

CORPORATE OWNERSHIP & CONTROL

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EDITORIAL

Dear readers!

An economic crisis has shown lack of attention to crucial issues in governance business entities. Recommendations for corporate governance enforcement have been proposed by business community, society and regulators. However, risks, performance, reporting and corporate control issues are still under the discussion. With respect to this role of legal environment in establishing appropriate solutions for corporate governance effectiveness is relevant. It is clear that corporate governance enforcement and other legal issues is an increasingly important area of focus and substantial discussion should be arranged. Understanding that real business conditions can differ from theoretical models proposed by science, that's why it's important to form a platform for practitioners and theorists to outline main challenges and prospective solutions for improving corporate governance world.

This issue pays attention to the problems of corporate governance rating model, account auditing in the corporate system, pension fund governance, european banking system.

Yutaka Harada investigates corporate governance in the wake of a financial crisis, explains why the banking crises occurred and how we can avoid them in the future. *Mauro Romano and Christian Favino* verify whether the international crisis has significantly changed the structure of the interlocking directorate network that links large firms in the regulated Italian market; investigate the changes that have occurred in the interpersonal network of directors of the same firms previously observed. *Roberto Moro Visconti and Maria Cristina Quirici* investigate frontier faces key trendy issues, which are likely to deeply reengineer the relationship among different stakeholders, as it has already happened, on a different and more sophisticated scale, with traditional banking. *Hugh Grove and Maclyn Clouse* conclude that the five Chinese companies analyzed in this paper had poor auditing, boards that did not get involved, and boards and management that violated the NYSE's key corporate governance principles. *Ronald H Mynhardt* recommends that a world supervisory body on corporate governance be established and proposes that a summit be called to discuss and create such an authority. *Michael Maingot, Tony Quon and Daniel Zéghal* conclude that the small increases in the number of risk disclosures by S&P 500 and TSX companies after the financial crisis did not make the readers of the annual reports more aware of the increased risks that companies faced in the wake of the 2008 financial crisis. *Sanjana Brijball Parumasur and Patsy Govender* summarize that a new management paradigm is needed to effectively overcome current chronic organizational problems. This means that the leadership cannot be engulfed in a quagmire of protocols and operating procedures, bureaucracy, and chains of command that imprison themselves and cause paradigm blindness. *Aleksandra Szunke* concludes that the modern response system creates a new paradigm of central banking, in which the institutional and instrumental framework of monetary authorities go beyond the traditional understanding of the functions of central banks, strongly associated with prevention activities, as well as regulatory and supervisory initiatives. *Roberto Moro Visconti* analyses how clan governance rotates around informal relationships, which concern also untitled land, intrinsically unfit for collateral lending. *W J Pienaar* proposes two techniques that may be used as additional decision-making instruments when evaluated projects show similar degrees of long-term financial viability.

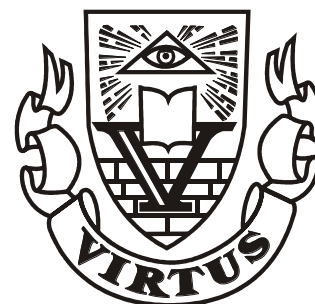
We hope that you will enjoy reading the journal and in future we will receive new papers, outlining the most important issues and best practices of corporate governance!

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Volume 11, SPRING 2014

SPECIAL CONFERENCE ISSUE, CONTINUED 2

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JAPAN'S FINANCIAL CRISIS IN 1992 AND UNBALANCED INCENTIVES 388

Yutaka Harada

This paper investigates corporate governance in the wake of a financial crisis. In Section 1, the author will explain why the banking crises occurred and how we can avoid them in the future. And in Section 2, there will be discussion on Japan's financial crises in 1990s, focusing on why Japan's financial authorities delayed efforts to resolve the NPL issue and why they did not try to expand the monetary base.

The bank supervision authority (Ministry of Finance at that time) and financial institutions had incentives to delay the disposal of bad loans. They wanted to cloud their responsibilities by delaying the disposal. Their strategy had the desired effect, as many escaped their responsibilities because of the delay.

BROKEN TIES AND CORPORATE GOVERNANCE CHANGES UNDER UNCERTAINTY CONDITIONS. A LONGITUDINAL STUDY OF ITALIAN BOARDROOM NETWORK EVOLUTION 399

Mauro Romano, Christian Favino

The paper aims to verify whether the international crisis has significantly changed the structure of the interlocking directorate network that links large firms in the regulated Italian market. Furthermore the paper, which is a development of a preceding research study, also investigates the changes that have occurred in the interpersonal network of directors of the same firms previously observed.

To this end, the authors present a preliminary analysis of the evolution of corporate governance in the main European regulated markets through a dynamic comparison of some synthetic statistical data observed at the end of the years 2006, 2008 and 2010. In the second part, after framing the interlocking directorate concept, the authors examine the evolution of the interlocking directorate network during the aforementioned observation period (2006-2010) with respect to larger Italian listed companies (FTSE MIB) and their directors.

