

Synthesis Report

5th International Conference on Corporate
Governance in Emerging Markets

September 25–26, 2015

HHL-Leipzig Graduate School of Management,
Leipzig, Germany



About IFC Corporate Governance Group

The Group brings together staff from investment support and advisory operations into a single, global team. This unified team advises on all aspects of corporate governance and offers targeted client services in areas such as increasing board effectiveness, improving the control environment, and family businesses governance. The Group also helps support corporate governance improvements and reform efforts in emerging markets and developing countries, while leveraging and integrating knowledge tools, expertise, and networks at the global and regional levels.

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This synthesis report presents the outcome of the 5th international conference organized by the Emerging Markets Corporate Governance Network (EMCGN).

BACKGROUND

EMCGN began in 2002 as a joint undertaking of corporate governance research centers in emerging markets and internationally recognized scholars, with the support and facilitation of the International Finance Corporation's (IFC) Global Corporate Governance Forum, which was merged into IFC's Corporate Governance Group in 2015.

EMCGN's purpose is to stimulate research focused on corporate governance in emerging markets. The Network aims to raise the academic quality of corporate governance-related research through fostering international exchanges among scholars from all regions. The Network supports dialogues among researchers, policymakers, and the private sector, with the goal of identifying research gaps and aligning research agendas accordingly.

A key activity for the Network is the biannual *International Conference Series on Corporate Governance in Emerging Markets*. The conferences typically include researchers as well as policymakers and practitioners in the various sessions. The keynote speakers are carefully selected from among internationally acknowledged scholars and reflective practitioners. The first conference took place in Istanbul, Turkey, in 2007, followed by conferences in São Paulo, Brazil, in 2009, Seoul, Korea, in 2011, and Hyderabad, India, in 2013. The fifth conference was in Leipzig in 2015.

Over the past 12 years, EMCGN has published 18 quarterly research newsletters that are distributed electronically to more than 1,000 addresses around the world to inform the corporate governance community on the latest research on corporate governance in emerging markets.

Stijn Claessens of the Federal Reserve Board and the University of Amsterdam chairs the conference series. For questions about the Network and its activities, please contact the Network coordinator, Melsa Ararat, at melsaararat@sabanciuniv.edu and visit www.ifc.org/corporategovernance.

INTRODUCTION

The 5th International Conference on Corporate Governance in Emerging Markets was jointly organized by the Center for Corporate Governance at HHL Leipzig Graduate School of Management, EMCGN, and IFC's Corporate Governance Group.

Corporate governance research in the context of emerging economies has received increasing attention, partly as the result of EMCGN's biannual conference series. The fifth conference successfully contributed to this tradition by providing an exceptional platform for discussing the latest research on corporate governance in emerging markets as well as fostering a constructive exchange of ideas and latest research results among researchers and reflective practitioners. Participants included more than 70 scholars from 13 countries.

The conference featured two keynote speeches. The first keynote, by Colin Mayer (Peter Moores Professor of Management Studies, Saïd Business School, University of Oxford), asked what can be done to reform the corporation, and it proposed the model of "the trusted corporation," which turns firms into the means of



Prof. Christian Strenger, HHL.

protecting our environment, addressing social problems, and creating new sources of entrepreneurship and innovation.

In the second keynote, Christian Lundblad (Kenan-Flagler School of Business, University of North Carolina) tackled the question of how to reflect risks in foreign direct investments. He presented a new tool and model—to measure the impact of political risks on international investment projects—that provide valuable guidance for cross-border investments.

OVERVIEW OF DAY 1

The conference began with opening remarks by Andreas Pinkwart (Dean of HHL Leipzig Graduate School of Management), followed by Stijn Claessens (Federal Reserve Board, CEPR, and University of Amsterdam). In his remarks, Pinkwart stressed the importance of effective corporate governance, as its patterns lay the foundation for market transparency and efficiency. He encouraged participants to ask which concepts have proven beneficial for emerging markets and which have not, especially in light of recent corporate scandals and executive failures. Both Pinkwart and Claessens addressed the objectives of the Emerging Markets Corporate Governance Research Network.

The first day continued with the keynote speech by Colin Mayer and two paper sessions on the topics of the impact of firm-level and country-level governance and business groups. Four papers were presented in these sessions.

Keynote Speech 1

In his stimulating and thought-provoking speech, *Reinventing the Corporation*, Colin Mayer explored the concepts of commitment and trust in a corporation and the necessity of reinventing companies. At first, he described the rapid changes witnessed in the nature of the corporation over the past decades—starting from an organization with predominantly tangible assets to companies where the value of the S&P Index attributable to intangibles rose from 20 percent to 80 percent today.

