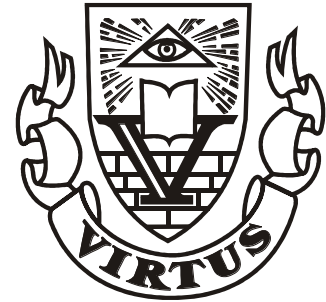


CORPORATE OWNERSHIP & CONTROL

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RECONSIDERING THE MEASURES OF SHAREHOLDERS VALUE: A CONCEPTUAL OVERVIEW

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N.S. Terblanche

Economic and finance theory dictates that the major purpose of a firm is to create value. Value can be considered from different points of view. Advances in two distinctly different functional areas of business, namely marketing and financial management, initiated a reconsideration of our understanding of what constitutes a firm's value. On the one hand marketing was called upon to become more financially accountable and at the same time intangible assets on balance sheets require that the asset or group of assets should be separately identifiable, protected, transferable and enduring. Brands represent a significant fraction of the intangible, and hence, total value of many firms. This situation made various researchers call for the integration of the disciplines of marketing and finance. The blend of empirical customer research and financial measures to produce measures such as, for instance, CLV holds a great deal of promise to support our understanding of value creation in firms and how that translates into shareholder value.

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N Huyghebaert, F J Mostert

This paper first briefly reviews the various contractual provisions that can be used to decrease the extent of venture capitalists' exposure to agency problems. Next, the importance of various securities and covenants is examined in the context of South Africa, where the venture capital market is still relatively young, but growing. Overall, it is concluded that venture capitalists in South Africa limit their exposure to risk, but in a different manner than is typically done in the USA.

IMPROVING GOVERNANCE LEADS TO IMPROVED CORPORATE COMMUNICATION 26

Poh Ling Ho, Greg Tower, Dulacha Barako

This study empirically examines the influence of corporate governance structure on voluntary disclosure practices of Malaysian listed firms from 1996 to 2001. This important timeframe encompasses the time period before the Asian Financial Crisis and the aftermath of regulatory reforms such as the revamped KLSE Listing Requirement released in 2001, widely recognized as a major milestone in Malaysian corporate governance reform through the enhanced corporate disclosure. Our

findings show that the extent of voluntary communication is generally low, albeit showing an increase from 1996 to 2001. There is an increase in the number of corporate governance characteristics adopted by firms, suggesting firms exhibiting an improvement in the corporate governance structure. While corporate governance structure is not a significant explanatory variable in 1996, our results suggest that a firm's corporate governance structure has a significantly positive impact on voluntary disclosure in 2001. Large companies voluntarily disclose more information in both years. The implications are that a greater focus on corporate governance is resulting in an increase in transparency in the Malaysian setting. Corporate change is generating better corporate communication.

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Paolo Di Betta, Carlo Amenta

We investigate upon the influences on the Board exerted by politicians concerning strategic management and corporate governance, an invasive activity which we characterize as moral governance. We present a list of actions through which politicians and other outside parties who intervene in the political arena show power in influencing corporate policies. We analyze three Italian clinical cases some of which can be considered reluctant forms of privatization. At crossroads between corporate governance and stakeholder management, our model could be used as a guideline and checklist for insiders to interact with politicians, for cross-country comparisons of business environment, and for assessing transparency of companies in developed and developing countries.

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Carl-Christian Freidank, Patrick Velte

This article is focused on the interdependencies between corporate governance and controlling from a German perspective. An impact analysis based on the area of auditing, supervision and control will follow. Using the example of intangible assets and long-term manufacturing contracts according to IFRS, the influences of internationalisation on controlling will be presented. The details show that the development of financial accounting into an integral business reporting system together with an increase in importance of controlling goes hand in hand. In the future, controlling will form the central link between corporate governance and business reporting.

THE DARK SIDE OF LBOs. PRIVATE EQUITY INVESTORS BE FOREWARNED!

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*Simona Zambelli**

Given the potential damage to the target's stakeholders, LBOs have been strongly debated and even prohibited in Italy. The institutional uncertainty surrounding the legitimacy of LBOs had a negative impact on the Italian private equity market. Recently, Italy issued an innovative corporate governance reform which offered a more favorable legal environment to this type of transactions and represented an important turning point for the domestic private equity market. The institutional change, induced by the above reform, provides scholars and policy makers with guidelines on how PE transactions may be spurred with an appropriate regulation aimed at legalizing LBOs, as well as protecting the interests of the target firm and its stakeholders. Notwithstanding the new reform, several issues remain unsolved and the admissibility of certain types of LBOs is still under debate.

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Stefano Caselli, Renato Giovannini

Through an analysis of 54 family firms, all displaying excellent growth over a 5-year period, two hypotheses have been examined concerning the role that financial institutions play in the development of this type of enterprise. The first addresses the existence of different paths for financial growth; the second centers on the presence of numerous models for relationships with financial institutions.

