Synthesis Report

SECOND INTERNATIONAL RESEARCH CONFERENCE ON CORPORATE GOVERNANCE IN EMERGING MARKETS

SÃO PAULO, BRAZIL | JULY 2-3, 2009

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SECOND INTERNATIONAL RESEARCH CONFERENCE ON CORPORATE GOVERNANCE IN EMERGING MARKETS

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BY MELSA ARARAT,[1] RICARDO P. CAMARA LEAL, B. BURCIN YURTOGLU

The Second International Conference on Corporate Governance in Emerging Markets is one in a series of academic events organized by the Emerging Markets Corporate Governance Network (EMCGN).[2] The Global Corporate Governance Forum (GCGF) at the IFC endorses and supports the Network, which was first convened by Professor Stijn Claessens in 2001. The biannual academic conferences focus on themes that are important to academics and practitioners interested in the role and effect of corporate governance in emerging markets.

THE FIRST DAY

The conference began with opening remarks from Ary Oswaldo Mattos Filho (the Dean of Direito GV), Philip Armstrong (Head of the GCGF), and the organizers, Ricardo P. Camara Leal (Coppead Graduate School of Business) and Erica C. R. Gorga (Direito GV).

KEYNOTE: OPENING AND FIRST KEYNOTE SESSION

The first keynote session followed these opening remarks, with Joseph P.H. Fan (Professor at the Chinese University of Hong Kong, Maria Helena Santana (President of the Brazilian Securities Commission, CVM) and Edemir Pinto (President, BM&F Bovespa Exchange) as presenters.

Joseph Fan's keynote on "Corporate Governance in Emerging Markets: Lessons from China and Brazil" was based mainly on a synthesis of his own research on corporate governance. It also covered the recent contributions to the topic by other scholars. Fan argued that emerging markets have their own traditional ways of governance. Hence, modern corporate governance tools that work well somewhere else are unlikely to solve their specific problems because the root cause of corporate governance problems is institutional. In this view, the institutional environment determines the corporate governance model, and public governance quality becomes a critical determinant of corporate governance. Developing and implementing new governance laws and regulations without considering the local institutional environment is bound to be ineffective. Since corporate governance in this model evolves to adapt to the credibility of new corporate political leadership and institutional quality, academicians and practitioners should focus on the exact mechanisms through which the entrenchment of managers, bureaucrats, and politicians can be minimized.

In many emerging markets, governments influence or control significant resources critical to the business sector. This fact implies that public governance quality is of first-order importance in shaping the corporate sector's governance. In China, this aspect becomes even more critical since bureaucrats and/or party members act as CEOs, chairmen, managers or directors of a large percentage of state-owned enterprises (SOE) and private firms. The current system drives out professional managers from the managing positions for fear of leakages of proprietary information.

Control structures have implications on capital structure choices (e.g., more debt, less equity; on debt maturity); post-IPO stock-return performance, diversification patterns, and transparency. The move from the relationship-based to market-based model, hence, becomes a common challenge to most emerging market firms.

Edmir Pinto focused on the Novo Mercado experience in his presentation, "Corporate Governance in Emerging Markets: The Case of Brazil." He stressed the essential role of stringent corporate governance in energizing Brazil's capital markets. Novo Mercado rules have been accepted by foreign and domestic investors. Companies' cultures have changed with the adoption of good corporate governance practices. Pinto also argued that the "race to the bottom" is not a solution for the governance problems of emerging markets, and that Novo Mercado has established an important example for reversing this trend. According to Pinto, the challenge that Brazil and other emerging markets are facing is to retain the Novo Mercado rules and update them to reflect new market environments.

Maria Helena Santana summarized recent regulatory innovations by CVM, including the transparency of executive compensation. Santana believes that, in contrast to China, Brazil is following a market model path closer to those of developed countries, but she believes that, in many ways, Brazil is ahead of China. Santana helped create the Novo Mercado while she was an officer at Bovespa. She also believes that Brazilian companies still mix business and politics, and that a study about the influence of politics and the government on local firms needs to be done.

> Modern corporate governance tools may not work well if the local institutional environment is not considered in developing and implementing reforms.

PLENARY: CORPORATE GOVERNANCE AND VALUE CREATION

In the first plenary session three papers were presented on the relationship between corporate governance and firm value. **The first paper by B. Black, W. Kim, and H. Jang analyzes the channels through which firm-level corporate governance affects firm value.** The paper shows that firms with higher scores on an overall Korean corporate governance index (KCGI) have higher Tobin's *q*. This result is driven by the board structure component of KCGI and, less strongly, by ownership parity and disclosure components. Shareholder rights and board procedure sub-indices are not significant. The authors then provide evidence on several possible channels. For firms with higher KCGI scores:

1. Related party transactions are less adverse to firm value;

2. Firm profitability is more sensitive to shocks than industry profitability;

3. Capital expenditures are lower, but investment is more sensitive to profitability and growth opportunities;

4. Sales growth is lower;

5. Profitability is more sensitive to growth opportunities;

6. Lagged board structure is associated with higher firm profitability; and

7. Dividends are higher, controlling for profits, and more sensitive to profits.

Board structure is associated with the first six channels; parity with the third, fourth, and sixth; and, disclosure with the fifth. An analysis (using 1999 legal rules which apply to large firms) offers evidence that the links between board structure and firm value, and between board structure and these channels, are likely to be causal. The first two channels are consistent with governance-reducing wealth transfers to insiders; the remaining ones are consistent with governance affecting overall firm value.