THE IMPACT OF INNOVATION AND TECHNOLOGY ON MICROFINANCE SUSTAINABLE GOVERNANCE 420

Roberto Moro Visconti, Maria Cristina Quirici

The authors provide the analysis, which is addressing, in a multidisciplinary and innovative comprehensive way, apparently weakly related topics such as MF governance, and IT issues, within recessionary cycles. This hardly investigated frontier faces key trendy issues, which are likely to deeply reengineer the relationship among different stakeholders, as it has already happened, on a different and more sophisticated scale, with traditional banking.

To the extent that technology (with access to Internet, social networks, cashless electronic payments, etc.) reshapes the equilibriums among different stakeholders, it is likely to have important – albeit under-investigated - corporate governance consequences, softening the conflicts of interest among stakeholders and reinforcing the business model, making it more resilient during recessions, with positive externalities on both sustainability and outreach.

**CORPORATE GOVERNANCE STANDARDS IN CROSS-BORDER INVESTING:
LESSONS LEARNED FROM CHINESE COMPANIES LISTED IN THE UNITED
STATES**

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Hugh Grove, Maclyn Clouse

In this work authors examine five Chinese company stocks that have been listed on United States exchanges with either initial public offerings (IPOs) or reverse mergers, often called reverse take-overs (RTOs). Their shares were initially well received in the market, especially as China's economy continued to grow at rates much higher than the rest of the world's countries, with increasing stock prices creating significant gains for their investors. However, in spite of these firms' apparent compliance to the U. S. regulations, there is now evidence of fraud, poor auditing, and a lack of corporate governance and control. The resultant stock price declines have led to billions of dollars of losses for investors, and some of these Chinese firms have subsequently been delisted by U. S. stock exchanges. In this paper, we will show that had auditors, boards of directors, and financial analysts been more diligent and responsible, these problems could have been identified earlier than they were. Perhaps some of the investors' losses could have been prevented.

**UNIVERSAL CORPORATE GOVERNANCE STANDARDS: RECOMMENDATIONS
FOLLOWING THE GLOBAL FINANCIAL CRISIS**

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Ronald H Mynhardt

The study found that it appeared that corporate governance has failed and action needs to be taken. The study recommends that a world supervisory body on corporate governance be established. It also proposes that a summit be called to discuss and create such an authority. In addition, the formulation of a set of universal corporate governance standards for implementation by the members was suggested.

**THE EFFECT OF THE FINANCIAL CRISIS ON RISK DISCLOSURES:
A COMPARATIVE STUDY OF U.S. AND CANADIAN CORPORATIONS**

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Michael Maingot, Tony Quon, Daniel Zéghal

The paper critically analyses risk disclosures by non-financial U.S. companies and determines the impact of the 2008 financial crisis on these disclosures; examines risk disclosures by non-financial Canadian companies and to determine the impact of the 2008 financial crisis on these disclosures; compares the number of risk disclosures by these U.S. companies with Canadian companies in the same sectors.

**LET MANAGEMENT DRIVE THE DESIRED ORGANIZATIONAL CULTURE AND
CULTURE SHIFT**

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Sanjana Brijball Parumasur, Patsy Govender

In this work attention is predominantly paid to the need for an evolution of management thought and a shift in the management paradigm. It aims to show how managers can drive the desired organizational culture and culture shift in an environment dictated by complexity, risk, attitudes and behaviours, amongst others. It uses the Competing Values Framework (CVF) to determine the dominant leadership model, focus, direction and organizational culture.

CHANGES IN MONETARY POLICY AFTER THE CRISIS - TOWARDS PREVENTING BANKING SECTOR INSTABILITY

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Aleksandra Szunke

This study advances research on identification the general framework of the response system of central banks on the phenomenon of banking sector instability, in the context of preventing it in a long term. Current - the traditional system proved to be ineffective, because it did not prevent the spread of the factors that led to the destabilization of the banking market.

CLAN GOVERNANCE AND LANDLESS SOCIAL CAPITAL: AN ANTHROPOLOGICAL STAKEHOLDERSHIP MODEL

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Roberto Moro Visconti

The paper analyses clan governance rotates around informal relationships, which concern also untitled land, intrinsically unfit for collateral lending. Comparison between the West and the Rest does not suggest automatic dominance of formal governance patterns, but rather painfully converging standards, under the centripetal influence of disordered globalization, which may flatten cultural differences, up to the point of spoiling valuable "biodiversities".

THE APPLICATION OF SYSTEMS ANALYSIS TO ENHANCE THE PERFORMANCE OF LOGISTIC SYSTEMS IN SUPPORTING ECONOMIC GROWTH AND DEVELOPMENT

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W J Pienaar

The paper provides guidelines on how decision-makers can choose capital projects on the basis of economic and financial criteria by applying a systems-analysis approach. Project appraisal, selection and prioritisation criteria are listed, followed by a description of the way in which the result of each appraisal technique should be interpreted. Criteria that should be adhered to in the selection of mutually exclusive projects and the prioritisation of functionally independent projects in order to maximise net output in the long run are supplied. Applications of the proposed investment decision rules are illustrated by examples. Two techniques are proposed that may be used as additional decision-making instruments when evaluated projects show similar degrees of long-term financial viability. Five performance areas that collectively best represent successful organisational logistics performance are detailed.

SUBSCRIPTION DETAILS

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