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EDITORIAL

Dear readers!

The recent issue of the journal Corporate Ownership and Control pays attention to issues of corporate social responsibility, risks management, audit issues, corporate codes etc. More detailed issues are given below.

Jon Svennesen Toft, Rainer Lueg compare the new findings from advanced research between 1997 and 2014 to assess the ongoing validity of Biddle et al.'s (1997) conclusions. Authors separate articles into two groups: the ones that find accounting-based performance measure to perform best, and the ones who speak in favor of residual income-based performance measures. The conceptual discussion still favors management control systems based on the more sophisticated residual income-based measures. Yet empirically, the vast majority of new studies with advanced research designs still find that accounting numbers are by no means inferior in measuring shareholder value creation. *Angie Abdel Zaher* examines audit opinions for two different samples: 2,089 financially stressed firms and 642 manufacturing firms that filed for bankruptcy. In both samples, author finds that GC opinions are more likely for firms with a new CFO; however, no significant association between GC opinions and executives' gender was found. *Mahdi Faghani, Reza Monem, Chew Ng* investigate the consequences of Australia's 'say on pay' regulation on the chief executive officer (CEO) compensation using recent data.

Carmine De Chiara, Giovanni W. Puopolo provide an empirical investigation of the classic Capital Asset Pricing Model (CAPM) on all firms listed in the Italian stock exchange at the monthly frequency. Authors intend to show that the CAPM, despite the heavy critical comments, still holds in the Italian market when returns are measured at the monthly frequency. *Wanbin Pan, Jun Shan* examine the structural change of mutual fund herding in china stock market, an important investment behavior of institutional investors. A self-normalization based Kolmogorov-Smirnov test is employed to test the change point of herding from 2002 to 2011, the results suggest that there really be structural change points in mutual fund herding. *Mohammad Jizi* examined the impact of the internal corporate governance mechanisms on the content of risk management disclosures using a sample of US national banks in the wake of the financial crisis. The results also suggest that CEO duality impacts positively on risk management disclosures content to provide signals toward CEO objectivity and judgment in running business operations aligned with shareholders' interest.

Mridula Sahay, Kuldeep Kumar attempt to draw attention of the board members to look into Indian scriptures and harmonize them to achieve sustainable and effective good governance and accentuate on their potential in helping to fulfill board's responsibilities effectively. *Forward Muchaonyerwa, Ireen Choga* investigate the relationship between stock market performance and business cycles in South Africa for the period 2002-2009 using monthly data. This is done by constructing a Vector Error Correction Model (VECM). The study specifies a business cycle model with the business cycle coincident indicator of South Africa being the independent variable explained by the All Share Price index (ALSI), Real Effective Exchange Rate (REER), Money Supply (M1), Inflation (CPIX) and the Prime Overdraft Rate (POR). *Ottorino Morresi, Andrea Oro Nobili* provide new evidence on the performance of privatized firms in Italy. *Stefan Peij, Pieter-Jan Bezemer, Gregory Maassen* indicate that company secretaries significantly influence an organisation's governance framework, while they face a number of practical challenges with directors, employees and management in fulfilling their diverse roles and responsibilities.

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!

CORPORATE OWNERSHIP & CONTROL

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CONTENTS

Indian scriptures and harmonize them to achieve sustainable and effective good governance and accentuate on their potential in helping to fulfill board's responsibilities effectively. It also discusses about principles and guidelines of Indian scriptures for good governance that can be adopted in today's time.

The stock market is an important indicator of an economy's financial health. It checks the mood of investors in a country. Stock market performance is a vital component of business cycle growth. Thus, this study investigates the relationship between stock market performance and business cycles in South Africa for the period 2002-2009 using monthly data. This is done by constructing a Vector Error Correction Model (VECM). The study specifies a business cycle model with the business cycle coincident indicator of South Africa being the independent variable explained by the All Share Price index (ALSI), Real Effective Exchange Rate (REER), Money Supply (M1), Inflation (CPIX) and the Prime Overdraft Rate (POR). The ALSI represents stock market performance whilst the rest of the variables are to enhance model specification. The study found a positive association between stock market performance and business cycles and this match with most of the results from the empirical literature provided.

We provide new evidence on the performance of privatized firms in Italy. On a large sample of 53 non-financial firms privatized from 1992 to 2005, our study shows that privatizations improve efficiency and profitability ratios, sales, and dividend payout. The most important determinant of performance and efficiency gains is the full transfer of control to private investors. Unlike the prevalent international evidence, we find that privatizations result in an increase of leverage ratio and do not affect the number of employees. Moreover, in contrast to international studies, we also find that efficiency and performance improvements are larger in firms operating in protected sectors, and that state-owned firms acquired by foreign investors do not appear to fare better after their privatization. Finally, we find that performance and efficiency gains already occur some years before the date of privatization.

Recent research suggests that company secretaries are increasingly involved in governance responsibilities in addition to traditional administrative tasks. Little is known in the literature, however, about company secretaries' changing governance role, and their daily challenges in liaising with boards and other stakeholders. In addition, few studies have been able to gain access to learn firsthand how company secretaries operate. This exploratory study fills this void by gaining access to the opinions of about one hundred company secretaries in the Netherlands who operate in the two-tier board system. Our findings indicate that company secretaries significantly influence an organisation's governance framework, while they face a number of practical challenges with directors, employees and management in fulfilling their diverse roles and responsibilities.