CORPORATE OWNERSHIP & CONTROL

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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, board practices, privatization questions and audit. Risk aspects of corporate governance and national peculiarities of corporate governance in China are also under the scope of researches. More detailed issues are given below.

Khaled Aljifri, Khaled Hussainey and Peter Oyelere explore empirically the corporate governance mechanisms in UAE that may affect the extent to which forward-looking information is disclosed. *Maria Cristina Arcuri* tries to investigate whether the products offered by Italian AMCs affect their governance structure. *Md. Humayun Kabir* aims to provide an account of privatization policy and examine employees' perception about the implementation of such policy in Swaziland. *Dyna Seng and Justin Findlay* examine the relation between corporate governance mechanisms and earnings management. Using data collected from New Zealand listed companies for the financial year ending in 2005, the results show that the size of the board of directors is significantly positively associated with earnings management. *Harjinder Singh* investigates the existence of anticompetitive behaviour and cartel pricing by the Big4 international providers of auditing services (resulting from the halving in the number of such providers from the Big8 to Big4). *Timurs Umans and Elin Smith* in their work report on the interaction of compositional effects of boards of directors (BoD) and top management teams (TMTs) on firms' financial performance. Composition of both groups is investigated for cultural, age, tenure and gender diversity.

Doriana Cucinelli analyses the relationship between board diversity and some board operating performance but also the relationship between board diversity and enterprise risk. The analyses, carried out on a sample of 249 Italian companies during the period 2006-2009, show that diversity affects the operating performance of the board. *Tracy Xu, Hugh Grove and Philipp Schaberl* analyze one approach to risk management for public companies and their Boards of Directors.

Yue Wang and Karen Yuan Wang aim to examine the control mechanisms within CJV non-equity alliances, enhancing our knowledge of one of the most important yet least understood form of foreign investment in China. The findings also help foreign investors to better understand how to use CJVs as an organizational vehicle to enter Chinese market. *Zhen Chen and Fei Guo* study the determinants of executive compensation in listed firms in China between 2002 and 2005. They find that both agency theory and managerialism hold true in Chinese listed companies. Compensation contract is the result of the game by stockholders and managers.

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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Khaled Aljifri, Khaled Hussainey, Peter Oyelere

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Maria Cristina Arcuri

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Timurs Umans, Elin Smith

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Doriana Cucinelli

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Tracy Xu, Hugh Grove, Philipp Schaberl

Risk management committees are now required for all U.S. financial institutions that are regulated by the U.S. Federal Reserve Bank. All U.S. public companies must now report their risk management activities for both Board of Directors and top management in their 10 K annual reports to the U.S. Securities and Exchange Commission (SEC). This paper analyzes one approach to risk management for public companies and their Boards of Directors. Since 2011, Disclosure Insight Inc. has issued risk ratings for over 1500 public companies in US. Its risk rating is based on the number, nature, and timing of 100 risk factors, which are across major categories, such as the SEC investigative activity, auditor issues, capital market events, and corporate governance issues. Our study finds significant positive abnormal risk-adjusted returns for companies with lower risk ratings and these companies also outperform the S&P500. Thus, this paper should be of interest to investors, company executives, and risk management committees, as well as SEC and other regulators. Alternatively, risk management committees in public companies could just establish their own rating systems, based upon their own key factors, as opposed to using the Disclosure Insight Inc. aggregate rating approach for all 100 risk factors.

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