One primary factor affecting the success of new equity issues of foreign firms was the strength of the legal environment surrounding those organizations in their countries of origin.

The second paper in this session, "Unbundling and measuring tunneling" by V. Atanasov, B. Black, and C. Ciccotello, develops a framework for analyzing different types of "tunneling" transactions (tunneling is defined to be any form of rent extraction of managers and controlling shareholders). They divide tunneling into three broad groups (cash flow, asset, and equity tunneling) and decompose the risk of each type into a probability of tunneling and a magnitude. They develop a simple model of how each type of tunneling affects share prices and financial metrics. Two detailed case studies — Gazprom in Russia and Coca-Cola in the U.S. — are provided to illustrate how these types of tunneling can occur in emerging and developed markets.

The third paper of this session "Cost of capital adjusted for governance risk through a multiplicative model of expected returns" was presented by R. Apreda. The paper tries to introduce a multiplicative model that translates the inner structure of the weighted average cost of capital rate by adjusting it for governance risk. The paper argued that linear approximations (common practice) of capital costs may bring about miscalculations, whereas the multiplicative model not only takes account of that linear approximation, but also the joint outcome of expected costs of debts, stocks and their proportions in the capital structure. According to the author, this approach also factors a rate of governance risk into the cost of capital expression. One of the paper's discussants, Gledson de Carvalho, thought that this may be an interesting approach; he also argued, however, that it would be of little value to practitioners.

PLENARY: FOREIGN LISTINGS

The second plenary session was on foreign listings and contained three papers. **The first paper by N. Fernandes and M. Gianetti employed a very rich dataset on foreign listings, new listings, and delistings for 29 exchanges in 24 countries, starting from the early 1980s.** With this data, they documented a growing tendency of listings to concentrate in the U.S. and the UK and large changes in all other exchanges' ability to attract foreign companies. The paper also reported that during the sample period, investor protection improved in many countries. As investor protection improves in the country of origin, firms become less likely to list in countries with weak investor protections but more likely to list in countries with strong investor protections, especially in the UK and the U.S. It also showed that foreign listings are related to the exchange's market valuation in the same way that domestic equity issues are, and that those firms that are more difficult to evaluate are more inclined to list in foreign exchanges.

The second paper by I. Filatotchev and R. B. Bell analyzed foreign IPOs and the factors that impact the benefits of international listings. It analyzes a sample of 202 foreign IPOs listed in the U.S. and UK in 2002–2007. The paper showed that one primary factor affecting the success of new equity issues of foreign firms was the strength of the legal environment surrounding these organizations in their countries of origin. Furthermore, governance mechanisms, such as board independence, are another factor which determines the success of foreign firms' IPOs. At the same time, the findings suggest that the salience of country and corporate governance signals for foreign IPOs is contingent on the institutional environment of the chosen IPO market. Consequently, the effects of country-of-origin and governance signals are moderated by the host-country effects, and this suggests the necessity of a more contextualized conception of IPO valuation.

The third paper by K. Litvak from the University of Texas School of Law analyzes the relationship between the premia that non-U.S. firms obtain by cross-listing in the U.S., overall U.S. share prices, and a cross-listed firm's U.S. trading volume. It reports three main findings. First, for exchange-traded (NYSE and NASDAQ) cross-listed firms, pair premia and pair returns (premia and returns not explained by valuation and returns for similar non-cross-listed firms from the same home country) are strongly correlated with U.S. stock indices. Indeed, there is a visually apparent "bubble" in pair premia for these firms, which peaks in early 2000, at the same time as U.S. stock indices. In contrast, pair premia and pair returns for cross-listed firms traded over-the-counter (OTC) or on PORTAL are not correlated with U.S. indices. The correlation between pair returns and U.S. indices only exists for firms with an above-median ratio of U.S.-based to total trading volume, and is triggered by cross-listing; there is no significant correlation before listing. Second, pair premia for level-23 firms, relative to premia for level-14 firms ("relative pair premia"), exist only in firms with above-median ratio of U.S. to total trading volume. Firms with below-median U.S. trading have no relative pair premia, regardless of listing levels. Third, there are important time variations in relative pair premia. Relative pair premia decline significantly for all firms during the first six years after they are listed, and disappear after year six for level-23 firms with below-median U.S. trading volume. For high-trading volume, exchange-traded firms, there is no decay in the correlation between non-local returns and U.S. indices. These results, taken together, strengthen the liquidity and visibility explanations for cross-listing premia, and weaken the bonding explanation. They also suggest a behavioral explanation: U.S. investors treat high-trading volume, exchange-traded firms partly like U.S. firms, but treat OTC firms, Portal firms, low-trading-volume, and exchange-traded firms like other foreign firms.

