HOW INTERNATIONAL COMPETITIVENESS MODERATES THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND SEASONED EQUITY OFFERING UNDERPRICING

Fu-Jiing Shiue*, Yi-Yin Yen**

* National Taipei University, Taiwan
**National Taipei University of Business, Taiwan.

Abstract

When a company exhibits favorable management performance, investors may have higher intention to purchase its stock at a premium price; the company may also make more desirable decisions in international expansion, attain higher international competitiveness, win the preference of investors, and thus exhibit a higher stock price, which results in higher seasoned equity offering (SEO) underpricing. Therefore, international competitiveness possibly plays a crucial moderating role between corporate governance and SEO underpricing. The empirical results of this study show that compared with government-controlled companies, international competitiveness strengthens the relationship of SEO underpricing with one-family-controlled companies, two-or-more family-controlled companies, and manager-controlled companies. Accordingly, companies should improve their international competitiveness and conduct favorable corporate management to elicit the investment intention of market participants worldwide.

Keywords: International Competitiveness, Corporate Governance, Seasoned Equity Offering Underpricing, Moderating Effect

1. INTRODUCTION

The 1997 Asian financial crisis severely damaged the capital markets in Thailand, South Korea, and Indonesia, while those in Hong Kong, Laos, Malaysia, and the Philippines were also considerably affected. In Taiwan, the financial crisis occurred between 1998 and 2000, when dozens of listed companies such as Tong Lung Metal Industry, Kuo Yang Construction, Taichung Commercial Bank, and Tai Yu Products Corporation reported severe financial difficulties (Chen et al., 2013). As the stock markets in Asia collapsed and foreign investors quickly withdrew their investments in this region, reports of financial scandals also struck Enron Corporation and WorldCom in the United States in 2001. In short, capital markets worldwide were considerable shaken. To enhance investors' confidence and prevent irregularities, scandals, and misdeeds conducted by internal parties, the United States enacted the Sarbanes–Oxley Act in 2002. This act demands that the CEO and CFO of a company present a personal statement verifying the effectiveness of internal controls related to their financial reports; moreover, the act notes that additional independent directors on corporate boards should be appointed and that independent audit committees should be established (Alimehmeti and Paletta, 2014). International organizations such as the OECD, APEC, and World Bank also promoted corporate governance.

For listed companies with satisfactory corporate governance mechanisms, they generally already have a board of directors that functions relatively well and makes favorable decisions, which signals superior firm quality. Furthermore, excellent corporate governance mechanisms facilitate supervising internal and external parties and prompt companies to disclose timely information that reduces information asymmetry; hence, investors rate these companies positively and are inclined to purchase company shares at a premium (Mckinsey and Company, 2002). The company's share prices therefore rise. Consequently, when a listed company

issues new shares through seasoned equity offerings (SEOs), the difference between actual share price and the price previously agreed upon between the company and securities underwriters (namely, the previously set underwriting price) increases; the SEO underpricing [(closing price– offer price)/offer price] also increases accordingly. By contrast, weaker shareholder rights accompany poorer corporate governance mechanisms, and result in extra agency costs and lowered share prices (Gompers, Ishii, and Metrick, 2003). Therefore, when a company of this type issues new shares through SEOs, the difference between underwriting price and share price decreases. Notably, the SEO underpricing can be minimized even to a negative value. However, few scholars have investigated the influence of corporate governance on SEO underpricing. The present study considers this topic essential.

Following the trend of globalization, numerous listed companies in Taiwan have established plants overseas in locations with cheap labor and land costs to achieve a competitive advantage. In addition to acquiring low-cost resources, these companies also attempt to open new markets by using their core competencies in the keenly competitive international market (Griffin and Pustay, 2002). Other companies have successfully positioned their products using marketing techniques and innovative capacities in research and design, thereby effectively segmenting the overseas markets. Such a product differentiation strategy facilitates the maximization of these companies' competitive advantages. Numerous listed companies have established production bases or sold products overseas, thus becoming multinational corporations (MNCs). Liesch et al. (2011) interpret the factors of corporate internationalization, indicating risk and uncertainty mitigation, and the practice of international entrepreneurship as the main axes. Goldin (2014) also notes that although global interconnectedness offers substantial benefits, it also creates new risks. In short, reforming corporate governance systems can increase accountability, enhance information transparency, and enable risk-management, thereby elevating the confidence of global market participants.

To expand company size, develop overseas markets, and build niche markets, numerous Taiwanese companies actively participate in plant building and expansion, equipment replacement, reinvestment in overseas businesses, and mergers with other overseas companies. In response to capital shortage, companies can raise funds from the capital market by issuing new shares through SEOs. According to the Securities and Futures Bureau, Financial Supervisory Commission (2015), the total amount of SEOs issued by listed companies in Taiwan in 2015 was NT$138.26 billion. As these shares were purchased by the public, SEOs have a considerable influence on various aspects of the society and requires further attention.

Numerous studies have indicated that companies tend to issue SEOs when they attain a significant stock price increase, after which a significant reversal of returns occurs. This phenomenon is also observed in companies offering SEOs in China. Previous scholars have mostly reported significantly negative long-term stock returns following SEOs. In addition, several scholars have asserted that companies tend to issue SEOs when their market-to-book ratios are high (Carlson

et al., 2006; DeAngelo et al., 2010; Hertzel and Li, 2010; Huang et al., 2015; 2016).

In actual practice, companies typically issue SEOs at a price lower than the market price to ensure successful fundraising (Lee, 1998). Giroud and Mueller (2011) explore the effects of corporate governance and product market competition on equity prices by dividing industry types into noncompetitive and competitive ones. In addition, they examine the interaction effect of industry types and corporate governance on stock returns. They indicate that in noncompetitive industries, weak governance firms have low labor productivity, high input costs, and value-destroying acquisitions, and thereby attain lower operating performance, firm value, and equity returns.

Companies with satisfactory corporate governance make better decisions than their competitors in developing international expansion strategies. Moreover, the benefits of going global are more easily achieved, and the related costs are relatively reduced, whereby outstanding international competitiveness is demonstrated and a message of excellent firm quality is conveyed. In the process of international expansion, companies with favorable corporate governance tend to enhance their information transparency and reduce information asymmetry to conform to the worldwide trend of market supervision (Bonaccorsi, 1992; Liesch et al., 2011; Goldin, 2014). From the investor's perspective, companies with superior corporate governance and strong international competitiveness are preferred investment targets; hence, investors are willing to purchase these companies' shares at premium. Along with the rise in share prices, the difference between share price and underwriting price increases, leading to an increased SEO underpricing and effects on investors' equity share returns.

