

**CORPORATE
OWNERSHIP & CONTROL**

**КОРПОРАТИВНАЯ
СОБСТВЕННОСТЬ И КОНТРОЛЬ**

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EDITORIAL

Dear readers!

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

Alexander M. Dühnfort, Christian Klein, Niklas Lampenius review some of the initial ideologies regarding corporate governance, focusing in particular on the – in the literature dominating – Principal-Agent-Approach. They detail the implied assumptions and the thereof resulting consequences for corporate governance, including some resulting inconsistencies. Overall, they find that in the discussion about ‘Corporate Governance’ the often referred to principal-agent-conflict is rarely defined with the necessary rigor, but find that the model seems to be applied to almost any situation loosely tied to the topic of corporate governance.

Nazrul Hisyam Ab Razak, Rubi Ahmad, Huson Joher Aliahmed examine the impact of an alternative ownership/control structure of corporate governance on firm performance among government linked companies (GLCs) and Non-GLC in Malaysia. It is believed that government ownership serve as a monitoring device that lead to better company performance after controlling company specific characteristics. They used Tobin’s Q as market performance measure while ROA is to determine accounting performance measure. This study is based on a sample of 210 firms over a period from 1995 to 2005. They use panel based regression approach to determine the impact of ownership mechanism on firm’s performance. Findings appear to suggest that there is a significant impact of government ownership on company performance after controlling for company specific characteristics such as company size, non-duality, leverage and growth. The finding is off significant for investors and policy maker which will serve as a guiding for better investment decision.

Michael Maingot, Daniel Zéghal observe changes to the boards of directors, to the committees reporting to the board, to the board of directors’ independence and adoption to certain charters and checklists in Canadian banks for the periods covering the years 2002-2004. Our sample covers the eight largest domestic banks in Canada. Results indicate a reduction in board members and in the number of committees reporting to the board. However, it increased supervision by increasing the number of board committee meetings. Most of the banks in our sample have separated the role of Chairman and CEO, thereby increasing the independence of the board. There was also an improvement in the adoption of a new charter for the board of directors.

Andrea Graf, Markus Stiglbauer research an increasing demand for methods enabling investors to compare companies by means of country-specific

criteria. However, measures in Germany do not provide a broad spectrum of criteria for evaluating corporate compliance and governance transparency & disclosure. Their framework covers all rules of the German Corporate Governance Code as well as additional criteria, enabling investors to analyse how companies are managed. Furthermore, they raise quality criteria of social sciences to confirm our findings.

Chia-Wei Chen, J. Barry Lin, Bingsheng Yi examine how multiple directorships held by outside directors (busy outside directors) influence shareholder wealth in diversifying acquisitions. With a sample of 893 diversifying acquisitions from 1998 to 2004, they find a negative (positive) busy-director effect for diversifying acquisitions of public-targets (private-targets). Busy directors are negatively (positively) associated with the five-day cumulative abnormal returns in acquisitions involving public (private) targets, where merger-related agency problems are more likely. Their evidence support the notion that, in the case of diversifying acquisitions, increased managerial monitoring plays a more important role versus enhanced advising and business connection from busy directors.

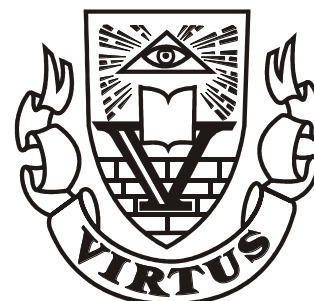
C.N.V. Krishnan, Paul A. Laux find that large-market-share law firms are regularly called upon to facilitate completion of large, legally-complex offers. Complex offers are often withdrawn but, controlling for complexity, large-share law firms are associated with enhanced deal completion. Further, they document that some law firms are consistently associated with deal completion over time, and that acquirers with good deal completion experience use fewer different law firms. Acquirers’ risk-adjusted returns, though, are smaller around announcements of offers advised by large-share law firms. Post-offer long-run returns of the acquirers are also lower and often negative following offers advised by large-share law firms. We find no evidence that particular law firms are consistently associated over time with strong returns. Our conclusion is that large law firms enhance deal completion in difficult situations, consistent with the aims of acquirer management. However, they find no systematic evidence that these popular law firms act as “gatekeepers” in the sense of not wanting to be associated with value-destroying deals.

Theo Lynn and Mark Mulgrew examine whether Irish occupational pension funds and investment managers use voting, engagement and intervention as monitoring strategies in relation to investee companies. Furthermore, the article examines whether there are significant differences in attitudes between the two groups across key themes relating to shareholder activism by occupational pension funds in order to identify whether potential agency problems may exist in relation to delegation and representation. The results of the research suggest low levels of monitoring by Irish occupational pension funds compared to investment managers which could be explained by delegation.

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