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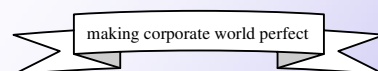
CORPORATE OWNERSHIP & CONTROL

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**CORPORATE
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**КОРПОРАТИВНАЯ
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Editorial Address:

Assistant Professor Alexander N. Kostyuk
Department of Management & Foreign Economic
Activity
Ukrainian Academy of Banking of National Bank of
Ukraine
Petropavlovskaya Str. 57
Sumy 40030
Ukraine

Tel: +38-542-276154

Fax: +38-542-276154

e-mail: alex_kostyuk@mail.ru

alex_kostyuk@virtusinterpress.org

www.virtusinterpress.org

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Адрес редакции:

Александр Николаевич Костюк
доцент кафедры управления и внешне-
экономической деятельности
Украинская академия банковского дела
Национального банка Украины
ул. Петропавловская 57
г. Сумы
40030 Украина

Тел.: 38-542-276154

Факс: 38-542-276154

эл. почта: alex_kostyuk@mail.ru

alex_kostyuk@virtusinterpress.org

www.virtusinterpress.org

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EDITORIAL

Dear readers!

The recent issue of the journal *Corporate Ownership and Control* is devoted to some key topics. We constructed this issue of the journal around the fundamental analysis of corporate governance systems in the UK, Germany and the USA. The role of employees as stakeholders is considered thoroughly. Trend toward the participative corporate governance was found as entrenched.

Analysis of corporate governance in the economies in transition is an excellent contribution to the fundamental analysis of the most basic systems of corporate governance. The role of privatization is described. State-owned enterprises face no less competition than other enterprises and the overall level of competition is no lower in countries with more state-owned enterprises. Although privatization might have other benefits, there is little evidence that it will increase competition unless governments take complementary actions such as reducing trade barriers or enforcing competition laws.

Moreover, we explore how the privatization influences such core elements of corporate governance as legal provisions and ownership structure. We focus specifically on how changes in the legal framework shape the ownership and control structure of new and recently privatized companies in the emerging market economy of post-socialist Poland. We argue that governmental actions aimed at stimulating investment and economic development in post-socialist Poland and the emergent model of corporate governance is conditioned both by internal dynamics - such as previous corporate arrangements and the origins of the commercial law - and by external factors - such as EU accession, directives and policies regarding investment obligations and shareholder rights. While change to manager and non-financial domestic outsider ownership is typical for Russia, this is not the case in Slovenia. Instead, change to financial outsiders in the form of Privatization Investment Funds is more frequent. Foreign ownership, which is especially rare in Russia, is quite stable. The ownership diversification to employees and diversified external owners during privatization did not fit well to the low development of institutions. As expected, we observe a subsequent concentration of ownership on managers, external domestic and foreign owners in both countries.

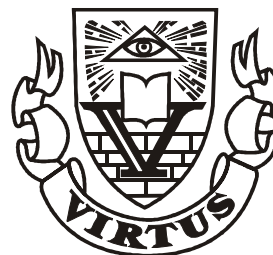
The problem of corporate governance in state owned enterprises is considered with application to China that was chosen by us as a country to research thoroughly. We also examine attempts to place state owned companies on a sounder conceptual footing through changes to their culture brought about by adopting and embedding guidelines and standards, such as the recent *OECD Guidelines on the Corporate Governance of State-owned Enterprises*. Moreover, we argue that Chinese state enterprise reform has been relatively successful in solving the short-term managerial incentive problem through both its formal, explicit incentive mechanism and its informal, implicit incentive mechanism. However, it has failed to solve the long-term managerial incentive problem and the management selection problem.

There are some papers which explore the issue of corporate board and director independence. Regarding to Greece, findings from this research suggest that neither board leadership structure nor CEO dependence/independence showed any significant effects on firm's financial performance. Moreover, we consider that the agency perspective of corporate governance emphasises the monitoring role of the board of directors. We analyzed whether independent directors on the board and audit committee are associated with reduced levels of earnings management. The results support the hypotheses that a higher proportion of independent directors on the board and on the audit committee are associated with reduced levels of earnings management. It also provides empirical evidence on the effectiveness of some of the regulators' recommendations, which may be of value to regulators in preparing and amending corporate governance codes with application to Australia.

