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Effectiveness Of "Good" Governance Policies Across Contexts: A Test Of The Universal Vs. Embedded View

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EFFECTIVENESS OF "GOOD" GOVERNANCE POLICIES ACROSS CONTEXTS: A TEST OF THE UNIVERSAL VS. EMBEDDED VIEW

by

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DEDICATION

To Late Minhaj Ahmed Choudhury (My Boro Mama)

ABSTRACT

This dissertation aims to examine the effectiveness of "good" governance principles that are commonly benchmarked in shaping the Corporate Governance (CG) policies. Specifically, I examine the firm level internal mechanisms of Monitoring CG and Incentive CG and the country level external mechanisms of legal rules and disclosure provisions. The origin of these CG policies is rooted in the Anglo-Saxon countries, where stand-alone firms are mostly owned by the dispersed shareholders, and Type I agency problem is common between company owners and top managers. For precisely examining the generalizability of "good" CG principles, I have conducted my investigation in an empirical setting, where organizational form, governance concern, and institutional context are different compared to those common in the Anglo-Saxon environment. I have focused on the closely-held firms with ultimate controlling owners (UCOs) from Europe, Asia, and Latin America and analyzed how the suggested CG policies address potential agency problems evident in these firms.

There is a longstanding debate among the governance scholars in regard to the generalizability of "good" CG principles. While some scholars recommend/promote a set of standardized CG mechanisms, others question the effectiveness of such uniform means in diverse settings. I define these perspectives as the Universal View of CG and Embedded View of CG, respectively. Theoretically, I hypothesize that UCOs' excessive control negatively affects minority shareholders' wealth – a conflict that manifests in Type II agency problem in the closely-held firms. Based on the Universal View vs.

Embedded View, I then develop a set of alternative hypotheses for examining whether commonly recommended "good" CG policies prevent the UCOs from expropriating the minority shareholders. Both the views present their arguments on the basis of two core issues – first, the issue of policy-goal alignment of the firm level CG mechanisms in addressing Type II agency problem and second, the role of country level CG institutions in implementing firms' internal mechanisms. Inferences of the two views, however, differ substantially.

For conducting the empirical analyses, I have collected data on 1109 publicly traded nonfinancial firms from 40 European, Asian, and Latin American economies. The cross-sectional dataset is developed for the year 2016 (the data period of company ownership structure ranges in between 2015 to 2017). Since information availability is limited on the closely-held firms, I have collected/calculated data on majority of the measures manually from the sources of Bureau van Dijk-Orbis, Capital-IQ, and company annual reports. Empirical findings of the analyses consistently indicate that Type II agency problem is present in the concentrated firms. Results are also consistent in supporting the Embedded View based policy analysis. In particular, the study postulates that the firm and country level CG mechanisms significantly improve firms' valuation; however, the internal mechanisms cannot attenuate the negative effect of excessive control even in the contexts with advanced external institutions. That is, in the closely-held firms, commonly recommended "good" CG policies cannot safeguard their value creation from being expropriated by the UCOs. These findings are robust across the tests conducted with alternative model and measures and a series of ad-hoc analyses.

This dissertation provides critical insights into the literature on International CG. Ownership concentration is one of the dominant forms of organizational structure in many countries around the world. A thorough investigation of these firms' complex agency concern is crucial in advancing the CG research agenda. This dissertation also generates important managerial and policy implications. Institutional actors should utilize the existing CG policies in accordance with their functionality or even substitute them given the problem specificities. For example, the current study indicates that the institutionally contested mechanisms of CEO-Duality and Multiple Blockholders Presence in fact are effective 'niche' mechanisms to check on the UCOs. Future research should focus on developing additional goal-aligned targeted means.

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CHAPTER 1

INTRODUCTION

Corporate Governance (CG) is crucial for ensuring accountability and transparency in modern corporations; it refers to a system of governance mechanisms by which corporations are directed, disciplined, and ruled. Following the OECD guidelines of 1999/2004, governments and policy-makers actors nations commonly define a set of internal and external mechanisms as "good" CG principles (Code of Corporate Governance for Listed Companies in China, 2002; German Corporate Governance Code, 2015; Japan's Corporate Governance Code, 2015; Mexico's Code of Corporate Practices, 2010; Russian Code of Corporate Governance, 2014).[1] In particular, the firm level measures of monitoring procedures (Board Independence and CEO-Separation) and incentive plans (Managerial Ownership and Performance based Pay) are defined as the key internal mechanisms (Denis, 2001; Jensen & Meckling, 1976) and the country level measures of legal rules (shareholder protection laws) and disclosure standards (periodic reporting requirements) are define as the key external mechanisms (Coffee 1999; La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1998). Originating from the Anglo-Saxon context, these commonly recommended "good" CG policies mostly were designed to govern the stand-alone firm with dispersed owners and protect company shareholders from managerial opportunism (Coffee, 1999). It is, however, critical to recognize that organizational form, governance concern, and institutional context where organizations are embedded in differ considerably across nations (Aguilera & Jackson, 2003;

Bebchuk & Hamdani, 2009; Chua, Morris, & Ingram, 2009). Hence, comprehensive research is necessary to investigate the effectiveness of universal CG policies in firms from diverse settings.

In the International CG literature, a large number of scholars have assessed the value of suggested CG policies in firms from various countries (Abdullah, 2004; Edwards, Eggert, & Weichenrieder, 2009; 2008; Li, Guo, Liu, & Li, 2008; Schmid & Zimmermann, 2007). While providing valuable insights, empirical findings of this literature have been ambiguous and inconclusive. A potential source of the opacity is that there has been a lack in actor, problem, and context specificities in conducting CG policy research. In my dissertation, I intend to address these concerns by taking a more focused approach. I examine the closely-held firms with ultimate controlling owners (UCOs) from Europe (Faccio & Lang, 2002), Asia (Claessens, Djankov, & Lang, 2000), and Latin America (Cueto, 2013) and investigate how commonly recommended "good" CG policies address potential agency problems evident in these firms (Young, Peng, Ahlstrom, Bruton, & Jiang, 2008).

Theoretically, this approach allows me to perform a relatively precise investigation as I am specifying the 'organizational form' (concentrated firms), 'governance concern' (expropriation of minority shareholders by UCOs), and 'institutional context' (Non-Anglo-Saxon countries) of the focal firms. My research also has practical value. According to Bureau van Dijk, during the periods of 2015-2017, there were 6,515 publicly listed concentrated firms in Europe, 5,273 in Asia, and 1,567 in Latin America. Historically, ownership concentration has been a predominant organizational structure in many countries around the world. Through analyzing policy effectiveness of

the suggested CG mechanisms in governing UCOs and protecting minority shareholders, this dissertation aims to contribute to the policy dialogue concerning the concentrated firms. In the subsequent sections of this introductory chapter, I present my research question followed by a brief description of the theoretical framework, research design, methodology, empirical results, implications, and future research.

1.1 Research Question

In today's world, corporations play crucial roles in economic and social growth. For sustaining a well-functioned corporate sector, it is necessary to ensure that corporations are governed credibly through the means of firm and country level CG mechanisms. In the foreword of World Bank report on governance, Sir Adrian Cadbury states – "Corporations, whether they be family firms, the dominant form of economic organization, or state enterprises, work within boundaries set by law, by regulations, by those who own and fund them and by the expectations of those they serve. … … … … … Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources." (Iskander & Chamlou, 2000: VI).

