

REFEREE'S REVIEW

Program:	MCF
Student:	Denis N. Shevyakov
Title of thesis:	Board of directors and financial performance: the study of Russian traded companies

Justification of the topic choice. Accuracy in defining the aim and objectives of the thesis. Justification of the topic choice; accuracy in defining the aim and tasks of the thesis; originality of the topic and the extent to which it was covered; alignment of the thesis' topic, aim and objectives.	4		
Structure and logic of the text flow. Logic of research; full scope of the thesis; alignment of thesis' structural parts, i.e. theoretical and empirical parts.	4		
Quality of analytical approach and quality of offered solution to the research objectives. Adequacy of objectives coverage; ability to formulate and convey the research problem; ability to offer options for its solution; application of the latest trends in relevant research are for the set objectives.	4		
Quality of data gathering and description. Quality of selecting research tools and methods; data validity adequacy; adequacy of used data for chosen research tools and methods; completeness and relevance of the list of references.		3	
Scientific aspect of the thesis. Independent scientific thinking in solving the set problem/objectives; the extent to which the student contributed to selecting and justifying the research model (conceptual and/or quantitative), developing methodology/approach to set objectives.		3	
Practical/applied nature of research. Extent to which the theoretical background is related to the international or Russian managerial practice; development of applied recommendations; justification and interpretation of the empirical/applied results.		3	
Quality of thesis layout. Layout fulfils the requirements of the Regulations for master thesis preparation and defense, correct layout of tables, figures, references.	4		

Each item above is evaluated on the following scale, as applicable: 5 = excellent, 4 = good, 3 = satisfactory, 2 = poor .

Additional comments:

The paper analyses the connection between selected characteristics of board of directors and indicators of financial performance selected by the student: Return on Asset and Price to Book Ratio. The paper consists of two chapters. The first chapter is devoted to literature overview and hypothesis formulation. The second chapter describes the data and tests the hypothesis.

The literature review is comprehensive: it describes most of modern approaches used to analyze Boards of Directors.

The hypothesis formulation has significant flaws. For example, after describing literature survey that leads to the hypothesis one and hypothesis four the student formulates exactly the opposite propositions. Literature survey in paragraph 1.2.3 makes readers believe that equity holding by members of the Board of Directors should be *positively* related to firm's performance. It's not justified why in hypothesis four equity holding is *negatively* related to firm's performance.

Paragraph 1.2.4 describes multiple directorships. Unfortunately the student never defines "multiple directorships" and it is very unclear how it is measured (it is clear only later on).

Paragraph 1.3.1 is supposed to explain the specifics of Russian corporate governments, which is an important part of the paper. Unfortunately, I was not able to understand anything from this paragraph.

The description of the data is extremely unclear. The student collects data of twenty five Russian companies apparently for several years. The time-series is not explained. The use of several data points for one company is also not justified in the paper.

The description of the data is extremely unclear. The student collects data of twenty five Russian companies apparently for several years. The time-series is not explained. The use of several data points for one company is also not justified in the paper.

The student starts data analyses with a correlation matrix. Most of the conclusions are made based on this matrix.

Regression model one analyses the dependence of Price to Book Ratio on equity holding of the Board of Directors, age dispersion among board members and firm size. I believe that one contribution of the paper is the significance of the equity holding in the regression. However, I do not attribute this result to good performance of the company. More likely the prices for the companies where board members hold significant portion of equity are inflated, and, therefore, Price to Book Ratio is high.

Regression model two analyses the dependence of Return on Asset on the average number of outside directorship occupied by directors. The student should be aware that the coefficient in this regression (α_1) is just a normalized correlation between the variables. The correlation matrix (table 6) already contains all the information and regression model two does not add anything to the paper.

However, I believe there is another contribution of the paper, which is the collection of the data on board member characteristics. The student mentioned that he analysed CV's of board members to collect this data. I believe that if this data is collected on a large set of companies it would be an interesting dataset to analyse.

Overall master thesis of Denis N. Shevyakov meets the requirements of Master in Corporate Finance program, and deserves a **good** grade, thus the author can be given the desired degree.

Date June 13, 2012

Referee: *(academic title, name)*

Victor Archavski, PhD

