

## SCIENTIFIC ADVISOR'S REFERENCE

<b>Program:</b>	Master in Corporate Finance
<b>Student:</b>	Evgenii Stetsciuk
<b>Title of thesis:</b>	The impact of Board of Directors' characteristics on firm performance (the case of global airlines industry)

<p><b>Justification of the topic choice. Accuracy in defining the aim and objectives of the thesis.</b> 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.</p>	
<p>Effects of the boards of directors on the firm performance is a well researched topic. However, the scope of existing studies is typically limited to a broad cross-section of companies in one country. This thesis offers an international study that is contained to just one industry, the global airlines industry). The scope and objectives of the thesis are clearly defined in the text.</p>	
<p><b>Structure and logic of the text flow.</b> Logic of research; full scope of the thesis; alignment of thesis' structural parts, i.e. theoretical and empirical parts.</p>	
<p>While the titled and the identified objectives of the thesis refer to the impact of Board of Directors' characteristics on firm performance, much of the text has nothing to do with them. This applies both to much of the literature review section and the entire section on the history of the industry, as well as to half of the Conclusions. I did convey this to the student stating from the early drafts of the thesis. Unfortunately, the situation has improved very little, if at all. The hypotheses to be tested are well identified and are supported by referring to previously published research.</p>	
<p><b>Quality of analytical approach and quality of offered solution to the research objectives.</b> 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.</p>	
<p>The analytical approach of the thesis is rather simplistic. Simple regressions with contemporaneous observations of performance (on the left hand side) and firm characteristics (on the right hand side). Such econometric analysis cannot produce any causal results. However, the thesis makes conclusions of the causal nature. For example, "The company can indirectly increase its accounting performance by adding to the Board of Directors independent directors".</p> <p>I have alerted the student to the endogeneity problem. However, the endogeneity is swept under the rug with the following statement: "as far as there is a little possibility, that the change in BoD structure is rather the result of good financial performance, than the firm performance is the result of change in BoD structure". Owners may clearly choose to adjust the BoD, if they would like to see improved performance. Hence, this statement in the thesis is without merit.</p> <p>Durbin-Wu-Hausman test is used to test for endogeneity. The test is used in conjunction with IV analysis. However, no IV analysis is presented in the thesis. Either the test is misused or results are misreported.</p> <p>Following up on the endogeneity issue, there is also this statement: "The endogeneity issue was solved with the help of algorithm, presented in the first paragraph of this chapter." This is simply counterfactual, as the first paragraph of the chapter does not even refer to endogeneity.</p> <p>Board characteristics are studied one by one. I did advise to perform analysis of simultaneous effects of different characteristics, but that has not been done. For example, one would imagine that the split between the CEO and the chairman is more important in a smaller board.</p> <p>If causal conclusions are to be drawn from the analysis, why does not the author conclude that all airlines should move to smaller/poorer countries? (The coefficient on GDP is negative.)</p> <p>On the plus side, the coefficients from regressions are compared to those previously found in earlier studies.</p>	

<p><b>Quality of data gathering and description.</b> 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.</p> <p>A significant portion of the data was hand collected. It makes its quality hard to verify. The collected data covers only a few years.</p>
<p><b>Scientific aspect of the thesis.</b> 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.</p> <p>The student worked fairly independently. Unfortunately, in this case, it meant that he was resistant to fix the flaws of the thesis that were obvious already from the early drafts.</p>
<p><b>Practical/applied nature of research.</b> 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.</p> <p>Various managerial implications are made in the Conclusions. Unfortunately, they are based on theoretically erroneous empirical results.</p>
<p><b>Quality of thesis layout.</b> Layout fulfils the requirements of the Regulations for master thesis preparation and defence, correct layout of tables, figures, references.</p> <p>There is a number of linguistic flaws in the thesis, but the thesis is written quite well. The text generally conforms to international formatting standards.</p>

The Master thesis of Mr. Stetciuk meets the requirements for master thesis of Master in Corporate Finance program. Thus, the author of the thesis can be awarded the degree.

Date June 14, 2015

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