> The more that directors and CEOs side with shareholders' interests, the more they endorse entrepreneurial values — namely, higher acheievement, power and self-direction, benevolence, and conformity.

PLENARY: STAKEHOLDERS AND CULTURAL VALUES

The third plenary session was on "Stakeholders and Cultural Values," which contained three papers. The first paper was presented by Professor Amir Licht from the Radzyner School of Law (Israel), which was the joint work with R. Adams and L. Sagiv. The paper analyzed how personal values may affect strategic decisions of board members in Swedish public corporations when faced with dilemmas regarding conflicting interests of shareholders and other stakeholders. Using vignettes that are based on seminal court cases, the authors find that "shareholderism" or "stakeholderism" stances correlate systematically with value priorities. The more that directors and CEOs side with shareholders' interests, the more they endorse entrepreneurial values — namely,

higher achievement, power, self-direction values, lower universalism, benevolence, and conformity. Employee representative directors, a special feature of Swedish corporate governance along with Germany and Austria, exhibit more stakeholder-oriented stances, but in most cases side with shareholders. Finally, directors in more profitable firms exhibit stronger shareholderism. The paper's discussant, M. Ararat, noted that the cases upon which the vignettes were based became a part of case law, and hence, current stances may be moderated by the familiarity with law, pointing out the role of "fiduciary duties" in determining directors' stances.

Borrowers with better corporate governance obtain more favorable bank-loan contracting terms such as larger amounts, longer maturity, lower interest-rate spread, and fewer collateral requirements.

The second p,aper presented by J. Fidrmuc from Warwick Business School (joint work with M. Jacob). Provided a culturally rooted agency cost explanation for differences in dividend-payout strategies of firms worldwide. Linking dividends to cultural differences across 6,982 firms in 41 countries, the results suggest that high individualism, low-power distance, and low uncertainty avoidance are significantly associated with higher dividend payouts. Comparison of the explanatory power of these cultural dimensions with legal variables indicates that societies' informal institutions help explain the differences in dividend-payout policies across countries above and beyond formal institutions of legal origin or investor protection. These results were strongly challenged, however, by the discussant Y. Wiwattanakantang. He argued that the empirical results were also consistent with several different theories, leaving a large number of degrees of freedom. Hence, it is not possible to draw the authors' conclusions.

The third paper, presented by I. Hasan (joint work with B. Francis and L. Song), examined how borrowers' corporate governance influence bank-loan syndicate structure and contracting terms after controlling for country-level governance. Using data on firm-level corporate governance rankings across several emerging markets, they showed that lenders create smaller and more concentrated loan syndicates to facilitate monitoring and low-cost re-contracting in the event of default in response to a borrower's weaker corporate governance. Borrowers with better corporate governance obtain more favorable bank-loan contracting terms, such as larger amounts, longer maturity, lower interest-rate spread, and fewer collateral requirements. Evidence also reveals that firm-level corporate governance provisions matter more to determine the bank-loan contracting process in counties with weaker country-level corporate governance, such as legal systems. This suggests that firm-specific corporate governance and the legal environment are substitutes in writing and enforcing financial contracts.

PLENARY: INSTITUTIONAL STAKEHOLDERS

The focus of the **fourth plenary session** was on institutional shareholders, and it contained three research papers. **The first of these papers, "Bank Control, Capital Allocation, and Economic Performance," was presented by Deniz Yavuz (joint work with R. Morck and B. Yeung).** The paper provides empirical evidence for a relationship between the efficiency of capital allocation and the independence of a country's banks from government and business families. State-controlled banks and family-controlled banks are associated with roughly similarly inefficient capital allocation. However, family control also correlates with elevated wealth and income inequality, growth volatility, and probability of financial crises. These findings are consistent with theories that elite-capture of countries' financial system embeds "crony capitalism," with negative economic and social consequences.

The second paper, "Fund Governance and Collusion with Controlling Shareholders: Evidence from Reform of Non-tradable Shares in China," by Q. Jin and V. Yu, analyzes the role of mutual funds in moderating rent extraction through the collusion of institutional investors with non-tradable shareholders (controlling shareholders) during the reform of non-tradable shares. The paper finds evidence that, relative to domestic funds, foreign funds are less inclined to collude with non-tradable shareholders. This result suggests that the Chinese government's policy of introducing foreign institutional investors into the domestic market is a sound element of the development of Chinese stock markets.

In India, reforms in corporate governance standard have caused large improvements in firm value after compliance.

The third paper, "The Dynamics of Earnings Management in IPOs and the Role of Venture Capital" by S. O. Gioielli and A. Gledson De Carvalho, looks at the extent of earnings management at the time of the IPO and the role of venture capitalists in hampering such practices. The paper focuses on all 88 IPOs that took place at Bovespa between January 2004 and July 2007, analyzing the behavior of earnings management in four two-quarter phases around the IPO: pre-IPO, IPO, lock-up, and post-lock-up periods. The results indicate that earning inflation occurs only in the IPO period (the quarter before the IPO and the immediately following one) and that the reversal — earnings deflation — starts in the immediately subsequent period. Comparing venture-backed with non-venture-backed IPOs, the authors report that venture-backed IPOs present lower earnings management. One important result is that venture-backed IPOs present significantly less earnings management in the IPO period, exactly when firms inflate earnings.