The relationship between corporate governance, international competitiveness, and SEO underpricing is a crucial topic, one that has thus far been minimally explored. This study divides corporate governance into government-controlled, one-family-controlled, two-or-more family-controlled, and manager-controlled companies (the categorization is adopted by the Taiwan Economic Journal). Moreover, international competitiveness is adopted as a moderator to analyze the effect of corporate governance and international competitiveness on SEO underpricing. Therefore, this study is conducted to enrich the existing research in this area.

2. LITERATURE REVIEW

2.1. SEOs Underpricing

Scholars have generally explained the causes for SEO underpricing from signaling theory and information asymmetry theory. Primarily, SEO underpricing indicates poor firm quality (Cook and Officer, 1996). However, securities underwriters with high reputations can signal investors of the firm's superior quality and reduce SEO underpricing (Carter et al., 1998). From the perspective of information asymmetry, SEO serves as a measure against superior information; in other words, it compensates for the transaction risk that people with inferior information bear. Companies

deliberately adopt SEOs underpricing to ensure that investors perceive positive expected returns, thereby prompting these investors to participate in the market (Rock, 1986; Beatty and Ritter, 1986). Investors can only assess the extent to which firm value is misconstrued by reviewing public accounting information, news coverage, and price movements. However, managers possess private information, which therefore generates information asymmetry between managers and investors. Furthermore, managers can use their private information on the overestimation of company shares to make decisions about SEOs issuance (Loughran and Ritter, 1995; Spiess and Affleck-Graves, 1995; Cook and Officer, 1996; Bilinski and Strong, 2013). Aretz et al. (2007) also claim that under information asymmetry, investors tend to consider company share prices overestimated; hence, SEOs are issued under underpricing.

In situations where a company faces high uncertainty, the issue price of its SEOs is underestimated, thus triggering discounts (Baron, 1982). Baron and Holmstrom (1980) indicate that because investment banks and potential investors sign prepurchase contracts, investment banks have the private information of market needs, which increases information asymmetry between companies and investment banks. In consideration of the actual costs, investment banks (or securities underwriters) expect SEOs issue prices to be as low as possible so that SEOs can be successfully sold to investors (Stoll, 1975). Smith (1977) notes that securities underwriters set SEOs issue prices at 0.5% lower than the market price, whereas Ibottson (1975) and Bae and Levy (1990) respectively found that SEOs issue prices are 11.4% and 0.3% lower than the market price. The gross spread of securities underwriters is closely associated with the risk of SEOs fundraising failure and the market volatility of share prices during the underwriting period. Therefore, the underwriting processing fee includes a premium of underwriting risk, which is on average, 0.13% of the issue price (Bae and Levy, 1990). In addition, Tinic (1988) claims that SEO underpricing can serve as a protection against legal liabilities when the company (issuer) and underwriter face legal accusations. Moreover, providing investors with higher returns reduces the probability of companies or securities underwriters being accused by investors or receiving negative evaluations.

Because SEOs come with high information asymmetry (Kim et al., 2016), they provide a favorable trade opportunity to informed investors, whereas uninformed investors are faced with the winner's curse problem. Before the issuance of SEOs, overvaluation can easily lead to long-run stock underperformance (Pontiff and Woodgate, 2008). Therefore, institutional investors with information advantages tend to analyze whether the SEO of a company is overestimated (Cline and Fu, 2010). SEOs underpricing indicates that their value might be underestimated; hence, the institutional demand of such SEOs is high, resulting in more favorable long-term stock returns (Chemmanur, He, and Hu, 2009; Kim et al., 2016).

According to the winner's curse hypothesis, informed investors are unlikely to purchase overpriced SEOs; this increases the chances of uninformed investors successfully applying for such SEOs (Beatty and Ritter, 1986; Rock, 1986). If SEOs are underpricing, this increases the investment intention of informed investors while compensating the losses of uninformed investors (Chemmanur, He and Hu, 2009), enabling the successful issuance of the SEOs (Wang, 2015).

2.2. Corporate Governance and SEOs Underpricing

2.2.1. Corporate governance

Corporate governance refers to the management and supervision mechanisms that companies employ to maximize firm value legally (World Bank, 1999). McKinsey and Company (2002) list the average share premium that investors in different regions were willing to pay for companies with superior corporate governance, which were 12%–14% in North America and Western Europe, 20%–25% in Asia and Latin America, ≥ 30% in Eastern Europe and Africa, and 20% in Taiwan. Thus, corporate governance serves as a core factor influencing investors' participation decisions. Two key theories of corporate governance, namely agency theory and stewardship theory, are described in the following sections:

1. Agency theory. Agency theory investigates the principal–manager relationship from the perspectives of behavior and governance. This theory assumes that managers engage in opportunistic self-interested behaviors instead of maximizing the principal's benefits. Therefore, the principal adopts governance mechanisms to supervise the manager's behavior and avoid the manager's betrayal. When the goal alignment between owners and managers is high, company performance increases (Jensen and Meckling, 1976; Fama, 1980; Fama and Jensen, 1983; Eisenhardt, 1989; Davis, Schoorman, and Donaldson, 1997; Madison, Holt, Kellermanns, and Ranft, 2016).

Agency theory also identifies management entrenchment, the phenomenon of the manager or the management seizing the principal's (owner's) benefits for their own self-interests. For example, top management can decide their own salary and bonus, appoint their friends and family to key positions and offer them generous remuneration packages and luxurious accommodations, or make purchases detrimental to firm value. Such behaviors increase the agency costs of a company, which severely obstructs the company from achieving its goals and lowers its firm value (Jensen, 1986; Morck, Shleifer, and Vishny, 1988; Baratiyan and Salehi, 2013; Elyasiani and Zhang, 2015). Dhaoui and Jouini (2011) also note that to perform the entrenchment, managers must invest organizational resources in specific activities that enhance company risks and induce severe information asymmetry. In this vein, the investment and financing policies are developed for the benefit of the management. Meanwhile, the information asymmetry between the management and controllers is further enhanced to enable the management to perform more discretionary behaviors.