CG failure can be so catastrophic that scholars and policy experts have faulted it as one of the major reasons of detestable corporate scandals and decade long financial downturns (Ahmadjian & Song, 2004; Cioffi, 2006). Since the aftermaths of 1990s global crisis, transnational organizations such as the World Bank, IMF, and OECD actively have been advocating for CG reforms across both – developed and emerging economies (Aguilera & Cuervo-Cazurra, 2004; Bratton & McCahery, 1999; Chen, Li, & Shapiro,

2011; Soederberg, 2003). As the requirement of cross-border collaborations and international business transactions, forces of globalization such as the international financial markets, foreign investors, and multinational corporations routinely have been demanding the adoption of "good" CG principles by the host/local actors (Coffee, 2002; 2014; Useem, 1998). Studies have shown that in order to achieve legitimacy and/or survive in global competition, countries are increasingly reforming their CG policies. At the national level, governments are improving their external CG institutions by developing legal rules (Guillén & Capron, 2015) and disclosure provisions (Hellman, Carenys, & Gutierrez, 2018). At the organizational level, firms are modernizing their internal governance by ensuring Board Independence (Kaplan & Minton, 1994), CEO-Separation (2008), Managerial Ownership (Sanders & Tuschke, 2007), Performance based Pay (Buck, Liu, & Skovoroda, 2008), and similar recommended measures.

These suggested CG policies primarily are developed in the Anglo-Saxon context, where stand-alone firms are mostly owned by the dispersed shareholders (Bratton & McCahery, 1999; Roberts, 2004; Soederberg, 2003). Consequently, majority of the governance mechanisms are designed towards addressing agency conflict between company owners (principal) and top managers (agent); – an agency conflict commonly known as Principal-Agent (P-A) problem or Type I agency problem (Berle & Means, 1932). The collapse of the US energy giant Enron in 2001 is a result of Type I agency problem, whereby Enron shareholders lost their wealth due to corporate misconducts committed by top management. CEO Jeffrey Skilling, CFO Andy Fastow, and Chairman Kenneth Lay were selling their stocks at higher prices when false accounting reports made the Enron stock look more valuable than it truly was. Thousands of shareholders

lost millions of dollars as the scandalous news got uncovered and caused significant drop in Enron share value (The New York Times, 2006).

Berle & Means (1932) expressed serious concerns about the separation of ownership and control and its consequences in large corporations in their classic work '*The Modern Corporation and Private Property (1932)*'. To protect the dispersed owners from managerial opportunism, Jensen & Meckling (1976) and Fama & Jensen (1983) employed classical Agency Theory in recommending Monitoring CG and Incentive CG as the firm level internal mechanisms. CG scholars also emphasize the importance of national laws and disclosure regulations in implementing the arm's-length agency contracts (Barney & Ouchi, 1986; La Porta et al., 1998; Mahoney, 1995). It is important to mention that classical Agency Theory based analysis of modern corporations and their governance policies have been criticized for holding a sinister view of corporate agents (Ghoshal, 2005; Lubatkin, Lane, Collin, & Very, 2007). Recently, CG scholars have addressed this critique by arguing – because of circumstantial uncertainty and bounded rationality of human behavior – that agency problems are real in most separation and delegation relations even in the absence of all parties' negative intensions (Hendry, 2002; Kostova, Nell, & Hoenen, 2016; Wiseman, Cuevas-Rodríguez, & Gomez-Mejia, 2012). Hence, credible CG has to be ensured. But whether commonly recommended "good" policies are really good in various firms from various contexts – is a question that has generated a whole new line of debate and investigation.

Recent studies show that besides the stand-alone firms with dispersed owners, a large number of corporations in many Non-Anglo-Saxon economies are closely-held within the control of concentrated owners (Claessens et al., 2000; Cueto, 2013; Faccio &

Lang, 2002; Lins, 2003). A firm is defined to be closely-held when a single entity (family, state, financial institution, corporation, or so forth) owns the majority of its voting rights as the UCO and maintains the voting control through a complex ownership structure (Guedhami & Mishra, 2009). From the institutional perspective, scholars argue that closely-held firms with UCOs emerge as a natural response to the absence/weakness of supporting external institutions (Leff, 1979) in regard to providing sufficient legal protections for minority shareholders (La Porta, Lopez-De-Silanes, & Shleifer, 1999) and warranting lower transaction costs for firms' market operations (Khanna & Palepu, 2000). Prevalence of controlling owners combined with the institutional voids generate a different and more complex form of agency problem commonly known as Principal-Principal (P-P) problem or Type II agency problem; a conflict often evident between closely-held firms' minority shareholders and UCOs (Young et al., 2008). Accounting calamity at the Italian dairy-foods giant Parmalat in 2003 is an example of Type II agency problem. Tanzi family was the controlling shareholder who ultimately owned 51% of the company through a complex chain of multiple holdings. The founder and former CEO Calisto Tanzi, his son Stefano Tanzi, brother Giovanni Tanzi, and some 16 other individuals went under investigation when Parmalat miserably defaulted on its debt payments and eventually collapsed amidst billions of dollars of vanished assets. In midst of the corporate misconduct, minority shareholders of Parmalat Finanziaria were the ultimate victims whose wealth had been expropriated by the controlling family via internal mechanisms of self-dealing (The New York Times, 2003). More recently in South Korea, when Samsung C&T announced a deal to merge with its sister company Cheil Industries, it faced stern criticisms as the deal was not in the best interest of the

Samsung C&T minority shareholders. Lee Jae-yong – the son and heir apparent of Samsung group patriarch Lee Kun-hee – is the biggest shareholder of Cheil Industries. Legal investigators stated that there was no economic reason for merging the two companies other than serving the interest of the controlling shareholder (the Lee family). The proposed merger significantly undervalued Samsung C&T and would allow the Lee family to transfer wealth to Cheil Industries. Lee Jae-yong faced prosecution due to his alleged crime of bribing politicians and getting the merger approved illegally (Financial Times, 2017).

The world had to contend a series of such corporate misconducts which resulted due to CG failure in the concentrated firms. Aimed at preventing corporate corruption and financial devastation, institutional actors have been conducting rigorous policy reforms so as to improve firm and country level governance mechanisms. Even though the world-wide initiatives to improve CG policies have been appreciated as worthwhile and timely efforts, series of concerns have arisen due to the assumption of a universal governance system. Analyses by Soederberg (2003), Bratton & McCahery (1999), and Chen, Li, & Shapiro (2011) suggest that CG reforms solely based on a single model – designed for a particular dyad of actors and embedded in a particular institutional context – run the risk of actor, problem, and context specificity. As discussed above, the type of agency problem that minority shareholders experience in the concentrated firms and the state of institutional environment where these firms are embedded in differ substantially from those common in the Anglo-Saxon environment (Bebchuk & Hamdani, 2009; Klapper & Love, 2004; Young et al., 2008). Consequently, there arises an important

policy question – *Are the standardized set of "good" CG policies effective in mitigating Type II agency problem in closely-held firms from Non-Anglo-Saxon nations?*

The overarching research objective of my dissertation is to address this question by extending the policy analysis of "good" CG principles at two levels. At the organizational level, I focus on the concentrated firms whose actors, power structure, and agency problem are unique in nature. It is important to investigate the value of internal mechanisms in governing the closely-held firms with UCOs since such mechanisms mostly have been designed to govern the stand-alone firms with dispersed owners (Fama & Jensen, 1983; Jensen & Meckling, 1976). Next, I incorporate the country level institutions by examining the combined effect of internal and external mechanisms. For conducting these extended analyses, I select European, Asian, and Latin American economies as my empirical setting. As discussed previously, most of the CG policies are originated from the Anglo-Saxon nations, where institutional environment is supportive of the shareholder oriented model (Fama, 1980; La Porta et al., 1998). Therefore, it is critical to conduct the policy analysis in a different (i.e. Non-Anglo-Saxon) setting. Essentially, I address my research question on the basis of two core issues. First, at the organizational level, the issue of policy-goal alignment; i.e. whether the internal CG mechanisms are aligned with the intended goal of addressing Type II agency problem. Second, at the country level, the supporting role of external institutions; i.e. whether the availability of developed CG institutions is instrumental in implementing the firm level CG mechanisms.