THE SECOND DAY

KEYNOTE: CORPORATE GOVERNANCE IN INDIA

The keynote on "Corporate Governance in India: Past, Present and Future?" was delivered by Vikramaditya Khanna. Khanna argued that India had a reasonable corporate governance system until 1947, when it started to deteriorate due to the quality of the DFI system and the weakening of the general economic environment and legislation.

After 1991, India's economy began to open up as the state sector was reduced. Since the availability of domestic capital was limited, this process required access to foreign capital to meet capital requirements. One component of this development was a series of reforms initiated by the Confederation of Indian Industry (CII) and the Securities and Exchange Board of India (SEBI), starting from 1998 on, to improve corporate governance standards.

Khanna also summarized the existing research on the effects of changes in law on firm value and behavior. The reforms appear to have caused large improvements in firm value (10%). His research also documented that most firms are complying (at least on paper) with the main provisions of the recent changes in law.

After discussing the recent Satyam scandal, Khanna's presentation concluded with an emphasis on further research areas. According to Khanna, the role of enforcement, institutional shareholders, changes in ownership structures, and non-capital-raising explanations for development of governance constitute important under-researched areas.

PLENARY: ISSUES OF CONTROL

The fifth plenary session contained four papers that centered on the issues of control and family and political relationships. **In "Why do shareholders value marriage?," P. Bunkanwanicha, J.P.H. Fan and Y. Wiwattanakantang** show that family firms use marriage as a mechanism to establish long-term networks. The

paper reports that, out of 200 marriages of the offspring of big business owners in Thailand between 1991 and 2006, more than two-thirds help connect the group to business and/or political networks. Network marriages are associated with an increase in stock prices, which indicates that such marriages are valuable to the firms. A business family has strong economic incentives to engage in a network marriage when its business depends on state concessions, operates in the property and construction industry, is diversified, and relies heavily on debt. Overall, the results suggest that network marriages may be a business strategy employed by family firms in emerging economies to overcome the drawbacks of weak legal and market institutions.

Preferential financing may be a rational response to the favorable position politically connected firms face in the real economy.

B. K. Richter's paper, "An Empirical Investigation into the Political Economy of the Firm in a Globalizing World Economy: How Domestic Political Connections Affect Cross-Listing Choices," shows that maintaining domestic political connections enables firms to access foreign capital markets across countries. The cross-country dataset used in this paper suggests that the role that firms' political connections play in enabling firms to obtain preferential access to financing has more to do with protections that politically connected firms receive from weak operating environments than it has to do with outright capital market manipulation. This stands in contrast to existing single-country findings focused on the role that political influence plays in access to bank/debt financing. The results are important because they help reconcile existing reputational bonding theories of why firms would chose not to cross-list with regulatory bonding theories of why firms would choose to cross-list. Furthermore, the results require us to update how we think about the role of political connections play in firms' receiving preferential financing; this may not be the result of capital market manipulation after all, but rather a rational response to the favorable position politically connected firms face in the real economy.

The paper "The Value of Control in Emerging Markets" by A. Chari, P. Ouimet, and L. Tesar examines shareholder-value gains from developed-market acquisitions of emerging-market targets. Between 1986 and 2006, developed-market firms that acquired control of emerging-market targets experienced average abnormal announcement returns of 1.16%. Positive returns are not observed when the same set of acquiring firms announced controlling acquisitions in developed markets. The authors offer two possible explanations for these findings — improved governance (via control rights) and the transfer of patent technology: the greater the asymmetry between developed and emerging market institutions, the higher the acquirer returns are. This effect is strongest when control is acquired in industries with high asset intangibility.

The last paper of this session, **"Does the Strategic Role and the Control Role of the Board of Directors exist in Chinese Listed Companies?" by Q. Yang, Y. Xue and B. Yurtoglu,** analyzes the control and business strategy roles of board directors in Chinese companies. The paper uses a Structural Equation Model (SEM) of the direct relationships between the board and performance, and the indirect relationship between the board and performance through compensation incentives. The sample is from Chinese listed companies from 2005 to 2007. The results suggest that the boards of state-owned enterprises (SOE) focus on the control role through compensation incentives offered to the CEO and board, while the boards of privately owned enterprises (POE) have both the strategic and control roles.