Conversely, if a company is wholly owned by the manager, then the manager adopts an operating strategy to maximize the company's utility. However, if the shareholding rate of the manager decreases, then the manager's claim right to company performance is reduced; this can encourage the manager to appropriate more company resources to serve as additional compensation. Furthermore, manager's incentive to

engage in innovative activities, such as risk-taking opportunistic activities, also declines. The analysis suggests that in situations where the manager has a high shareholding rate, his or her claim right to company performance is high, and the loss of the company is also a loss of the manager's interests. Therefore, the interests of the owner (principal) and that of the manager should be closely aligned to provide the manager with greater incentives to improve company performance. This is also known as the convergence-of-interest hypothesis (Jensen and Meckling, 1976).

Adopting agency supervision mechanisms can suppress the opportunistic behaviors of the management and enhance the performance of family firms (Eisenhardt, 1989). These supervision mechanisms include establishing the board of directors, supervising board activities (i.e., appointing external directors to supervise family members who serve as directors and appointing family members as directors to supervise the firm), and developing incentive compensation programs (Anderson and Reeb, 2004; Chrisman et al., 2007). If a nonfamily member serves as the CEO, then the CEO's interests should be aligned with those of the principal (owner) through the compensation program (McConaughy, 2000; Madison et al., 2016). Moreover, if the principal employs governance mechanisms to supervise the manager's behaviors, then an agency cost is generated. The amount of the agency cost varies according to the nature of supervisory costs, manager's preference for nonpecuniary benefits, and number of managers who are capable of financing the entire venture using personal monies. In other words, a supervisory cost of zero generates an agency cost of zero; furthermore, if all companies in an industry can find managers who can own 100% of the company shares and operate the entire company themselves, then the agency cost of this industry is also zero (Jensen and Meckling, 1976).

2. Stewardship theory. According to stewardship theory, the manager or management plays the role of a steward, who serves a company as he or she is expected. Hence, the interests of the manager naturally align with those of the principal (owner) (Zahra et al., 2008). Governance mechanisms derived from the stewardship theory grant employees considerable authority and discretion. For example, an involvement-oriented approach is adopted in management and collectivist culture (Davis et al., 1997). In addition, governance concepts derived from stewardship theory encourage employees to collaborate with, authorize, and motivate each other; the employees are also connected with the corporate entrepreneurship of family firms through strategic decision-making responsibilities and participative management (Eddleston et al., 2012). Therefore, the design of such a governance mechanism aims to continuously align the steward's behaviors with the principal's interests, and prompts the steward to engage in organization-supporting behaviors, thereby enhancing business performance (Davis et al., 1997; Eddleston and Kellermanns, 2007; Madison et al., 2016). The trust and commitment held by family firm employees for their companies constitute secret competitive advantages (Davis et al., 2010; Madison et al., 2016). A high level of employee identification with a family firm positively correlates with the

overall business performance and sustainability of the firm (Vallejo, 2009).

Le Breton-Miller and Miller (2009) find that family firms deeply embedded in the family system are more likely to have agency problems because of the hierarchical nature of family and the family's self-serving interests. However, when family firms are more deeply embedded in the business system, they are more likely to prioritize corporate interests. The reasons family-members-turned-managers in a family firm carry out destructive agent behaviors are opportunism and asymmetrical altruism; conversely, the reasons for them to perform beneficial stewardship behaviors are indemnification and commitment. Thus, for family firms, agency behaviors are harmful whereas stewardship behaviors are beneficial. As Madison et al. (2016) conclude, suppressing agency behaviors and strengthening stewardship behaviors positively influence family firm performance. When goal alignment between the owners and the managers is high, the stewardship environment becomes dominant, rendering the supervisory role of the board of directors insignificant (Pieper et al., 2008). Nevertheless, if owners and managers have diverse goals, the board of directors becomes a necessary institution; moreover, it should be of a relatively large scale with a relatively high ratio of external directors to properly execute supervision and facilitate the transition into an agency environment (Jaskiewicz and Klein, 2007; Pieper et al., 2008).

In short, from the perspectives of both the agency and stewardship theories, family firms exhibit more satisfactory performance than do nonfamily firms because family firms have lower agency costs (Chrisman et al., 2004) and the family leader is simultaneously the coordinator of the family fortune (Graves and Shan, 2013). Razak and Palahuddin (2017) explore director remuneration, corporate governance structures, and firm performance by dividing corporate governance into family-owned and nonfamily-owned. Their results reveal that family-owned firms perform less favorably than do nonfamily-owned firms. Abu Haija and Alrabba (2017) divide the ownership structure into family, foreign, managerial, and institutional ownerships, and investigate the effect of ownership structure on the performance of Jordanian companies. Their empirical results show that family, managerial, and institutional ownerships positively and significantly affect corporate performance, whereas foreign ownership exerts a nonsignificant effect.

2.2.2. Types of corporate governance in Taiwan

Previous studies have indicated that in the East Asian market, 65% of listed companies are controlled by major shareholders. Of these companies, more than 60% have managers belonging to the family members of major shareholders (Bruton, Ahlstrom and Wan, 2003), implying the primary role of family-controlled companies in Asia, in particular China, Taiwan, and Hong Kong (Lee and Barnes, 2017). Corporate governance in Taiwan can be divided into four types: government-controlled, one-family-controlled, two-or-more-family-controlled, and manager-controlled (Lee and Huang, 2010; Liao, 2014). In government-controlled companies, the government is the majority shareholder and has substantial power over the

appointment of board directors and related personnel. In one-family-controlled companies, the ultimate controllers of the companies are family members (including both family members and juridical persons under their control) who together hold absolute majority in shareholdings and the number of board directors; in addition, these ultimate controllers also serve as the general or financial managers of the companies, and thus have control over the financial and business operations of the companies. In two-or-more-family-controlled companies, the ultimate controllers comprise members from two or more families; no single family has an absolute power of dominance. Finally, in manager-controlled companies, the ultimate controllers consist of professional managers who serve as the general manager and research and development director of the companies, and have substantial control over company operations (Lee and Huang, 2010).

These governance types generate different agency problems. For example, government-controlled companies shoulder policy-related mandates, such as providing public welfare and stabilizing prices and the labor market; moreover, these companies are under the direct impact of political pressure and constantly undergo personnel changes, particularly among board directors and high-level directors, and government changes. Because of these constraints, government-controlled companies cannot effectively pursue business objectives on a sustainable schedule. Unlike ordinary private companies that focus on business performance, those that are government-controlled have relatively insufficient market competitiveness and more severe agency problems, thereby generating higher agency costs and poorer business performance (Shapiro and Willig, 1990; Li et al., 2004; Li, 2015). Kammlott, Krüger, and Schiereck (2017) explore German municipal utilities and determine that the participation of partially private shareholders in municipal utilities improves the efficiency of the utilities.

