

**CORPORATE
OWNERSHIP & CONTROL**

**КОРПОРАТИВНАЯ
СОБСТВЕННОСТЬ И КОНТРОЛЬ**

Postal Address:

Postal Box 36
Sumy 40014
Ukraine

Tel: +380-542-611025
Fax: +380-542-611025
e-mail: alex_kostyuk@mail.ru
alex_kostyuk@virtusinterpress.org
www.virtusinterpress.org

Journal Corporate Ownership & Control is published four times a year, in September-November, December-February, March-May and June-August, 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.

Advertising: For details, please, contact the Editor of the journal.

Copyright: All rights reserved. No part of this publication may be reproduced, stored or transmitted in any form or by any means without the prior permission in writing of the Publisher.

Corporate Ownership & Control

ISSN 1727-9232 (printed version)
1810-0368 (CD version)
1810-3057 (online version)

Certificate № 7881

Virtus Interpress. All rights reserved.

Почтовый адрес редакции:

Почтовый ящик 36
г. Сумы, 40014
Украина

Тел.: 38-542-288365
Факс: 38-542-288365
эл. почта: alex_kostyuk@mail.ru
alex_kostyuk@virtusinterpress.org
www.virtusinterpress.org

Журнал "Корпоративная собственность и контроль" издается четыре раза в год в сентябре-ноябре, декабре-феврале, марте-мае, июне-августе издательским домом Виртус Интерпресс, ул. Кирова 146/1, г. Сумы, 40021, Украина.

Информация для подписчиков: заказ на подписку следует адресовать Редактору журнала по электронной почте.

Отдельные номера: заказ на приобретение отдельных номеров следует направлять Редактору журнала.

Размещение рекламы: за информацией обращайтесь к Редактору.

Права на копирование и распространение: копирование, хранение и распространение материалов журнала в любой форме возможно лишь с письменного разрешения Издательства.

Корпоративная собственность и контроль

ISSN 1727-9232 (печатная версия)
1810-0368 (версия на компакт-диске)
1810-3057 (электронная версия)

Свидетельство КВ 7881 от 11.09.2003 г.

Виртус Интерпресс. Права защищены.

EDITORIAL

Dear readers!

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

Conor O'Leary and Frances Hannah declare that business graduates are not a homogeneous group and this study examines whether the ethical sensitivities of graduates can differ depending upon their business major selected. Two groups of final year business students (270 in total), one majoring in *accounting* (Acc), 155 students, one in *banking and finance* (B&F), 115 students, were selected and their ethical attitudes tested by way of business vignettes. Even though they had received the same level of ethics training in their course, significant differences were discovered. Both individually, and when formed into groups (Acc 58 groups, B&F 57 groups), accounting majors appeared more ethical than their B&F counterparts. Also, as a cohort, accounting majors offered significantly more consistent responses. The B&F students appeared a more disparate group. As instruction level was the same, irrespective of major selected, it would appear the groups are predisposed to differing ethical attitudes to business dilemmas. The implications of this study are crucial for academics and perspective employers.

Gianfranco Gianfrate and Laura Zanetti discuss the role of organizational and governance design in a specific sector, namely the Corporate Venture Capital (CVC). This specific segment of the venture capital industry has so far proved to be at least as successful as venture capital investments carried out by "independent" or "pure" players, but corporate-sponsored initiatives tend to be more short-lived, cyclical and unstable. Unlike traditional venture capital funds, CVC established by corporations usually seek both financial returns and "strategic" benefits. We discuss the dilemma faced by corporations setting-up CVC programs in terms of governance design and ownership arrangements, showing that strategic and financial performances are unlikely to be conjointly maximized, thus leading to the inherent instability of such programs.

Bersant Hobdari and Evis Sinani contribute to the literature on corporate governance by providing evidence on the importance of owner identity on technology transfer from foreign firms. To this end they use a panel of Estonian firms for 1993-2002 and employ panel data techniques to avoid endogeneity and sample selection bias. They find that across different ownership groups only domestic outsiders benefit from spillovers of technology transfer. However, a large technology gap with foreign firms motivates all local firms to use their existing technology more efficiently and as such successfully cope with the increased open market competition. Furthermore, because of rent seeking and/or asset stripping behavior insider owned firms, face financial constraints, and as such cannot invest in new technology as much as domestic outsider owned firms.

Ghassan Omet, Ibrahim Saif, Hadeel Yaseen provide answers to two questions. First, do depositors discipline Jordanian, Kuwaiti, Omani, and Saudi banks? Second, the fact that the Kuwaiti and Saudi deposits are 100 percent insured explicitly and implicitly respectively, while the Jordanian and Omani deposits are insured up to \$14,000 and \$50,000 respectively, does this difference in the deposit insurance design have any bearing on market discipline. Based on a sample of listed Jordanian, Kuwaiti, Omani, and

Saudi banks during the time period 1997 – 2006, the overall results clearly indicate the absence of market discipline in Kuwait, Oman, and Saudi Arabia. In other words, market discipline is at work only in Jordan.

