

**CORPORATE
OWNERSHIP & CONTROL**

**КОРПОРАТИВНАЯ
СОБСТВЕННОСТЬ И КОНТРОЛЬ**

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EDITORIAL

Dear readers!

This issue of the journal is devoted to the issue of corporate governance development in Spain and Brazil.

Domingo Javier Santana-Martin and Inmaculada Aguiar Diaz analyse the structure of ownership in non-financial Spanish listed companies in the period 1996-2002, focussing on the control chain methodology. The results obtained show that the main shareholder's control threshold stands at about 29% of the voting rights and that in 2002 families were the ultimate owners in 52.7% of the firms. On the other hand, the use of pyramid structures continues to increase.

María Gracia García-Soto and Francisca Rosa Álamo-Vera aim to responding the following question: *does the corporate governance of an organization influence its diversification strategy?* Considering that most research to date has focused on the governance structure of large public limited companies, they considered it would be useful to centre our study on organizations lacking alienable property rights and with an allocation of decision rights decided by law - this is the case of the Spanish savings banks. The results obtained show that board size, number of meetings, and ROE are positively associated with diversification.

Félix J. López Iturriaga and Paolo Saona Hoffmann aim to analyze the efficiency of debt ownership as a mechanism of corporate governance in reducing the discretionary behavior of managers. Authors use earnings management and discretionary accruals as indicators of managerial accounting discretion. Results show that corporate debt has a prominent impact on reducing earnings management. Banking debt can foster the discretionary behavior of managers whereas public debt plays no relevant role.

Eloisa Pérez de Toledo and Evandro Bocatto show that firm-level corporate governance mechanisms are more important in countries with low investor protection, suggesting that firms can partially compensate for ineffective legal environments. Authors assess the determinants of governance in the case of Spain. The results show a significant relationship between governance and performance, future growth opportunities and size, demonstrating that Spanish firms adopt better standards of governance to compensate for the low level of investor protection holding in the country.

Carlos Fernandes Mendes and Ruben Arrondo Garcha investigates the role played by the board and the audit committee as a mean to improve the quality of financial statements' information in Spanish firms.

Results show that the board and audit committee independence mitigates accounting manipulation practices. However, author finds no evidence that the ownership structure affects the extent of corporate earnings management.

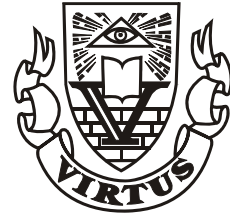
Álvaro Cuervo and Luisa Reyes aim to investigate the relationships between two governance mechanisms such as active shareholder control and the board of directors, as well as their effect on the creation of value for the shareholder, using firm diversification strategy as the moderating variable. These relationships indicate the existence of a substitution effect between both governance mechanisms, with a more inactive board in firms with large shareholders. On the other hand, the analysis of governance mechanisms and firm diversification strategy indicate the positive effect of shareholder concentration on the creation of value for shareholders in non-diversified firms and, the positive effect of the board of administration on the creation of value for shareholders in diversified firms.

Richard Saito and João André Marques Pereira examine five bookbuilding processes in the Brazilian equity market from 2003 to 2004. In a bookbuilding process, the investment bank has the discretionary power to price the offer and to allocate shares among interested investors. Authors analyze the allocation determinants and authors find empirical evidence that bookbuilding process induce investors to disclose superior information. In addition, authors also find evidence that bookbuilding process allows the investment bank to benefit disperse ownership as well as to have a higher allocation for long-term investors.

The rest papers have been evaluated by reviewers very well. Therefore, we are sure that you will enjoy reading those papers too.

CORPORATE OWNERSHIP & CONTROL

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