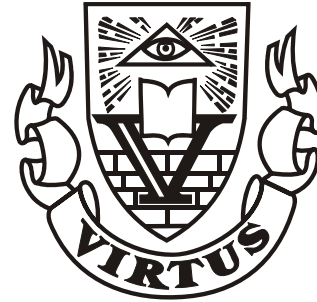


CORPORATE OWNERSHIP & CONTROL

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Ownership Structure and Operating Performance Changes surrounding Stock Option Adoptions: Evidence from Japan 10

Konari Uchida, Mamoru Matsumoto

Stock option adoptions by IPO firms account for about one-third of Japanese stock option adoptions during 1997-2000. Non-IPO firms that adopt stock options tend to decrease financial institutions' ownership levels less than the average whereas reduce other corporations' ownership levels more than the average. The result suggests firms that care more about shareholder wealth decrease cross-shareholdings as well as issue stock options. However, such firms need to keep shareholdings by financial institutions to prevent increases in agency costs of debt. Finally, we do not find a significant change in firms' operating performance surrounding stock option adoptions.

Impact of Board Size and Board Diversity on Firm Value: Australian Evidence 24

Hoa Nguyen, Robert Faff

The aim of this paper is to provide a preliminary analysis of the relationship between firm market value and the size and gender diversity of a board of directors for a sample of publicly listed Australian firms. Our results show that smaller boards appear to be more effective in representing the shareholders as smaller boards are associated with higher firm value. As board size increases firm value declines, however at a decreasing rate suggesting that the relationship between board size and firm value is not strictly linear. Our findings further indicate that gender diversity promotes shareholders' value as the presence of women directors is associated with higher firm value.

Board Composition, Audit Committee and Timeliness of Corporate Financial Reports in Malaysia 33

Shamsul-Nahar Abdullah

This study attempts to investigate the roles of the composition of board of directors, audit committee and the separation of the roles of the board chairman and the chief executive officer on the timeliness of reporting. The issue of reporting timeliness is important in corporate governance because it is associated with corporate transparency. It is also an important indicator of the value of the information in the financial reports. Given the fact that the board is the highest internal corporate governance system, it is predicted that the characteristics of the board and its sub-committee, namely the audit committee, are associated with the timeliness of reporting. Using Bursa Malaysia (formerly known as the Kuala Lumpur Stock Exchange) Main Board companies data in respect of the financial years 1998 and 2000, the findings show that board independence and the separation of the roles of

board chairman and CEO significantly are associated with timelier reporting. The results also indicate that the 1997 financial crisis had adversely affected the timeliness of reporting. These findings imply that during difficult periods, companies tend to take a longer time to prepare their audited financial reports. Finally, the negative relation between firm's profitability and timeliness of reporting is supportive of information signaling theory.

Corporate Governance, Excess Compensation, and CEO Turnover in Family and Non-Family Businesses

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Ying-Fen Lin

The replacement of a CEO is one of the control mechanisms that companies employ to reduce the agency problems. This paper divides companies into non-family businesses and family businesses and investigates the influence of outside directors, outside blockholders, and excess compensation in CEOs termination process. The samples used in the paper come from manufacturing companies in Taiwan listed between 1996-1997; the analytical method is logistic regression model. The conclusion is as follows: 1. the characteristics of family businesses, corporate governance, and excess compensation have no correlation on CEO turnover. 2. External board members play an important role in CEO termination in non-family businesses.

Recipients of Governance: Trust and the Employee Perspective

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Alma Whiteley

Purpose - To introduce trust as related to organizational design and management within the broader domain of governance and report on case study research on trust carried out in a large Australian organization. Design/methodology/approach - This paper is in three parts. The first part reviews a selection of ideas and recent writers on trust; the second part describes the methodology of the case study research which focused on relationship management where trust emerged as an important element of relationships. This is followed by examples from the findings. The third part addresses insights and future research. Originality/Value - The study of trust has become an important topic for management and corporate governance during recent years. After discussing scholarly interpretations of trust, empirical research findings are used to provide insight into how employees actually understand and interpret trust.

Underpricing and Corporate Governance - Evidence from Taiwan Securities Market

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Tzong-Huei Lin

To enhance the corporate governance of listed firms, Taiwan prescribes that the initial public offerings (IPOs) after February 19, 2002, have to set up at least two independent directors and one independent supervisor who possess financial or accounting expertise. Using data from Taiwan's initial public offerings (IPOs), this study documents evidence that the magnitudes of under-pricings of IPOs after 2002 are significantly smaller than those of before. The empirical evidence also indicates that the percentage of shares holdings owned by directors/supervisors is demonstrated to have negative relationship with the underpricing of the IPOs. This study contributes to the literature in the following ways. First, as Ritter and Welch (2002) suggest that future progress in the IPO underpricing literature will mainly come from agency conflict explanation, this study provides evidence about the effect of corporate governance on IPOs market. Second, as for the issue about the policy implication of the SFB 2002' rules, this study provides the empirical evidence. Third, whether the government should prescribe the firms to set up independent directors? This study offers a direction for future discussion.

