

**CORPORATE
OWNERSHIP & CONTROL**

**КОРПОРАТИВНАЯ
СОБСТВЕННОСТЬ И КОНТРОЛЬ**

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EDITORIAL

Dear readers!

Corporate governance is getting a new incentive to develop in international context. We are proud of declaring this once we have investigated the main trends in Corporate Ownership and Control journal development. From year to year the new authors coming at the market for academic research in corporate governance. During 2010 we had received more than 680 submissions. This is very sufficient evidence of increase in corporate governance research activity.

A geographic context of the corporate governance research develops in the same manner. What do we have now? Researchers from more than 75 countries of the world submitted their papers to Corporate Ownership and Control journal during 2010. We accounted papers by authors from both developed and developing countries and even from those countries where corporate governance just begins its way to develop. Special attention should be paid to authors from South Africa, Ghana, Nigeria, Tunis, Egypt, etc.

Corporate governance turns into the science with international outlook. Joint investigations undertaken by researchers from different countries come as a customary issue. More than 30 percent of papers submitted to Corporate Ownership and Control journal during this year have been written by authors from different countries.

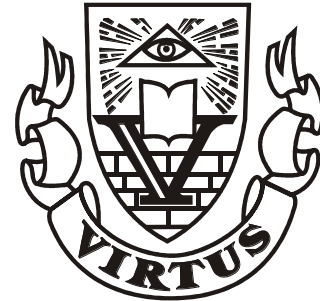
The most active investigations of corporate governance are undertaken in developed countries. This means that the developed countries are ready to recognize their comparable inefficiency in corporate governance. The most “publishable” countries are Italy, the USA, Australia. The developing countries keep the same pace in corporate governance research. These countries are South Africa, Brazil, Malaysia.

There is no doubt that corporate governance is going to intensify its development in researching. Our journal will do our utmost to contribute. We hope that you will help us through submitting your papers in 2011!

CORPORATE OWNERSHIP & CONTROL

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Rodolfo Apreda

In this paper we put forward an alternative approach to dealing with the Charter of any organization, that essential document which ought to be regarded as the mainstay of governance. In the first place, we show that an organization carries out its tasks by becoming a responsive mechanism to fulfill stakeholders' demands. In the second place, organizations behave like conflict-systems within which political issues are of the essence when coping with power, influence, control and authority; on these grounds, we give heed to agenda building and the problem of factions. We argue that such two-tiered structure stands for the preconditions of any Charter. Lastly, we set up the Charter as a compact of regulatory and discretionary governance, comprised not only by the articles and certificate of incorporation, but also internal bylaws of the organization, the Statute of Governance, the Code of Good Practices, and provisions for upgrading, overhauling, and even changing the architecture of governance in its entirety.

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Evaggelos Drimpetas

The current crisis has been seen as the result of a "few bad apples". The paper argues that the crisis is systemic and based on fallacies and misconceptions in the design and function of the economic – corporate system. Organizational and economic theories are based on hypotheses that lead to faulted decisions on how the system should be regulated and designed. The paper proposes that a new theory is needed. Disjoint approaches of the current situation are not suitable. Law, Organization theory, Economics, Finance and Accounting need to converge in order to formulate a theory that encompasses all factors and it is holistic. Introduction of corporate governance systems that are as dynamic as the organizational, ownership, product and capital market are, are necessary in order to create a stable and effective corporate environment.

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Maria-Gaia Soana

Does corporate social responsibility (CSR) entail economic and financial loss or does it guarantee competitive advantage? To answer this question, many studies have aimed to establish, largely in samples from multiple industries, the relationship between corporate social performance (CSP) and corporate financial performance (CFP). These studies have produced conflicting results and any attempt to give a generalised and coherent conclusion has proved inadequate. This paper investigates the possible connection between CSP (measured by ethical rating) and CFP (measured by price-to-book-value) in a sample of international financial intermediaries. Although most previous contributions seem to confirm the hypothesis of the existence of a positive relationship between the two variables, the paper finds no clear evidence of a significant relationship between CSP and CFP in the financial sector.

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Raffaele Staglianò, Maurizio La Rocca

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Xia Zhao, J. Richard Harrison

Combining insights from the agency theory and sociopolitical perspectives, this study examines the extent to which factors such as ownership structure, CEO power, and firm performance influence firms' adoption of board independent reform advocated by shareholder activists. Event history analysis using extensive data on 1083 Standard & Poor's 1500 companies from January 2002 to December 2004 shows that firms with more powerful CEO were less likely to adopt supermajority-independent boards, while both poorly performing firms and large firms were more likely to adopt such board structure. We also find that higher institutional blockholder ownership increased the likelihood of the adoption in firms managed by less powerful CEOs, while external non-institutional blockholder ownership decreased the likelihood of the adoption.

