CORPORATE OWNERSHIP & CONTROL

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Kaoru Hosono, Hideaki Murase, Ikuko Samikawa (Fueda)

This paper empirically investigates how ownership structure of Japanese firms affects the risk-return profiles of their stocks. We find significant relationships between ownership and firms' operational performance, i.e., the ownership of financial institutions is associated with poor performance while the ownership of large shareholders is associated with the opposite. However, comparing the returns on portfolios sorted by ownership, we find no significant relationships between ownership and the rates of returns. Specifically, excess returns are insignificant after controlling for three risk factors (i.e., market, size, and value) while factor loadings are significantly different across portfolios, i.e., the ownership of financial institutions is associated with low-risk, low-return portfolios while the ownership of large shareholders is associated with the opposite.

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Elena F Pérez Carrillo

Shareholders interests play a relevant role in corporate governance. Notwithstanding the different legal regimes across the globe, there is a trend towards converging mechanisms protect shareholders through disclosure and other instruments. Simplification of voting process and procedures to ease the taking into account of shareholder preferences are matters still to be resolved.

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Mauro Romano

The principal subject of this paper is the analysis of the main corporate governance profiles that are directly or incidentally affected by the freeze-out and the study of the positive and normative factors impacting the determination of the strike price of the freeze-out. The work first aims to investigate the effect that can be generated by the forced exclusion of minority shareholders during the processes of acquisition and replacement of corporate control and, secondly to examine the share value drivers of the freeze-out, with the aim of combining the legislative functions with the laws of economic dynamics. The regulatory framework, which in Italy has recently undergone a major evolution as a result of approval, with Legislative Decree dated November 19th 2007 n. 229 of the 2004/25/EC Directive concerning tender offer process, is the background to issues of economic nature which will be investigated in this work.

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Pablo Rogers, José Roberto Securato

This article objective, considering Brazil as a case study, was to assess the impact of higher levels of governance on the volatility term structure of the stocks. In methodological terms, it were developed two indexes of daily returns in the Brazilian stock market called IEPG-I and IEPG-S, and it was analyzed the volatility term structure with adjustments on the GARCH family models. The results were statistically surprisingly, highlighting: 1) higher levels of governance had positive effect in the reduction of the short and long term volatility; 2) the volatility of the companies with the worst practices of corporate governance seems to be more reactive to the market; 3) the persistence of the volatility of the companies with good practices is higher than that of the companies with worse practices; 4) the convergence speed of the volatility of the companies with good practices is lower than that of the companies with worse practices; and 5) the presence of information asymmetry or leverage effect in companies with worse practices of corporate governance and absence in companies with better practices of governance.

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José Elias Feres de Almeida, Gerlando Augusto Sampaio Franco de Lima, Iran Siqueira Lima

This study aims to verify the impact of earnings interactively with corporate governance levels of BOVESPA and ADR listing on the NYSE on firms' market value measured by market-to-book ratio. Our sample is composed by 231 public companies' listed and unlisted on special segments of governance at BOVESPA and on the NYSE from 2000 up to 2006, totalizing 1.253 observations. Methodologically, we present results of different estimation procedures such as Pooled Ordinary Least Squares (POLS) and panel data with Random Effects (RE) and Fixed Effects (FE) following Breusch-Pagan and Hausman Tests to indicate the best estimators. The results indicate that: i) BOVESPA's corporate governance levels improve the content information of accounting earnings reported and enhance the coefficients; ii) earnings of firms' which trade ADR on the NYSE are not relevant but, have positive coefficients and; iii) the content information in earnings of firms listed on Level 2 and level New Market are more relevant from firms on Level 1 or unlisted. This paper contributes with the discussion about accounting information relevance to the market, investors, regulators and practitioners, as well as, the role of corporate governance to improve information quality.

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Mario Mustilli, Filomena Izzo

Corporate Governance relationships has become more relevant to the changed nature of the firm, the role of human capital has become very important in managing the firm in those environments where the source of competitive advantage is strongly based on knowledge and intangible resources as in the case of complex product systems industries. The important role of this intangible asset in managing the complex environment has amplified the incompleteness of the agency theory, changing the nature of the Corporate Governance relationships and highlighting the role of the human capital. This paper attempts to describe, using Problem Solving Behaviour approach, how the Corporate Governance relationships work in high competitive and complex environments as in case of the business aviation industry.

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Marita Naude

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article uses data collected and findings from participants in Australia and South Africa regarding the factors (from their mental model) that retain them in their organisation as one example of how Board members, Directors and Managers could explore the mental models of their employees regarding retention and then develop strategies (within a CSR framework) based on a solid CG foundation.

CORPORATE GOVERNANCE, AUDIT QUALITY AND RISK TAKING IN THE U.S. PROPERTY CASUALTY INSURANCE INDUSTRY 84

Chia-Ling Ho, Gene C. Lai, Jin-Ping Lee

This paper examines the impact of corporate governance and audit quality on risk taking in the U.S. property casualty insurance industry. The evidence shows that some corporate governance variables, as well as some audit quality variables are related to risk taking. We find that longer board tenure is associated with low underwriting risk. But the higher percentage of financial experts on the board is associated with high underwriting risk. The possible reason is that financial experts possess a deep understanding of a firm's financial situation and may encourage the management to take higher risk in anticipation of a higher return for a positive net present value project. The results are consistent with agency theory and wealth transfer hypothesis in that high risk taking is consistent with shareholder interest maximization.

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Cheaseth Seng

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Anna Thorsell, Barbara Cornelius

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Johan E. Eklund, Johanna Palmberg, Daniel Wiberg

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Huson Joher Ali Ahmed, IKM Mokhtarul Wadud

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Zhong Qin, Xin Deng

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