The Fiscal Piece of Advice as Instrument of Protection and Generation of Value to the Minority Shareholders. an Vision of Corporate Governance

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Sergio Antonio Loureiro Escuder, Joao Eduardo Prudencio Tinoco

The present article inserted in the extent of the corporate governance has as objective contributes in the evaluation of the importance of the fiscal piece of advice in the structure of the organizations,

with lucrative purposes, as control instrument and support to the shareholders' Assembly, to the light of the legislation of the limited companies and of the reduction entities, class organs, like IBGC, CVM, IBRACON and BOVESPA. It was observed, on the other hand, that the family company is preponderant in Brazil, and that that central aspect limits the performance of the fiscal piece of advice in the context of the corporate governance.

The Mechanisms of Governance in Nonprofit Organizations **83**

Cláudio Antonio Pinheiro Machado Filho, Adalberto Fischmann, Luciana Rocha de Mendonça, Sandra Guerra

This paper discusses the governance issues in nonprofit organizations (NPO). The theoretical framework of agency theory is used to analyze the relationship between agents and principals (donors and volunteers) in such kinds of organizations. Similarly to the for-profit organizations, the mechanisms of incentives and monitoring are crucial to the alignment of interests among principals and agents. However, considering the NPO's intrinsic characteristics, due to the difficulty to implement external and internal governance mechanisms, the challenges of alignment are far more complicated. The NPOs are idiosyncratic, being in many situations complex to establish performance comparisons with similar organizations.

SECTION 2. CORPORATE OWNERSHIP

Family ownership, Premiums Paid and Performance: Evidence from Corporate Take-overs in Malaysia **89**

Saw-Imm Song, Ruhani Ali, Subramaniam Pillay

This study examines the relationship between ownership identity of the largest shareholders, premiums paid and take-over performance, with reference to 63 large acquisitions by Malaysian public listed firms from 1990 to 1999. It is found that the premiums paid are much higher than those in developed countries. It has a curvilinear relationship with take-over performance. At lower to moderate levels of premiums, it improves post-take-over performance while excessive premium drags down the performance of the bidding firms. The finding shows that there is an interaction effect between family ownership and premiums paid which has contributed positively to the post-take-over performance. The evidence suggests that family ownership mitigates agency problem in corporate take-overs.

Corporate Ownership and Technical Efficiency Analysis in the Spanish Real Estate Sector **100**

Douglas Nanka-Bruce

The real estate sector keeps contributing significantly to the Spanish economy. A recent news article reports the existence of inefficiencies in the nature and delivery of new properties. We investigate the technical efficiency of this sector using a non-parametric "reasonable" benchmarking frontier, acknowledging the marked influence of the sector's shadow economy. We then relate the results applying a panel data analysis to the shareholding concentration and identity of firm ownership. We find no systematic support for the effect of corporate ownership on technical efficiency.

SECTION 3. NATIONAL PRACTICES OF CORPORATE GOVERNANCE: AFRICA

The Relationship Between Board Size, Board Composition, CEO Duality and Firm Performance: Experience From Ghana **114**

Anthony Kyereboah-Coleman, Nicholas Biekpe

The paper examined board characteristics and its impact on the performance of non-financial listed firms in Ghana. Data covering 11 year period (1990-2001) was used and analysis conducted within the panel data framework. The study shows that most Ghanaian firms adopt the two-tier board structure and are largely non-independent. The regression results, though relatively mixed, confirm

other studies and show that there should be a clear separation of the two critical positions of CEO and board chairman in order to reduce agency cost for enhanced firm performance.

Corporate Governance and Firm Performance: Evidence from Ghanaian Listed Companies

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Anthony Kyereboah-Coleman, Charles K.D. Adjasi, Joshua Abor

Well governed firms have been noted to have higher firm performance. The main characteristic of corporate governance identified include board size, board composition, and whether the CEO is also the board chairman. This study examines the role corporate governance structures play in firm performance amongst listed firms on the Ghana Stock Exchange. Results reveal a likely optimal board size range where mean ROA levels associated with board size 8 to 11 are higher than overall mean ROA for the sample. Significantly, firm performance is found to be better in firms with the two-tier board structure. Results show further that having more outside board members is positively related to firm performance. It is clear that corporate governance structures influence firm performance in Ghana, indeed within the governance structures the two-tier board structure in Ghana is seen to be more effective in view of the higher firm level mean values obtained compared to the one-tier system.

Corporate Governance and Bank Performance: Does Ownership Matter? Evidence from the Kenyan Banking Sector

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Dulacha G. Barako, Greg Tower

This paper provides an empirical analysis of banks performance in Kenya. The primary purpose of this study is to investigate the association between ownership structure characteristics and bank performance. Data utilised in the study is collected from the Financial Institutions Department of the Central Bank of Kenya, both on-site inspection reports and off-site surveillance records. Empirical results indicate that ownership structure of banks significantly influence their financial performance. In particular, board and government ownership are significantly and negatively associated with bank performance, whereas foreign ownership is strongly positively associated with bank performance, and institutional shareholders have no impact on the performance of financial institutions in Kenya. The results are consistent with prior research findings, and more importantly, presents statistical justification for pursuing further corporate governance reforms with respect to banks' ownership structure to enhance the financial stability of the sector.

SECTION 4. PRACTITIONER'S CORNER

The premium paid for M&A: the Nasdaq case

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Mpasinas Antonios

Our study is focused on the premium paid for an acquisition of a target company, especially on the Nasdaq market. We find that the relative size of the companies, the strategy of international diversification and the mean of payment influence the premium. There is no effect of market timing on the premium paid and the ownership structure of the group of directors doesn't seem to be significant.

Instructions to authors/Subscription details

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