David S. Jenkins and Uma Velury examine whether the pricing of discretionary accruals is associated with the level of institutional ownership. We posit that if institutional investors monitor their investment actively, then managers would be discouraged from using the discretion in U.S. GAAP to manage earnings and would be encouraged to convey private information which would translate into greater information content. As a sensitivity test, we also examine the relation between discretionary earnings and future earnings. We find that this association is positively related to the level of institutional ownership. Our results collectively support the notion that institutional investors actively monitor their investments and encourage managers to report informative accruals.

Catherine Whelan provides stakeholders with an understanding of the effectiveness of corporate governance practices by demonstrating the link between corporate governance and firm valuation. It is proposed that the presence of good corporate governance practices enhances the reliability of financial statement information, thereby increasing the market's reliance on this information to value the firm. The specific focus of this research is to determine the impact of corporate governance practices on the value-relevance of earnings and the book value of equity as reported in a firm's financial statements. Results indicate that corporate governance is not value-relevant in its own right. However, good corporate governance practices enhance the value-relevance of earnings but reduce the value-relevance of the book value of equity.

Christopher J. Marquette and Thomas G. E. Williams find that for passive, buy-and-hold investors, restricted voting shares dominate superior voting shares in mean-variance space. This relationship also holds for a four factor model specification of stock returns. Their evidence indicates that passive, buy-and-hold investors can achieve a higher return with restricted vote shares than superior vote shares with no increase in either stand-alone or portfolio risk.

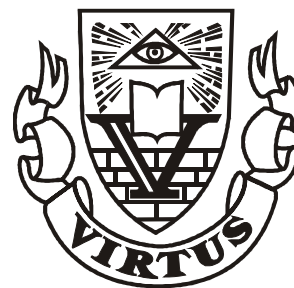
Vernon P. Dorweiler and Mehenna Yakou describe conduct of corporate officers, in their use of corporate assets. That use is beyond lawful, for their corporate positions. Specifically, the paper (1) describes corporate officer actions, and (2) then identifies impacts on the corporation's reputation and leaders. Findings are presented in Exhibits 1-3, in a form as assigned criminal liability, and the range and detail of sanctions imposed. Exhibit 4 analyzes select companies, detailing offenses charged. The paper summarizes industries of corporations, and categorizes the crises of business organizations. This paper is to warn corporations of the liabilities associated with such conduct, with the presentation from a non-accusatory point of view (Leeds, 2003).

Jayalakshmy, A. Seetharaman and Romuald Marappan conducted an analysis containing a comparison of the fees paid by the companies towards audit as well as non audit services to the same audit firm. This paper, thus, looks at the resultant effect and how an individual or corporation may proceed under the new accounting environment. It has been concluded that, while the law is a bit flexible towards the auditors accepting non audit work along side audit work, it is the duty of the professional bodies to implement compelling codes of conduct. One of the ways identified is by ensuring that the accounting or management consultant of a company shall not accept to act as a statutory auditor for the same company in the immediate five years following the year in which the firm had acted as a consultant. A similar clause was imposed and is being implemented only by two countries around the world; Hong Kong and Singapore.

CORPORATE OWNERSHIP & CONTROL

Volume 6, Issue 1, Fall 2008 (Continued - 2)

CONTENTS



Editorial	252
ARE STUDENTS FROM DIFFERENT BUSINESS MAJORS PREDISPOSED TO DIFFERENT ETHICAL SENSITIVITIES	254
<i>Conor O'Leary, Frances Hannah</i>	
PARTNERSHIP VERSUS CORPORATION: UNTANGLING THE GOVERNANCE DILEMMA OF CORPORATE VENTURE CAPITAL	263
<i>Gianfranco Gianfrate, Laura Zanetti</i>	
OWNERSHIP STRUCTURE, TECHNOLOGY TRANSFER AND FIRM PERFORMANCE	268
<i>Bersant Hobdari, Evis Sinani</i>	
MARKET DISCIPLINE AND DEPOSIT INSURANCE: EVIDENCE FROM SOME MIDDLE EASTERN BANKS	278
<i>Ghassan Omet, Ibrahim Saif, Hadeel Yaseen</i>	
THE EFFECT OF INSTITUTIONAL OWNERSHIP ON THE INFORMATIVENESS OF DISCRETIONARY ACCRUALS	286
<i>David S. Jenkins, Uma Velury</i>	
THE VALUE-RELEVANCE OF CORPORATE GOVERNANCE: AUSTRALIAN EVIDENCE	292
<i>Catherine Whelan</i>	
OWNERSHIP OF DUAL CLASS SHARES AND PASSIVE INVESTMENT STRATEGIES	301
<i>Christopher J. Marquette, Thomas G. E. Williams</i>	
MANIPULATION OF CORPORATE GOVERNANCE ABNORMALITIES OF MANAGING A CORPORATION	312
<i>Vernon P. Dorweiler, Mehenna Yakou</i>	
CHOOSE TO BE AN AUDITOR OR A CONSULTANT!	318
<i>Jayalakshmy, A. Seetharaman, Romuald Marappan</i>	