Drawing on several intellectual paradigms that had led us to this state, Mayer argued that the *mindful corporation* emerged—a corporation he characterized as “footloose and timeless.” In his view, these mindful corporations

are not only a source of economic prosperity but also the source of vast current problems worldwide, such as inequality of income and wealth, social unrest, concentration of power, and environmental problems. Referring to emerging markets, he noted that one reason for the economic and social problems that we observe in these markets is the absence of large indigenous companies and failures of their corporate sector.



Event participants.

According to Mayer, economy and society today are at a turning point; therefore, we need to address this deficit and reform corporations. He proposed a “trusted corporation” and set out an agenda that focuses on three main pillars: purpose, ownership, and governance. Colin Mayer emphasized that it is not the purpose of corporations to make profits but to do things and to have a real interest in the welfare and wellbeing of its employees and community. In his view, directors should hold executives accountable for fulfilling that purpose. Examples where such approaches have been implemented successfully are industrial foundation companies built on the model of Bosch and Bertelsmann in Germany and Tata in India, owned not by footloose shareholders but by an industrial foundation. According to Mayer, another successful model is that of public benefit corporations, where public purposes are stated alongside its commercial objectives. It is his contention that by adopting his agenda to reinvent themselves, companies will recreate trust and humanity in corporations.

Session 1: Firm-Level and Country-Level Governance

A focal issue in corporate governance research is the question of whether country-level and firm-level governance mechanisms influence firm value and performance. A large body of literature has explored how firms perform under different legal systems. Following this line of research, the first paper, presented by Érica Gorga, examined the influence of legal enforcement.

Gorga's paper, *Is the U.S. Law Enforcement Stronger than that of a Developing Country? The Case of Securities Fraud by Brazilian Corporations and Lessons for the Private and Public Enforcement Debate*, comprised a comparative analysis of the United States and Brazil regarding private and public enforcement. The author challenged the "legal bonding" hypothesis, which suggests that a foreign firm from a jurisdiction featuring potentially weaker investor protection can increase its valuation by bonding itself to a country having superior governance to that provided at home through cross-listing. To investigate the hypothesis, she adopted a multiple-case-studies approach, looking at two securities frauds that took place simultaneously in the U.S. and Brazilian markets during the most recent 2008 financial crisis. Both Brazilian companies, Sadia S.A. and Aracruz Celulose S.A., were accused of speculative trading and violation of their corporate policies.

According to Gorga's analysis, U.S. enforcement is superior in private enforcement, as the U.S. lawsuit provided financial recovery to the shareholders while Brazilian investors were overlooked concerning their personal investment losses. At the same time, U.S. enforcement seems to be inferior when it comes to public discipline and out-of-pocket liability for corporate actors. Brazilian securities charged officers and board members of both firms.

The second paper, by Paolo Saona Hoffmann and Pablo San Martín, addressed the so far underrepresented issue of how country-level and firm-level mechanisms interact in affecting firm outcomes. Their paper, *Firm-Level and Country-Level Determinants of Firm Value in Emerging Markets: A Corporate Governance Approach*, analyzed the impact of firm-level and country-level factors on the firm market value using a sample of Latin American companies in six countries during 1997–2003. The study showed that one primary factor affecting the monitoring and success of firms in emerging countries is ownership

structure, in particular ownership concentration. Majority owners add value in their monitoring function, as long as the optimal ownership concentration is not exceeded.

The study also found that leverage shows a nonlinear relation to market value (tradeoff theory), while the dividend payout has a negative effect. Furthermore, on the country level the development of regulatory systems is positively related to market value. At the same time, the status of financial markets reduces firms' market value (lower abnormal returns). Consequently, a good regulatory system that protects the rights of the shareholders is associated with a premium in the market value of firms in emerging countries.

Session 2: Business Groups

Business groups are prevalent in many emerging economies, ranging from the chaebols ("business families" or "monopolies") in Korea to Japan's keiretsu (system of companies with interlocking relationships). Therefore, the role and behavior of business groups in emerging markets have become a significant phenomenon in academic research. The second paper session was devoted to this topic and comprised two paper presentations.

The first paper, *Institutional Development and Business Group Affiliation Value: Theory and Evidence*, by Vijaya B. Marisetty and Poonam Singh, developed a model for analyzing whether business group affiliation facilitates value creation when emerging economies go through significant institutional changes. Their model posits that expansion through vertical integration, coupled with deep pockets, helps business groups sustain and grow with market development.