There is a longstanding debate among the CG scholars in regard to the standardization of "good" CG principles. The main arguments of their debate revolve

around the above mentioned two core issues (policy-goal alignment of internal mechanisms and supporting role of external institutions). One group of scholars argue that the internal CG mechanisms are aligned with the intended goal of reducing Type II agency problem (Lam & Lee, 2008; Sanders & Tuschke, 2007) and countries are universally developing external CG institutions which consequently are strengthening the effectiveness of firm level governance (Hansmann & Kraakman, 2001; van Essen, Heugens, Otten, & van Oosterhout, 2012a). I refer to this perspective as the Universal View of CG. For an in depth analysis of the Universal View, I develop the ideas of *Generalizability of Internal CG* and *Complementarity of External CG* (which will be discussed in the following section). In contrast to the Universal View, the other group of scholars express concern about the availability of developed CG institutions in the Non-Anglo-Saxon nations (Aguilera & Jackson, 2003; Peng, 2004) and question the policy-goal alignment of internal mechanisms in addressing Type II agency problem (Chen et al., 2011; Young et al., 2008); I refer to this perspective as the Embedded View of CG. For systematically describing the Embedded View, I incorporate the Neo-Institutional constructs of *Policy-Practice Decoupling* and *Means-Ends Decoupling* (which will be discussed in the following section). Both the views provide convincing arguments in order to justify (by Universal View) or refute (by Embedded View) the standardization of "good" CG principles. I start with hypothesizing that Type II agency problem is present in the closely-held firms with UCOs. Next, I develop the Universal View based hypotheses by incorporating the ideas of *Generalizability of Internal CG* and *Complementarity of External CG*. Finally, I derive the Embedded View based hypotheses by incorporating the ideas of *Policy-Practice Decoupling of CG* and *Means-Ends*

Decoupling of CG. I integrate both the views to generate a set of alternative hypotheses for examining the generalizability of "good" CG principles.

1.2 Research Framework

For analyzing the governance effectiveness of suggested CG policies, researchers often study the direct impact of internal mechanisms on the firm level various outcomes (such as accounting performance and market performance). There is confusion associated with such approach. Even though 'significant positive' impact is often interpreted as governance effectiveness (Bonn, 2004; Jackling & Johl, 2009), it is not certain that the increased value is rightfully distributed among the shareholders. Confusion is also associated with interpreting 'insignificant/negative' results. Peng (2004) explains that the 'insignificant/negative' impacts are the result of lack in policy implementation, whereas Dalton, Hitt, Certo, & Dalton (2007) argue such results are due to lack in policy-goal alignment. The Stewardship view, on the contrary, explains 'insignificant/negative' results through an analysis with a different perspective. According to the arguments of Stewardship view, controlling owners are the 'stewards' of concentrated firms; their presence creates substitution effect and thereby, nullifies the benefit of "good" CG mechanisms (Donaldson & Davis, 1994; Tian & Lau, 2001). In order to avoid such ambiguities, I start with examining presence of P-P problem in the closely-held firms. Then I develop a set of policy-related hypotheses for investigating whether the firm and country level governance mechanisms mitigate closely-held firms' P-P problem. Thereby, I address the 'substitution effect' logic raised by the Stewardship view. Furthermore, I aim to examine whether the impact of CG mechanisms are the consequences of policy implementation (or non-implementation) or the consequences of

policy-goal alignment (or non-alignment). Theoretically, I argue that in the concentrated firms, as voting control by the UCOs exceeds their cash-flow rights, the extent of minority shareholder wealth expropriation increases. Excess Control provides UCOs with the incentives and opportunities to direct closely-held firms in serving their private benefit acquisition (Khanna & Rivkin, 2000) and/or attaining their collective benefit motivation (Burkart & Lee, 2008). Consistent with the conclusion of a number of CG scholars, I argue that the negative impact of Excess Control on Minority Shareholder Wealth indicates presence of P-P problem (Ghoul, Guedhami, Wang, & Kwok, 2016; Hale, 2006; Morck, Wolfenzon, & Yeung, 2005; Saggese & Sarto, 2016).

Next, I proceed to develop a set of alternative hypotheses for examining to what extent recommended CG mechanisms (internal and external) influence the negative relationship between Excess Control and Minority Shareholder Wealth. I start with deriving the Universal View based hypotheses which believe in the standardization of "good" CG principles. The proponents of *Generalizability of Internal CG* argue that as long as there are delegation situations, agency problems can arise in all sorts of separation relationships (Hendry, 2002; Hoenen & Kostova, 2015; Kostova et al., 2016). Therefore, various firms embedded in various contexts are adopting "good" internal mechanisms to mitigate their agency problems (Cerbioni & Parbonetti, 2007; Kang & Shivdasani, 1995; Kaplan, 1994a; Mitton, 2002; Sanders & Tuschke, 2007). As in the case of Type II agency problem, minority shareholders invest the in closely-held firms and UCOs strategize/manage minority shareholders' investments either being both the managers and controlling owners (closely-held firms with family owners and managers) or mainly being the controlling owners (closely-held firms with professional managers)

(Ma, Yao, & Xi, 2006; Young & Tsai, 2008). Information asymmetry, divergence in self-interests, and opportunistic behavior are evident in this type of agency relationship as well (Wiseman et al., 2012). Since suggested internal mechanisms are inherently designed to address these concerns, it is also possible for them to mitigate the expropriation of minority shareholders.

The proponents of *Complementarity of External CG* not only propose that internal CG mechanisms are capable of addressing P-P conflict, but also assert that countries are universally developing external CG institutions mainly because of relative efficiency of these instruments and rapid globalization of business transactions (Coffee, 1999, 2001; Hansmann & Kraakman, 2000, 2001; Yoshikawa & Rasheed, 2009). And as the CG scholars suggest, the more the external environment provides developed supporting institutions, the higher will be the positive impact of firm level mechanisms (Doidge, Karolyi, & Stulz, 2007; Hope, 2003; van Essen et al., 2012a). In essence, scholars believing in *Complementarity of External CG* define country level governance institutions as the 'complementary factor'. In their absence, organizations rely on the firm level CG mechanisms for attaining good governance. External institutions function as an additional force to enhance the positive impact of internal mechanisms. (Bonetti, Magnan, & Parbonetti, 2016; Chen, Chen, & Wei, 2009; Dahyaa, Dimitrov, & McConnell, 2008).

In contrast to the Universal View, Embedded View questions the universality of "good" governance principles. I utilize the Neo-Institutional constructs of *Policy-Practice Decoupling* and *Means-Ends Decoupling* for systematically defining Embedded View of CG. *Policy-Practice Decoupling* occurs when policies are aligned with the intended

outcome but there is no success in achieving the goal as firms conduct ceremonial policy adoption just to secure legitimacy (Meyer & Rowan, 1977). Such instances are prominent in weak institutional contexts as under developed external institutions cannot ensure firm level policy implementation (Dharwadkar, George, & Brandes, 2000; Lim & Tsutsui, 2012; Schøtt & Jensen, 2008). In strong institutional contexts, developed external institutions nullify the act of ceremonial policy adoption as a means to achieve legitimacy and enforce firm level implementation of the formal policies; consequently, prevalence of positive outcomes increases (Bromley & Powell, 2012; Guillén & Capron, 2015). Many CG scholars refer to the idea of Policy-Practice Decoupling in analyzing the applicability of universal mechanisms in firms from various nations (Fiss & Zajac, 2004; Gallego & Larrain, 2012; Heugens, van Essen, & van Oosterhout, 2009; Peng, Buck, & Filatotchev, 2003; Veliyath & Ramaswamy, 2000). Their analyses suggest that recommended internal mechanisms may have the potential to address P-P conflict; however, success of such CG policies is contingent on the presence of country level supporting institutions. Not all the countries are universally developing external CG institutions (Hall & Soskice, 2001; Khanna & Palepu, 2000; Kogut & Spicer, 2002). In weak contexts, firms can get away with the act of ceremonial policy adoption due to institutional voids in the external environment; as a result there is no significant attenuation of P-P conflict. In strong contexts, developed CG institutions enforce firm level implementation of the internal mechanisms which in turn successfully attenuates P-P conflict. That is, scholars believing in *Policy-Practice Decoupling of CG* view country level governance institutions as the 'necessary factor' in presence of which firms implement the internal mechanisms and consequently attain good governance; and in absence of which firms conduct ceremonial

policy adoption and the formal structure of internal mechanisms cannot attain good governance (Aguilera & Jackson, 2003; Aguilera & Jackson, 2010; Klapper & Love, 2004; Peng, 2004).