PLENARY: CORPORATE CONTROL

The first paper in the **sixth plenary session**, **"What makes firms issue death spirals? A control enhancing story" by W. Kim, W. Kim, and H. S. Kim,** studies the determinants of issuing floating-priced convertibles, or warrants, known as "death spirals" in Korea, where the private benefits of control are high. Using a total of 199 death spiral issuances by public firms listed in the Korea Stock Exchange during 1998–2006, the paper reports several empirical evidences that are not consistent with the last-resort financing hypothesis, but are consistent with the control-enhancing or control-transferring hypothesis. First, death spirals are not necessarily issued by firms with poor operating performances. Second, death spiral issuers with no changes in controlling shareholders do not experience a decrease in proportional ownership by the controlling party, while family members other than the controlling shareholder experience the most pronounced increases in the number of shares held. Third, this group of death spiral issuers tends to perform better than those in which the family loses control. These findings are likely to be generalized to other countries where the economy is dominated by family-controlled business groups. As long as the controlling shareholder has a motive to enhance his/her control over the group, or has a motive to transfer control over to his/her heir, there is a potential that death spirals can be used for such purposes.

The second paper in this session, "Ownership concentration and the determinants of capital structure in Latin America" by J. Céspedes, M. González, and C. Molina, studies the determinants of capital structure for Latin American firms. Using a large sample covering seven countries, the study reports that firms in the region have debt levels similar to those of U.S. firms. This is puzzling, given their low tax benefits and higher bankruptcy costs. The authors argue that firms with high ownership concentration avoid issuing equity because they do not want to share control rights. Latin American firms have high levels of ownership concentration, which creates an ideal setting to study how ownership concentration explains firms' capital structure. Consistent with the control argument, the paper reports a positive relation between leverage and ownership concentration. Also, it shows a positive relation between growth and leverage. The effect of other determinants that are not proxy for control rights are consistent with previous findings: Firms that are larger, have more tangible assets, and are less profitable are also more leveraged.

In Latin America, firms with high ownership concentrations avoid issuing equity because they do not want to share control rights.

The last paper, "Changing the paradigm of stock ownership from concentrated towards dispersed ownership? Evidence from Brazil and consequences for emerging countries" by É. Gorga, analyzes micro-level dynamics of changes in ownership structures. It investigates the changes in ownership patterns currently taking place in Brazil. The paper documents the increase in the number of listed companies and IPOs in the Sao Paulo Stock Exchange (Bovespa), which is related to higher standards of corporate governance through migration to Bovespa's special listing segments. It provides the first evidence on the decline of ownership concentration in Brazilian corporations.

Specifically, the paper shows that ownership has become more dispersed in Novo Mercado, the listing segment that requires firms to comply with the one-share-one-vote rule. The paper, then, analyzes firms that have listed in Novo Mercado, Level 2, and Level 1. It investigates firms' migration patterns. It finds that 85% of Novo Mercado's are new entrant firms. Traditional firms have mostly migrated to Level 1, the least stringent segment regarding corporate governance practices. This suggests that two very different corporate worlds

in Brazilian capital markets can be identified: new corporations that adopt better corporate governance patterns, and older corporations that have not changed their main patterns of corporate governance or corporate ownership. The paper additionally explores the main consequences of increased dispersion of ownership in private contracting, such as shareholders' agreements and bylaws. It presents evidence on the increasing reliance on shareholders' agreements to coordinate joint control and bind directors' votes. It also discusses the new and growing adoption of poison pills in bylaws.

PLENARY: OWNERSHIP AND CONTROL

The seventh plenary session contained three papers about the practice of corporate governance in Brazil. **B. Black, A. Gledson de Carvalho, and É. Gorga presented an overview of "Brazilian corporate governance."** They reported on public companies based on two surveys of 116 companies taken in 2005 and 2008. They identified board independence in Brazil as a major problem, with boards composed mostly or entirely of insiders. Because most Brazilian corporations are family controlled, those insiders are usually related to the controlling family. The use of committees, particularly the audit committee, is limited, but the Brazilian law provides for a partial substitute, the fiscal board. They reported that shareholder agreements are common and that probably weak disclosure rules allow for the under-reporting of related-party transactions. They believe that additional legal and institutional reforms that impose baseline quality rules are necessary. The two other papers in the session were presented by practitioners of Brazilian corporate governance. **Leonardo Viegas, representing the Brazilian Institute of Corporate Governance (IBGC), presented a history of the organization, from its founding in 1995 onward.** The author presented the evolution of its membership to nearly 1,300 individuals by the end of 2008, the nature of the many publications of IBGC (*Guidelines, Manuals, Directives, Opinions, etc.*), including its most important one, the *Code of Best Corporate Governance Practices.* The form of funding through membership, sponsorships, and training programs (55% of revenues)

> Board independence in Brazil is a major problem with boards composed mainly or entirely of insiders who are usually related to the controlling family.

was also discussed, as well as the Institute's international connections with major organizations that promote corporate governance worldwide. Viegas believes that the main reasons for the Institute's success are its independence, members' volunteer work and motivation, and socially responsible purpose and governance structure. He stressed that the successful case of IBGC is an example for similar institutions in other developing countries. "Governance is a journey, not a destination," Vargas said. **The final paper in the session was presented by K. Bicalho de Sá, who reported on a case study about the human dimension of corporate governance.** The author presented the case of Perdigão, one of the world's largest food processors, which places a very high priority on the relationship between its directors and top executives. She claims that, despite neither having an independent board until 2006 nor using committees to support the board, governance quality at Perdigão has not been poor. She explains this by the alignment of the interests of minority and controlling shareholders and the balance of power between the board and the CEO. The author believes that using a single governance variable or an index to assess the quality of corporate governance is limited if the context and company specifics are not addressed. The Perdigão case illustrates her claim.