Illustrating the introduction of the "Competition Act" in India, the authors tested their model empirically, using data from Indian firms spanning a period between 1990 and 2012. The study found that business group affiliates can sustain their value premium with institutional development (compared with standalone firms), especially when they diversify into unrelated areas. Business groups that expand through horizontal integration lose market value in the postreform regime. In the decade after the introduction of the "Competition Act," vertical integration increased business group affiliation value only when business groups had deep pockets.

The second paper, *The Effect of Business Group Governance on Market Value and Profitability: Time-*

Series Evidence from Turkey, by Melsa Ararat, Bernard S. Black, and B. Burcin Yurtoglu, analyzed how “group governance” affects the market value of individual group firms as well as the group as a whole. The authors developed a broad Turkey Corporate Governance Index (TCGI) for publicly traded Turkish firms from 2006 to 2012. They showed that firms with higher scores on the overall TCGI have higher market value, as measured by Tobin’s q , at both firm level and the group level. These results are mainly driven by the disclosure index at the firm-level index and the board procedure index at the group level. Furthermore, they found that different groups follow different corporate governance practices. Governance practices across affiliated firms vary to a lesser extent, leading to a significant impact of business group identity on market valuations of affiliated companies.

OVERVIEW OF DAY 2

On the second day, the conference program started with two parallel sessions focused on shareholders and ownership, corporate governance in China, corruption, and investment. Eight papers were presented in these sessions. The sessions were followed by the second keynote speech of the conference, given by Christian Lundblad.

Session 3A: Shareholders

Ownership structure is an important factor in corporate governance that affects the firm performance. Many emerging-market companies are characterized by high levels of ownership concentration or the prevalence of family firms. The first session of the second day comprised two papers that addressed aspects of ownership structure in emerging markets and their effect on firm value.

During recent years, there has been increasing interest in the concept of corporate social responsibility (CSR) from the academic perspective as well as that of practitioners. Also, a growing number of companies have invested in CSR initiatives. However, it is still not clear whether CSR is beneficial for company performance. To address this issue, Hee Sub Byun, Ji Hye Lee, and Kyung Suh Park examined the impact of CSR on firm value in their paper, *Impact of Controlling Shareholders on Corporate Social Responsibility under External Financial Constraints*.

This paper provides empirical evidence supporting a relationship between ownership structure and corporate social responsibility for Korean companies. The authors found that CSR increases with decreasing ownership of controlling shareholders. This negative relationship between ownership of controlling shareholders and CSR is influenced by external financial constraints. The negative effect of controlling ownership on CSR is lower for firms with higher financial constraints relative to firms with lower financial constraints. Overall, the findings showed that ownership structure affects organizations’ decisions about CSR engagement.

The second paper, *Independent Directors’ Tenure, Related-Party Transactions, Expropriation, and Firm Value: Evidence from Malaysian Firms*, was presented by Liew Chee Yoong and was a joint work with Ervina Alfian and S. Susela Devi. The paper analyzed whether minority shareholder expropriation occurs through related-party transactions (RPTs) and if that is influenced by independent directors’ tenure. Using 530 firms in Malaysia, the authors reported several interesting findings. First, they found that directors’ tenure is positively related to firm performance in accounting-based measures. However, the longer a CEO stays in office, the higher the degree of expropriation through related-party transactions, which in turn reduces firm value. Furthermore, when comparing family firms with non-family firms, the authors reported that minority shareholder expropriation through RPTs is more prominent in family firms. This effect was found to be stronger in firms with low ownership concentration of controlling shareholders.

Session 3B: China

During recent years, many emerging countries have realized institutional and economic reforms in corporate governance practices. China introduced the Code for Corporate Governance for Listed Companies alongside the independent director system in 2002. This session comprised two papers focusing on corporate governance issues in China, tracing the effects of a series of regulatory changes China has undergone since 2000.

The first paper, *Are Dissenting Independent Directors Rewarded or Punished? Insights from Corporate China*, by Julan Du and Wu Sun, took a closer look at the establishment of the independent director system for Chinese listed firms. This system requires that

independent directors publicly disclose their opinions for important managerial decisions. In their paper, the authors investigated the consequences of director dissent for career prospects. The authors differentiate between two types of dissension: open expression of objection (strong dissension) and the expression of reservation opinions (moderate dissension). They argue that moderate dissent allows for building up a reputation as an effective monitor while avoiding open confrontation in the Chinese relationship-based society. In support of that argument, evidence revealed that directors who issue reservations in a gentle and tactful manner are found to be significantly more popular than supportive directors; they are rewarded by labor markets. Issuance of a negative and hard dissent was found to be punished through longer search time for new directorships or exit from the labor market. The findings suggest that the emerging labor market for directors in China is sensible to some degree; it rewards moderately dissenting directors who strike a balance between monitoring and avoiding direct and acute confrontation.

