

**CORPORATE  
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СОБСТВЕННОСТЬ И КОНТРОЛЬ**

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## EDITORIAL

*Dear readers!*

This issue of the journal *Corporate Ownership and Control* is devoted to several issues of corporate governance.

*VG Sridharan, Farshid Navissi and Alexander Kostyuk* examine the economic reasons underlying the behavior of some senior managers to inflate their firms' reported earnings. While the extant literature cites accounting and corporate governance structure as potential reasons that facilitate the inflating tendency, they conjecture that opportunism at different hierarchical levels within firms do not leave much scope for some senior managers to improve firms' fundamental performance. To protect their personal utility, they resort to inflating tendency, but only if the firms' corporate governance has loopholes. A major solution offered here is to improve firms' internal management control system which could reduce within-firm opportunism. However, this solution must accompany improvements to corporate governance.

*Gary L. Caton* presents tests of several theoretical hypotheses that are potential determinants of the choice to abandon production in declining industries. A binary qualitative choice model of the abandonment decision is estimated. The probability of choosing abandonment is found to be positively related to the firm's debt ratio, and negatively related to liquidity at the firm level, the level of efficiency of the operating unit, and uncertainty about liquidity at the operating unit level as measured by output and input price variability. Results are also presented for a multinomial choice model accounting for the full menu of capacity decisions open to the firm over time. The results are robust across all specifications as well as to alternative statistical assumptions.

*Enrico Maria Cervellati and Eleonora Fioriti* describe the three main theoretical supervisory models proposed in the literature: vertical, horizontal, centralised. In practice, however, it is difficult to find a pure application of these models, while the actual supervisory systems are the result of the different legal frameworks of the member States and of the way in which their financial systems developed. Moreover, although the Lamfalussy Report can be considered an important step towards a more integrated financial supervisory system at the European level, the supervisory arrangements are still very different among member States. This work provides an analysis of the different systems of financial supervision in Europe: showing how the differences that still exist among their systems make it more difficult to achieve a real European integration in financial supervision.

*Joshua Onome Imoniana, Marly Cavalcanti and Marcelo de Souza Bispo* study the concept low cost, low fare as strategy in the market of Brazilian commercial air transport, taking as parameter the case study of Gol Air Transport S.A. For the achievement of the presented objectives the following questions are made: a) what it takes an airline company to take a strategy of low cost low fare? b) The option of low cost low fare, would have contributed to generate a new managerial model in the traditional forms of strategic management in the area of commercial air transport? c) The constructed scenery tends to be lasting?

*Sami Basly* analyzes how organizational's conservatism impacts the financial choices of family SME. Through family SME main governance bodies i.e. the owner-manager and board of directors, conservatism influences decision-making and particularly financial decisions and choices.

*Michael Nwogugu* analyzes the efficiency of the Sarbanes-Oxley Act ("SOX"; 2002, USA) and introduces new quantitative models of *Willingness-To-Comply* which is a statistical measure of the employee/company's propensity to comply with SOX and similar regulations.

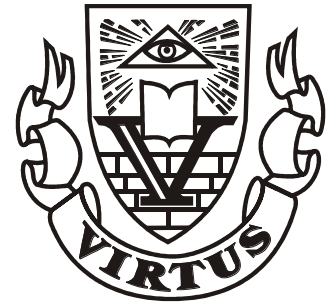
*Martin Bugeja and Raymond da Silva Rosa* test the prevalence of these explanations using Australian takeover targets from 1990 to 2002. They find that the vast majority of target firms are unlikely candidates for disciplinary action. Contrary to the disciplinary hypothesis, we find that target shareholdings are highly concentrated and are more concentrated than non-target firms. Unlike Agrawal and Jaffe's (2003) US study, they find ASX targets are typically poor performers but, contrary to the inefficient management hypothesis, they find that takeover success is higher for better performing targets.

*Jamie D. Collins, Christopher R. Reutzel and Dan Li* address how a multinational's entry mode influences the firm's reaction to negative subsidiary performance. Specifically, they argue that the entry mode (ownership structure of a multinational's subsidiary) affects the firm's potential for escalation of commitment to a poorly performing subsidiary. Further, they argue that the relationship between entry mode and a multinational's escalation of commitment is moderated by three factors – institutional distance between the home and the host country, cost of exiting the host market, and the parent firm's prior performance.

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