Means-Ends Decoupling occurs when suggested policies (means) are not aligned with the intended outcomes (ends) but firms still adopt the misaligned policies (Abrahamson, 1991; Bromley & Powell, 2012) due to legitimacy pressure from the external sources (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Persistent complexity in Means-Ends Decoupling indicates that the availability of developed external institutions cannot support the firm level policies to generate positive results as the core problem here is not lack in policy implementation but rather lack in policy alignment (Wijen, 2014, 2015). In International CG literature, a large number of scholars imply the idea of Means-Ends Decoupling in reviewing the Anglo-Saxon based CG reforms (Attig, Boubakri, Ghoul, & Guedhami, 2016; Bruce, Buck, & Main, 2005; Lubatkin et al., 2007). They argue that recommended internal mechanisms cannot reduce P-P problem in the closely-held firms with UCOs as these mechanisms essentially are designed to address P-A problem in the stand-alone firms with dispersed owners (Bebchuk & Hamdani, 2009; Chen et al., 2011; Young et al., 2008). Organizational culture, power structure, and actors involved in the agency relations vary significantly between these two types of firms (Davis, Schoorman, & Donaldson, 1997; Fiss, 2008; Heracleous & Lan, 2012). External CG institutions cannot moderate organizational governance improvement since such institutions are enforcing a set of misaligned policies (Bromley & Powell, 2012; Wijen, 2014). In short, the proponents of *Policy-Practice Decoupling of CG* question the generalizability of governance mechanisms from the

perspective of country-institutional embeddedness; whereas the proponents of *Means-Ends Decoupling of CG* question the generalizability of governance mechanisms from the perspective of firm-structural embeddedness.

1.3 Research Design & Methodology

The sample of this investigation consists of the publicly traded non-finance companies from 40 European, Asian, and Latin American countries. The criterion of the sample selection has been to confirm that all the companies are closely-held within the control of UCOs. In many instances, data on the concentrated firms were not readily available. Therefore, data on the key measures have been manually collected/calculated from Bureau van Dijk-Orbis, Capital-IQ, and company annual reports. At the end, I have built a cross-sectional dataset of 1109 concentrated firms for the year 2016; data on company ownership structure has been manually collected from the periods between 2015 and 2017.

In the base hypothesis (where it is hypothesized that Excess Control negatively affects Minority Shareholder Wealth), 'Minority Shareholder Wealth' is the *dependent variable* and UCOs' 'Excess Control' is the *independent variable*. The core objective of my dissertation is to examine the policy effectiveness of "good" governance principles in addressing Type II agency problem. I develop a set of alternative hypotheses to analyze the moderating effects of internal CG and external CG on the negative relation between Excess Control and Minority Shareholder Wealth. It is, therefore, important to recognize that even though the CG mechanisms appear as the *moderating variables* – these mechanisms are my main variables of interest.

Following the existing CG research, I apply Firm Value related measure as the proxy of Minority Shareholder Wealth. As suggested by La Porta, Lopez-de-Silanes, Shleifer, & Vishny (2002) and Claessens, Djankov, Fan, & Lang (2002), Excess Control by UCOs lowers market valuation of concentrated firms, which indicates expropriation of minority shareholders. In particular, I employ the Firm Value measures of Tobin's Q for assessing Minority Shareholder Wealth. Excess Control is defined as the difference between UCOs' voting control and cash-flow right in the concentrated firms. Voting control differs from cash-flow right because of the mechanisms of pyramiding, multiple control chains, cross-shareholding, and dual class share (Bebchuk, Kraakman, & Triantis, 2000; Morck et al., 2005).

At the firm level, I am focusing on two major governance policies – Monitoring CG and Incentive CG. Monitoring CG consists of Board Independence (measured by the ratio of total number of independent board members to total number of overall board members) (Dahyaa et al., 2008) and CEO-Separation (measured by a dummy variable which takes the value of 1 if CEO and Board Chair are two different individuals or zero if CEO and Board Chair is the same person) (Zajac & Westphal, 1996). Incentive CG consists of Managerial Ownership (measured by the voting control percentage directly and indirectly owned by the CEO) (Mueller & Spitz-Oener, 2006) and Performance based Pay (measured by the ratio of CEO's variable pay to CEO's total pay) (Gao & Li, 2015). At the country level, I am examining the role of legal rules and market provisions in implementing the firm level governance mechanisms. The quality of legal institution is measured by the product of Minority Shareholder Protection index and Rule of Law index; whereas the country level disclosure standard is measured by the product of

Transparency-Disclosure index and Rule of Law index (Bell, Filatotchev, & Aguilera, 2014; International Country Risk Guide, 2016; World Bank, 2016). The empirical analyses have been controlled by including a number of firm, industry, and country level control variables. The firm level control variables include Firm Age, Firm Size, Firm Profitability, Firm Growth, Cross-Listing, Foreign UCOs, and identity of different types UCOs (family, state, financial institution, corporation, and other). Indicators for industry affiliation and countries' GDP growth percentage for country effect have also been incorporated in the analyses.

For testing the hypotheses, I conduct multiple regression analyses with interactions. For examining the moderating effect of internal mechanisms, I analyze two way interactions. For capturing the moderating effect of external mechanisms, I split the full sample between a sub-sample with firms from weak institutional context versus a sub-sample with firms from strong institutional context. The issue of multicollinearity has been addressed by mean-centering the measures of Excess Control and CG mechanisms that are continuous in nature. I employ the ordinary least squares (OLS) technique with Huber-White robust standard error and two stage least squares (2SLS) technique of endogeneity control. For robustness tests, I have run a series of statistical analyses with different measures for Minority Shareholder Wealth, Monitoring CG, Incentive CG, and external institutions. I supplement the hypotheses test with extended ad-hoc analyses integrating other important and relevant aspects of the CG literature.

1.4 Results & Discussion

The empirical findings of the dissertation provide support for H1 and policy analysis built on the idea of *Means-Ends Decoupling of CG*. Results are consistent in

indicating presence of P-P conflict in the concentrated firms and that the recommended CG mechanisms cannot mitigate this governance concern. The internal mechanisms of Board Independence, CEO-Separation, and Performance based Pay are proven to be beneficial in improving concentrated firms' technical efficiency; however, the benefit is not rightfully distributed among the minority shareholders. That is, the internal mechanisms of Monitoring CG and Incentive CG cannot attenuate the negative effect of excessive control and the country level external mechanisms of legal institution and disclosure standard cannot generate any positive moderating impact. These findings are robust across the analyses with alternative measures of Minority Shareholder Wealth, Monitoring CG, Incentive CG, and external institutions.

For further investigation of the research findings, I added an ad-hoc analysis section to the empirical chapter. I re-examined the policy-related hypotheses in family vs. non-family firms, locally-listed vs. cross-listed firms, and domestic vs. foreign firms. Country level external mechanisms of market institutions and informal institutions were also incorporated to the ad-hoc analyses. Results remain consistent in supporting the analyses of *Means-Ends Decoupling of CG*. In addition to the internal mechanisms of Board Independence, CEO-Separation, and Performance based Pay, country level external mechanisms of legal institution and disclosure standard also depicted positive and significant effect on improving firms' valuation. Similar results were found for Crosslisting in the foreign stock market and presence of Foreign UCOs. However, these mechanisms remain insignificant in preventing the expropriation by UCOs. It is to be noted that the current study found positive and significant effect of CEO-Duality and Multiple Blockholders in attenuating the negative effect of excessive control. CEO-

Duality is the opposite of CEO-Separation; it refers to the board leadership structure where CEO and Board Chair positions are held by the same individual. Firms with Multiple Blockholders are those concentrated firms where in addition to the UCO, multiple shareholders own more than 10% of the control right.

