Corporate Governance in Italy after the 1998 Reform: What Role for Institutional Investors?

Marcello Bianchi, Luca Enriques

This paper tries to answer two questions: first, whether the changes in the law resulting from the 1998 reform are able to positively affect the attitude to activism of institutional investors in Italy; and second, whether, legal rules aside, it is reasonable to expect significant institutional investor activism in Italy. The empirical analysis shows that institutional shareholdings and investment strategies are compatible with the hypothesis that institutional investors can play a significant role in the corporate governance of Italian listed companies. However, a curb to their playing such an active role may derive from the predominance of mutual fund management companies belonging to banking groups (giving rise to conflicts of interest) and from the prevailing ownership structure of listed companies, which are still dominated by controlling shareholders holding stakes higher than, or close to, the majority of the capital (implying a weaker bargaining power of institutions vis-à-vis controllers).
Eastward Enlargement: Privatization in MECC

Marco Bigelli, Gianluca Ghini

This paper tries to offer a review of the literature on the main privatisation methods adopted by the Central and East European Countries which have joined European Union in 2004. After having analysed the major advantages and shortcomings of each privatisation method the paper briefly describes the privatisation processes adopted by each single country.

Corporate Governance: Understanding Important Contingencies

Morten Huse

The objective of this paper is to explore important contingencies for boards and governance designs. The paper is made in a setting where governance in SMEs in transition economies is to be developed, and knowledge from advanced market economies constitutes the framework to be built on. The core of the paper is the presentation of six groups of important contextual variables that must be analyzed and understood when corporate governance systems shall be developed. The framework presented in the paper includes understanding the perspectives of both internal and external actors in the corporate governance process, and that the design of a governance system will include issues related the board working style as well as the board members.

FCA Agency Costs, Earnings Management, and Investor Monitoring

Richard Chung, Michael Firth, and Jeong-Bon Kim

Free cash flow has been identified as having the potential to be a major agency cost where managers make expenditures that have negative NPVs. This agency problem reduces profitability and lowers the free cash flow agency problem. Our results are consistent with expectations and understood when corporate governance systems shall be developed. The framework presented in the paper includes understanding the perspectives of both internal and external actors in the corporate governance process, and that the design of a governance system will include issues related the board working style as well as the board members.
An Exploration of the Chief Executive Officers’ (CEOs) Perception of Strategic Management Process: the Case of British High Tech SMEs

Azhdar Karami

The past decade of organizational research has moved from an investigation of organizational static to an investigation of organizational dynamics, much of it focused on strategy and its formulation and implementation. This research is an attempt to shed light on the business owner managers and Chief Executive Officers’ (CEOs) perception of the importance of strategic management process in Small and Medium sized Enterprises (SMEs) in the UK. The data gathered from a sample of 132 CEOs of high tech firms and a combination of qualitative and quantitative research methods were employed for data analysis. In this research it has been found that firms which employ strategic management techniques, whether formal or informal, exhibit enhanced levels of success in formulation and implementation of business strategies than those firms which do not employ such procedures. Employing strategic management process in SMEs significantly helps in solving organizational problems, and reducing organizational conflicts. It significantly impacts on employees’ satisfaction and changing organizational culture.

Perfect Competition: A Case of “Market-Failure”

William Barnett, II, Walter Block, Michael Saliba

In this paper we research one of the corporate governance mechanisms, i.e. market for goods and services. We focus on perfect competition. We concluded with the explicit argument for letting loose the dogs of the Federal Trade Commission and the Antitrust Division of the Justice Department upon perfect competitors. Our main concern is the failure of mainstream economics to incorporate, properly and completely, the concept of foregone alternatives, into its analysis. The present paper is an attempt to trace out the some of the implications of this critical error for industrial organization.

Эффективный рынок товаров и услуг как механизм корпоративного управления

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В работе изучается один из механизмов системы корпоративного управления, а именно рынок товаров и услуг. Сделан вывод, что регулирование рынка товаров и услуг США не способствует развитию одного из важнейших условий эффективно функционирующего рынка товаров и услуг, т.е. честной конкуренции.
SECTION 2. CORPORATE OWNERSHIP
РАЗДЕЛ 2. КОРПОРАТИВНАЯ СОБСТВЕННОСТЬ

Ownership Structure and Performance: A Comparison of Different Corporate Governance Systems  
Alberto de Miguel, Julio Pindado, Chabela de la Torre
This paper analyses how the main institutional factors characterizing corporate governance systems around the world affect the relationship between ownership structure and firm performance. Our analysis gives rise to the following remarks. First, ownership concentration and insider ownership levels are determined by several institutional features such as investor protection, development of capital markets, activity of the market for corporate control, and effectiveness of boards. Second, the relationship between ownership concentration and performance is not directly affected by these institutional factors. Third, there is, however, a direct influence of corporate governance characteristics on the relationship between insider ownership and performance.

Ownership Structure and Proxy Contest without Proxy Trading: Evidence from Taiwan Securities Markets
Lanfeng Kao, Anlin Chen
This paper discusses how proxy fights affect the incumbent managers' attitude toward the shareholders. In Taiwan, the proxy rules Amendments in 1996 prohibit the proxy fighters to purchase proxy rights from shareholders. We argue that the prohibition of proxy trading favors the incumbents to gain control over the firms. Since the proxy rules favor the incumbent managers, incumbent managers do not have to keep a high ownership to gain control leading to severe agency problems between incumbent managers and outside shareholders. With the case of stopping proxy trading in Taiwan, we indicate that to order to mitigate the managers' unethical behaviors toward shareholders under the separation of ownership and control, proxy rules should be unbiased toward both the incumbents and raiders.
Does Pyramiding Have an Impact on Firm’s Capital Structure Decision Among Malaysian Distress Companies?

Fauzias Mat Nor, Bany Ariffin

This paper investigates the impact of separation of cash flow rights from control rights resulting from pyramidal forms of ownership structure on firm’s capital structure. In particular, our objective is to examine whether such separation affects the financing decisions among Malaysian listed distressed Companies. Even though it is not conclusive our findings somewhat lend support to the leverage-increasing non-dilution entrenchment effect on corporate leverage, whereby the separation of cash flow rights and control rights lead to the increase of leverage among the distressed companies. Consequently, excessive use of leverage in order to protect ultimate owner’s dominance in these companies then leads to disastrous financial valuation.

Влияние пирамидальных структур корпоративной собственности на структуру капитала: опыт корпораций Малайзии

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В работе изучается влияние разделения прав на управление денежными потоками от прав на корпоративный контроль на структуру капитала корпораций Малайзии. Сделан вывод, что увеличение степени разделения исследуемых прав приводит к росту финансового рычага. Особенно это касается тех корпораций, которые испытывают значительные финансовые трудности.

SECTION 3. PRACTITIONER'S CORNER
РАЗДЕЛ 3. УГОЛОК ПРАКТИКА

Market for Executives in Ukraine

Alexander Kostyuk

Рынок управленческих услуг Украины

Александр Костюк, к.э.н., заведующий кафедрой управления и ВЭД, УАБД НБУ (Украина)

SECTION 4. CORPORATE WORLD NEWS
РАЗДЕЛ 4. НОВОСТИ КОРПОРАТИВНОГО МИРА

Reported by Alex Kostyuk

Новости подготовил Алекс Костюк

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