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Robert O. Edmister, Lucy Chernykh

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Ilse Maria Beuren, José Carlos de Souza

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Huson Joher Ali Ahmed, IKM Mokhtarul Wadud

This study examines whether the structure of share ownership or firm's dividend and debt policies provide explanation for firm performances in Malaysia. Firm performance, measured as Tobin's Q is modelled in a dynamic panel framework to estimate effects of director ownership, family ownership, foreign ownership, and firm's dividend and debt policy. The generalised methods of moments (GMM) method is used to estimated the models for 80 CI components companies listed on Main Board of Malaysia observed from 1999 to 2002. The findings reveal strong evidence of positive impact of firm's dividend and debt policy on firm performance. However, ownership structure seems to be less important for market based performance of Malaysian firms. These results are expected to provide guidelines to the investors regarding the significance of firm dividend policy, leverage policy and market to book value ratio as some of the key sources of value creation for Malaysian listed firms.

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Rusmin Rusmin, Greg Tower, Tarmizi Achmad, John Neilson

This research project examines the effect of ownership structures on corporate governance. Detailed analysis allowed for the identification of the ultimate owner by carefully tracing the chain of ownership. Our findings show that 65.14% of Indonesian firms are controlled by the owners who have a majority ownership and that 66.45% of firms are owned by an individual or group of family members. These ownership structures are more inhibited than most other countries (Claessens *et al.* 2000). Yet, the percentage of independent commissioners is only 37.09%. A majority of independent commissioner members remains a rare event in Indonesia. Multiple regression analysis reveals that both ownership type and identity are moderately (with p-values of 0.075 and 0.017 respectively) significant predictors for commissioner independence. Ownership structures in Indonesia do influence the level of commissioner independence. This Indonesian pattern is a somewhat extreme but not uncommon scenario in Asian financial markets. Western solutions may not be applicable or effective. New rules and regulations may be needed to provide more protection of the smaller investors.

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Giuseppe Sancetta, Alessandro Gennaro

The aim of the paper is analysing the relationship between governance systems and safeguard of minority shareholders in Italy. We believe that an appropriate governance system can favour a fair distribution of value to shareholders of listed companies regardless of the size of the share held. We studied the tender offers made in Italy in the period 2000-2009 to calculate the relationship between the compliance of governance systems with best practices and size of majority premiums paid in take-over transactions, measured through offer prospectuses. The empirical research shows a negative association between the mentioned variables. So this seems to suggest that the compliance with best practice codes can influence the majority premiums in tender offers and protect minority shareholders.

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Minoja Mario, Antonio Corvino, Giulia Romano, Marco Tutino

A great deal of studies have been carried out so far to explore the impacts of private equity or venture capital (VC) investors on their portfolio companies. Most of them focus on corporate governance, management composition and skills, competences, and performance. A lesser amount of studies have been conducted on how VC investments interact with backed firms' strategy process. In the present paper we aim to shed light on this topic by investigating in which stage of backed firms' strategy process venture capitalists (VCs) invest in them and explaining this choice in the light of the value they can deliver and simultaneously extract from them in the different stages of that process. After a cross comparison of eight cases of Italian firms in which venture capital funds have acquired minority stakes, we found that these investors do not challenge the intended strategy backed firms had undertaken, but help them implement this strategy by enriching their endowments of non business-related resources and capabilities. Furthermore, VCs seem to invest when the gap between the intended strategy and implemented strategy of backed firms is at intermediate levels. While at early stages of backed firms' strategy implementation VCs tend to evaluate the risk of their investment as too high, at later stages they would not deliver a significant "value added" to backed firms themselves.

MEASURES OF MARKET REACTION IN MERGERS AND ACQUISITIONS IN ITALY

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Fabrizio Palmucci, Annalisa Caruso

This paper presents an event study on mergers and acquisitions (M&A) between publicly listed Italian banks. Our study suggests that previous literature may have only partially captured the market reaction by choosing the announcement date as the event date. In less efficient markets the announcement date can be too late to allow the market reaction to be recorded, especially where information has been previously leaked. Using the rumour date and other event windows we can show that there is a portion of market reaction which has not been captured by previous research. Moreover, we are also able to present evidence of other characteristics affecting market reaction to M&A in the Italian banking sector.

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