Kong et al. (2016) examine the effect of reverse privatization on the performance of Chinese firms and indicate that when considering political risks and political privileges, private firms tend to allow the government to purchase their SEOs. However, as government ownership increases, the benefit of reverse privatization decreases.

Because the owners of one-family-controlled companies are simultaneously controllers of the board of directors and a key person of the high-level management team (Lee and Huang, 2010; Liao, 2014), owners' interests are usually closely aligned with manager's interests. In addition, trust and commitment are more easily established between various parties of the companies because they are families or relatives. Company strategies or objectives are more likely to obtain high approval or support, and a stewardship environment tends to be established (Chrisman et al., 2004; Vallejo, 2009; Davis et al., 2010; Madison et al., 2016). Thus, one-family-controlled companies have lower agency costs than do government-controlled companies, and exhibit more favorable company performance. Investors are therefore more likely to purchase company shares at premium, and share prices rise accordingly.

In two-or-more-family-controlled companies, where none of the family-based groups have a

simple majority and the board of directors, the board is typically controlled by two or more family groups. Such shared types of control are often formed on the basis of marriage ties, mentor–mentee relationships, place of origin, or business owner–client relationships, which can change over time. As the members of these groups multiply over time, their relationships grow more complex and their interests and goals may diversify (Liao, 2014). Thus, the interest and goal alignment of two-or-more-family-controlled companies is lower than that of one-family-controlled companies. However, because the groups are similarly family-based, the members of these companies typically exhibit higher levels of trust, commitment, approval, and support to company strategies and objectives than those of government-controlled companies. In addition, the stewardship environment is dominant in these companies (Chrisman et al., 2004; Vallejo, 2009; Davis et al., 2010; Madison et al., 2016), entailing lower agency costs, more satisfactory company performance, and higher share prices.

Finally, in manager-controlled companies, managers can impair the owner's (principal's) interests by seizing company resources for their self-interests. Such practices include measures acted out through salary, bonus, and welfare payments or investments in high-risk derivative assets. Therefore, agency cost in manager-controlled companies is higher than that in government-controlled companies, rendering the agency environment dominant (Jensen, 1986; Morck et al., 1988; Dhaoui and Jouini, 2011; Baratiyan and Salehi, 2013; Elyasiani and Zhang, 2015). Moreover, these companies exhibit less satisfactory performance and lower share prices.

2.2.3. Relationship between corporate governance and SEOs underpricing

Good corporate governance enables an effective monitoring device to prevent illegal activities, enhance corporate performance, and maximize shareholder wealth (Hashim and Devi, 2007; Lo, Wong and Firth, 2010); in addition, favorable corporate governance is essential to regaining investors' confidence in the stock market (Khan and Ibrahim, 2017). Hedge portfolios are managed by purchasing the stocks of companies with favorable corporate governance and selling the stocks of companies with weak corporate governance (Gompers, Ishii, and Metrick, 2003). Therefore, desirable corporate governance enables higher firm value and operating performance, and thereby higher stock prices and returns (Gompers, Ishii, and Metrick, 2003; Khan and Ibrahim, 2017). On the contrary, unsatisfactory corporate governance leads to nontransparent information and operations contrary to integrity and trust; such companies have difficulties in earning approval from investors. Thus, investors may sell the company shares when having lost confidence in the management, thereby causing share prices to fall (Sung, 2013).

For one-family-controlled companies, the interests of the owner and those of the manager are highly aligned; moreover, trust and commitment are more easily established among company members who are also family members. Therefore, these members are likely to support and approve company strategies and objectives (Lee and Huang, 2010, Liao, 2014, Chrisman et al., 2004; Vallejo, 2009; Davis et

al., 2010; Madison et al., 2016). From the perspectives of the convergence-of-interest hypothesis and the stewardship theory, one-family-controlled companies exhibit lower agency costs and achieve more satisfactory company performance than do government-controlled companies. Therefore, investors are willing to purchase company shares at premium, which also triggers increased share prices. Therefore, compared with that of government-controlled companies, the difference between the issue price (underwriting price) and share price of SEOs by one-family-controlled companies is greater. In other words, the SEO underpricing of one-family-controlled companies is larger than that of government-controlled companies. Thus, the following hypothesis is proposed:

Hypothesis$_{1-1}$ (H$_{1-1}$): One-family-controlled companies have higher SEO underpricing than do government-controlled companies.

In two-or-more-family-controlled companies, none of the family-based groups have absolute dominance over ownership and management; hence, the interests of owners and managers do not align as highly as in one-family-controlled companies. However, these family-based groups are usually allies formed on the basis of marriage ties, mentor–mentee relationships, place of origin, or business owner–client relationships. Therefore, the level of member approval and support of company strategies and objectives are both still higher than in government-controlled companies, which constitutes a stewardship environment (Liao, 2014; Chrisman et al., 2004; Vallejo, 2009; Davis et al., 2010; Madison et al., 2016). Thus, two-or-more-family-controlled companies have relatively low agency costs, more satisfactory company performance, and a higher probability of high share prices. Compared with that of government-controlled companies, the difference between the issue price (underwriting price) and share price of SEOs by two-or-more-family-controlled companies is greater. In other words, the SEOs underpricing of two-or-more-family-controlled companies is larger than that of government-controlled companies. Thus, the following hypothesis is proposed:

Hypothesis$_{1-2}$ (H$_{1-2}$): Two-or-more-family-controlled companies have higher SEOs underpricing than do government-controlled companies.

For manager-controlled companies, because ownership is separated from management rights, managers are likely to seize company resources for their own self-interest at the expense of the owners' interests. Agency environment is dominant in manager-controlled companies (Jensen, 1986; Morck et al., 1988; Dhaoui and Jouini, 2011; Baratiyan and Salehi, 2013; Elyasiani and Zhang, 2015). Nevertheless, managers who serve as ultimate controllers have all received training in related professional or technical backgrounds (Lee and Huang, 2010; Liao, 2014); hence, the operational strategies and objectives they develop for their companies are superior to those made by government representatives who have not been relevantly trained. Therefore, the agency costs of manager-controlled companies are lower than those of government-controlled ones, facilitating a high probability of high share prices or upward movement of share prices in manager-controlled companies. Therefore, compared with that of government-controlled companies, the difference

between the issue price (underwriting price) and share price of SEOs by manager-controlled companies is greater. In other words, the SEO underpricing of manager-controlled companies is larger than that of government-controlled companies. Thus, the following hypothesis is proposed:

Hypothesis$_{1-3}$ (H$_{1-3}$): Manager-controlled companies have higher SEOs underpricing than do government-controlled companies.

