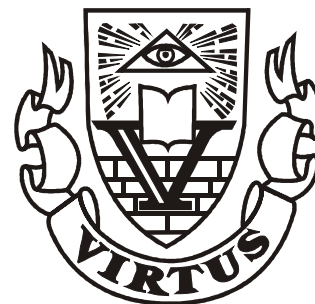


CORPORATE OWNERSHIP & CONTROL

VOLUME 10, ISSUE 4, SUMMER 2013

CONTENTS



EDITORIAL

4

SECTION 1. ACADEMIC INVESTIGATIONS AND CONCEPTS

PROGRESSING CORPORATE GOVERNANCE DISCLOSURE IN EGYPT: CURRENT STATUS AND ACTION PLAN

9

Khaled Samaha

This study examines the level of corporate governance disclosure in Egypt and explores the attitudes of Egyptian regulators, auditors, accountants, academics and company directors about the strategies needed to enhance CG disclosure. The measurement of disclosure is based on a checklist developed by the United Nations, which was gathered using a content analysis of financial statements and websites of a sample of Egyptian companies listed on Egyptian Stock Exchange (EGX). Levels of CG disclosure are found to be very low, however, disclosure is high for items that are mandatory under the Egyptian Accounting Standards (EASs) that are based on International Financial Reporting Standards (IFRS). The failure of companies to disclose such information clearly shows some ineffectiveness and inadequacy in the regulatory framework in Egypt. Moreover, the phenomenon of non-compliance may also be attributed to the socio-economic factors in Egypt. Therefore, it is expected that Egyptian firms will take a long time to appraise the benefits of increased CG disclosure. Therefore, awareness building, education and training, incentives or disincentives to disclose including the nature of enforcement regimes are among possible policy recommendations based on interviews with Egyptian experts, but all carry costs as well as benefits. The findings provide a benchmark of performance against which future research can measure longitudinal changes after a further learning period.

DETERMINANTS OF INVESTMENT IN NAMIBIA

21

Joel Hinaunye Eita

This paper presents an analysis of the determinants of investment in Namibia for the period 1971 to 2010. The results indicate that investment in Namibia can be raised by increasing real GDP, openness and financial development, and by decreasing the user cost of capital. Although saving has an expected positive coefficient, it is statistically insignificant. This suggests that saving is necessary, but not sufficient to accelerate investment in Namibia. The positive effect of effect of openness implies that increase in exports generated foreign exchange earnings necessary to purchase the imported capital goods and expand the market for domestic products. Increase in imports enabled the country to have greater access to investment goods in the international market and accelerates investment. A positive impact of financial development suggests that the financial sector is important in facilitating the channeling of resources from savers to investment activities that offer high return. The negative effect of user cost of capital implies that investment in Namibia can be accelerated by reducing the cost of capital.

DO MARKET PARTICIPANTS PERCEIVE BLOCKHOLDERS' POWER AND PREFERENCES? LOCUS OF CONTROL, PREFERENCE HETEROGENEITY, AND FIRM VALUATION IN THE SWISS CONTEXT

31

Katarina Sikavica, Esther Kessler

This study relies on preference heterogeneity and locus of control research to hypothesize about the impact of control types on firm valuation. We investigate whether market participants discriminate between control types when making investment decisions. Our empirical results of Swiss data suggest that control types represent discrete governance contexts with a unique set of conditions each related to a different level of principal-principal agency costs. Specifically, we find that firms with family ownership and professional management are valued more highly relative to other control configurations and that owners can use board and share structures to signal good governance. Our study thus provides support for a psychological and socio-political perspective of principal-principal conflicts of interests and expropriation of minority investors.

THE RELATIONSHIP BETWEEN GOVERNMENT OWNERSHIP, FIRM PERFORMANCES AND LEVERAGE: AN ANALYSIS FROM MALAYSIAN LISTED FIRMS

47

Nazrul Hisyam Ab Razak, Normaizatul Akma Saidi, Fauziah Mahat

The purpose of this paper is to examining the impact of government ownership on firm performance and leverage in Malaysia. In this paper, we examine governance mechanism and firm performance and leverage of 200 Malaysian firms over 5 year periods from 2005 - 2009. We use fixed effect panel regression model in predicting capital structure of Malaysian firms. We use two indicators as independent variables which are debt ratio and debt over equity ratios. This paper is to determine whether after controlling firm specific characteristics such as corporate governance, agency cost, growth, risk and profitability, government involvement will influence decision on debt policy of the firm. This study may enable the firms to make better decision on their external financing. The inverse association of leverage and profitability implies that the firms are able to get the required capital easily due to the higher level of profits. The existence of government support and backup also will ensure the level in the firms is at the controllable. Therefore, the findings will be able to add new knowledge to the corporate managers and policy makers especially on decision-making on capital structure.

