

**CORPORATE
OWNERSHIP & CONTROL**

**КОРПОРАТИВНАЯ
СОБСТВЕННОСТЬ И КОНТРОЛЬ**

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Journal Corporate Ownership & Control is published four times a year, in September-November, December-February, March-May and June-August, by Publishing House "Virtus Interpress", Kirova Str. 146/1, office 20, Sumy, 40021, Ukraine.

Information for subscribers: New orders requests should be addressed to the Editor by e-mail. See the section "Subscription details".

Back issues: Single issues are available from the Editor. Details, including prices, are available upon request.

Advertising: For details, please, contact the Editor of the journal.

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Corporate Ownership & Control

ISSN 1727-9232 (printed version)
1810-0368 (CD version)
1810-3057 (online version)

Certificate № 7881

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Журнал "Корпоративная собственность и контроль" издается четыре раза в год в сентябре-ноябре, декабре-феврале, марте-мае, июне-августе издательским домом Виртус Интерпресс, ул. Кирова 146/1, г. Сумы, 40021, Украина.

Информация для подписчиков: заказ на подписку следует адресовать Редактору журнала по электронной почте.

Отдельные номера: заказ на приобретение отдельных номеров следует направлять Редактору журнала.

Размещение рекламы: за информацией обращайтесь к Редактору.

Права на копирование и распространение: копирование, хранение и распространение материалов журнала в любой форме возможно лишь с письменного разрешения Издательства.

Корпоративная собственность и контроль

ISSN 1727-9232 (печатная версия)
1810-0368 (версия на компакт-диске)
1810-3057 (электронная версия)

Свидетельство КВ 7881 от 11.09.2003 г.

Виртус Интерпресс. Права защищены.

EDITORIAL

Dear readers!

This issue of the journal is devoted to several issues of corporate governance.

Richard Leblanc and Mark explored the role that director behavioral-type might play in leading to board effectiveness. The study involved direct observation of twenty-one boards of directors or committee meetings, together with interviews of 194 respondents. The study suggests that board process may be an equal if not more important factor than board structure in determining board effectiveness. The study's data suggests that board processes, in turn, may be influenced by the behavioral-types of individual board members.

Loretta Baryeh, Jui-Chin Chang and Huey-Lian Sun examined the relationship between information content of earnings and the disclosure of audit committee independence under the Sarbanes-Oxley Act (SOX) and the Securities Exchange Commission (SEC) rulings. They found evidence that the U.S. firms have higher information content of earnings than the non-U.S. firms in 2002. The information content of earnings is found to be positively related to board and audit committee independence. For non-U.S. firms, they also found that early compliance with audit committee independence requirements is favorably recognized by the market.

Pek Yee Low and Abdul Majid examined the linkages between CEO dominance (CEO and Chairman is the same individual), family ownership and control, and the likelihood that firms receive modified audit opinions. Logistic regression results using a matched pair design of 89 firm-years with modified audit opinions for 1997 to 1999 and 89 firm-years with unqualified audit opinions (control sample), show that family controlled firms are less likely to receive modified audit opinions than non-family controlled firms, and the positive association between CEO dominance and modified audit opinions is evident only for non-family controlled firms. This suggests that the abuse of power arising from CEO dominance may be mitigated by the presence of family ownership and control.

Hashnah Ismail examined the relationship between the contents of a report, the Statement

of Corporate Governance, required to be included in the Annual Report of listed corporations, and the receipt of public reprimands. Since the formalization of good corporate governance in the Code, all listed companies are required by rule PN9 to include how they have applied the principles and the extent of compliance with best practice found in the Code.

Sikander Ahmed Shah lays out the procedural workings of a merger in Pakistan and then analyzes the legal provisions to determine the adequacy of such laws in providing requisite protection to minorities in mergers. An elaborate discussion of the relevant landmark cases follows. Judicial interpretation of statutes, judge made law, rules and policy considerations are also discussed. A pragmatic determination of the level of protection actually awarded to minority shareholder in mergers is also elaborated upon. At this juncture, the shortcomings in the relevant Pakistani legal infrastructure such as corruption, nepotism and ineptness are also highlighted.

Yuko Kitora and Shin'ya Okuda investigate the relationship between Corporate Social Performance (CSP) and corporate attitude toward extensive disclosure and between corporate attitude toward extensive disclosure and corporate reputation. They found that corporate attitudes toward extensive disclosure and CSP are positively correlated and that corporate attitudes toward extensive disclosure and corporate reputation are positively correlated.

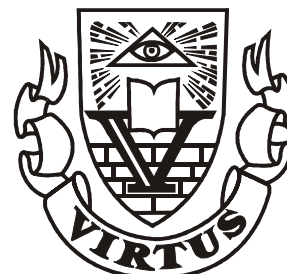
Michael Maingot and Daniel Zeghal report on the disclosure of governance information by Canadian banks. A coding sheet was developed to evaluate the corporate governance disclosure of our sample. Their analysis indicates that the bigger the bank, the more disclosure there is.

Ying Huang and Carl R. Chen evaluate the dynamics of executive compensation and shareholder returns. In observing the level of compensation, we notice that CEOs' salaries, bonuses, annual stock options, and accumulation of stock options all showed strong or explosive growth. We postulate that the marginal productivity of CEO compensation diminishes over the sample period due to this substantial growth. Our empirical results support this hypothesis.

CORPORATE OWNERSHIP & CONTROL

Volume 5, Issue 2, Winter 2008 (Continued - 1)

CONTENTS



Editorial	152
EFFECTIVE BOARDS OF DIRECTORS: AN EXAMINATION OF DIRECTOR BEHAVIORAL-TYPES	154
<i>Richard Leblanc, Mark Schwartz</i>	
DOES AUDIT COMMITTEE INDEPENDENCE IMPROVE INFORMATION CONTENT OF EARNINGS UNDER THE SARBANES-OXLEY ACT?	168
<i>Loretta Baryeh, Jui-Chin Chang, Huey-Lian Sun</i>	
CEO DOMINANCE, FAMILY CONTROL AND MODIFIED AUDIT OPINIONS IN HONG KONG	179
<i>Pek Yee Low, Abdul Majid</i>	
CASE OF PUBLIC REPRIMANDS	188
<i>Hashanah Ismail</i>	
MERGERS AND THE RIGHTS OF MINORITY SHAREHOLDERS IN PAKISTAN	192
<i>Sikander Ahmed Shah</i>	
THE PRICE IS PRODUCTIVITY: WAGE JUSTICE IN THE UNITED STATES	207
<i>Danielle Matherne</i>	
THE EFFECTS AND DETERMINANTS OF EXTENSIVE DISCLOSURE: EVIDENCE FROM JAPAN	212
<i>Yuko Kitora, Shin'ya Okuda</i>	
AN ANALYSIS OF CORPORATE GOVERNANCE INFORMATION DISCLOSURE BY CANADIAN BANKS	225
<i>Michael Maingot, Daniel Zeghal</i>	
THE DYNAMICS OF CEO COMPENSATION AND FIRM PERFORMANCE: ARE EXECUTIVE COMPENSATIONS EXCESSIVE?	237
<i>Ying Huang, Carl R. Chen</i>	