2.2.4. The moderating effect of international competitiveness

International competitiveness. Several scholars have indicated that industries with low levels of competition exhibit low firm complexity, information asymmetry, and likelihood of moral hazards. Therefore, they assert that market competition and corporate governance should complement each other (Wang and Winton, 2012; Ndofor, Wesley, and Priem, 2015). Giroud and Mueller (2010) state that in noncompetitive industries, the problem of managerial slack is more serious than that in competitive industries; hence, firms in noncompetitive industries require more favorable corporate governance mechanisms. In competitive industries, the disclosure of unfavorable corporate governance notably reduces stock returns and shareholder wealth. Thus, in such industries, market competition and corporate governance are substitutes for each other (Gupta, Misra, and Shi, 2017).

Kurzeja and Novak (2017) indicate that policy-imposed corporate governance helps increase companies' competitiveness in response to future competitive threats. Particularly in the post-Sarbanes–Oxley Act period, companies have adopted demanding corporate governance requirements to prevent their operating profitability from being affected by the competitive threats of their competitors. Chhaochharia, Grinstein, Grullon, and Michaely (2016) also report that compared with poorly governed companies in nonconcentrated industries (with high product market competition), those in concentrated industries (with low product market competition) more notably improve their operating performance after the stipulation of the Sarbanes–Oxley Act. This indicates the importance of corporate governance in industries with less product market competition.

Research has identified numerous motivations for companies to become global enterprises, including accumulating knowledge, elevating competitiveness, conducting research and development-based innovations, seizing entrepreneurship opportunities, creating economies of scale, and increasing market share (Lu and Beamish, 2001). According to the corporate international diversification theory, MNCs have lower risks than do purely domestic corporations. Moreover, cash inflows from other companies can bring shareholders diversified benefits (Hughes et al., 1975; Rugman, 1976). However, scholars have also indicated that companies from relatively unstable economies can lower risks by expanding internationally; in other words, investing overseas in relatively advanced economies lowers company risks, whereas investing overseas in relatively under-

developed economies enhances company risks (Kwok and Reeb, 2000).

According to the internationalization process model, the purpose of internationalization is to lower risks (Liesch et al., 2011; Johanson and Johanson, 2006). Indices for measuring internationalization include items such as foreign sales to total sales, export sales to total sales, foreign profits to total profits, foreign assets to total assets, and the number of foreign subsidiaries to total number of subsidiaries (Sullivan, 1994; Gomes and Ramaswamy, 1999). With rich knowledge and excellent capabilities, companies gain greater internationalization-based competitive advantages, such as low costs and market segmentation, when their levels of internationalization and experience in overseas expansion increase, which in turn improves company performance (Markowitz, 1952; Dunning, 1981; Wernerfelt, 1984).

Companies with higher levels of internationalization are also more capable of identifying trends in the management environments of global markets. Therefore, they can aptly relocate resources, transfer key information, and hedge their risks through international arbitrage (Lu and Beamish, 2004). Head et al. (2003) note that compared with purely domestic corporations, MNCs exhibit higher growth and greater profiting opportunities. In addition, with operations scattered across various geographical regions, market information is relatively symmetrical, thereby lowering systematic and nonsystematic risks. Thus, investors can view internationalization as an invisible asset. When a company exhibits superior performance to that of its competitors and demonstrates excellent international competitiveness, superior firm quality is indicated. Investors thus evaluate this company positively and are willing to purchase the company shares at premium, causing share prices and SEO underpricing to rise. Thus, the following hypothesis is proposed:

Hypothesis 2 (H_2): Companies with higher international competitiveness have higher SEO underpricing.

The moderating effect of international competitiveness. Goldin (2014) states that while global interconnectedness offers substantial benefits, it also brings new risks. Reforming corporate governance systems can increase accountability, enhance information transparency, and enable risk-management, thereby elevating the confidence of global market participants. Companies with favorable corporate governance mechanisms make superior decisions; therefore, when making international expansion-related decisions, these companies can reduce the risk and uncertainty inherent in international contracts with other overseas companies to an acceptable level (Bonaccorsi, 1992; Liesch et al., 2011).

In highly competitive industries, increasing market competition lowers the adjusted stock returns; hence, the effects of corporate governance and product market competition on stock returns are based on the level of market competition and vary according to the environments of different countries or markets (Ryu, Ryu, and Hwang, 2017). Moreover, because these companies exhibit superior international competitiveness, they are more capable of addressing the doubts and concerns of global market participants; accordingly, investors are willing to purchase company shares at premium,

causing share prices to rise. Conversely, companies with unsatisfactory corporate governance mechanisms make poor decisions. During international expansion, these companies may not be sufficiently prudent in risk control, thereby demonstrating inferior international competitiveness; consequently, the doubts and concerns of global market participants are aggravated, investors sell the company shares, and share prices fall.

Government-controlled companies cannot effectively pursue business objectives on a sustainable schedule because they are responsible for implementing government policies, and are highly likely to undergo personnel changes in the management as a result of government changes. Hence, they have relatively insufficient market competitiveness and more severe agency problems (Shapiro and Willig, 1990; Li et al., 2004; Li, 2015). In other words, one-family-controlled, two-or-more-family-controlled, and manager-controlled companies have more favorable governance mechanisms than do government-controlled companies; therefore, they are more likely to impress global market participants. Moreover, because these companies exhibit superior international competitiveness, investors are more willing to purchase company shares at premium, thereby causing share prices to rise. Accordingly, the difference between the issue price (underwriting price) and the share price expands, generating higher rates of SEO underpricing. Thus, the following hypotheses are proposed:

Hypothesis$_{3-1}$ (H_{3-1}): International competitiveness will positively moderate SEO underpricing in one-family-controlled companies than in government-controlled companies.

Hypothesis$_{3-2}$ (H_{3-2}): International competitiveness will positively moderate SEO underpricing in two-or-more-family-controlled companies than in government-controlled ones.

Hypothesis$_{3-3}$ (H_{3-3}): International competitiveness will positively moderate SEO underpricing in manager-controlled companies than in government-controlled companies.