SPECIAL SESSION ON CORPORATE GOVERNANCE IN BRAZIL

The eighth and last plenary session focused on empirical studies of corporate governance in Brazil. The first study addressed the potential conflict of interest between underwriters and issuers in a recent IPO wave.

Rafael Santos, Alexandre da Silveira, and Lucas Barros looked at the pre-IPO loans and equity investments made by the underwriters in the issuing firms to boost capital and increase their likelihood of success. They studied all the 106 IPOs between 2004 and 2007. They believe that their results suggest a conflict of interest between the role of the issuers and the underwriters when the one-year post-IPO performance of these companies is negative. The authors suggest that new regulation is needed to curb this practice, which may

Firms that are identified as having sustainable business practices trade at a premium relative to other publicly traded firms. There are clear benefits to firms that adopt sustainable practices.

hurt IPO investors and the credibility of capital markets. **Ricardo Rochman and William Eid Jr. study the concession of mandatory bid rules to minority shareholders after 2001.** They find, through event studies, and using several methods to deal with abnormal returns, that the introduction of such a right in favor of minority shareholders is followed by positive returns. Finally, **José Luiz Rossi Jr. examines the Brazilian Sustainability Index, computed by BM&F Bovespa, with companies that are identified as having sustainable business practices and minimum levels of liquidity.** The results indicate that firms included in the index trade at a premium relative to other publicly traded firms; these results are robust for different econometric formulations. The results also indicate that the possible costs of sustainable practices probably do not exceed the benefits, which leads to the conclusion that there are clear benefits for Brazilian corporations to adopt such practices. ■

PAPERS IN ALPHABETICAL ORDER OF FIRST AUTHOR

NOTE — These papers are available at: www.gcgf.org

Adams, R. B.; Licht, A. N.; Sagiv, L. "Shareholderism: Board Members' Values and the Shareholder-Stakeholder Dilemma."

Apreda, R. "Cost of Capital Adjusted for Governance Risk Through a Multiplicative Model of Expected Returns."

Atanasov, V.; Black, B.; Ciccotello, C. "Unbundling and Measuring Tunneling."

Bicalho de Sá, K. "Corporate Governance: a Focus on the Human Dimension Business."

Black, B.; DeCarvalho, A. G.; Gorga, É. "An Overview of Brazilian Corporate Governance."

Black, B.; Kim, W.; Jang, H.; Park, K. S. "How Corporate Governance Affects Firm Value: Evidence on Channels from Korea."

Bunkanwanicha, P.; Fan, Joseph P. H.; Wiwattanakantang, Y. "Why Do Shareholders Value Marriage?"

Céspedes, J.; González, M.; Molina, C. "Ownership Concentration and the Determinants of Capital Structure in Latin America."

Chari, A.; Ouimet, P.; Tesar, L. "The Value of Control in Emerging Markets."

Fernandes, N.; Gianetti, M. "On the Fortunes of Stock Exchanges and their Reversals: Evidence from Foreign Listings."

Fidrmuc, J.; Jacob, M. "A Cultural Explanation for the Agency Model of Dividends."

Filatotchev, I.; Bell, R. B. "Strategic and Institutional Effects on Foreign IPO Performance: Examining the Impact of Country of Origin, Corporate Governance, and Host Country Effects."

Francis, B.; Hasan, I.; Song, L. "Does Bank Value Borrower's Corporate Governance? Evidence from Emerging Markets."

Gioielli, S.; DeCarvalho, A. G. "The Dynamics of Earnings Management in IPOs and the Role of Venture Capital."

Gorga, É. "Changing the Paradigm of Stock Ownership from Concentrated Towards Dispersed Ownership? Evidence from Brazil and Consequences for Emerging Countries."

Jin, Q.; Yu, V. "Fund Governance and Collusion with Controlling Shareholders: Evidence from Nontradable Shares Reform in China."

Kim, W.; Kim, W.; Kim, H. S. "What makes Firms Issue Death Spirals? A Control Enhancing Story."

Litvak, K. "The Relationship Between Cross-Listing Premia and Host Country Share Prices and Trading Volumes."

Morck, R.; Yavuz, M. D.; Yeung, B. "Bank Ownership, Capital Allocation, and Economic Performance."

Richter, B. K. "How the Value of Political Connections Varies Around the World: Firm-Level Connectedness, Domestic Economic Institutions, and the Cost of Capital in Competitive Financial Markets."

Rochman, R. R.; Eid Jr., W. "The Influence of Tag-Along Rights on Company's Value: an Event Study by Using the Brownian Motion Model."

Rossi Jr., J. L. "What is the Value of Corporate Social Responsibility? An answer from Brazilian Sustainability Index."

Santos, R. L.; DaSilveira, A. M.; Barros, L. A. "Underwriters Fueling Going Public Companies? Evidence of Conflict of Interest During Brazilian 2004-2007 IPO Wave."

