

**CORPORATE  
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## EDITORIAL

*Dear readers!*

The recent issue of the journal *Corporate Ownership and Control* pays attention to issues of corporate ownership and control and board practices. Corporate social responsibility, minority shareholder rights and corporate governance in Australia are also under the scope of researches. More detailed issues are given below.

*Guido Stein* and *Javier Capapé* order and classify the factors that lead to CEO failure into those a CEO can influence (endogenous) and those that are given (exogenous). The absence of unanimity in the literature leads them to conclude that insufficient attention has been paid to the main factor: the personal characteristics of CEOs. *Guido Stein* and *Salvador Plaza* made analysis which is focused on the role played by the independent director in the supervision and turnover of the chief corporate executive. In the process, they have carried out a comprehensive reflection on the independent director, consulting the latest literature and including the results of the most recent empirical evidence. They have also noticed that the role of the independent director often goes beyond the tasks that are usually considered specific to this function, namely, supervision of the company's senior management. *Mohammad Tareq*, *Sheila Bellamy*, *Clive Morley* investigates recent international reforms of minority shareholder rights (MSRs), and the relationship between those reforms and national legal systems. The study uses secondary data from 142 countries over a five-year period (2006-2010). The findings contribute to the current debate on the relationship of law to minority shareholder protection and will assist policy-makers in the area of investor protection reforms. *Timothy Wang*, *Mohamed Elsayed*, *Abdullahi D. Ahmed* state that many prior studies have investigated the nature of several corporate governance practices and mechanisms and how they exist to strengthen institutions, however, there have been questions related to the role of governance failures in preventing unethical behavior by top management. Authors analyse how effective the role of institutional shareholders is in corporate governance by examining the association between the different types of institutional shareholders and earnings management. *Helena Isidro* together *Liliana Gonçalves* investigates which managers characteristics are more likely to positively influence earnings management practices. Specifically, they study whether the CEO's age, education, expected tenure and duality of roles affects earnings management for a sample of listed Portuguese firms for the fiscal years 2005 to 2009.

The paper of *Mahmood Ahmed Momin* and *Mohammed Hossain* examines the extent of corporate social responsibility (CSR) Reporting by subsidiaries of multinational corporations in Bangladesh in two different steps. At the first step, their study explores the general trend of CSR Reporting in Bangladesh, and then examines in more detail: (a) CSR of subsidiaries of MNCs and (b) CSR of UK MNCs and their subsidiaries in Bangladesh. The paper of *Nguyen Huu Cuong* attempts to discover ethical responses to CSR from international organisations, companies, and individuals. Especially, each response is explained by different ethical theory.

*Arifur Khan* and *Paul Mather* examine the relation between managerial share ownership (MSO) and discretionary accruals in Australia. They find a positive relation between MSO and discretionary accruals up to a certain level of MSO followed by a negative relation (inverse U-shaped). *Jean M. Canil* with *Bruce A. Rosser*, using a unique data set, test theoretical propositions relating to grant size and exercise price in determination of optimal executive compensation.

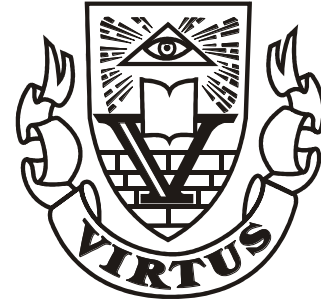
We hope that you will enjoy reading the journal and in future we will receive new papers, outlining the most important issues and best practices of corporate governance!

# CORPORATE OWNERSHIP & CONTROL

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*Guido Stein, Javier Capapé*

The failure of the CEO has been studied at great length in the literature. We order and classify the factors that lead to CEO failure into those a CEO can influence (endogenous) and those that are given (exogenous). The absence of unanimity in the literature leads us to conclude that insufficient attention has been paid to the main factor: the personal characteristics of CEOs. The agency approach and method are insufficient to understand leadership performance in organizations, due to the oversimplified view of human nature on which they are based and their heavy reliance on mathematical modeling.

