CORPORATE OWNERSHIP & CONTROL

Postal Address:

Postal Box 36
Sumy 40014
Ukraine

Tel: +380-542-698125
Fax: +380-542-698125
e-mail: alex_kostyuk@virtusinterpress.org
www.virtusinterpress.org

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Почтовый адрес редакции:

Почтовый ящик 36
г. Сумы, 40014
Украина

Тел.: 38-542-698125
Факс: 38-542-698125
эл. почта: alex_kostyuk@virtusinterpress.org
www.virtusinterpress.org

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EDITORIAL

Dear readers!

The recent issue of the journal Corporate Ownership and Control pays attention to issues of corporate ownership and control and board practices. Company performance, investment, corporate social responsibility, national peculiarities of corporate governance in Italy are also under the scope of researches. More detailed issues are given below.

Khaled Samaha 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. *Joel Hinaunye Eita* in his paper presents an analysis of the determinants of investment in Namibia for the period 1971 to 2010. *Katarina Sikavica, Esther Kessler* investigate whether market participants discriminate between control types when making investment decisions. *Nazrul Hisyam Ab Razak, Normaizatul Akma Saidi* and *FauziahMahat* examine the impact of government ownership on firm performance and leverage in Malaysia. *Larry Li, Tony Naughton* review the theoretical and empirical corporate governance literature in China, concentrating on relationships between ownership, board characteristics and firm performance. *Zhong Qin, Wenli Cheng* try to develop a theoretical model to study features of the evolving ownership structures of private enterprises in Zhejiang Province, China.

T. A. Vasileva and *A. S. Lasukova* 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. *Daniela Venanzi* tries to outline instrumental role of stakeholder management by adopting a disaggregated approach to the corporate social performance measurement. Author used a sample of 250 European industrial listed firms, from 10 European countries, in the period 2001-2003 to develop the topic.

Carlo Bellavite Pellegrini in 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. He states that this paper proposes completely new data about other patterns of "Corporate Italy" which have never been enquired in a systematic way before. *Emiliano Di Carlo* together with *Francesco Ranalli* focuses on listed companies controlled by other (listed or not listed) entities in Italy. According to their point of view decision-making power of listed subsidiary's boards could be strongly influenced by (or instead could be autonomous from) the parent companies' board. They also state that 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 their 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.

We hope that you will enjoy reading the journal and in future we will receive new papers, outlining the most important issues and best practices of corporate governance!

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CONTENTS

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 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.

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.

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.