1.5 Contributions, Limitations, & Future Research

By analyzing the hand-collected dataset on the recent ownership and governance structure, this dissertation evaluates the value of common CG policies in the concentrated firms and thereby, contributes to the literature on comparative CG research. It emphasizes the importance of adopting a comprehensive approach and designing a CG policy scheme with more targeted means. It calls for clearer specifications of the connection between policies and their intended goals and between organizations and their external institutions. There can be a set of 'master' institutions; in addition to that there should be flexibility in complementing or even substituting the 'master' institutions with 'niche' institutions which are tailored towards attaining specific goals.

There are several limitations associated with this research. As data availability is limited for the concentrated firms, empirical analyses were conducted for a single year. Current study could not employ a more sophisticated proxy for Minority Shareholder Wealth since UCOs tend not to disclose data on the relevant measures. This dissertation examined the CG policies in the concentrated firms from Non-Anglo-Saxon context. Future research can focus on the concentrated firms from Anglo-Saxon context and evaluate how the CG policies govern UCOs of the Anglo-Saxon firms. Future research can also focus on developing the 'niche' institutions that will be effective in addressing the P-P conflict.

1.6 Organization of the Thesis

This dissertation is organized in six chapters. Following the introductory chapter, the second chapter provides a literature review on the relevant research. Chapter 3 describes the development of theoretical framework along with the key hypotheses. Chapter 4 explains the research design and methodology. Chapter 5 presents the empirical findings, robustness tests, and ad-hoc analyses. Finally, Chapter 6 provides conclusion of the dissertation discussing the empirical findings and highlighting the theoretical contributions, policy/managerial implications, limitations, and directions for future research.

CHAPTER 2

LITERATURE REVIEW: FOUNDATION OF THEORETICAL FRAMEWORK

In this chapter, I will review the relevant literature important for developing the theoretical framework and hypotheses of my research. This section will provide details on – (i) definition of CG, (ii) mechanisms of Internal CG and External CG, (iii) closely-held firm structure along with Excess Control and Minority Shareholder Wealth (iv) cross-country trend in governance policy reform, (v) Universal View of CG, and (vi) Embedded View of CG.

2.1 What is Corporate Governance?

There are different versions of CG definition. The most widely accepted definition refers to the idea of protecting shareholders from managerial opportunism. As Donaldson (1990) suggests, – "Corporate governance is the structure whereby managers at the organizational apex are controlled through the board of directors, its associated structures, executive incentive, and other schemes of monitoring and bonding." (Donaldson, 1990: 376). Similarly, Sternberg (1998) states, "Corporate governance refers to ways of ensuring that corporate actions, agents, and assets are directed at achieving the corporate objectives established by the corporation's shareholders." (Sternberg, 1998: 14) In their version of CG definition, Denis & McConnell (2003) broaden the concept of 'agent' by referring to both managers and controlling owners and emphasize the

importance of external institutions, – "We define corporate governance as the set of mechanisms – both institutional and market-based – that induce the self-interested controllers of a company (those that make decisions regarding how the company will be operated) to make decisions that maximize the value of the company to its owners (the suppliers of capital)." (Denis & McConnell, 2003: 2)

In contrast with scholars who define CG from the perspective of 'shareholder value', proponents of 'stakeholder value' believe in the idea of extending corporate responsibilities towards serving the interests of additional actors (employees, customers, creditors, suppliers, and so forth). Claessens & Yurtoglu (2013) present a detail definition of CG from the perspective of stakeholder value, – "The first set of definitions concerns itself with a set of behavioral patterns: that is, the actual behavior of corporations, in terms of such measures as performance, efficiency, growth, financial structure, and treatment of shareholders and other stakeholders. The second set concerns itself with the normative framework: that is, the rules under which firms are operating – with the rules coming from such sources as the legal system, the judicial system, financial markets, and factor (labor) markets." (Claessens & Yurtoglu, 2013: 3). CG definition provided by Bosch & Lannoo (1995) suggests, – "Corporate governance is the whole system of rights, processes and controls established internally and externally over the management of a business entity with the objective of protecting the interests of all stakeholders." (Bosch & Lannoo, 1995: 5).

The conceptualization of CG varies across societies as cultural differences are prominent in defining the role of corporations (Sternberg, 1998; Tirole, 2001). But it is critical to recognize that even though the core meaning of CG may vary, there are striking

similarities in the national CG policies in incorporating commonly recommended "good" governance principles. In the formal documents of Codes of Good Governance across nations, definitions of CG in many instances may uphold the idea of serving all the 'stakeholders'; however, these documents focus predominantly on the key policies designed for serving the 'shareholders' (German Corporate Governance Code, 2015; Japan's Corporate Governance Code, 2015; Russian Code of Corporate Governance, 2014; Code of Corporate Governance for Listed Companies in China, 2002; Mexico's Code of Corporate Practices, 2010). To survive in intense competition and/or ensure legitimacy in the global community, local actors are required and expected to adopt the core CG policies (Soederberg, 2003). In fact, a number of standardized indices have been developed based on the common CG mechanisms that are widely utilized in measuring the quality of firm and country level CG institutions (Bebchuk & Hamdani, 2009).

2.2 Mechanisms of Internal CG & External CG

The standardized CG policies mainly were developed to govern the stand-alone firms with dispersed owners that are dominant in the U.S., U.K., Canada, Australia, and other Anglo-Saxon economies (Denis & McConnell, 2003). The basic premise of this model implies that modern corporations are owned by widely dispersed shareholders, where every day strategic and operational decision making is done by professional managers. That is, managers as the agent conduct important actions on behalf of the shareholders who by definition are the principals. Berle & Means (1932) had been pessimistic about the socioeconomic effects of separation between ownership and control. They expressed concerns as top managers' interests may not always be in line with those of the investors. Owners expect that profits be returned to them in a rightful

manner; but managers may prefer to reinvest profits or, in more sinister sense, further their own benefits in the form of higher salaries and perks. Thus separation between ownership and control generates P-A or Type I agency problem. To address such agency problem, CG scholars and policy-makers strictly advocate for adopting a series of governance mechanisms such as the firm level internal mechanisms of Monitoring CG and Incentive CG and the country level external mechanisms of legal rules and disclosure standards (Denis & McConnell, 2003; Fama, 1980; Fama & Jensen, 1983; Jensen & Meckling, 1976; La Porta et al., 1998; Mahoney, 1995). CG scholars also emphasize the importance of company debt structure (Harvey, Lins, & Roper, 2004) and transparent auditing (Guedhami, Pittman, & Saffar, 2009) as critical CG mechanisms; the debt providers (creditors) and external auditors discipline the corporate agent mainly as the *ex-ante* and *ex-post* actors of governance, respectively. Additionally, CG scholars highlight the importance of country level market institutions (Rossi & Volpin, 2004) and informal institutions (Dyck & Zingales, 2004) in implementing the firm level CG mechanisms. Following the OECD guidelines of "good" CG principles, this dissertation confines its investigation within the internal mechanisms of Monitoring CG and Incentive CG and the external mechanisms of legal and disclosure institutions.

The classical Agency Theory has been at the core in shaping commonly recommended "good" CG policies. In P-A relationship, the principals delegate decision-making authority and relinquish control to the agent to perform critical services on their behalf (Mitnick, 1992; Pratt & Zeckhauser, 1985). In the case of dispersed owners appointing professional managers to run the stand-alone firms, the delegation of decision-making authority and loss of control create potential 'goal conflict' and 'information

asymmetry' between the two actors (Arrow, 1985; Fama & Jensen, 1983; Jensen & Meckling, 1976). Potential 'goal conflict' occurs because the interests of risk-averse managers and risk-neutral shareholders often do not converge. 'Information asymmetry' occurs because the managers invariably possess more information on the day to day tasks, strategies, and outcomes than do the owners. Agency Theory assumes that the principals and agents are utility maximizers who pursue their own interests "with guile" (Alchian & Demsetz, 1972; Williamson, 1975). Corporate managers can engage in opportunistic behavior and act towards maximizing their self-interest at the expense of the shareholders (Holmström, 1982). Adverse selection by the principal implies that *ex-ante* or *ex-post* of hiring, owners cannot perfectly judge the competence and skill of the professional manager as such information is hidden and/or may be misrepresented (Eisenhardt, 1989). To address such agency problems, principals need governance measures for watching and bonding the agents' behavior. Monitoring mechanisms are designed to reduce the problem of 'information asymmetry' and monitor top management so that they act in the interest of the shareholders. Incentive mechanisms are prescribed to reduce the problem of 'goal conflict' and provide top management with the incentive packages to align their interests with those of the shareholders (Alchian & Demsetz, 1972; Jensen & Meckling, 1976). Additionally, governance scholars have emphasized the importance of countries' legal and market institutions in enforcing and supporting the firm level CG mechanisms (Denis & McConnell, 2003; Fama, 1980; Sun et al., 2016).

