

**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.: 38-542-611025
Факс: 38-542-611025
эл. почта: alex_kostyuk@mail.ru
alex_kostyuk@virtusinterpress.org
www.virtusinterpress.org

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!

We continue to keep our hand on a pulse of the recent corporate governance concepts and practices worldwide. This issue of *Corporate Ownership and Control* addresses attention of the reading audience to a wide spectrum of problems in corporate governance. These problems concerns such issues as board of director practices, director remuneration, merges, financial issues in corporate governance, corporate social responsibility. Such wide spectrum of issues which are considered in the recent issue of the journal allows us concluding that corporate governance as a field of research develops outside its generally accepted limits.

Truly international representation of contributors support the above point of view and concludes that corporate governance gets through the borders of the science fast. Our contributors represent both developed and developing countries such as Germany, Italy, Australia, South Africa, India, Belgium, Greece, UK and Nigeria.

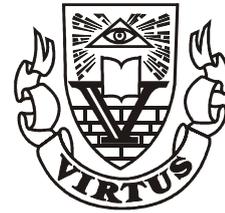
Special section of the journal is devoted to corporate board practices. We have published papers considering various aspects of corporate board practices including director remuneration, board monitoring, etc.

The section on national practices of corporate governance narrates on corporate governance in South Africa. We need to declare that we enjoyed cooperating with corporate governance experts from South Africa. During last three years we published in our journal more than 15 papers of corporate governance experts from South Africa. We need to state that their performance in researching corporate governance is very high.

We hope you will enjoy reading the journal and become a loyal contributor or subscriber!

CORPORATE OWNERSHIP & CONTROL

Volume 6, Issue 3, Spring 2009



CONTENTS

Editorial 4

SECTION 1. ACADEMIC INVESTIGATIONS AND CONCEPTS

**TAKEOVER ACTIVITIES IN THE LAST EUROPEAN MERGER WAVE:
A CROSS-COUNTRY COMPARISON** 8

Mirella Damiani, Fabrizio Pompei

In the present work we attempt to fill this gap, evaluating on empirical grounds not only the role of corporate governance systems and investor protection factors, but also the influence that alternative technological regimes can play on mergers and takeovers. This comprehensive analysis is another step along the lines suggested by Hall and Soskice (2001), two authors who have shown that the industrial specialization of each country may be seen in its complementarity with its institutional framework. Until now, this complementarity between production regimes and varieties of capitalism has not been fully explored in terms of the role of the market for corporate control.

THE CORPORATE SOCIAL RESPONSIBILITY MANAGER MAP 26

Mario Molteni, Matteo Pedrini

This article outlines the profile of ninety managers directly involved in Corporate Social Responsibility activities (CSR Managers) in Italian firms. It presents an analysis of the organisational position, educational background and activities of these professionals. The results suggest that CSR managers: 1) have a growing relevance in the firm; 2) are predominantly existing members of the organization; 3) have principally a business management educational background; 4) play a key role in supporting senior management and improving stakeholder engagement.

**IMPACT OF INDEX DERIVATIVES ON INDIAN STOCK MARKET VOLATILITY-AN
APPLICATION OF ARCH AND GARCH MODEL** 39

S. V. Ramana Rao, Naliniprava Tripathy

The present study examined the impact of introduction of index futures derivative and index option derivative on Indian stock market by using ARCH and GARCH model to capture the time varying nature of volatility presence in the data period from October 1995 to July 2006. The results reported that the introduction of index futures and index options on the Nifty has produced no structural changes in the conditional volatility of Nifty but however the market efficiency has been improved after the introduction of the derivative products.

**CAVEAT WACC: PITFALLS IN THE USE OF THE WEIGHTED
AVERAGE COST OF CAPITAL** 45

Sebastian Lobe

The objective of this paper is thus twofold. First, it is clarified that a constant WACC rate must fail if the implied leverage ratio is time-varying. Second, although the NLWACC approach is further amplified in

5

this paper, it must be emphasized that this approach is, even then, applicable only under specific conditions while a time-varying WACC is still able to provide reliable results.

**DEBT OF FAMILY FIRMS:
A COMPARISON BASED ON ACCOUNTING INDICATORS** **53**

Olivier Colot, Mélanie Croquet

The financial behavior of family firms represents a field of research that has been little explored up to the present time. In this context, we wanted to contribute to understanding the problems linked to financing in family firms, and more specifically to family SMEs in Belgium, because they represent a major part of the Belgian economy. The results show that family SMEs seem to be more indebted. Among all of the ratios tested, six indicators were statistically significant.