The second paper, *Analyst Following and Pay-Performance Sensitivity: Evidence from China*, by Bei Yang, Charles P. Cullinan, and Hui Liua, analyzed the role of financial analysts as an external monitoring mechanism. Their sample is from Chinese listed firms from 2003 to 2013. The authors found that executive compensation is positively related to firm performance. Furthermore, a CEO's compensation becomes more sensitive to performance in firms with high analyst coverage. Evidence also revealed that this relationship holds true for both state-owned enterprises (SOE) and non-SOEs, while for the latter the pay-performance sensitivity in general is lower and the impact of coverage by financial analysts is greater. Overall, the impact of analyst coverage seems to be stronger in non-SOEs than in SOEs.

Session 4A: Fraud

In this session, two papers centered on the issues of corruption and tax enforcement.

Yujin Jeong's and Jordan Siegel's paper, *Status and Bribery: Evidence from the Revealed Accounting Records of Two South Korean Presidents*, analyzed how firms' social status and political connections may affect the decision to engage in large-scale bribery. Rooted in behavioral and social comparison theory, the authors

developed a "falling high status" hypothesis: firms with historically high status but currently inferior economic performance relative to their peers are more susceptible to bribery. They used two court cases from the Republic of Korea to empirically test their hypothesis.

Under the regime of two former presidents, Chu and Roh, some chaebols (business groups) influenced politicians and government members with bribes and through personal and familial relationships; in turn these chaebols received favored treatment from the state. The authors observed that both high status as a respected employer and high stature in the marriage network correlates systematically with the amount of bribes paid. A firm's relative socioeconomic status matters for its decision on whether to pay and how much to bribe government officials.

These results are important, because they can help policymakers and civil society identify targeted ways to reduce corruption. To the extent law enforcement and the media face resource constraints in monitoring companies, it always pays to know which types of companies under which types of conditions should be most closely monitored.

The second paper, *Tax Enforcement, Corporate Governance, and Income Diversion*, by Juan-Pedro Gómez and Maxim Mironov, centered on the issue of income diversion in emerging countries and identification of governance mechanisms that can be used as instruments to lower income diversion and assure fair income distribution. The paper focused on Russian firms, introducing the election of Vladimir Putin in 2000 as an exogenous shock. They found that an enhancement in tax enforcement after an exogenous shock led to a reduction in the amount of income diversion of Russian firms not controlled by the government.

The authors also investigated the impact of several governance mechanism on income diversion. However, only market-based governance improvements, such as stock exchange listings, are correlated with lower income diversion. A significant correlation between firm-specific corporate governance mechanisms and income diversion could not be established. This raises the question of whether governance mechanisms typically used in advanced economies to degrade income diversion can be applied to emerging markets.

Session 4B: Investments

In this session, two papers centered on the questions of acquisition and investment decisions.

In *The Role of Corporate Governance for Acquisitions by the Emerging-Market Multinationals: Evidence from India*, Burcin Col and Kaustav Sen examined changes in governance practices and firm valuation from cross-border acquisitions of developed-market targets by emerging-market multinational enterprises. The paper analyzed a sample of 595 acquisitions in India from 2001 to 2010.

Indian firms that acquired control of developed-market targets experienced changes in firm-level governance mechanism, particularly ownership structure and board characteristics. The authors based their results on the “bootstrapping” hypothesis: companies with poor corporate governance voluntarily bootstrap to the target’s corporate governance regime. By doing so, they are expected to benefit by getting access to complementary resources, to reduce risk, and to advance their organizational capabilities and learning.

Furthermore, the results indicate that firms with targets located in developed economies change two distinct firm-level attributes of corporate governance significantly: ownership structure and board characteristics. These changes are more pronounced for companies when control is acquired in countries with higher investor protection.