2.2.5. Controlled variables

In general, higher debt ratios (DB) entail heavier interest burdens, which can negatively influence company performance (Pantzalis, 2001) and cause company share prices to fall. Conversely, companies with higher growth opportunities attract investors more easily, rendering their share prices more likely to rise. This study adopts sales growth rate (GS) as a proxy variable for growth opportunity. Companies with higher profitability are more likely to earn investors' approval (Wang, 2015). Therefore, investors are willing to buy these company shares at premium, which promptly raises share prices. This study also employs return on assets (ROA) as a proxy variable for profitability. Larger companies possess more resources and are thus more competitive than other companies due to their economies of scale. Investors are more easily attracted to these companies and are willing to purchase these company shares at premium, causing company share prices to rise. Finally, this study uses the logarithm of paid-in capital (LNCS) as the proxy variable for company size. Lower levels of average winning rate (WIN_R) entail stronger demands from

investors to participate in the SEOs (Wang, 2015); specifically, investors evaluate these shares positively and share prices tend to rise. All factors that cause share prices to change can affect SEO underpricing; therefore, they should be controlled.

3. METHODS

3.1. Data Sources and Sample Selection

Listed companies in Taiwan should prepare their financial reports in accordance with the International Financial Reporting Standards (IFRS) under the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The Taiwan Economic Journal (TEJ) has built a financial database using the financial reports of these listed companies since 2008, which conform to the IFRSs. This study collects financial data dating from 2008 to 2015. However, because the financial report included in the public disclosure attached to the SEOs application of listed companies in any given year is audited and audited by certified public accountant (CPA) in the previous year (i.e., a comparison of two terms), the investigated time points of SEOs issuance by listed companies is postponed to January 2009–August 2016. Instances that adopt the book-building method and have incomplete data are eliminated; finally, 203 companies that adopt public SEOs subscription and placement are collected as the samples.

Data on the types of governance of the listed companies are downloaded from the corporate governance database of the TEJ. Those on SEOs underpricing and WIN_R are downloaded from the TEJ SEOs and stock price database, and are subsequently calculated. Data on the export to total sales ratio (MUL_C), DB, GS, ROA, and LNCS are downloaded from the TEJ financial database of companies that adopt IFRSs.

3.2. Model

According to Giroud and Mueller (2011) and the categorization adopted by the Taiwan Economic Journal, this study divides corporate governance into government-controlled, one-family-controlled, two-or-more family-controlled, and manager-controlled companies. Moreover, international competitiveness is adopted as a moderator to analyze the effect of corporate governance and international competitiveness on SEO underpricing.

To provide strategic suggestions for managers and for related authorities to develop supervisory mechanisms, this study first examines the influence of corporate governance on SEOs underpricing to build Model 1. In addition, Model 2 is established to determine the moderating effect of international competitiveness on the relationship between corporate governance and SEOs underpricing. Both models are presented as follows:

Model 1. Influence of corporate governance on SEOs underpricing

$$\text{DIS}_i = \alpha_0 + \alpha_1 CGT1_i + \alpha_2 CGT2_i + \alpha_3 CGT3_i + \alpha_4 MUL\_C_i + \alpha_5 DB_i + \alpha_6 GS_i + \alpha_7 ROA_i + \alpha_8 LNCS_i + \alpha_9 WIN\_R_i + \varepsilon_i \quad (1)$$

Model 2. Moderating effect of international competitiveness on the relationship between corporate governance and SEOs underpricing

$$\text{DIS}_i = \beta_0 + \beta_1 CGT1_i + \beta_2 CGT2_i + \beta_3 CGT3_i + \beta_4 MUL\_C_i + \beta_5 CGT1_i * MUL\_C_i + \beta_6 CGT2_i * MUL\_C_i + \beta_7 CGT3_i * MUL\_C_i + \beta_8 DB_i + \beta_9 GS_i + \beta_{10} ROA_i + \beta_{11} LNCS_i + \beta_{12} WIN\_R_i + \mu_i \quad (2)$$

where:
DIS: SEO underpricing, the average price discount for the SEOs in percent and equals:

$$\{[(P_s - P_0)/ P_0]*100 + [(P_e - P_0)/ P_0]*100\}/2,$$

where, P_s is the start day's closing price of the SEOs during the public offering period; P_e is the end day's closing price of the SEOs and P_0 is the offer price (Narayann et al., 2004; Autore, 2011, Rubalcava, 2016).

Underpricing occurs when the offer price is lower than the closing price during the public offering period.
CGT1: A dummy variable that equals 1 if a company is One-family-controlled and 0 otherwise.
CGT2: A dummy variable that equals 1 if a company is two-or-more-family-controlled and 0 otherwise.
CGT3: A dummy variable that equals 1 if a company is professional manager-controlled and 0 otherwise.
MUL_C: The export ratio of a sampled company that exceeds the average export ratio of its industry is used as a proxy variable.
DB: The leverage ratio of a company (total debt/total assets), which serves as a controlled variable.

GS: A proxy variable for the growth opportunity of a company, which serves as a controlled variable.
ROA: Return on assets (Earning after tax + depreciation + interest expense), an indicator that assesses the profitability of a company and serves as a controlled variable.
LNCS: The proxy variable for company size, which serves as a controlled variable.
WIN_R: Average winning rate, a proxy variable for the popularity of SEOs, which serves as a controlled variable.
ε_i, u_i: Residual term.
i: ith company.

4. EMPIRICAL RESULTS AND ANALYSES

4.1. Descriptive Statistics

Table 1 shows the descriptive statistics of all variables. Specifically, the average DIS of sampled companies is 0.1397, ranging from −0.1027 to 0.4354. Therefore, if investors purchase company SEOs through lot drawing and sell them immediately, the average profit is 13.97%. Nevertheless, different sampled companies exhibit various levels of business performance. Companies that were most highly approved by investors

attained the highest increase in share prices, thereby generating a maximum return of 43.54%. Conversely, for companies with unfavorable performance, investors sell their shares, and as a result, the share prices drop continually until it finally falls below the underwriting price. The worst return investors receive is −10.27%. Among corporate governance types, 83.75% of the sampled companies are controlled by families (CGT1: 0.6749; CGT2: 0.1626), whereas 14.78% are controlled by professional managers (CGT3: 0.1478). Government-controlled companies merely account for 1.47%.