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Dimitrios N. Koufopoulos, Maria-Elisavet N. Balta

This study is an attempt to shed light on board configuration-board size, leadership structure, CEO dependence/independence alongside with firm's performance relying on financial ratios, namely ROE, ROCE and profit margin. Data were gathered from annual reports and proxy statement of 316 Greek organisations quoted in the Athens Stock Exchange, shortly after the financial crisis of 1999. This period the Greek Capital market was upgraded to a mature market status. Findings from this research suggest that neither board leadership structure nor CEO dependence/independence showed any significant effects on firm's financial performance.

A comparison of corporate governance systems in the U.S., UK and Germany 24

Steven M. Mintz

This paper compares corporate governance principles in the U.S., UK, and Germany. The U.S. and UK represent shareholder models of ownership and control whereas in Germany a stakeholder approach to corporate governance provides greater input for creditors, employees and other groups affected by corporate decision making. Recent changes in the U.S. and UK as evidenced by the Sarbanes-Oxley Act and a variety of reports including the Cadbury Committee Report recognize the importance of a more independent board of directors, completely independent audit committee, and strong internal controls.

The effect of privatization and government policy on competition in transition economies 35

George R.G. Clarke

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Maria Dziembowska

In this paper there is a focus specifically on how changes in the legal framework shape the ownership and control structure of new and recently privatized companies in the emerging market economy of post-socialist Poland. It argues that governmental actions aimed at stimulating investment and economic development in post-socialist Poland and the emergent model of corporate governance is conditioned both by internal dynamics - such as previous corporate arrangements and the origins of the commercial law - and by external factors - such as EU accession, directives and policies.

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Niels Mygind, Natalia Demina, Aleksandra Gregoric, Rostislav Kapelyushnikov

The hypotheses on the development of the governance cycles in transition are tested upon a sample of Russian enterprise data for 1995-2003 and Slovenian data covering 1998-2003. We find that governance cycles are broadly similar in the two countries. Employee ownership is rapidly fading in both countries. While change to manager and non-financial domestic outsider ownership is typical for Russia, this is not the case in Slovenia. Instead, change to financial outsiders in the form of Privatization Investment Funds is more frequent.

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Mark Benkel, Paul Mather and Alan Ramsay

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P.W.A. Dayananda

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Pamela Kent, Mark Molesworth

This paper examines the determinants of voluntary disclosure by firms of employee entitlement actuarial assumptions under AASB 1028. It draws on proprietary costs of information and stakeholder theory to make predictions about factors, which influences the disclosure of the actuarial assumptions. It is found that disclosure is negatively related to the power of firms' employees, and firm economic performance. Disclosures are weakly, positively related to firm size in the multivariate model.

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Nicolas Couderc

The aim of this paper is to document the driving factors of the financial policy choice and to evaluate the relevance of two alternative theories, the trade-off theory and the pecking order theory. We use a database of 3,659 firms, over the period 1991-2002; our study relies upon the estimation of two qualitative variable models, a multinomial logit model and a nested logit model. We show that trade-off models are more pertinent than pecking-order models so as to explain the financial policy choice of a firm, but none of these models are sufficient to explain all our results.

SECTION 2. CORPORATE OWNERSHIP

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Ghassan Omet

The capital structure choice has generated a lot of interest in the corporate finance literature. This interest is due to several reasons including the fact that the mix of funds (leverage ratio) affects the cost

and availability of capital and thus, firms' investment decisions. To date, much of the empirical research has been applied on companies listed on advanced stock markets. This literature considered a variety of factors such as company size, profitability, asset tangibility, firm growth prospects and ownership structure as possible determinants of the capital structure choice. This paper examines the finances of Jordanian listed companies and the impact of their ownership structure on the capital structure choice. Based on a panel data methodology (1995-2003), the results indicate that while Jordanian companies are not highly leveraged, their ownership structure does have a significant impact on capital structure.

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Li Weian

In the transition from centralized planned economy to market economy, reallocation of rights between the government and the market leads to the fundamental changes of economic structure, thus causing Paradigm shift from the government-oriented governance pattern in China. Based on survey of 104 public listed companies in China, a descriptive analysis of the market-oriented governance pattern of SOEs is provided. The internal and external governance mechanisms in market-oriented governance model are designed to enhance the reform of modern enterprise institutions in China.

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Roman Tomasic, Jenny Jian Rong Fu

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Weiying Zhang

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Bruce Mizrach, Susan Zhang Weerts

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