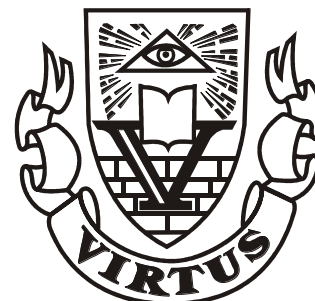


JOURNAL OF GOVERNANCE AND REGULATION

SPECIAL CONFERENCE ISSUE, 2013

CONTENTS



Editorial 4

REPUTATION OF LOW-QUALITY BIG 4 AND NON-BIG 4 AUDITORS: EVIDENCE FROM AUDITOR SWITCHES OF FORMER CHUOAOYAMA CLIENTS 7

Hikaru Murase, Shingo Numata, Fumiko Takeda

Authors examine how an auditor's reputation for audit quality affects the selection of new auditors in a unique setting. Specifically, they investigate forced auditor switches after the collapse of ChuoAoyama and its successor, Misuzu, in a low litigation country, Japan, where the insurance value of auditing is minimal. Researchers find that former ChuoAoyama clients with greater reputation concerns tended to switch away from Misuzu, a low-quality Big 4 audit firm. Current results also indicate that auditors' sensitivity to reputation decreased after the collapse of Misuzu, perhaps because of intensified capacity constraints and decreased differences in perceived audit quality between Big 4 and Non-Big 4 auditors after the audit scandal and the introduction of the J-SOX.

LINEAR AND NONLINEAR DETERMINANTS OF THE PERFORMANCE OF INFORMAL VENTURE CAPITALISTS' INVESTMENTS. AN EMPIRICAL ANALYSIS 24

Vincenzo Capizzi

This paper is aimed at identifying and analyzing the contribution of the major drivers of the performance of informal venture capitalists' investments. This study analyzes data on Italian transactions and personal features of Italian Business Angels gathered during 2007 – 2011 with the support of IBAN (Italian Business Angels Network). The econometric analysis investigates the returns of business angels' investments and their major determinants (industry, exit strategy, experience, holding period, rejection rate, year of divestiture). The major results are the followings: 1) differently from previous literature, the relationship between Experience and IRR is quadratic and significant; 2) for the first time, is confirmed by quantitative data that short Holding period (below 3 years) earn a lower IRR; 3) the Rejection rate is logarithmic and the impact on IRR is positive and significant. Finally, the outcomes of the empirical analysis performed in this study allow identifying new and concrete insights on possible policy interventions.

CSR – MORE THAN CORPORATE STORYTELLING? 44

Udo Braendle, Yaroslav Mozghovyi

Since the subject of corporate social responsibility (CSR) gained sufficient attention of the researchers over the last 25 years, numerous attempts were globally made to examine the nature of the relationship between the corporate social responsibility of company and its financial performance (FP). The literature in this area is scattered, the findings are heterogeneous and do not provide a clear answer if CSR goes beyond corporate storytelling. In our meta-analysis of more than 135 studies we try to bring a structure in this discussion. In analyzing the literature over the last decades we find a strong correlation between CSR and financial performance. Based on our findings we present implications in discussing how "good CSR" can be fostered. We focus on the financial sector.

RISK ASSESSMENT AND CONTROL

51

Kameswari Peddada

"No pains! No gains!" No enterprise can run without some risk exposure. The outcome of risk exposure may be negative or occasionally positive. Losses from a negative outcome may be mild and acceptable or huge and unacceptable, leading to closure and serious effects on society and the nation. Good risk management with identification, assessment and control of risks faced is part of good management. Planning against risk at enterprise/company, national and international levels are required. Some such exposures may do no harm, but present new business opportunities.

The present study involves an extensive review of available literature on risk management. A reputed textile company has been selected for case-study of performance in terms of risk management.

BUILDING THE FOUNDATIONS FOR A NEW CENTRAL BANK DOCTRINE: REDEFINING CENTRAL BANKS' MISSIONS IN THE 21st CENTURY

60

Eric Pichet

The 2007-2008 financial crisis demonstrated both the responsibilities that central bankers, alongside other actors, bear for turbulences of this kind as well as how economics can be used to provide central bankers and governments with the understanding and tools that they need to prevent the international financial system from collapsing. At the same time, central banks' responses to the crisis have taken monetary policy into unknown territory. The paper's first section diagnoses good and bad practice in post-crisis central banking; assesses the efficiency of pre-crisis doctrines; and identifies the dangers of actions exceeding certain limits. It specifically focuses on the European Central Bank's much-debated intervention in certain peripheral bond markets, particularly Greece. The second section is more normative and lays the foundations for a social science perspective of how to manage modern central banks, an approach that draws on a variety of disciplines including economics, governance theory and management. This starts with a definition of the new doctrine and its underlying philosophy, followed by an identification of sound central banking practices (revolving around a few key concepts, notably inflation and financial stability). The missions and objectives of these practices are then defined (along with a choice of indicators), culminating in an exploration of which strategies and tools might be used in both normal and turbulent times. Lastly, a few concrete rules of governance are offered, built on the triptych of central banks' independence, accountability and composition, with specific focus placed on the process for selecting governors fit to handle the new role that modern central banks are destined to assume in developed countries.

A NEW PARADIGM OF MODERN CENTRAL BANKING

75

Aleksandra Szunke

The changes in the modern monetary policy, which took place at the beginning of the twenty-first century, in response to the global financial crisis led to the transformation of the place and the role of central banks. The strategic aim of the central monetary institutions has become preventing financial instability. So far, central banks have defined financial stability as a public good, which took care independently of other monetary purposes (Pyka, 2010). Unconventional monetary policy resulted in changes the global central banking. The aim of the study is to identify a new paradigm of the role and place of the central bank in the financial system and its new responsibilities, aimed at countering financial instability.

SUBSCRIPTION DETAILS

79