

**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.

*Frederick V. Perry and Scheherazade S. Rehman* provide insight into the evolving EU-wide corporate governance systems and discusses these changes within the context of the political-institutional, economic, legal and social features. In doing so, asking where are they, and where might they be headed? Specific attention is given to the comparison of the German and French system to the U.S. system. Moreover, this article also examines the evidence that varying legal and social traditions and rule of law directly impact corporate governance styles and efficiency. It is our contention that during the 1990s the EU nations experienced strong pressures to develop more effective corporate governance systems, tending toward the Anglo-Saxon model as applied in the U.S. and that this trends continues today especially among the large global multinationals.

*Luca Cerioni* proposes such a model, and asserts its validity from a property rights perspective and from a human rights perspective. It subsequently argues that shaping of a corporate governance framework based on this model would raise a key challenge for company law legislators and for the broader regulatory agenda, and that satisfactory responses to this challenge – for which some first hypothesis are proposed - would be fully compatible with the increasingly global corporate social responsibility concern, while opening new themes for academic research and for decision-makers choices.

*Ruth Alas and Külliki Tafel* study forms of corporate governance in foreign owned companies situating in Estonia: cooperation between the owners, council and board in Estonian enterprises.

*Afef Dhahbi, Lucie Courteau and Mohamed Triki* examine the relationship between efficient governance structure and the information content of discretionary accruals. To determine governance scores, Data Envelopment Analysis is applied to a sample of 149 American firms for the period 1998 to 2003. The findings indicate that the association between stock return and discretionary accruals is greater for firms having a good corporate governance structure.

*Sean M. Hennessey* discusses four mechanisms, two internal, two external, that attempt to ensure managers act in the best interests of shareholders: 1) the board of directors, 2) management compensation plans, 3) the market, and 4) takeovers. Theoretically, these four forms of corporate governance *should* ensure management maximizes shareholder value. But, agency costs are real for shareholders. In practice each the mechanisms may be severely limited in their ability to protect shareholders. The best protection is an independent, credible board of directors. Without good boards, shareholders are left to the mercy of the agents. In such cases, it is very difficult, and expensive, to discipline the senior managers of a publicly-traded company.

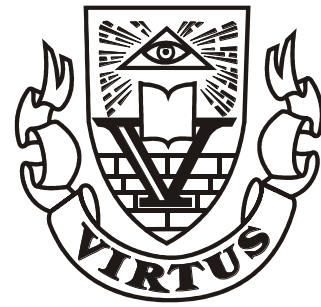
*G.Sivalingam* provides a new theoretical perspective on testing the Efficient Market Hypothesis in the Kuala Lumpur Stock Exchange (KLSE). Previous studies have shown that the KLSE is weak form efficient or at most semi strong form efficient. However, an adequate explanation has not been provided as to why the KLSE is not strong form efficient. The paper suggests that this is because the KLSE does not approximate the neoclassical competitive model in terms of entry, pricing and exit. There are barriers to entry and exit and hence to the free flow of accurate and complete information in the KLSE. The securities offered for sale are also underpriced as there is extensive government intervention to ensure adequate returns to investors. The market is also dominated by large government owned and family owned conglomerates. This together with a segmented market for three classes of investors, that is, the bumiputras, the other Malaysians and foreigners ensures that resources are not allowed to flow to their most value users and hence prices are not competitively set. The paper ends by noting that the KLSE is moving from a government dominated exchange for securities to a market system as a result of recent reforms and policy changes.

*Michael Nwogugu* introduces decision models for commercial real estate leasing. The concepts and models developed in the article can also be applied to equipment leasing and other types of leasing.

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