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, managerial compensation, corporate social responsibility, national peculiarities of corporate governance in Brazil are also under the scope of researches. More detailed issues are given below.

Baliira Kalyebara, Abdullahi D. Ahmed examine the impact of agency costs on the present value of a long term capital project and investment appraisal decision making in the airline industry to support better capital investment decision making in the future. *Cristina Bettinelli* and *Valeria Caviezel* in their study addresse the call for the development of team effectiveness scales that take team context into account. Their paper develops and validates a measurement scale for effectiveness in the specific context of boards of directors in family firms. *Giuseppe Grossi, Patricia Bachiller* analyze the theme of the corporate governance models of Italian utilities companies and explores how the changes of ownership structure after a merger affects financial performance. The objective of their paper is to study whether the mergers of utilities are effective for companies to be more competitive. *W L Crafford, F J Mostert, J H Mostert* investigate the improvement of financial decision-making by banks regarding the management of their liquidity. The importance of the liquidity management factors, the problem areas surrounding this topic, as well as how often the requirements are adjusted to ensure proper and effective liquidity management are addressed. *Mo'taz Amin Al-Sa'eed, Soud M. Al-Mahamid* in their research try to understand the features of an effective audit committee and its role in strengthening financial reporting among public listed companies on the Amman Stock Exchange. *Qian Li, Ebru Reis* study changes in the incentive structure of the CEOs in both parent and spun-off companies, and the effect of managerial incentives on operating performance due to an improved agency relationship between shareholders and managers of both firms after the spinoff.

J. Barry Lin, Bingsheng Yi, Jane Mooney apply several methodologies to examine the interplay among large shareholders. They found that firm performance is positively associated with insider and institutional ownership, but negatively associated with blockholder ownership. *Haiyan Jiang, Ahsan Habib* empirically examine the effect of ownership concentration on mitigating free cash flow agency problem in New Zealand. *Shihwei Wu, Fengyi Lin, Chiaming Wu* develop several models to examine the relationship between the corporate social responsibility (CSR) and the ownership structure of Taiwanese firms. Their results suggest that firms which are controlled by professional managers, government-owned, or collectively-owned would like to undertake serious efforts to integrate the CSR into various aspects of their companies. *Rami Zeitun* and *Duha Al-kawari* investigate the effect of government ownership structure, business risk and financial leverage among other variables (size, age and growth) on a company's performance in a panel data, using 191 companies from five GCC countries (Qatar, Saudi Arabia, Oman, Bahrain and Kuwait), during the period 1999- 2006.

Thiago Emmanuel, Andre Carvalhal, Marcos Avila analyse the relationship between social responsibility and financial performance of Brazilian companies. They analyze 515 Brazilian companies listed on BM&FBovespa from 2001 to 2007 and check which companies have disclosed the IBASE social report, which proposes a standardized methodology for social reporting and allows us to compare companies in different sectors over time. *Oderlene Vieira de Oliveira, Marcelle Colares Oliveira, Sérgio Henrique Arruda Cavalcante Forte, Vera Maria Rodrigues Ponte* try to identify the perceptions of executives from Brazilian companies traded and closed on obstacles for the adherence to good corporate governance practices.

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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The conventional discounting capital budgeting techniques have been widely criticised for being inappropriate in incorporating multi-criteria interactions and for focussing on one-off single objective of maximizing net present value. This paper modifies a Multiple Objective Linear Programming (MOLP) optimization model of Levary and Seitz (1990). It adds to the objective function the mitigation of agency costs as a proxy of good corporate governance principles and capital market interactions. The goal of the study is to examine the impact of agency costs on the present value of a long term capital project and investment appraisal decision making in the airline industry to support better capital investment decision making in the future. Recent collapses of high profile companies in airline industry and other industries such as Flyglobespan Airline (in the year 2009) in Scotland, Ansett Airline (in the year 2001)in Australia, Enron(in the year 2001)and Lehman Brothers (in 2008)in the U.S whose impact is still being experienced today provide us with evidence of how important the minimization of agency costs is for the survival and success of organisations and the huge amounts involved as a result of poor corporate governance. The results reveal that debt financing which is often provided by capital markets plays an influential role in shaping the investment appraisal decisions through interest rates and debt covenants embedded in the debt contracts. The results show that mitigation of agency costs improves the firm's cash flow, financial management and corporate governance. It discourages illegal earnings management practices, enhances investment decisions, investors' confidence and reliability in the firm's investment decisions and hence enhances the firm value.

This study addresses the call for the development of team effectiveness scales that take team context into account. It develops and validates a measurement scale for effectiveness in the specific context of boards of directors in family firms.
Results from a validation study based on 90 family businesses indicate that even if board task performance is associated with activities and roles that appear to represent differing views of effectiveness, they share a single, common line of inquiry. Moreover the study confirms that boards can be distinguished according to the degree to which they perceive themselves as more or less effective in performing certain roles. The scale demonstrates diagnostic properties that make it useful for practitioners as well as researchers.

SECTION 2. CORPORATE OWNERSHIP