The average international competitiveness (MUL_C) is − 0.0041, with − 0.7431 as the minimum and 0.6374 as the maximum, suggesting that considerable improvements must still be made in the sampled companies in general. However, a substantial difference is noted between companies with satisfactory and unsatisfactory performances. DB ranges from 0.0530 to 0.8489, attaining an average of 0.5041, highlighting differences in the

financial leveraging practices among the sampled companies. In addition, the average GS is 0.2232 (minimum: − 0.5291, maximum: 4.5069) and the average ROA is 0.0730 (minimum: − 0.3216, maximum: 0.4083). Thus, notable differences are observed in the growth opportunities and business performance of the sampled companies. Furthermore, the average paid-in capital is NT$6.352 billion (average LNCS: 21.7810), which indicates that most of the sampled companies are small- and medium-sized enterprises, rather than MNCs. The WIN_R is 0.1270, meaning that when a fixed amount of shares is offered for public subscription, the average rate for investors in winning the bid for purchasing the new shares is 12.70%. A smaller WIN_R suggests a smaller winning probability for investors to purchase new shares (Wang, 2015). Approximately half of the sampled companies exhibit a WIN_R of 3.19% (medium of WIN_R), which reveals a small share winning rate.

Table 1. Descriptive Statistics (n=203)

Variable [a]	Mean	Median	Minimum	Maximum	Standard Deviation
DIS	0.1397	0.1293	-0.1027	0.4354	0.0986
CGT1	0.6749	1.0000	0.0000	1.0000	0.4696
CGT2	0.1626	0.0000	0.0000	1.0000	0.3699
CGT3	0.1478	0.0000	0.0000	1.0000	0.3558
MUL_C	-0.0041	0.0012	-0.7431	0.6374	0.2996
DB	0.5041	0.5129	0.0530	0.8489	0.1532
GS	0.2232	0.0991	-0.5291	4.5069	0.6342
ROA	0.0730	0.0681	-0.3216	0.4083	0.0812
LNCS	21.7810	21.6256	19.5193	25.3236	1.0946
WIN_R	0.1270	0.0319	0.0000	1.0000	0.2443

Note: a: DIS: SEO underpricing; CGT1: A dummy variable that equals 1 if a company is One-family-controlled and 0 otherwise; CGT2: A dummy variable that equals 1 if a company is two-or-more-family-controlled and 0 otherwise; CGT3: A dummy variable that equals 1 if a company is professional manager-controlled and 0 otherwise; MUL_C: The export ratio of a sampled company that exceeds the average export ratio of its industry; DB: the leverage ratio of a company (total debt/total assets); GS: A proxy variable for the growth opportunity of a company; ROA: Return on assets; LNCS: the proxy variable for company size; WIN_R: average winning rate.

Table 2 presents a summary of the correlation among various independent variables of regression analysis. Notably, apart from the correlation coefficient between CGT1 and CGT2 (− 0.635) and

that between CGT1 and CGT3 (− 0.600), the correlation coefficients between other variables are relatively low (< 0.329). Nevertheless, the values remain within an acceptable range.

Table 2. Pearson correlation coefficients (n=203)

Variable [a]	DIS	CGT1	CGT2	CGT3	MUL_C	DB	GS	ROA	LNCS	WIN_R
DIS	1.000									
CGT1	0.042 (0.551)	1.000								
CGT2	-0.070 (0.320)	-0.635** (0.000)	1.000							
CGT3	0.002 (0.975)	-0.600** (0.000)	-0.183** (0.009)	1.000						
MUL_C	0.091 (0.196)	-0.041 (0.561)	-0.129 (0.067)	0.197** (0.005)	1.000					
DB	-0.184**b (0.009)	-0.005 (0.949)	-0.133 (0.058)	0.065 (0.358)	-0.011 (0.876)	1.000				
GS	-0.062 (0.380)	-0.055 (0.435)	0.168* (0.017)	-0.087 (0.218)	-0.126 (0.074)	0.032 (0.648)	1.000			
ROA	0.077 (0.278)	0.014 (0.839)	0.049 (0.486)	-0.028 (0.696)	0.161* (0.022)	-0.243** (0.000)	0.198** (0.005)	1.000		
LNCS	-0.094 (0.182)	0.032 (0.653)	-0.103 (0.144)	-0.030 (0.669)	0.017 (0.808)	0.329** (0.000)	-0.195** (0.005)	-0.151* (0.031)	1.000	
WIN_R	-0.019 (0.785)	-0.019 (0.785)	0.047 (0.502)	-0.026 (0.716)	-0.045 (0.527)	0.249** (0.000)	-0.075 (0.286)	-0.181** (0.010)	0.266** (0.000)	1.000

Note: a: DIS: SEO underpricing; CGT1: A dummy variable that equals 1 if a company is One-family-controlled and 0 otherwise; CGT2: A dummy variable that equals 1 if a company is two-or-more-family-controlled and 0 otherwise; CGT3: A dummy variable that equals 1 if a company is professional manager-controlled and 0 otherwise; MUL_C: The export ratio of a sampled company that exceeds the average export ratio of its industry; DB: the leverage ratio of a company (total debt/total assets); GS: A proxy variable for the growth opportunity of a company; ROA: Return on assets; LNCS: the proxy variable for company size; WIN_R: average winning rate.
*b: **and * denote test statistics significance at the 1% and 5% levels, respectively (two-tailed tests).*

4.2. Empirical Results and Analyses

This study investigates the influence of corporate governance on the SEO underpricing of listed companies, as well as examines the moderating effect of international competitiveness on the relationship between corporate governance and SEO underpricing. Table 3 presents the empirical results, and indicates that the SEO underpricing of one-family-controlled companies are significantly smaller than those of government-controlled companies (coefficient: −0.0355, p <0.05). Similarly, the SEO underpricing of two-or-more-family-controlled and manager-controlled companies are significantly smaller than those of government-controlled companies (coefficient: −0.0431, p <0.05; coefficient: −0.0435, p <0.05; respectively). These results contradict $H_{1\text{-}1}$, $H_{1\text{-}2}$, and $H_{1\text{-}3}$. This might be attributable to the following reasons: Government-controlled companies have to comply with governmental policies and are faced with political pressure; hence, they exhibit higher agency costs and unfavorable operating performance (Shapiro and Willig, 1990; Li et al., 2004; Lee, 2015; Kong et al., 2016; Kammlott et al., 2017). Consequently, such companies have low stock prices, approximately between NT\$7.75 and NT\$13.50 per share. When government-controlled companies issue SEOs, the issuance prices are usually lower than the market price (approximately NT\$10 per share) to ensure successful fund acquisition. When the market price increases slightly during the underwriting period, a high SEO underpricing occurs; in the case that themmarket price increases to NT\$12, the underpricing is (NT\$12−NT\$10)/NT\$10=20%.