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*Guido Stein, Salvador Plaza*

A considerable amount of research has been done on the figure of the CEO, approaching it from many angles. Our analysis focuses on the role played by the independent director in the supervision and turnover of the chief corporate executive. In the process, we have carried out a comprehensive reflection on the independent director, consulting the latest literature and including the results of the most recent empirical evidence. We have noticed that the role of the independent director often goes beyond the tasks that are usually considered specific to this function, namely, supervision of the company's senior management. However, the directors' independence cannot be built by requirements. It is a personal quality of the individual that transcends the various problems raised by agency theory. We believe that correct CEO supervision can only be effectively undertaken if the independent directors have these personal qualities. It seems that companies with a larger number of independent directors are more likely to replace the CEO when performance is not as expected. This can only happen if the independent directors enjoy effective independence.

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*Mohammad Tareq, Sheila Bellamy, Clive Morley*

This research investigates recent international reforms of minority shareholder rights (MSRs), and the relationship between those reforms and national legal systems. No previous studies have investigated such changes and their underlying causes; nor have they viewed the phenomena concerned through a dynamic lens. The study uses secondary data from 142 countries over a five-year period (2006-2010). Using growth curve modelling and the panel data method, the study finds that legal systems and law enforcement affect reforms positively. On average, countries' MSRs are improving, but this is not consistent across nations. The findings contribute to the current debate on the relationship of law to minority shareholder protection and will assist policy-makers in the area of investor protection reforms. Future research directions are suggested at the end of the paper.

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This paper aims to analyse how effective the role of institutional shareholders is in corporate governance by examining the association between the different types of institutional shareholders and earnings management. Many prior studies have investigated the nature of several corporate governance practices and mechanisms and how they exist to strengthen institutions, however, there have been questions related to the role of governance failures in preventing unethical behavior by top management. The recent financial and accounting scandals that have engulfed major financial companies in the United States and other developed countries have renewed the interest in corporate governance issues and the role of shareholders. This study provides critical reviews of the theoretical and empirical literature on the inter-relationship between different types and composition of shareholders and influences on corporate governance outcomes. We evaluate what we can say with confidence about the interaction between ownership structures and corporate governance. Overall, there is a consensus among researchers that institutional investors and other outside blockholders vote more actively on corporate governance amendments than non-blockholders to enhance profitability and market valuation of firms.

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*Helena Isidro, Liliana Gonçalves*

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Results indicate that older CEOs, CEOs with management or finance background, and CEOs that also hold the position of Chairman of the board of directors are more prone to manage earnings.

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The paper examines the extent of corporate social responsibility (CSR) Reporting by subsidiaries of multinational corporations in Bangladesh in two different steps. At the first step, the study explores the general trend of CSR Reporting in Bangladesh, and then examines in more detail: (a) CSR of subsidiaries of MNCs and (b) CSR of UK MNCs and their subsidiaries in Bangladesh. Content analysis has been used to capture the nature and quantity of CSR issues provided in the annual reports by the companies that were listed on the Dhaka Stock Exchange during the study. The paper suggests that CSR Reporting by MNCs subsidiaries in Bangladesh mainly means employee disclosure. CSR Reporting mostly consists of voluntary information with minimum level of mandatory disclosure. More importantly, subsidiaries disclose social and environmental issues more in line with Bangladeshi national companies than they do with their MNC parents. This highlights the fact that MNCs do follow different CSR Reporting strategy based on country of reporting.

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*Nguyen Huu Cuong*

Sustainability or sustainable development has become commonplace in the economic literature and become increasingly relevant to the academic literature and widely discussed by numerous of the researchers into social and environmental responsibility or corporate social responsibility (CSR), both from an economic and moral perspective. However, the thorough discussion of CSR under business ethics perspective in a broad view from the international or global context, to the organisational responses, and to individual attitudes does not exist in the current literature. This paper attempts to discover ethical responses to CSR from international organisations, companies, and individuals. Especially, each response is explained by different ethical theory.

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## SECTION 3. CORPORATE GOVERNANCE IN AUSTRALIA

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*Arifur Khan, Paul Mather*

We examine the relation between managerial share ownership (MSO) and discretionary accruals in Australia. We find a positive relation between MSO and discretionary accruals up to a certain level of MSO followed by a negative relation (inverse U-shaped). We suggest that these unique results are a result of certain Australian institutional features that are markedly different to those in the US and the UK and imply that the ownership-discretionary accruals relation is context specific with the wider corporate governance systems influencing the theorised incentive effects. We also posit that executive directors and independent directors have different ownership-discretionary accruals incentives and report results consistent with this proposition.

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