The second paper, *Corporate Governance and Its Impact on R&D Investment in Emerging Markets*, by Marc Steffen Rapp and Iuliia Udoieva, used a very rich dataset to analyze determinants of research-and-development intensity in emerging markets. They reported three main findings: Over 1998–2012, ownership concentration was significantly negatively associated with the level of R&D investment in 24 emerging-market economies. Simultaneously, R&D intensity is increasing in countries with higher levels of financial development. Finally, an economy’s financial structure moderates the ownership effect—widely held firms engage more in R&D when the economy has relatively developed financial institutions. Overall, these results support the managerial entrenchment hypotheses and suggest that decisions of large block holders are affected by financial constraints and insufficient portfolio diversification.

Keynote Speech 2

In his keynote address, Christian Lundblad focused on *Political Risk and International Valuation*. His speech was based on research projects he is currently working on with Geert Bekaert (Columbia University), Campbell R. Harvey (Duke University), and Stephan Siegel (University of Washington). Lundblad argued that emerging markets are defined by heavily politicized economic and regulatory environments. He illustrated his proposition by referring to a survey undertaken by MIGA (Multilateral Investment Guarantee Agency of the World Bank Group), which is reporting that firms engaged in cross-border activities are concerned a great deal with political risks. Hence political risk should be incorporated into the valuation of cross-border investments, given also the increased volume of investments in emerging markets.



Christian Lundblad, Professor of Finance, the University of North Carolina at Chapel Hill

In Lundblad’s definition, political risks are “foreign government actions and imperfections of legislative or judicial institutions, as well as internal or external conflicts that negatively affect future cash flows” for the firm that is making an investment in the emerging world. Despite the significance of political risks for international valuations, academic research and practice lack an appropriate operationalization resp. measurement. Available political risk ratings are often subjective assessments by experts and therefore difficult to incorporate into a quantitative valuation analysis. In Lundblad’s view, conventional methods as proposed by practitioners and textbooks are also insufficient for that

purpose; they take political risk into account through an adjustment to the discount rate.

Lundblad proposed a novel alternative approach to more accurately including political risk in a project's net present value. It is the concept of a political risk spread, introduced in 2014 by Bekaert, Harvey, Lundblad, and Siegel, which essentially extracts the political risk component from sovereign spreads, using available information in political risk ratings. Under certain assumptions, a corrected discount-rate adjustment can then be obtained by adding the political risk spread, rather than the full spread, to the usual discount rate.

Session 5: Regulation, Governance, and Firm Behavior

Corporate governance research has identified politics, law, and economics as the main factors triggering different ownership patterns across countries. Appropriately, the first paper of the session established a relationship between the regulatory and legal environment and the structure of corporate ownership in the United States.

The paper, *The Great Pyramids of America: A Revised History of U.S. Business Groups Corporate Ownership and Regulation, 1930–1950*, by Yishay Yafeh, Eugene Kandel, Konstantin Kosenko, and Randall Morck, provided a comprehensive overview of the history of corporate ownership in the United States, focusing on the evolution and disappearance of business groups. According to the authors, corporate ownership in the United States is “exceptional” in the sense that significant block holdings in large listed firms are rare in comparison with most other developed economies. Today, U.S. corporations are widely held and freestanding or standalone. The authors built an extensive dataset on business groups in the United States, their sample comprising about 2,500 firms at six points in time (1926, 1929, 1932, 1937, 1940, and 1950).

Business groups, often organized as pyramids, represented the most important organizational form in the 1930s and 1940s. The disappearance of U.S. business groups was largely complete by 1950, caused by several distinct regulatory forces. The authors concluded that the demise of business groups in the United States was the result of a combination of several reforms and regulatory forces applied against the backdrop of a special political climate. The Public Utility

Holding Company Act (1935) and rising intercorporate dividend taxation (after 1935) appear to have had the most significant negative impact on business groups, leading to their demise.

SPECIAL PAPER

The conference concluded with the presentation of a special paper focusing on the problem of endogeneity in governance research and a test of various methodologies that researchers use. Corporate governance researchers are interested in understanding the effects of corporate governance on financial reporting and firm behavior. Despite a vast number of studies, results remain ambiguous, which can be attributed to the underlying issue of endogeneity, which limits the reliability and validity of empirical testing.

In their paper, *How Does Corporate Governance Affect Firm Behavior? Panel Data versus Shock-Based Methods*, Bernard S. Black, W. Kim, and Julia Nasev discussed and tested commonly used methods to solve this problem: building on the case of an exogenous legal shock to the board structure of large public Korean firms, they compare classical panel methods to causal methods. Using classical panel data, they found that the shock is significantly associated with several outcomes (for example, investment, growth, MD&A disclosure). However, these results are diminished when causal methods are applied. Researchers in governance research must pay more attention to the problems of endogeneity and correct model estimation.