Viegas, L. "'Walking The Talk' to Become a Role Model in Corporate Governance: The Brazilian Institute of Corporate Governance."

Yang, Q.; Xue, Y.; Yurtoglu, B. "Does the Strategic Role and the Control Role of the Board of Directors Exist in Chinese Listed Companies?"

ENDNOTES

1 Network Coordinator since 2006. melsaararat@sabanciuniv.edu

2 http://www.gcgf.org/ifcext/cgf.nsf/Content/Research

DETAILED CONFERENCE PROGRAM

THURSDAY, JULY 2ND

9 a.m. | Opening and First Keynote Session
Opening Remarks

Ary Oswaldo Mattos Filho, Dean, Direito GV

Philip Armstrong, Head, Global Corporate Governance Forum

Ricardo P. Câmara Leal, organizer, The Coppead Graduate School of Business

Érica C. R. Gorga, organizer, Direito GV

Corporate Governance in Emerging Markets: Lessons from China and Brazil

Presenters:

Professor Joseph P. H. Fan, Chinese University of Hong Kong

Maria Helena Santana, President of the Brazilian Securities and Exchange Commission (CVM)

11:15 a.m. | Plenary 1: Corporate Governance and Firm Value
How corporate governance affects firm value: evidence on channels from Korea.

By Bernard Black, Woochan Kim, Hasung Jang, and Kyung Suh Park

Presenter: Kyung Suh Park, Korea University Business School, Republic of Korea

Discussant: Mariassunta Gianetti, Stockholm School of Economics, Sweden

Unbundling and measuring tunneling.

By Vladimir Atanasov, Bernard Black, and Conrad Ciccotello

Presenter: Vladimir Atanasov, College of William and Mary, USA

Discussant: Vidhan Goyal, Business School, Hong Kong University of Science andTechnology, Hong Kong

Cost of capital adjusted for governance risk through a multiplicative model of expected returns.

Author and Presenter: Rodolfo Apreda, University of Cema, Argentina

Discussant: A. Gledson de Carvalho, São Paulo Business Administration School, Fundação Getulio Vargas, Brazil

2 p.m. | Plenary 2: Foreign Listings
On the fortunes of stock exchanges and their reversals: evidence from foreign listings.

by Nuno Fernandes and Mariassunta Gianetti

Presenter: Mariassunta Gianetti, Stockholm School of Economics, Sweden

Discussant: Brian Kelleher Richter, Anderson School, UCLA, USA

Strategic and institutional effects on foreign IPO performance: examining the impact of country of origin, corporate governance, and host country effects.

by Igor Filatotchev, R. Greg Bell, and Curt B. Moore

Presenter: Igor Filatotchev, City University of London, UK

Discussant: Jana Fidrmuc, Warwick Business School, UK

The relationship between cross-listing premia and host country share prices and trading volumes.

by Kate Litvak, University of Texas Law School, USA

Discussant: Paige Ouimet, Kennan-Flagler Business School at University of North Carolina, USA

3:30 p.m. | Plenary 3: Stakeholder and Cultural Values
Shareholderism: board members values and the shareholder-stakeholder dilemma.

by Renée Adams, Amir Licht, and Lilach Sagiv

Presenter: Amir Licht, Radzyner School of Law, Israel

Discussant: Melsa Ararat, Corporate Governance Forum of Turkey and Sabancı University, Turkey

A cultural explanation for the agency model of dividends.

by Jana Fidrmuc and Marcus Jacob

Presenter: Jana Fidrmuc, Warwick Business School, UK

Discussant: Yupana Wiwattanakantang, Hitotsubashi University, Japan

Does bank value borrower s corporate governance? Evidence from emerging markets.

by Bill Francis, Iftekhar Hasan, and Liang Song

Presenter: Iftekhar Hasan, Lally School of Management & Technology of Rensselaer Polytechnic Institute, USA

Discussant: Ruben Enikolopov, New Economic School in Moscow, Russia

5:15 p.m. | Plenary 4: Institutional Shareholders
Bank ownership, capital allocation, and economic performance.

by Randall Morck, M. Deniz Yavuz, and Bernard Yeung

Presenter: M. Deniz Yavuz, W. P. Carey School of Business, Arizona State University, USA

Discussant: Iftekhar Hasan, Lally School of Management & Technology of Rensselaer Polytechnic Institute, USA

Fund governance and collusion with controlling shareholders: evidence from nontradable shares reform in China.

by Qinglu Jin and Veicheng Yu

Presenter: Veicheng Yu, Shanghai University of Finance and Economics, China

Discussant: Kate Litvak, University of Texas Law School, USA

The dynamics of earnings management in IPOs and the role of venture capital.

by Sabrina Gioielli and A. Gledson De Carvalho

Presenter: A. Gledson de Carvalho, São Paulo Business Administration School, Fundação Getulio Vargas, Brazil

Discussant: B. Burçin Yurtoglu, University of Vienna, Austria

8 p.m. | Dinner

FRIDAY, JULY 3RD

9 a.m. | Second Keynote Session
Corporate Governance in India: Past, Present & Future

