

**CORPORATE
OWNERSHIP & CONTROL**

**КОРПОРАТИВНАЯ
СОБСТВЕННОСТЬ И КОНТРОЛЬ**

Postal Address:

Postal Box 36
Sumy 40014
Ukraine

Tel: +380-542-611025
Fax: +380-542-611025
e-mail: alex_kostyuk@mail.ru
alex_kostyuk@virtusinterpress.org
www.virtusinterpress.org

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.

Copyright: All rights reserved. No part of this publication may be reproduced, stored or transmitted in any form or by any means without the prior permission in writing of the Publisher.

Corporate Ownership & Control

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

Certificate № 7881

Virtus Interpress. All rights reserved.

Почтовый адрес редакции:

Почтовый ящик 36
г. Сумы, 40014
Украина

Тел.: 38-542-288365
Факс: 38-542-288365
эл. почта: alex_kostyuk@mail.ru
alex_kostyuk@virtusinterpress.org
www.virtusinterpress.org

Журнал "Корпоративная собственность и контроль" издается четыре раза в год 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.

Hussain Gulzar Rammal highlights the events leading to the nationalization and the impact of the decision on the banking sector in Pakistan. The findings of the paper reveal that the decision to take control of the banking sector was a politically motivated one which failed to achieve the objectives that were set out during the nationalization.

Woo-Jung Jon considers whether it is justifiable to reduce damages where directors are liable for business failure. He argues that holding directors liable for all damage due to business failure prevents individual directors from doing business enterprisingly.

Adeolu O. Adewuyi, Afolabi E. Olowookere capture the impact of the New Code of Corporate Governance released in 2003 on previous findings. Introductory investigations on the Nigerian capital market operations and regulations depict low, but improving, states. Empirically, Panel regression estimates show that board size, audit committee independence and ownership concentration aid performance. Higher independent directors and directors' portion of shares unexpectedly dampen performance, while firms vesting both the roles of CEOs and chairs in the same individual perform better.

Álvarez Pérez, M.D., Neira Fontela, E., Castro Casal analyse the influence of various characteristics of the Board of Directors on the control and risk of the compensation of the Chief Executive Officer (CEO). It also examines the effect on these variables of some of the CEO personal characteristics and of various contingencies of the firm. The results reveal that control of the CEO compensation is determined fundamentally by the CEO participation in the capital of the firm, while the level of risk of the CEO compensation package is higher when the firm is diversified and implements a proactive competitive strategy.

Bart Frijns, Aaron Gilbert and Peter Reumers examine the relationship between corporate ownership structure and firm performance. For a sample of 100 Dutch firms listed on the Amsterdam stock exchange, we collect data on the shareholdings of the 5 largest shareholders and the total fraction of shares held by insiders. In addition, we collect information on the type of largest shareholder. Using a simultaneous equation model, estimated by three-stage least squares, to control for a potential endogeneity bias, we find a significant positive relationship between the holdings of the largest shareholder and firm performance. Likewise we find a significantly positive relationship for the stake held by insiders. Further testing provides some evidence that

this relationship is nonlinear, i.e. at lower stakes insider ownership aligns management with shareholder, whereas at higher stakes entrenchment of management depresses performance. Splitting the sample into different types of owners provides some evidence that financials have a negative impact on performance, while other firms have a positive impact.

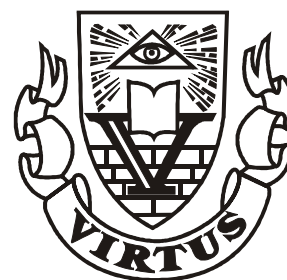
Marita Naude addresses Governance through Corporate Social Responsibility as a Key Organizational Principle. The notion of etic and emic depicts the definitional status of CSR. Etic represents the universal recognition of CSR and emic represents the unique implementation of CSR in an organization. This article proposes that organizations behave like complex adaptive systems with complex interactions needing socially responsible strategies. This article describes French based SUEZ's emic responses to achieve responsible Governance in terms of CSR. A recipe or menu approach to Governance through CSR is inappropriate. SUEZ has acted as a model for recognizing etic and emic differentiation, using CSR as the Key Organizing Principle that allows adaptability in a socially responsible way and developed specific guidelines incorporating the needs of diverse stakeholders.

Howard Chan, Robert Faff, Paul Mather, Alan Ramsay examine the relationship between corporate governance and management earnings forecasts. We extend the prior literature by examining the impact of independent director reputation on characteristics of management forecasts, by refining the previously used proxy for director independence and by distinguishing between routine and non-routine forecasts in the Australian governance environment. We find a significant positive relationship between the likelihood and frequency of firms issuing management earnings forecasts and our measures of audit committee independence and independent director reputation but not board independence. However, there is some evidence that director independence is related to more specific forecasts. These results are driven by routine earnings forecasts over which, it is argued, management have greater discretion.

CORPORATE OWNERSHIP & CONTROL

Volume 6, Issue 2, Winter 2008 (Continued - 3)

CONTENTS



Editorial	340
<hr/>	
POLITICAL MOTIVATIONS: THE NATIONALIZATION OF THE PAKISTANI BANKING SECTOR	342
<i>Hussain Gulzar Rammal</i>	
THE SOCIAL COST OF DUE CARE IN BUSINESS JUDGMENT	347
<i>Woo-Jung Jon</i>	
CORPORATE GOVERNANCE AND PERFORMANCE OF NIGERIAN LISTED FIRMS: FURTHER EVIDENCE	354
<i>Adeolu O. ADEWUYI, Afolabi E. OLOWOOKERE</i>	
CONTROL AND RISK OF CEO COMPENSATION	372
<i>Álvarez Pérez, M.D., Neira Fontela, E., Castro Casal, C.</i>	
CORPORATE OWNERSHIP STRUCTURE AND FIRM PERFORMANCE: EVIDENCE FROM THE NETHERLANDS	382
<i>Bart Frijns, Aaron Gilbert and Peter Reumers</i>	
GOVERNANCE THROUGH CORPORATE SOCIAL RESPONSIBILITY AS A KEY ORGANIZATIONAL PRINCIPLE	393
<i>Marita Naude</i>	
THE RELATIONSHIP BETWEEN DIRECTOR INDEPENDENCE, REPUTATION AND MANAGEMENT EARNINGS FORECASTS	404
<i>Howard Chan, Robert Faff, Paul Mather, Alan Ramsay</i>	