CONCLUSION

Overall, the paper sessions once again proved to be an excellent opportunity for scholars to hear about the latest research developments and gain new perspectives and insights into the field of corporate governance. The conference also provided a good opportunity for participants to meet, exchange ideas with, and debate with leading experts in the field.

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Reinventing the Corporation

Session 1: Firm-Level and Country-Level Governance

Is the U.S. Law Enforcement Stronger than that of a Developing Country? The Case of Securities Fraud by Brazilian Corporations and Lessons for the Private and Public Enforcement Debate

Author: Érica Gorga (Yale Law School Center for the Study of Corporate Law)

Discussant: Brigitte Haar (Goethe University Frankfurt)

Firm-Level and Country-Level Determinants of Firm Value in Emerging Markets: A Corporate Governance Approach

Authors: Paolo Saona Hoffmann (Saint Louis University) and Pablo San Martín (Universidad Católica de la Santísima Concepción)

Discussant: B. Burcin Yurtoglu (WHU-Otto Beisheim School of Management)

Session 2: Business Groups

Institutional Development and Business Group Affiliation Value: Theory and Evidence

Authors: Vijaya B. Marisetty (RMIT University), Narahari Hansoge (Indian Institute of Management Tiruchirappalli), and Poonam Singh (National Institute of Industrial Engineering)

Discussant: Francisco Urzua (Rotterdam School of Management)

The Effect of Business Group Governance on Market Value and Profitability: Time-Series Evidence from Turkey

Authors: Melsa Ararat (Sabanci University, School of Management, Corporate Governance Forum of Turkey), Bernard S. Black (Northwestern University School of Law; Kellogg School of Management), and B. Burcin Yurtoglu (WHU-Otto Beisheim School of Management)

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

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Impact of Controlling Shareholders on Corporate Social Responsibility under External Financial Constraints

Authors: Hee Sub Byun (Korea Deposit Insurance Corporation), Ji Hye Lee (Korea University Business School), and Kyung Suh Park (Korea University Business School)

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Independent Directors' Tenure, Related-Party Transactions, Expropriation, and Firm Value: Evidence From Malaysian Firms

Authors: Liew Chee Yoong (SEGi University, Malaysia), Ervina Alfian (University of Malaya, Malaysia), and S. Susela Devi (UNITAR International University, Malaysia)

Discussant: Jana Oehmichen (Georg-August-University Göttingen)

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Are Dissenting Independent Directors Rewarded or Punished? Insights from Corporate China

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Analyst Following and Pay-Performance Sensitivity: Evidence from China

Authors: Bei Yang (School of Management, Xi'an Jiaotong University), Charles P. Cullinan (Bryant University), and Hui Liua (School of Management, Xi'an Jiaotong University)

Discussant: Marc Steffen Rapp (Philipps University Marburg)

Session 4A: Fraud

Status and Bribery: Evidence from the Revealed Accounting Records of Two South Korean Presidents

Authors: Yujin Jeong (Kogod School of Business

American University) and Jordan Siegel (Harvard Business School)

Discussant: Kyung Suh Park (Korea University Business School)

Tax Enforcement, Corporate Governance, and Income Diversion

Authors: Juan-Pedro Gómez (IE Business School) and Maxim Mironov (IE Business School)

Discussant: Bernard S. Black (Northwestern University School of Law; Kellogg School of Management)

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Authors: Marc Steffen Rapp (Philipps University Marburg) and Iuliia Udoieva (Philipps University Marburg)

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Keynote Speech 2

Christian Lundblad (Kenan-Flagler School of Business, University of North Carolina):

Political Risk and International Valuation

Session 5: Regulation, Governance, and Firm Behavior

The Great Pyramids of America: A Revised History of U.S. Business Groups Corporate Ownership and Regulation, 1930–1950

Authors: Yishay Yafeh (School of Business Administration, The Hebrew University), Eugene Kandel (Hebrew University of Jerusalem), Konstantin Kosenko

(Bank of Israel), and Randall Morck (University of Alberta School of Business)

Discussant: Érica Gorga (Yale Law School Center for the Study of Corporate Law)

How Does Corporate Governance Affect Firm Behavior? Panel Data versus Shock-Based Methods

Authors: Bernard S. Black (Northwestern University School of Law; Kellogg School of Management), W. Kim (Korea University Business School), and J. Nasev (University of Cologne)

Discussant: Stijn Claessens (Board of Governors of the Federal Reserve System)

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