CG recommendations based on classical Agency Theoretical assumptions, however, have been criticized for being pessimistic and holding negative views particularly about corporate managers (Ghoshal, 2005; Lubatkin et al., 2007; Perrow,

1986). The egocentric agents are assumed to be self-interest maximizers who engage in opportunistic behavior "with guile" and ignore the interest of principals (Williamson, 1975). In recent works, CG scholars have addressed this critique by relaxing the sinister assumption of classical Agency Theory. They have updated its application to be more pragmatic in justifying the importance of good governance (Eisenhardt, 1989; Hendry, 2002; Hoenen & Kostova, 2015; Kostova et al., 2016). According to their analysis, agents' undesirable behavior may not necessarily be caused by the intension of self-utility maximization. As Hoenen & Kostova (2015) state, "… … agency problem is fundamentally rooted in the delegation of decision authority and inability to observe the agent exercising such authority. Due to imperfect rationality, principals may fail to specify objectives correctly and agents may fail to perform to expectations … …" (Hoenen & Kostova, 2015: 4). Similarly, Hendry (2002) defines agents' bounded rationality as 'honest incompetence' where agents' undesirable behavior is the result of "limited competence to interpret objectives, judge situations, and take appropriate actions" (Hendry, 2002: 102). Moreover, top managers' interests often may include maintaining high employment, distributing wealth among multiple stakeholders, attaining social legitimacy and so on (Bruce et al., 2005; Davis et al., 1997). In the process, shareholders' interests may be sacrificed even in the absence of managers' personal gain intension. That is, agency problems can occur as a result of key actors' bounded rationality and circumstantial uncertainties even when the agents are honest in their intensions (Gomez-Mejia et al., 2005; Hendry, 2002); hence, effective CG is necessary in all instances.

To address P-A problem in the stand-alone firms, commonly recommended Monitoring CG includes the enactment of an independent board and board leadership structure of CEO-Separation (Dalton, Daily, Ellstrand, & Johnson, 1998; García-Castro, Aguilera, & Ariño, 2013; Rechner & Dalton, 1991; van Essen, van Oosterhout, & Carney, 2012b). Publicly listed corporations are required by law to elect a board of directors responsible for hiring, firing, compensating, and advising top management on behalf of the shareholders (Hermalin & Weisbach, 2003). Appointment of outside directors (a proxy for board independence) is critical to ensure effective monitoring by the board; these members have higher motivation for building their reputation in the market for corporate directors (Fama & Jensen, 1983; Zajac & Westphal, 1996). Separation of the roles of CEO (Chief Executive Officer) and Board Chair is another Monitoring CG aimed at avoiding concentration of authority in one individual (Fama & Jensen, 1983; Higgs, 2003). The CEO is responsible for running and managing the company, while the Board Chair is responsible for running and directing the board, whose task is to monitor and evaluate top management. In P-A relationship between shareholders and managers, CEO Duality is usually discouraged – i.e. Board Chair should not be the same person playing the role of CEO; otherwise there will be self-evaluation and ineffective monitoring (Jensen, 1993).

Incentive CG comprises of extrinsic managerial incentives in the form of Managerial Ownership and Performance based Pay (Murphy, 1999). The Anglo-Saxon internal CG prescribes a compensation policy that will tie top management expected utility to the interest of shareholders (Jensen & Murphy, 1990). Managerial Ownership implies that the self-interested management team (self-interest is not only limited to

personal gain) will be willing to act towards maximizing the shareholder value if doing so provides them with greater benefit as well; and the most straightforward way to ensure such interest alignment is to have top managers hold equity ownership in firms and thereby, incentivize them to increase firm valuation (Denis, 2001). Performance based Pay policy is another alignment policy of Incentive CG. It implies that top management will be rewarded with high compensation on the basis of their past and present performance in improving firms' desired outcomes. Such incentive mechanism motivates top management to improve their future performance and continue their effort to serve the interests of shareholders (Buck et al., 2008).

In addition to the internal mechanisms, country level CG institutions are also critical in shaping the complete set of "good" governance principles (Estrin & Prevezer, 2011; Fama, 1980; Sun, Zhao, & Yang, 2010). Countries' legal institutions protect shareholders from managerial opportunism by providing them with the means of control contest and voting arrangement; ensuring shareholders' engagement in decision making; and allocating power between agents and principal (Guillén & Capron, 2015; Siems, 2008). Availability of necessary legal institutions support enforcing the internal policies through the formal rules of *ex-ante* constraints and *ex-post* punishments/sanctions (Djankov et al., 2008; La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 2000). Disclosure related regulation is the other crucial component of the country level CG institutions. Periodic reporting of company activities serves principals by reducing information asymmetry between shareholders and managers; allowing constant tracking of firms' prospects and risk profile; and providing with information to check for corruption by the insiders (Diamond & Verrecchi, 1991; Leuz & Verrecchi, 2000). Countries' disclosure

provisions support the implementation of formal policies by requiring reporting of the board compliance, leadership structure, managerial incentives, and other relevant mechanisms of internal CG (Coffee, 1999; Mahoney, 1995).

2.3 Closely-held Firms, Excess Control, & Minority Shareholder Wealth

In contrast to the widely held stand-alone firms with dispersed owners, a large number of corporations in many developed and emerging economies are closely-held within the control of concentrated owners (Claessens et al., 2000; Cueto, 2013; Faccio & Lang, 2002). There is a deficiency of necessary CG institutions in protecting the minority shareholders in many Non-Anglo-Saxon nations (Granovetter, 2005; Klapper & Love, 2004; Sun et al., 2016). To avoid the risk of being expropriated by top management, less protected shareholders in such contexts prefer investing through the mechanism of substantial block holdings and maintaining such block holdings through a complex network of ownership structure (Dharwadkar et al., 2000; La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 2002). While closely-held firm structure shields the interests of UCOs, it also provides them with the mechanisms that can be exercised to expropriate the minority shareholders (Enriques & Volpin, 2007; Young et al., 2008). UCOs can deviate from 'one share-one vote' principle and procure higher proportion of voting control rights in excess of their cash flow rights (Grossman & Hart, 1988; Hwang, Kim, Park, & Park, 2013). This disproportional ownership is the root cause of Type II agency problem (P-P problem) as UCOs (family, state, financial institution, corporation, and so forth) can exercise their Excess Control for private benefit acquisition (Dharwadkar et al., 2000). Series of studies have shown that disproportional ownership negatively affects Firm Value. For instance, La Porta et al., (2002) found negative effect on Tobin's Q; Claessens

et al., (2002) found negative effect on Market-to-Book; Jiang & Peng (2011) found negative effect on Stock Return; and Faccio, Lang, & Young (2001) found negative effect on dividend payout. Such adverse impact on Firm Value essentially indicates expropriation of Minority Shareholder Wealth and presence of Type II agency problem in the closely-held firms (Ghoul et al., 2016; Hale, 2006; Saggese & Sarto, 2016).

