

REFEREE'S REVIEW

Program:	MCF
Student:	Nikita Dirin
Title of thesis:	The relationship between board structure and financial performance of Russian open joint stock companies with state ownership

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.	5			
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.	5			
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.		4		
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.		4		
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:

There are a lot of studies on the corporate governance in relation with financial performance, based on companies of developed and emerging markets, including Russia. Fewer studies are devoted to these relationships for state-owned companies that have specific corporate governance practices. This thesis investigates the link between board of directors and companies' financial performance for Russian open-joint stock companies with state ownership. The study examines the role of the corporate board as a key corporate governance mechanism. What is of a special interest in this paper – Dirin N. examines companies with less than a control ownership stake of the state, unlike majority of papers that analyze large state-owned companies with a state being in control.

This research bears both theoretical contribution and important managerial implications.

The goal of the research – “to investigate the relationship between indicators of financial performance and structure of the board of directors of the companies with small direct share of state ownership (less than 50%)”, is clearly defined. A number of objectives stated are consistent with the goal. The topic is fully covered by the thesis content.

- The structure in general is logical. Introduction contains all necessary elements. The topic is justified; goal and objectives, methodology and research object and subject are clarified in this part. In the first chapter the author provides an analysis of state-owned enterprises in Russia, their classification by different criteria, specifics of board structures in these companies, as well as analyzes approaches to evaluation of financial performance in open-joint stock companies. In the Chapter 2 the student conducts a literature review on the role of board of directors, the link between the board structure and financial performance

and advances hypotheses for his empirical research. In this chapter Dirin N. describes the methodology used, sample and data, presents empirical analysis results, their discussion and conclusions.

Analysis of the background of Russian specifics of state-owned companies and board characteristics is quite thorough and includes all the recent updates in legislation and institutional changes. It is worth noting that the student pays special attention to professional attorneys, a category of board members in state-owned companies, that has been established quite recently and still has not been studied in academic literature.

The literature review on the board characteristics and their relationship with companies' performance is good. The author provides empirical evidence from high quality academic studies, including recent ones, highlighting important aspects of board structure and activities that are almost not studied for Russian companies – boards committees, multiple directorships (busy directors).

The hypotheses stated are adequate for this research. The methodology of regression analysis is relevant.

The thesis has a research nature and contains practical implications. The results could be used by companies and state as a key decision-maker in their decisions on board structure.

The data collected and processed seems to be valid. The student provided detailed description of data used, classified companies in the sample by different criteria.

Estimation results are described and analyzed.

The quality of analytical approach could be evaluated as good. The quality of the thesis content could be evaluated as good.

Critical comments and questions:

- – In the introduction the author says "...it includes description of different international and Russian approaches to financial performance evaluation". What does it mean: Russian approach to financial performance evaluation?
- – P. 16: the author writes about the choice of the criteria for a company to be defined as a state-owned company with a direct ownership less than 50%. What does the author mean with the following: "This choice is due to the presence of classical structures of corporate governance in joint stock companies"?
- P. 18: "For the board of directors of Russian companies with state participation its composition is directly". What does this statement mean?
- – P. 20: "In foreign literature, independent director is named "non-executive director" (Brealey and Myers 2010) and does not coincide with the concept of an independent director in Russia". It is not true. In foreign practice and studies both categories of directors – non-executive and independent, exist.
- – Section 3.3 is titled "Empirical results of board characteristics". But it is not the analysis of board characteristics, it is analysis of the relationship between board structure and performance.
- Section "Base model" (p. 40) had to be included in the part on Research design.
- In some cases translation of terms from Russian is incorrect and distorts the meaning: for ex., "(republics, territories, regions, federal cities, autonomous regions, autonomous districts)", that the student defines as "subjects of Russian Federation" (p. 11).
- In general it could be concluded that the paper contains a number of inconsistencies and inaccuracies in the statements.

Master thesis of Nikita Dirin meets the requirements of MCF program, and deserves a "good" (B) grade, thus the author can be given the desired degree.

Date

12/06/2015

Referee

Asst. Prof. Yulia Ilina