**AUDITOR CONSERVATISM AND EARNINGS MANAGEMENT:
EVIDENCE FROM TUNISIA** **61**

Nadaa Hachicha Elfouzi, Mohamed Ali Zarai

The aim of this paper is to examine the effect of the type of audit opinions on the earnings management measured by the discretionary accruals in the tunisian capital market context. In particular, we investigate whether abnormal accruals are influenced by modified audit opinions.

**EFFECTS OF HUMAN RESOURCE PRACTICES ON
FAMILY FIRMS SOCIAL PERFORMANCE** **69**

Olivier Colot, Claire Dupont, Mélanie Volral

The aim of our research is to analyse social performance (through turnover rate) of large family owned business in relation to their human resource practices. We made multiple regressions on a sample of 60 large firms. Our global model, considering large family owned business and non-family owned business, shows that part-time contracts increase turnover significantly, while training reduces it.

SECTION 2. BOARD OF DIRECTORS

**BOARD MONITORING AND FIRM PERFORMANCE:
CONTROLLING FOR ENDOGENEITY AND MULTICOLLINEARITY** **79**

Mohammad I Azim, Dennis W Taylor

In this study, panel data of the top 500 listed companies from the Australian Stock Exchange is used over three years. Results reveal that all but one of the five board characteristics and seven board committee characteristics considered in this study are significantly related to both return on assets and earnings per share in each of the three years.

EXECUTIVE BOARD MEMBERS' REMUNERATION: A LONGITUDINAL STUDY **94**

Themistokles Lazarides, Evaggelos Drimpetas, Koufopoulos Dimitrios

Remuneration is considered to be closely connected with financial performance (positively), firm size (positively), the organizational structure (negatively) and corporate governance mechanisms (negatively). Furthermore, a connection of ownership structure and executives' remuneration has been well established (theoretically and empirically) in the literature (agency theory). The paper examines if these relationships are valid in Greece. Overall the study has shown that remuneration levels in Greece are defined by a different set of factors than the ones that are prominent in an Anglo-Saxon country.

**BAD DEBTS, OWNERSHIP CONCENTRATION, AND BOARD COMPOSITION:
EVIDENCE ON THE QUALITY OF CORPORATE GOVERNANCE
OUTCOMES IN CHINA'S LISTED NON FINANCIAL COMPANIES** **104**

Yuan George Shan, Ron P. McIver

This study analyses the relationships between performance metrics and the corporate control and governance characteristics of a sample of China's listed non financial companies in order to assess the influence of corporate governance structures on the quality and independence of corporate decision making. We use a panel data set covering the years 2001 to 2005 comprised of a stratified sample of A, AB and AH non financial companies listed on China's Shanghai and Shenzhen stock exchanges.

AUDIT COMMITTEES IN NIGERIA **117**

Ogbuagu Ekumankama, Chibuike Uche

This paper reviews the law and practice of audit committees in Nigeria. It argues that for audit committees to become more useful in the Nigerian context there is need for changes to be made in both its law and practice. Key areas of concern include the need to: determine and codify the qualification for membership of the committee given its technical nature; allow appropriate remuneration for committee members, and; the determination of appropriate membership tenure for such committees.

SECTION 3. CORPORATE GOVERNANCE PRACTICES: SOUTH AFRICA

**DO PORTFOLIO MANAGERS IN SOUTH AFRICA CONSIDER HUMAN BEHAVIOUR
ISSUES WHEN MAKING INVESTMENT DECISIONS OR ADVISING CLIENTS?** **126**

Strydom JSG, Van Rooyen JH

This research reviews some results from the behavioural finance and other related literature. A survey was also done to determine whether the most prominent portfolio managers in South Africa are aware of behavioural finance issues/models and consider the influence of cognitive issues when making investment decisions or giving advice to clients.

LAYER HISTOGRAM PATTERNS IN FINANCIAL TIME SERIES **137**

Van Zyl-Bulitta, VH, Otte, R, Van Rooyen, JH

This study aims to investigate whether the phenomena found by Shnoll et al. when applying histogram pattern analysis techniques to stochastic processes from chemistry and physics are also present in financial time series, particularly exchange rate and index data. The phenomena are related to fine structure of non-smoothed frequency distributions drawn from statistically insufficient samples of changes and their patterns in time.

**THE EFFECT OF PROCUREMENT STRATEGIES OF
MILLING COMPANIES ON THE PRICE OF MAIZE** **147**

W. Rossouw, J. Young

Even though derivative instruments are available to use as counter against market fluctuations, the price risk management success of groups with a concern on SAFEX suggests that this is not achieved as yet, ultimately to the detriment of consumers. The view exists that markets are efficient and the return offered by the futures exchange cannot consistently be outperformed. This paper argues, since the use of the proposed futures/options strategies result in returns superior to that of the market.

SUBSCRIPTION DETAILS **158**