

**CORPORATE  
OWNERSHIP & CONTROL**

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## EDITORIAL

*Dear readers!*

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

**Saurav Roychoudhury, Alexei V. Egorov** relate corporate governance to firm's total factor productivity growth of U.S. firms from 1990 to 2004. Given technological constraints, some firms are very efficient whereas others are not and some firms have much faster rates of innovation and productivity growth than others. Are these differences due to chance or are there some factors contributing to higher total factor productivity growth? In this paper, we find evidence that firms with stronger shareholder rights have higher total factor productivity growth. By employing the governance index compiled by Gompers, Ishii, and Metrick (2003), we determine that the effect of governance on productivity varies positively with the quality of corporate governance. Furthermore, this relationship is strongest among firms which have the strongest shareholder rights.

**Roshayani Arshad, Ruhaya Atan, Faizah Darus** investigate the competing effects of board structure and institutional pressures on the extent and credibility of corporate voluntary disclosure during the period when public listed companies in Malaysia faced new corporate governance regulation. This study provides evidence that under the influence of dominant owners on board, management voluntary disclosure decisions are driven by mimetic pressures when their company is structured to meet expectations of good corporate governance. Managers' voluntary disclosure strategy to gain legitimacy seems to override their incentives to disclose credible information to outside investors. This inference is consistent with the evidence that management voluntary disclosures are not viewed as credible by outside investors. These findings contribute to a better understanding of the relationships between various board structures and institutional pressures on management disclosure decisions in particular agency settings.

**Carol Wang, Wei Rowe** fill in the void in the literature by addressing these issues. As a firm's operating efficiency is an important indicator of its managerial performance, we use changes in managerial ownership as an argument to evaluate changes in firm value and hypothesize that changes in managerial ownership affect firm's operating efficiency, which in turn drives firm value. Using a large panel data set (4,451 observations for 1,162 firms for year 1990-2001), we find significantly positive relation between changes in managerial ownership, operating efficiency and changes in firm value. Larger increase in managerial ownership provides greater alignment of managerial interests with those of shareholders, hence greater improvement in firm value. However, this relation is not monotonic. The

positive impact on firm's value increases at a decreasing rate. Our simultaneous equation tests remove the endogeneity concern between managerial ownership and firm value.

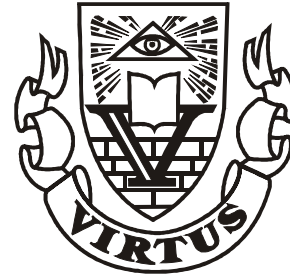
**Alexander Bassen, Stefan Prigge, Christine Zöllner** contribute to the emerging research that analyzes the relation between performance and *single* components of broad corporate governance aggregates, such as governance codes and ratings. Available research is confined to the U.S., Japan, and emerging markets. We enlarge the geographical scope to the German Corporate Governance Code (GCGC). For a sample of 100 large listed German stock corporations, compliance with the GCGC at large is significantly associated only with one of our performance measures (Tobin's q); this connection is *negative*. Individual analysis of eleven GCGC recommendations reveals that for three of them, association with all performance measures is insignificant. Four (four) components are significantly positively (*negatively*) connected with at least one performance measure.

**Daniel Jardim Pardini, Carlos Alberto Gonçalves, Luiza de Marillac Moreira Camargos and Marcio Augusto Gonçalves** study the state organization IGAM (Water Management Institute of Minas Gerais - Brazil) taking in consideration the public governance mechanisms defined by the Organization for Cooperation and Economical Development - OCDE (2005). By means of the use of a specialist panel and a focal group undertaken with representatives of *stakeholders* involved in the Water Management it was possible to evidence the necessities for adjustment of the legislation concerning the supplying of semi-arid areas and the integration of the hydrographical basins' public policies. The conflicts appear more clearly in the interaction between some *stakeholders*. Those are discourses that question the utilitarian acting of the water, the technical ignorance of the members of Hydrographical Basin Committees and the defense of the democratic format of these decision organs.

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