The key mechanisms through which UCOs deviate from 'one share-one vote' principle include the techniques of dual-class share, cross-shareholding, pyramiding, and multiple control chains (Bebchuk et al., 2000; Coffee, 1999; Morck et al., 2005). Unlike ordinary common stock, dual-class share (or superior voting share) is a distinct class of share that permits multiple votes per stock; it allows the controlling shareholders to control majority of firms' votes even though they may own only a small fraction of the equity. Cross-shareholding is a mechanism through which network-affiliated firms own blocks of each other's stocks; it is mostly common in the horizontal business group networks and at the lower levels of pyramid business group networks. Pyramiding is a complex top-down chain of ownership structure, where UCOs (mostly vested in the apex firm) acquire higher proportion of voting right in excess of their cash-flow right in the successive layers of affiliated firms. Multiple Control Chains are established by UCOs for procuring complex disproportional ownership through the mechanism of multiple pyramiding. A detail illustration by Ariffin (2009) is presented in Table 2.1 to better understand the mechanisms of disproportional ownership.

Table 2.1: Illustration of Disproportional Ownership Structure (Source: Ariffin, 2009: 11-12) [2]

Separation of Cash Flow Rights (CFR) and Control (CR):

… …

By definition, CFRs represent owner's actual ownership in a company (Claessen et al., 2000). Because, ownership arises only with investment, this would mean that the CFRs also proxy for owner investment in a company (Morck & Yeung, 2004). CRs, on the other hand, represents voting rights for the controller (Claessen et al., 2000). Logically, owners' voting rights in a company should equal the owner's CFRs that arise from his actual investment. But due to the pyramid structure described, these two are no longer equal (a point to be illustrated shortly).

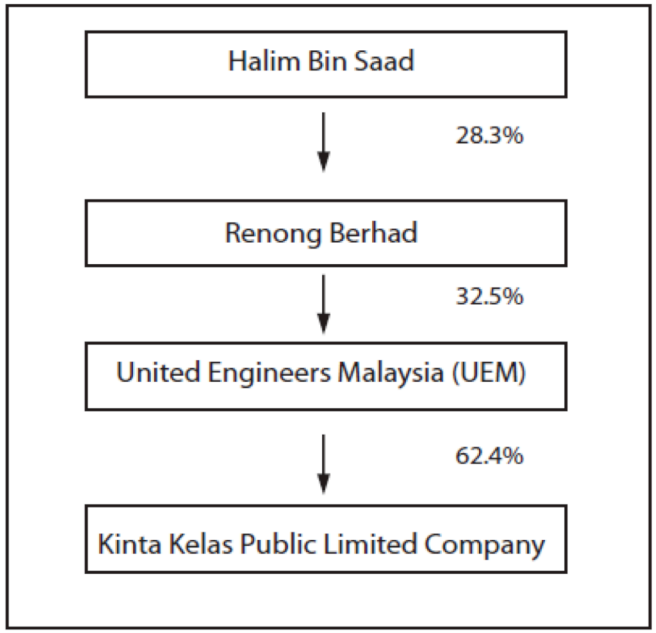
Pyramid structure that creates the separation of CFR and CR is defined as owning a majority of the stock of one corporation that, in turn, holds a majority of the stock of another (Wolfenzon, 2004). For example, Halim bin Saad a Malaysian entrepreneur owns 28.3 per cent of Renong Berhad (see figure 1). The 28.3 per cent stakes makes Halim the majority stockholder and ultimate owner (UO) of Renong Berhad. At the same time, the Renong owns 32.5 per cent of shares in United Engineers Malaysia (UEM). Just like previously, this makes Renong the controlling stockholder of UEM. The fact that Halim controls Renong Berhad, and Renong Berhad is a major shareholder of UEM, this gives Halim the right to control UEM also. In this pyramid group, Halim has a direct ownership of Renong only. For the rest of the firms, the ownership comes indirectly. For instance, Halim's ownership in UEM comes through Renong Berhad. For Kinta Kelas, Halim's ownership arises from his stake in Renong Berhad and UEM. Resulting

Table 2.1 (Continued): Illustration of Disproportional Ownership Structure (Source: Ariffin, 2009: 11-12)[2]

from this particular arrangement, Halim's actual ownership (CFR) in Kinta Kelas is 5.73 percent. This value is determined in the following manner:

Halim's CFR in Kinta Kelas = 28.3% x 32.5% x 62.4%

= 0.05739 ~ 5.73%



Source: Lemmon and Lins (2003)

Table 2.1 (Continued): Illustration of Disproportional Ownership Structure (Source: Ariffin, 2009: 11-12) [2]

Since, theoretically, ownership arises from one's investments, if the amount of Halim's ownership in Kinta Kelas is 5.73 percent, this would mean that his investment in Kinta Kelas is also 5.73 per cent. If dollar value are applied in the example (ie., assuming that Kinta Kelas is worth $10,000,000), because ownership comes with one's investment (Morck & Yeung, 2004; Claessen et al., 2000), with an investment of worth $573,000 (5.73 per cent x $10,000,000), Halim Saad is able to control a company worth $10,000,000.

Halim's indirect control of Kinta Kelas is proxy by the CR. The control arises from Halim's controlling stake in Renong, which then controls UEM, and finally the controls of Kinta Kelas by UEM. La Porta et al. (1999) and Claessens et al. (2000) define the weakest link in the line of control as the CRs. Based on this definition, the CR that Halim has over Kinta Kelas is 28.3 per cent (i.e., the weakest link in the chain of ownership). Practically speaking, with these control, Halim has the rights to influence (indirectly through Renong and UEM) matters such as firm policy and appointing BOD in Kinta Kelas. Evidently, because of the pyramid structure, with 5.73 per cent of ownership or RM 573,000 worth of investment, Halim has 28.3 per cent of CR in a firm (Kinta Kelas) worth RM10,000,000. This significant separation of ownership and control clearly deviates from the traditional idea of one share – one vote (Grossman & Hart, 1988). Crucially, the incentives to expropriate other shareholders may also arise from this separation (Claessens et al., 2000) … … … … … … … … … … …

Table 2.1 (Continued): Illustration of Disproportional Ownership Structure (Source: Ariffin, 2009: 11-12) [2]

As in La Porta et al. (1999) and Claessens et al. (2000), the separation can be measured by looking at both the ratio of CFR to CR and the difference of CFR and CR. The following illustrates how such separation can be measured using ownership data in Figure 1.

The separation of CFR and CR in Kinta Kelas can be measured in two forms;

I. The separation of CFR and CR in Kinta Kelas as measured by the ratio of CFR to CR:

= Halim's CFR/ Halim's CR

= 5.73% / 28.3%

= 0.2024

II. The separation of CFR and CR in Kinta Kelas as measured by the different of CR and CFR:

= Halim's CR - Halim's CFR

= 28.3% - 5.73%

= 22.57%

Based on these techniques of computation, the smaller the ratio of CFR to CR indicates wider separation between actual ownership (CFR) and control (CR) in the hand of the UO. In similar manner, the larger differences between CR and CFR also indicate wider separations between actual ownership (CFR) and control (CR).

There are, however, arguments in the governance literature that view UCOs and their control mechanisms as means to serve the interests of minority shareholders (Adams & Ferreira, 2008; Burkart & Lee, 2008; Chung & Luo, 2013). The Transaction Cost Economics perspective views the network of closely-held firms as a useful organizational mechanism capable of overcoming obstacles due to inefficient and/or missing external institutions in the capital, labor, and product markets (Khanna & Palepu, 2000; Khanna & Palepu, 1997). By forming the internal input market, UCOs provide network-affiliated firms with access to critical resources which would otherwise be difficult to obtain in the open market at times of market failure (Hoshi, Kashyap, & Scharfstein, 1991; Leff, 1979; Shin & Park, 1999). The Resource Based View describes UCOs as facilitators of entrepreneurial activities, risk managers of the member firms, providers of special skills, resources and abilities, and so forth (Guillén, 2000; White, Hoskisson, Yiu, & Bruton, 2008). Leff (1978) and Keister (2000) describe closely-held firm structure as a collaborative and relation-based network which is mostly common in collectivistic societies. Consequently, agent's decision making in these firms is not necessarily driven by self-interest motivation but rather by maximization of collectivistic welfare (Brewer & Venaik, 2011).