A SURVEY OF CORPORATE GOVERNANCE STUDIES IN CHINA

61

Larry Li, Tony Naughton

This paper reviews the theoretical and empirical corporate governance literature in China, concentrating on relationships between ownership, board characteristics and firm performance. In addition, we explore the recent floatation of non-tradable shares and relationship contracting (Guanxi), which are two unique corporate governance issues in China. Overall, the understanding of the key driving forces of firm organizational structure, corporate governance practices, and performance remains largely inconclusive and we make recommendations for future research direction.

GUANXI AND EVOLVING OWNERSHIP STRUCTURES IN CHINESE PRIVATE ENTERPRISES

71

Zhong Qin, Wenli Cheng

This paper develops a theoretical model to study features of the evolving ownership structures of private enterprises in Zhejiang Province, China. The model predicts that in a developing economy where the market environment is immature or unstable, the ownership structure of a typical private enterprise involves a cooperative arrangement between a party with management skills and another party with Guanxi (connections). As the market environment becomes more stable, the ownership share of the party with management skills increases. This result is confirmed by empirical evidence of 296 surveyed firms in Ningbo city of China, showing that the perceived importance of both government and family Guanxi declined with perceived improvements in market stability.

SECTION 2. CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

EMPIRICAL STUDY ON THE CORRELATION OF CORPORATE SOCIAL RESPONSIBILITY WITH THE BANKS EFFICIENCY AND STABILITY 86

T. A. Vasileva, A. S. Lasukova

The aim of this paper is to investigate the relationship between the concept of corporate social responsibility and the most important characteristics of banking – the efficiency and stability in a sample of twelve Ukrainian banks, which are the biggest banks in Ukraine according to the classification of the National Bank of Ukraine (NBU). Our research covers the period from 2006 to 2012. Based on the literature review we construct two main hypothesis related to the impact on the corporate social responsibility concept (CSR) of the following independent variables: 1 – efficiency (as a short term period characteristics of banking), 2 – stability (as a long term characteristics of banking).

STAKEHOLDER RATINGS AND CORPORATE FINANCIAL PERFORMANCE: SOCIALLY RESPONSIBLE FOR WHAT? 94

Daniela Venanzi

This paper aims at empirically supporting, in a cross-country and cross-industry analysis, the instrumental role of stakeholder management by adopting a disaggregated approach to the corporate social performance measurement. By using a sample of 250 European industrial listed firms, from 10 European countries, in the period 2001-2003, we find the following evidence: i) the firm is not socially responsible towards all stakeholders, but invests more in key-stakeholders, those who are (perceived as) more influential on its business and have a more valuable impact on its financial performance; ii) a null or weak significance of the relationship between corporate social performance (CSP) and corporate financial performance (CFP) in the whole sample hides highly significant opposite relationships in two separate sub-samples (i.e. firms with positive and negative relationship, respectively): the sign of the CSP-CFP link cannot be expected to be univocal, since the marginal reward-cost equilibrium of social investment is firm-specific.

SECTION 3. CORPORATE GOVERNANCE IN ITALY

AN EMPIRICAL ANALYSIS OF “CORPORATE ITALY”: LEGAL ENTITIES, FINANCIAL AND OWNERSHIP STRUCTURE AND CORPORATE GOVERNANCE 2004-2012 117

Carlo Bellavite Pellegrini

This research has a twofold target. For one extent it embraces on a wider historical period previous analyzed related to the innovative bodies of law introduced by the Vietti's Reform in 2004, providing an overall evidence related to the Italian corporate system, ranging from consistency and dynamics of the different forms of legal entities, to their corporate governance and ownership structures. For another extent it proposes completely new data about other patterns of “Corporate Italy” which have never been enquired in a systematic way before. The paper provides a wide analysis of the ownership structures of unlisted joint stock Italian companies and of the limited liability companies describing the number of all the M&A deals or corporations' transformation or liquidation during 2012.

CORPORATE PERFORMANCE AND BOARDS' DILEMMA OF LISTED SUBSIDIARIES 130

Emiliano Di Carlo, Francesco Ranalli

The paper focuses on listed companies controlled by other (listed or not listed) entities. The decision-making power of listed subsidiary's boards could be strongly influenced by (or instead could be autonomous from) the parent companies' board. However, so far literature on corporate governance seems not to have considered adequately this aspect as well as the impact of that influence on listed

companies' financial performance and on corporate governance variables. The main objective of this paper is to explore how and why this phenomenon is relevant, giving some preliminary suggestions on the interpretation of the ownership structure, board demography and the financial performances of directed listed subsidiaries. In order to explore the relevance of the phenomenon, we use a sample of Italian listed companies controlled and consolidated by other companies for the year 2010. The analysis shows that 71.4% (145 firms) of Italian non-financial listed companies are consolidated by the respective controlling entities and 24.1% (35 firms) of these listed subsidiaries declare to be directed by their parents. Thus, they are not independent economic entities and the effort to study the relationship between corporate governance variables and firm performance could be strongly biased.

SUBSCRIPTION DETAILS

148