Presenter: Professor Vikramaditya Khanna, University of Michigan Law School, USA

11:15 a.m. | Plenary 5: Family and Political Relationships
Politics, instability, and international investment flows.

by Art Durnev, Maria Petrova, and Ruben Enikolopov

Presenter: Ruben Enikolopov, New Economic School in Moscow, Russia

Discussant: M. Deniz Yavuz, W. P. Carey School of Business, Arizona State University, USA

Why do shareholders value marriage?

by Pramuan Bunkanwanicha, Joseph P. H. Fan, and Yupana Wiwattanakantang

Presenter: Yupana Wiwattanakantang, Hitotsubashi University, Japan

Discussant: Yishay Yafeh, School of Business Administration, The Hebrew University, Israel

An Empirical Investigation into the Political Economy of the Firm in a Globalizing World Economy: How Domestic Political Connections Affect Cross-listing Choices.

by Brian Kelleher Richter, Anderson School, UCLA, USA

Discussant: Amir Licht, Radzyner School of Law, Israel

2 p.m. | Plenary 6: Corporate Control
Equity market liberalization and corporate governance.

by Kee-Hong Bae and Vidhan Goyal

Presenter: Vidhan Goyal, Business School, Hong Kong University of Science and Technology, Hong Kong

Discussant: Igor Filatotchev, City University of London, UK

The value of control in emerging markets.

by Anusha Chari, Paige Ouimet, and Linda Tesar

Presenter: Paige Ouimet, Kennan-Flagler Business School at University of North Carolina, USA

Discussant: Vladimir Atanasov, College of William and Mary, USA

Does the strategic role and the control role of the board of directors exist in Chinese listed companies?

by Qing Yang, Yuning Xue, and B. Berçin Yurtoglu

Presenters: Qing Yang, Institute for Financial Studies, and Yuning Xue, School of Economics, Fudan University, P. R. of China.

Discussant: Bernard Black, University of Texas Law School, USA

3:30 p.m. | Plenary 7: Ownership and Control
What makes firms issue death spirals? A control enhancing story.

by Woochan Kim, Woojin Kim, and Hyung-Seok Kim

Presenter: Woochan Kim, KDI School of Public Policy and Management, Republic of Korea

Discussant: Lucas A. de Barros, Presbyterian Mackenzie University, Brazil

Ownership concentration and the determinants of capital structure in Latin America.

by Jacelly Céspedes, Maximiliano González, and Carlos Molina

Presenter: Jacelly Céspedes, IESA, Venezuela

Discussant: Rodolfo Apreda, University of Cema, Argentina

Changing the paradigm of stock ownership from concentrated towards dispersed ownership? Evidence from Brazil and consequences for emerging countries.

Author and Presenter: Érica Gorga, Direito GV, Brazil

Discussant: Jacelly Céspedes, IESA, Venezuela

3:30 p.m. | Meeting of the Emerging Markets Corporate Governance Network
(EMGGN) Founding Research Centers.

5:15 p.m. | Parallel 1: Panel on the Practice of Corporate Governance in Brazil
Practitioner Moderators: Roberta Prado (Direito GV) e TBA by the Brazilian Institute of Corporate Governance An overview of Brazilian corporate governance.

by Bernard Black, A. Gledson de Carvalho, and Érica Gorga

Presenter: Bernard Black, University of Texas Law School, USA

"Walking the talk" to become a role model in corporate governance: the Brazilian Institute of Corporate Governance.

Author and Presenter: Leonardo Viegas, Brazilian Institute of Corporate Governance

Corporate governance a focus on the human dimension business.

Author and Presenter: Klítia Bicalho de Sá, Anima Capital Consulting

5:15 p.m. | Parallel 2: Empirical Corporate Governance Studies in Brazil (Special Brazilian Review of Finance session)
Underwriters fueling going public companies? Evidence of conflict of interest during Brazilian 2004-2007 IPO wave.

by Rafael L. Santos, Alexandre M. Da Silveira, and Lucas A. M Barros

Presenter: Alexandre di Miceli da Silveira, Faculty of Economics, Business, and Accounting at the University of São Paulo

Discussant: José Luiz Rossi Jr, Ibmec Business School

The influence of tag-along rights on company's value: an event study by using the Brownian motion model.

by Ricardo Rochman and William Eid Jr.

Presenter: Ricardo R. Rochman, São Paulo Business Administration School, Fundação Getulio Vargas, Brazil

Brazilian Review of Finance discussants: Jairo L. Procianoy, Federal University of Rio Grande do Sul Business School, and Alexandre di Miceli da Silveira, Faculty of Economics, Business, and Accounting at the University of São Paulo.

What is the value of corporate social responsibility? An answer from Brazilian Sustainability Index.

by José Luiz Rossi Jr, Ibmec Business School

Brazilian Review of Finance discussants: Jairo L. Procianoy, Federal University of Rio Grande do Sul Business School, and Alexandre di Miceli da Silveira, Faculty of Economics, Business, and Accounting at the University of São Paulo.

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Global Corporate Governance Forum

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