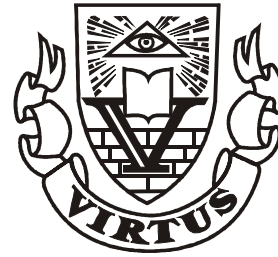


# CORPORATE OWNERSHIP & CONTROL

Volume 3, Issue 4, Summer 2006

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#### **Board configuration and performance in Greece: an empirical investigation 9**

*Dimitrios N. Koufopoulos, Maria-Elisavet N. Balta*

This study is an attempt to shed light on board configuration-board size, leadership structure, CEO dependence/independence alongside with firm's performance relying on financial ratios, namely ROE, ROCE and profit margin. Data were gathered from annual reports and proxy statement of 316 Greek organisations quoted in the Athens Stock Exchange, shortly after the financial crisis of 1999. This period the Greek Capital market was upgraded to a mature market status. Findings from this research suggest that neither board leadership structure nor CEO dependence/independence showed any significant effects on firm's financial performance.

#### **A comparison of corporate governance systems in the U.S., UK and Germany 24**

*Steven M. Mintz*

This paper compares corporate governance principles in the U.S., UK, and Germany. The U.S. and UK represent shareholder models of ownership and control whereas in Germany a stakeholder approach to corporate governance provides greater input for creditors, employees and other groups affected by corporate decision making. Recent changes in the U.S. and UK as evidenced by the Sarbanes-Oxley Act and a variety of reports including the Cadbury Committee Report recognize the importance of a more independent board of directors, completely independent audit committee, and strong internal controls.

#### **The effect of privatization and government policy on competition**

##### **in transition economies 35**

*George R.G. Clarke*

Recent studies have emphasize how important role competition is for enterprise productivity in Eastern Europe and Central Asia. This paper looks at the effectiveness of government policy in promoting competition in these countries. Improving enforcement of competition law and reducing barriers to trade increase competition. Firms are considerably less likely to say that they could increase prices without losing many customers when competition policy is better enforced and when tariffs are lower. In contrast, there is little evidence that privatization increases competition in of itself.

#### **Corporate governance in post-socialist Poland 44**

*Maria Dziembowska*

In this paper there is a focus specifically on how changes in the legal framework shape the ownership and control structure of new and recently privatized companies in the emerging market economy of post-socialist Poland. It argues that governmental actions aimed at stimulating investment and economic development in post-socialist Poland and the emergent model of corporate governance is conditioned both by internal dynamics - such as previous corporate arrangements and the origins of the commercial law - and by external factors - such as EU accession, directives and policies.

**Corporate governance cycles during transition: a comparison of Russia and Slovenia****52***Niels Mygind, Natalia Demina, Aleksandra Gregoric, Rostislav Kapelyushnikov*

The hypotheses on the development of the governance cycles in transition are tested upon a sample of Russian enterprise data for 1995-2003 and Slovenian data covering 1998-2003. We find that governance cycles are broadly similar in the two countries. Employee ownership is rapidly fading in both countries. While change to manager and non-financial domestic outsider ownership is typical for Russia, this is not the case in Slovenia. Instead, change to financial outsiders in the form of Privatization Investment Funds is more frequent.

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**The association between corporate governance and earnings management: role of independent directors****65***Mark Benkel, Paul Mather and Alan Ramsay*

The agency perspective of corporate governance emphasises the monitoring role of the board of directors. This study is concerned with analysing whether independent directors on the board and audit committee (recommendations of the ASX Corporate Governance Council, 2003) are associated with reduced levels of earnings management. The results support the hypotheses that a higher proportion of independent directors on the board and on the audit committee are associated with reduced levels of earnings management. The results are robust to alternative specifications of the model.

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**Executive stock options with a rebate: valuation formula****76***P.W.A. Dayananda*

We examine the valuation of executive stock option award where there is a rebate at exercise. The rebate depends on the performance of the stock of the corporation over time the period concerned; in particular we consider the situation where the executive can purchase the stock at exercise time at a discount proportional to the minimum value of the stock price over the exercise period. Valuation formulae are provided both when assessment is done in discrete time as well as in continuous time. Some numerical illustrations are also presented.

