance, indicating that family firms with non-family CEOs perform better than firms having family CEOs. Third, the proportion of Board outsiders' (i.e. independent non-family directors) is found to have no significant relation to financial performance, thus challenging agency theory's need for independent monitoring in family firms to enhance performance. These results are interpreted in the context of historical Indian family business practices and modern changes.

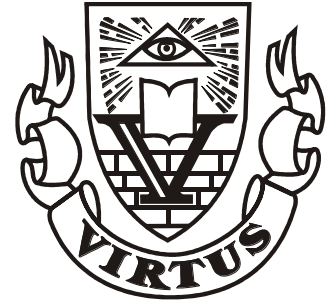
Md. Borhan Uddin Bhuiyan and **Ahsan Habib** mentioned that a sizable volume of corporate governance literature documents that an independent and competent board of directors matter for organizational success. In order to function effectively, board comprises of different sub-committees and the three most common sub-committees are audit committees, compensation committees and nomination committees. Surprisingly, there is a paucity of research in understanding the determinants of nomination committee notwithstanding the importance of an independent nomination committee in board selection process. They contribute to the nomination committee literature by investigating the factors associated with the determination of nomination committees in New Zealand. We find that cross-sectional variation in the firm-specific characteristics affect the existence of nomination committees. This finding casts doubt on the 'one-size-fits all' approach of corporate governance. Their logistic regression of the nomination committee determinants indicates that firm size, governance regulation and busy directors are positively associated with the existence of nomination committees, whereas firm leverage, controlling shareholders, and director independence are negatively related to the formation of nomination committees.

Tarek MILOUD examines the 'political' principles in the running of a limited company focusing, in particular, on the political aspects of the decision-making process. As the board of directors acts as a controlling interface between the shareholders and the directors, he will study the main aspects of corporate governance in relation to the board of directors of a limited company. Finally, he will present the different systems of corporate governance and he will end with the distinctive characteristics of each of these systems.

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