Because government-controlled companies are generally large in scale, their capital demand can reach ten billions of NT dollars. In Taiwan, fund acquisition through SEO issuance is less likely to succeed, resulting in few SEO cases; instead, issuance of global depository receipts is a more common means by such companies as China Steel Corporation and Chunghwa Telecom (Cheng, 2003; Tiao, 2011). However, because of the investment sentiment in the Taiwanese capital market, investors generally have higher trust in government-controlled companies. Furthermore, government-controlled companies in Taiwan have hired professional, reputable independent directors since 2002, gradually improving their information transparency. Therefore, issuance of SEOs by these companies can win the preference of investors, thereby enjoying an increase in the stock prices. Accordingly, the SEO underpricing of one-family-controlled, two-or-more family-controlled, and manager-controlled companies is observed to be significantly less than that of government-controlled companies.

As shown in Model 1 (Table 3), stronger international competitiveness does not exert a significant effect on SEO underpricing (coefficient = 0.0203; p >0.1), indicating that in government-controlled, one-family-controlled, two-or-more family-controlled, and manager-controlled companies, international competitiveness exerts a similar effect on SEO underpricing; hence, there is no marginal effect. Accordingly, H2 is not supported.

Table 3. Results of OLS regressions (n=203)

| Variable [a] | Projected Direction | Dependent Variable: DIS | |
		Model 1 Coefficients (t- statistics)	Model 2 Coefficients (t- statistics)
Intercept		0.1446 (1.1622)	0.1093 (0.8233)
CGT1	+	-0.0355**[b] (-1.7963) [c]	-0.0005 (-0.0227)
CGT2	+	-0.0431** (-1.7577)	-0.0090 (-0.3407)
CGT3	+	-0.0435** (-1.7550)	0.0120 (0.4209)
MUL_C	+	0.0203 (0.9554)	-0.5236*** (-3.2173)
CGT1* MUL_C	+		0.5675*** (3.5112)
CGT2* MUL_C	+		0.5404*** (3.2214)
CGT3* MUL_C	+		0.3929*** (2.3711)
DB	-	-0.0459 (-1.1734)	-0.0466 (-1.2070)
GS	+	-0.0119** (-1.9979)	-0.0115** (-1.8579)
ROA	+	-0.0318 (-0.3990)	-0.0133 (-0.1665)
LNCS	+	0.0041 (0.7887)	0.0041 (0.7736)
WIN_R	-	-0.2315*** (-11.8767)	-0.2326*** (-11.6619)
F-statistic[P-value]		11.5036 [<0.0000]	9.4883[<0.0000]
R²		0.3491	0.3747
Adjusted R²		0.3188	0.3352

Note: a: DIS: SEO underpricing; CGT1: A dummy variable that equals 1 if a company is One-family-controlled and 0 otherwise; CGT2: A dummy variable that equals 1 if a company is two-or-more-family-controlled and 0 otherwise; CGT3: A dummy variable that equals 1 if a company is professional manager-controlled and 0 otherwise; MUL_C: The export ratio of a sampled company that exceeds the average export ratio of its industry; DB: the leverage ratio of a company (total debt/total assets); GS: A proxy variable for the growth opportunity of a company; ROA: Return on assets; LNCS: the proxy variable for company size; WIN_R: average winning rate.
b: ***, ** and * denote test statistics significance at the 1%, 5% and 10% levels, respectively (one-tailed tests).
c: T-statistics are reported in parentheses.

Model 2 (Table 3) reveals that in government-controlled companies, international competitiveness exerts a significant and negative effect on SEO underpricing (coefficient = − 0.5263; p <0 .01). Model 2 also shows that in one-family-controlled companies, the effect of international competitiveness on SEO underpricing is significantly greater than that in government-controlled companies (coefficient = 0.5675; p < 0.01); therefore, H3-1 is supported. This effect is also significantly greater in two-or-more family-controlled companies (coefficient = 0.5404; p <0 .01)) and manager-controlled companies (coefficient = 0.3929; p <0 .01) compared with that in government-controlled companies, respectively supporting H3-2 and H3-3. In other words, international competitiveness reinforces the effects of one-family-controlled, two-or-more family-controlled, and manager-controlled companies on their SEO underpricing. Therefore, international competitiveness moderates the effect of corporate governance on SEO underpricing. Companies with favorable corporate governance mechanisms exhibit international competitiveness

superior to that of their competitors, thereby receiving greater approval from global market participants. Investors are willing to purchase these company shares at premium, causing share prices and SEO underpricing to rise, which then generate higher returns for investors.

5. CONCLUSION AND SUGGESTIONS

5.1. Conclusion

To obtain a profitable niche for survival in the competitive international market, listed Taiwanese companies build or expand plants overseas. The funds required for these actions are often raised by issuing new shares using SEOs. As these shares were purchased by the public, SEOs have a considerable influence on various aspects of the society and requires further attention. Therefore, the relationship between corporate governance, international competitiveness, and SEO underpricing is a crucial topic The empirical results of this study indicate that the SEO underpricing of one-family-controlled, two-or-more family-controlled, and manager-controlled companies is observed to be significantly less than that of government-controlled companies. This might be attributable to the following reasons: Government-controlled companies in Taiwan have high trust of investors, and professional, reputable independent directors. Therefore, these companies can enjoy an increase in the stock prices and SEO underpricing.

The empirical results of this study also identify an enhanced correlation between international competitiveness and the SEO underpricing in one-family-controlled, two-or-more-family-controlled, and manager-controlled companies. Moreover, companies with superior corporate governance and international competitiveness are more likely to gain the approval of investors, who are also willing to purchase company shares at premium. Thus, share prices rise, the difference between the offer price (underwriting price) and the share price increase, and the SEO underpricing increase, enhancing investors' returns on shares. In short, international competitiveness plays a key moderating role in the relationship between corporate governance and SEO underpricing, and more attention should be directed to this topic in the future.

5.2. Suggestions

International competitiveness plays an indispensable role in moderating the relationship between corporate governance and SEO underpricing. Therefore, to acquire the interest of global market participants, MNCs should actively identify global market trends, effectively allocate resources, and hedge risks through international arbitrage. Excellent international competitiveness is a precious intangible asset valued by global market participants. Favorable international competitiveness together with satisfactory corporate governance mechanisms signal superior decision-making quality and information transparency. Investors thus give positive evaluations to these companies and are willing to purchase company shares at premium. Increases in share prices subsequently enhance SEO underpricing, thereby generating higher returns for

investors. This mechanism is mutually beneficial in that it also enables companies to establish a positive reputation and maintain excellent competitive advantages.

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