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**Incidence and incentives for the voluntary disclosure of employee entitlement information encouraged under AASB 1028****80***Pamela Kent, Mark Molesworth*

This paper examines the determinants of voluntary disclosure by firms of employee entitlement actuarial assumptions under AASB 1028. It draws on proprietary costs of information and stakeholder theory to make predictions about factors, which influences the disclosure of the actuarial assumptions. It is found that disclosure is negatively related to the power of firms' employees, and firm economic performance. Disclosures are weakly, positively related to firm size in the multivariate model.

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**Financial policy determinants: evidence from a nested logit model****88***Nicolas Couderc*

The aim of this paper is to document the driving factors of the financial policy choice and to evaluate the relevance of two alternative theories, the trade-off theory and the pecking order theory. We use a database of 3,659 firms, over the period 1991-2002; our study relies upon the estimation of two qualitative variable models, a multinomial logit model and a nested logit model. We show that trade-off models are more pertinent than pecking-order models so as to explain the financial policy choice of a firm, but none of these models are sufficient to explain all our results.

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**SECTION 2. CORPORATE OWNERSHIP****Ownership structure and capital structure: evidence from the Jordanian capital market (1995-2003)****99***Ghassan Omet*

The capital structure choice has generated a lot of interest in the corporate finance literature. This interest is due to several reasons including the fact that the mix of funds (leverage ratio) affects the cost

and availability of capital and thus, firms' investment decisions. To date, much of the empirical research has been applied on companies listed on advanced stock markets. This literature considered a variety of factors such as company size, profitability, asset tangibility, firm growth prospects and ownership structure as possible determinants of the capital structure choice. This paper examines the finances of Jordanian listed companies and the impact of their ownership structure on the capital structure choice. Based on a panel data methodology (1995-2003), the results indicate that while Jordanian companies are not highly leveraged, their ownership structure does have a significant impact on capital structure.

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### **SECTION 3. NATIONAL PRACTICES OF CORPORATE GOVERNANCE: CHINA**

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*Li Weian*

In the transition from centralized planned economy to market economy, reallocation of rights between the government and the market leads to the fundamental changes of economic structure, thus causing Paradigm shift from the government-oriented governance pattern in China. Based on survey of 104 public listed companies in China, a descriptive analysis of the market-oriented governance pattern of SOEs is provided. The internal and external governance mechanisms in market-oriented governance model are designed to enhance the reform of modern enterprise institutions in China.

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#### **Government-owned companies and corporate governance in Australia and China: beyond fragmented governance 123**

*Roman Tomasic, Jenny Jian Rong Fu*

The ownership and control of government owned companies presents a major challenge for the integrity of established corporate law ideas regarding accountability of directors and the independence of government owned companies. Drawing upon experience from China and Australia, the article discusses some of the key corporate governance tensions that have emerged from the corporatisation of state owned assets. The attempt to uncritically apply private sector ideas to the corporatisation of state owned and controlled companies is fraught with difficulties that are discussed in this article.

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#### **China's SOE reform: a corporate governance perspective 132**

*Weiying Zhang*

This paper argues that Chinese state enterprise reform has been relatively successful in solving the short-term managerial incentive problem through both its formal, explicit incentive mechanism and its informal, implicit incentive mechanism. However, it has failed to solve the long-term managerial incentive problem and the management selection problem. An incumbent manager may have incentives to make short-term (but hidden) profits, but at present there is no mechanism to ensure that only qualified people will be selected for management. The fundamental reason is that managers of SOEs are selected by bureaucrats rather than capitalists.

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*Bruce Mizrach, Susan Zhang Weerts*

This paper examines how well the market anticipates regulatory sanction. We look at key dates of SEC, NASD, FTC, Congressional and foreign investigations and their subsequent resolution. Our event study confirms that the settlements provide little new information to the market. In six major case groupings, we find highly accurate predictions from market capitalization changes of settlements and associated private litigation.

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