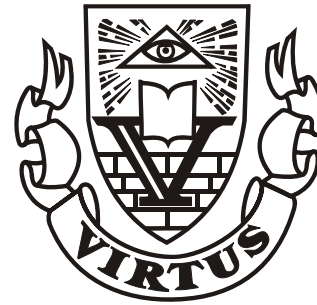


# CORPORATE OWNERSHIP & CONTROL

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*Tony Ike Nwanji, Kerry E. Howell*

This paper reviews the impact of the shareholdership and stakeholdership models in guiding managers through the most appropriate way of delivering business objectives. The shareholder model is the traditional Anglo-American system of corporate governance, which focuses on the maximisation of shareholder wealth, while the stakeholder model is considered to be exemplified by the German system of corporate governance and focuses on meeting the needs and expectations of a wider range of stakeholder groups. The results from this study indicate that a combination of both models could enable management to deliver the needs of stakeholders groups, while in the long term maximising wealth for the shareholders..

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*Waymond Rodgers, Helen Choy, Andres Guiral-Contreras*

This research paper supports the notion that the independent auditing function tied to corporate board actions can influence accountability of corporate social responsibility strategy and implementation. We present a Throughput Model that depicts independent auditors' reporting to firms' board of directors may improve its market valuation against the backdrop of an ever more complex global economy with continuing economic, social and environmental inequities.

**Value Management in Weakly Growing Industries  
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*Ulrich Pidun, Michael Wolff*

In the literature, growth is discussed as a key value lever within the framework of value-based management as it creates opportunities to generate additional free cash flow and thus to increase the value of the company. However, opportunities for high growth rates, for example through technical innovations or the creation of new customer groups, are not equally distributed across industries. Using 61 companies from the chemical industry as an example, it is shown that above average capital market performance is possible also in industries with below average growth rates. The requirement for this to take place is the consistent exploitation of all available levers of value management. In contrast, a pure focus on increasing profitability has not proven to be a sustainable value creation strategy.

**Separation of Control Rights and Cash-Flow Rights in Emerging Economies: Theory and Mexican Evidence** **38**

*Richard Fairchild, Alma Garro Paulin*

We argue that factors in emerging markets, such as large private benefits of control, extreme risk, low investor protection, inefficient capital markets, and governments sympathetic to incumbent management at the expense of outside investors, all contribute to insiders' incentives to create a separation of cash flow and control rights. We present evidence from Mexico that supports our results.

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**Corporate Governance Ratings: General Concerns and Specific Problems in the European Context** **58**

*Daryl Koehn, Joe Ueng*

Recent corporate scandals have led investors to monitor corporate governance more closely. Corporate governance ratings by independent agencies have become popular with investors seeking indicators of good market returns. We present empirical data showing that such CG ratings show no significant correlation with European firms' stock price appreciation. We conclude with a few thoughts concerning possible dangers associated with the use of CG ratings.

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*Ray da Silva Rosa, Dane Etheridge, Izan H Y Izan*

The ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (Released March 2003) has been criticised as unduly prescriptive and potentially costly, particularly for small firms. Using a sample of 518 West Australia and Queensland based ASX listed companies, we show that small companies are less likely to comply with several of the ASX recommendations than large companies. We also show that some agency controls largely ignored in the recommendations, such as substantial shareholders, may substitute for some of the corporate governance mechanisms recommended by the ASX.

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*Maurizio La Rocca, Tiziana La Rocca, Alfio Cariola*

The potential conflicts of interest between managers, stockholders and debtholders influence capital structure, corporate governance activities and investment policies, which, in turn, could give rise to inefficient managerial decisions and "suboptimal" investments that generally fall under the categories of problems of underinvestment and overinvestment. This paper intends to discuss these problems by identifying their causes, determining factors and the consequences on the value production processes, as well as to point out possible solutions to them.

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*Theodore Syriopoulos, Anna Merikas, George S. Vozikis*

The study assesses the implications for shareholder value induced by investing in companies promoting corporate social responsibility (CSR) among members of the Greek CSR Firm Network which consistently pursues CSR strategies. Alternative dynamic volatility models to identify the best fit that adequately describes the risk-return profile of these stocks were estimated, while the EGARCH model which takes into account asymmetric volatility effects was found to be statistically satisfactory in explaining CSR risk and return. The impact of volatility appears to be persistent though varying across

Greek CSR companies and shareholder value hence may fluctuate considerably, as CSR stocks may not necessarily present a low risk asset class.

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*Ryuuichiro Kurihama*

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*Magdi El-Bannany*

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*Faten Lakhali*

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*Sabri Boubaker*

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