EDITORIAL

Dear readers!

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

Marita Naudé raises awareness among board members, directors and managers regarding the importance of both attracting and retaining employees as a resource to create and maintain a competitive advantage and sustainable organisational development. Secondly, it provides insight into the perspectives of a group of employees from Australia and South Africa (as one example) regarding both the attraction and retention factors they valued. Thirdly, it provides a summary of how these insights could be used to develop strategies to increase both the attraction and retention of employees within an effective Corporate Governance (CG) and sustainable organisational development framework.

Fei Guo, Shiguang Ma investigate tunneling and propping between Chinese listed firms and their relevant parties from 2001 to 2005. Evidence from our research shows that controlling shareholders engage in tunneling and propping through related lending, although tunneling lending exceeds propping lending in both frequency and magnitude. Pyramidal controlling ownership structures increase the level of tunneling lending, while the presence of large, non-controlling shareholders resists tunneling lending. Controlling owners tend to divert fewer funds when firms have better investment opportunities. State ownership was not found to be detrimental to firms, contradicting some previous research. A high debt ratio is likely to be concomitant with tunneling lending. Firms in financial distress have experienced either more tunneling lending or more propping lending with controlling shareholders.

Kashif Rashid, Sardar M. N. Islam examine the role of debt in affecting the performance/value of a firm (DVF relationship) in the developed financial market. There is no consensus on the DVF relationship in this market. In addition, literature about the DVF relationship in the developed market lacks the interpretation of results by taking into account different business, management and financial theories. The study addresses the gap in the literature by utilizing the panel data of 60 companies for the year 2000 to 2003 from the developed (Australian) financial market. The result of the study suggests that higher debt has a negative relationship with the value of a firm supporting agency theory in this market. The result also supports the second trade off theory and the foundation of developed market as debt in the presence of the dispersed shareholding deteriorates the value of a shareholder. The results relevant to the role of control variables in affecting the value of a firm show that smaller board, liquid market and information efficiency improve the firm’s performance in the developed financial market. The results of the study are of value to both academics and policy makers.

Predrag Dedecic proves that corporate governance has its place in the process of creation of new capital flows. Financial instrument markets are connected in their existence with relevant information and their dissemination, so that information technologies contribute to the efficiency of their organization and functioning. By its nature, technological changes, which influence the market, encourage the change of structure and processes which make the system of corporate governance. Application of new technologies helps easier problem solution regarding numerous corporate governance issues such as: rational apathy of shareholders, principal-agent problem, transparency, information transfer, etc. The application of technology within a public company should help in distribution of corporate power and contribute to balance of numerous divergent interests within a company, which is very important in terms of achieving primary goal – providing long-term well-being of all shareholders and the public company. On the external plan, application of technology can contribute to better quality of relations among the participants on the capital market. New technologies should help public companies to be successful in a long run by providing more efficient functioning of corporate governance by encouraging shareholders to effectively use their rights. Inability, disinterestedness and inertia of the shareholders will open doors to activities which direct company resources towards satisfying other interests (e.g. management interests) but not interests of the shareholders. Application of information technology can contribute significantly to more effective protection of both basic rights of the shareholders and higher level of more complex managerial enterprises (effective shareholders assembly; material distribution, accepting agenda; discussing and exercising voting power of all shareholders, particularly important for cross-border shareholders, voting in absence etc. The Internet and other technologies provide opportunity for everyday interactive communication between the public company and the shareholders. Interactive communication through on-line forums on the Internet provides instantaneous access of great number of shareholders and an opportunity to find answers on questions they are concerned with in a more effective way. The use of new technologies can reduce these costs of communication in a great deal, for it is possible to send piles of documents important for assembly sessions and decision making to an endless number of e-mail addresses (financial reports, auditor’s report, supervisory board report, board of directors report regarding business operations of the company, as well as reports on corporate governance).

Martin Bugeja investigates variables that explain why bidding firms raise their offers in the first phase of the takeover market reaction to a takeover announcement. We find that whilst an increasing number of blockholders restrains the pursuit of unprofitable takeovers, greater institutional ownership and takeover hostility increases the likelihood a bidder will raise their offer price. Multiple bidders and board independence are unrelated to an increase in takeover price. Inconsistent with agency theory, management ownership and free cash flow do not explain bidder actions.

Massimo Bianchi, Joshua O. Imoniana, LauraTampieri, Jelena Tesic compare the role of managerial control in Micro, Small and Medium Enterprises (MSMEs) startup in Bosnia Erzegovina, Brazil and Italy respectively in the district of Banja Luka, San Caetano and Forlì-Cesena. The main reason for this emergent topic is the survey carried out in the various countries that shows that informal controls outweighs the formal controls in the MSME and that there is a good evidence that such businesses are family owned. The most interesting result of the research was the discussion on MSMEs control system that is interwoven by the the role and features of managerial control in Family Business (FB). In this regard, should we assume as empirically demonstrated in model (Fig.1) together with Greiner statements, developed by other Authors (Quinn, Cameron 1983), the general framework allow us to maintain the hypothesis that the control level in the first phases of MFB startup is low and limited to punctual check and operative one.
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