Empirical evidence proves that family firms follow paths for financial growth and use models for their relationships with financial institutions that differ in structural terms. From these results, indications can be formulated regarding the expected effects on financial institutions and family firms. Moreover, new research streams clearly emerge which lay the groundwork for further study.

A CORPORATE GOVERNANCE STUDY ON ITALIAN FAMILY FIRMS

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Fabrizio Colarossi, Marco Giorgino, Roberto Steri, Diego Viviani

In this paper we investigate three corporate governance issues in 30 Italian family firms: (i) the orientation either to the Agency Theory or to the Stewardship Theory; (ii) the board of directors' composition; (iii) the ability to involve nonfamily individuals in the company's management and governance (Openness Index) and the decision-making quality (Extension Index) and we analyze empirical results through a cluster analysis by following the Gubitta and Gianecchini's approach (2002). Our conclusion suggests that (i) small Italian family firms' corporate governance systems seem to be consistent with the guidelines suggested by the Stewardship Theory and (ii) Italian family firms' boards are characterized by a relevant presence of family members.

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Ivo Nuno Pereira, José Paulo Esperança

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Yin-Hua Yeh, Pei-Gi Shu, Yu-Hui Su

In this research we investigate the possible determinants of voluntary resignations of independent directors. The results from 82 IPO firms with voluntary resignations of independent directors in the 2002-2006 periods show that independent directors concern more of the governance structure than of the performance and risk measures when making resignation decision. Specifically, we find that the most discerning variables for voluntary resignation are related party transactions, non-qualified reports from the associated auditor, and total shareholdings of the large shareholders. Independent directors under the adverse conditions that hinder them from effective monitoring would choose voluntary resignation. Our findings potentially contribute to the literature in two threads. First, we comprehensively investigate the possible determinants from different dimensions and find that corporate governance would be more important than performance and risk in triggering the voluntary resignations of independent directors. Secondly, we prove that independent directors in an ownership-concentrated economic such as Taiwan are at best performing passive monitoring. Resignation would be their last resort when they are incapable of counterbalancing the predominant power of controlling owner.

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Feng-Li Lin, Tsangyao Chang

Two agency theories have dominated the corporate ownership debate, the convergence of interest and the entrenchment hypothesis. Following the work of Ang et al. (2000) and Sing and Davidson (2003) to a panel of 266 Taiwanese listed companies for the 1996-2006 period, we adopt an advanced panel threshold regression model to determine whether managerial ownership reduces agency costs. We find when managerial ownership is less than 36.55% or greater than 59.06%, consistent with the

entrenchment hypothesis, a 1% increase in the managerial ownership decreases asset utilization efficiency by 0.32% and 0.5%, respectively. However, managerial ownership is between 51.35% and 59.06%, consistent with the convergence of interest hypothesis, a 1% increase in the managerial ownership increases asset utilization efficiency by 0.21%.

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Chun-An Li, Hung-Cheng Lai

We examine the relationship between corporate ownership and fund performance in Taiwan. Using the panel regression after controlling for fund attributes, the proportional share held by foreign institutional investors is positively correlated with fund performance. Furthermore, we also find a negative relationship between the number of board members and the return gap measure of fund performance, but ownership concentration are not effect on fund performance. Our results imply that foreign institutional shareholders are now playing a significant monitoring role of fund companies in Taiwan.

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Ruey-Dang Chang, Yeun-Wen Chang, Ching-Ping Chang, Fiona Hu

This study uses investment opportunity set (IOS) as an environmental factor, and investigates its moderating effect on the relationships between corporate governance mechanisms (including internal and external corporate governance mechanisms) and firm performance. The empirical results using regression analysis show: (1) The IOS does not have a moderating effect on audit quality and firm performance. (2) The negative relationship between institutional investor ownership and firm performance is stronger for firms with higher investment opportunities. (3) When CEO is the chairman of the board, high growth firms can lead to better firm performance. (4) The relationship between the IOS and pledged shares ratio of directors and supervisors has positive influence on firm performance.

SECTION 4. PRACTITIONER'S CORNER

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Roland Füss, Achim Hecker

White-collar crime is a notable phenomenon attending economic activity. But although both prominent individual cases and more systematic statistics on claims indicate a considerable and pressing problem, rather little is known about particular types of offenses, patterns of response, situational contexts, or offender profiles. Nor is much known about which instruments effectively prevent and fight white-collar crime. Utilizing an extensive dataset of 329 organizations and over 400 case descriptions from Germany, Austria and Switzerland, this analysis offers a first detailed inquiry into the relevance and characteristics as well as prevention and redress of five basic kinds of white-collar crime: corruption, fraud, theft, anti-competition, and money laundering. In addition to an explication of overarching commonalities and specific differences, we strive to show that these five types can furthermore be reorganized into two differing classes that are each internally rather homogenous. This finding is of great relevance and importance to effective strategies for preventing and countering white-collar crime.