CORPORATE OWNERSHIP & CONTROL

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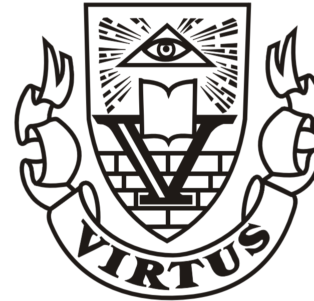

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Corporate control and relationship finance by banks or by non-bank institutional investors? A review within the theory of the firm 9

Ettore Andreani, Doris Neuberger

In continental Europe, banks are more and more replaced by non-bank institutional investors in the financing and control of firms, which may imply a shift from relationship finance with insider control to arm's length finance with outsider control. However, non-bank institutional investors may develop relationships with firms similar to the traditional long-term bank-firm relationship, providing substitutive services. The present paper differentiates between relationship banking and relationship investing within the theory of the firm and reviews the financial and corporate control services provided by both arrangements.

The Financial System and Corporate Governance in Japan 27

Mitsuaki Okabe

Corporations may be said to be engines of any market economy and their proper behavior is a key to economic, hence human, security. This paper argues that one of the most important causes for the prolonged period of recessions of the Japanese economy in the 1990's is deeply rooted in the long-established financial structure of the economy and in the closely related issue of corporate governance. Although Japanese corporations have been traditionally understood that their activities are monitored and governed by "main banks," this framework has been changing over the last 10-15 years toward corporate governance driven by pressure from capital markets.

Managerial Discretion in Non-Profit Organizations: an Application to Spanish Work Accident Mutuals 39

Eugenia Suárez Serrano

This paper explores the problems of managerial discretion in the non-profit sector, with special consideration to Spanish Work Accident Mutuals (MATEPs). Firstly, from Transaction Costs, Property Rights and Agency perspectives, the economic rationale of mutuals is analyzed, paying particular attention to MATEP's peculiarities and incentives in terms of competition, regulation and ownership. Subsequently, the effectiveness of governance mechanisms is discussed, showing that the status quo leaves excess power in the hands of the managers of these organizations.

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Steven Balsam, Richard Gifford

In this paper we use a proprietary data set that consists of all stock option grants and exercises for a Fortune 100 multinational corporations from 1990 to 1999 to show that the exercise patterns of employees varies across countries. When we examine the variables overall exercise responds to we

find evidence that the variables vary with culture, e.g., in general patterns in English speaking countries appear to be comparable, but not so for other countries. We found it also varies across countries.

Mergers and Acquisitions: a Review of the Literature **55**

Raymond A. K. Cox

This paper is a selected literature review of the theories and empirical evidence on mergers and acquisitions. Initially, the fundamental factors, and the underlying theories, causing mergers is explored. Subsequently, the empirical evidence is examined on: (1) the operating performance of the acquirers and the acquired firms before and after the merger, (2) stockholder wealth impact, (3) form of payment used to complete the acquisition, (4) conglomerate mergers, and (5) corporate governance affecting the firm's ownership and control.

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The Asian crisis and corporate governance - ownership structure, debt financing, and corporate diversification **60**

Masaharu Hanazaki, Qun Liu

Based on firm-level analysis, this paper suggests that ownership concentration enabling controlling shareholders to expropriate other shareholders; fund raising through debt that is short of effective monitoring by creditors; and inefficiency caused by the ill effects of diversification are all associated with significantly worse performance during the Asian crisis. The region's predominant governance structure, characterized by family control and conglomerates, was considered a factor in its miraculous economic development but has been seen since the crisis as the origin of crony capitalism.

Ownership structure and expropriation in stock exchange listed firms **79**

Yoser Gadhoum, Jean-Pierre Gueyié, Mohamed Hentati

This paper analyses firms' ownership structure and corporate governance in seven countries, with an emphasis on stock exchange listed firms. This focus is, in our view, important because these firms are more representative of the economies of countries included in our sample. Our results indicate that in Canada, Europe and East-Asia, ownership structure is highly concentrated. In the U.S., firms' ownership structure is more diffuse. Being listed on the stock exchange can explain the firm's ownership structure.

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Wallace N. Davidson III, Amani Khaled Bouresli, Manohar Singh

Following the approach in Ang, Cole, and Lin (2000), we estimate the impact of CEO ownership on agency costs in pre-IPO firms and again in the post-IPO period when they have become publicly traded companies. We find that CEO ownership is large in both the pre and post-IPO firms. Greater CEO ownership is associated with lower agency costs both before and after the IPO, and CEO ownership in these firms seems to dominate all other agency control mechanisms.

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Eduardo Schiehll

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Axel Haller, Jürgen Ernstberger, Christian Kraus

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Corporate governance of German growth companies. Empirical analysis of the corporate governance quality and the structure of supervisory boards of companies listed on TEC-DAX **128**

Alexander Bassen, Maik Kleinschmidt, Christine Zöllner

This article analyses the importance of corporate governance for growth companies, derives specific requirements for them and evaluates the corporate governance quality for companies listed on Tec-Dax. Growth companies' characteristics imply a comparatively high importance of corporate governance due to a high level of business and agency risk. The empirical results imply a high conformity of the Tec-Dax companies with the GCGC criteria with some exceptions for specific companies and criteria.

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Soledad Moya, Ester Oliveras

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Haiying Huang

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