In fact, in the CG literature, scholars have long been debating over whether in certain institutional contexts, closely-held firm structure with UCOs is more (or less) beneficial compared to stand-alone firm structure with dispersed owners (Carney, Shapiro, & Tang, 2009; Khanna & Yafeh; Perotti & Gelfer, 2001). In my dissertation, I am not focusing on such debate; rather I am arguing that CG is necessary in all sorts of firms. While the above mentioned views inherently describe UCOs as the stewards of

closely-held firms, a similar view also exists in the studies of stand-alone firms. It describes top managers as the stewards of dispersed firms (Donaldson & Davis, 1991; Donaldson & Davis, 1994; Fox & Hamilton, 1994). So, should we not govern our corporate agents? – I find this conclusion overly optimistic as divergence in interests and undesirable behavior in organizations can occur even in the absence of corporate actors' sinister intensions (Hendry, 2002; Hoenen & Kostova, 2015; Kostova et al., 2016). Closely-held firm structure may offer certain type of benefits particularly in countries with weak external institutions but they do generate their own set of agency problems. In fact, expropriation of minority shareholders is not always caused by UCOs' private benefit acquisition. It can also occur due to UCOs' collective benefit motivation such as bailing-out of inefficient firms (Burkart & Lee, 2008), maintaining high employment rate (Bai, Li, Tao, & Wang, 2000), directing resources to social and developmental projects (Cheung, Jiang, Limpaphayom, & Lu, 2008), and so forth even at the expense of shareholders' interest. Hence, effective CG has to be ensured in any circumstances.

Studies by Griffin et al. (2017) and Renders & Gaeremynck (2012) suggest that UCOs in the concentrated firms tend to adopt fewer CG mechanisms. As the decision of CG adoption is contingent on the tradeoff between the cost of reduction in their controlling ability and the benefit of capital procurement at a lower cost (Durnev & Kim, 2005; Klapper & Love, 2004). Furthermore, the sources of agency conflict between minority shareholders and UCOs are different in many aspects compared to that between dispersed shareholders and top managers. Hence, the question is whether universally suggested "good" CG mechanisms (internal and external) are the appropriate means to

govern the closely-held firms with UCOs – a thorough investigation in this regard is necessary in governance policy research.

2.4 Cross-Country Trend in Governance Policy Reform

Since the 1990s global financial crisis, local and international actors alike have been emphasizing the importance of CG reforms in both developed and emerging economies (Bratton & McCahery, 1999; Soederberg, 2003). Even though governments and policy-experts across nations have been conducting rigorous policy reforms, expected goals still have not been achieved (Chen et al., 2011). Since Agency Theory has been at the core in shaping key governance policies, it is often concluded that Agency Theory is not generating effective CG measures and is failing to address the differences among national governance systems (Bruce et al., 2005; Davis et al., 1997; Dharwadkar et al., 2000; Peng, 2004; Tian & Lau, 2001). In depth review of the literature actually suggests that policy recommendations in CG reforms have been mostly driven by the Anglo-Saxon Model – which is in fact, one of the earliest and most important applications of Agency Theory.

With the progression of Agency Theory, changes and relaxations of classical assumptions permit its application in generating different models for different actors involved in specific principal-agent relationships (Eisenhardt, 1989; Hendry, 2002; Hoenen & Kostova, 2015). Agency scholars extend the classical bilateral assumptions to multilateral settings, where multiple agents interact with multiple principals (Holmström, 1982; Holmström & Milgrom, 1990; Milgrom & Weber, 1982; Tirole, 1986). By incorporating the complementary theories and acknowledging the diversity among societies, cultures, and institutions, progression of Agency Theory also allows the

contextualization of derived models and their governance mechanisms (Cuevas-Rodríguez, Gomez-Mejia, & Wiseman, 2012; Gomez-Mejia et al., 2005; Lubatkin et al., 2007; Wiseman et al., 2012). In fact, different disciplines are utilizing the development of Agency Theory in addressing different types of agency problems associated with various actors and/or various contexts (Kiser, 1999). In Economics, Agency Theory has been applied to govern the conflict between employer and employee (Stiglitz, 1975), insurer and insured (Spence & Zeckhauser, 1975), buyer and supplier, lawyer and client, and so forth (Harris & Raviv, 1978). In Political Science, Agency Theory has been utilized to understand the issue of state policy implementation and the agency relationship between politicians and bureaucrats (Banfield, 1975; Niskanen, 1971). In the organizational research, Agency Theory has been useful to study vertical integration (Eccles, 1991), outsourcing (Bahli & Rivard, 2003), strategic alliance (Das & Teng, 1998), acquisition and diversification (Amihud & Lev, 1981), and similar issues. In International Business, Agency Theory has been applied to examine the management of multinational corporations and agency relationship between MNC headquarter and subsidiaries (Kostova et al., 2016; O'Donnell, 2000; Roth & Nigh, 1992; Roth & O'Donnell, 1996).

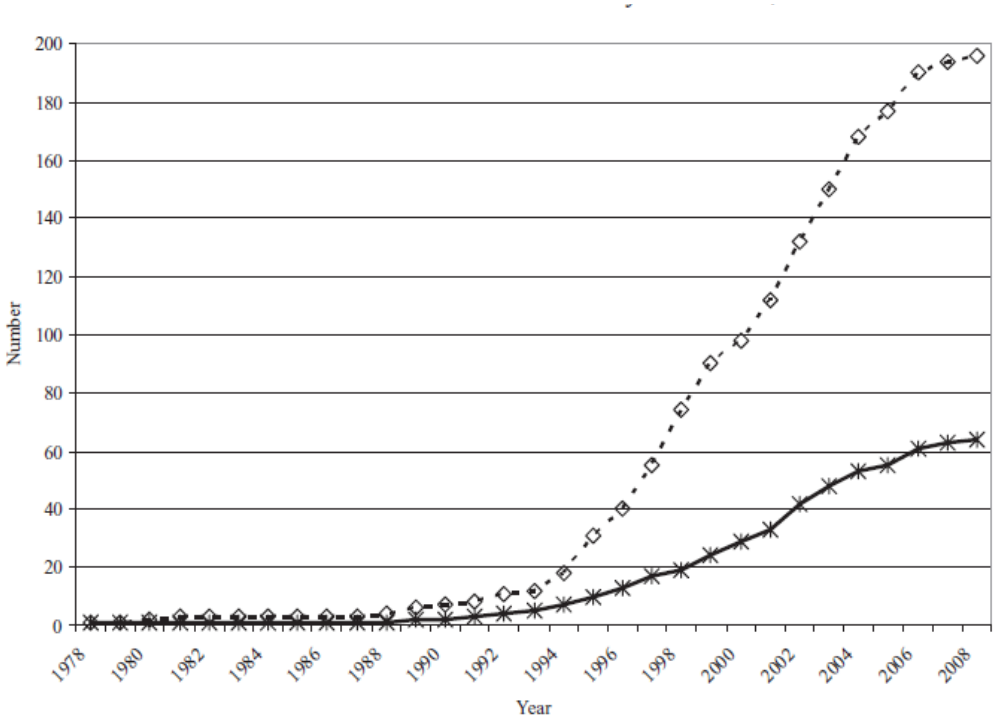
Despite being challenged by serious criticism (Aguilera & Jackson, 2003; Aguilera & Jackson, 2010; Bebchuk & Hamdani, 2009; Young et al., 2008), CG research and policymaking have not sufficiently utilized the progression of Agency Theory; but have rather remained consistent in recommending a universal set of governance mechanisms that are rooted in the Anglo-Saxon Model (Aguilera & Cuervo-Cazurra, 2004; Ananchotikul & Eichengreen, 2009; Hansmann & Kraakman, 2000). Why did the field of CG follow such a narrow approach? First, it can be suggested that the first

generation CG research was primarily concerned with governing stand-alone dispersed firms from Anglo-Saxon nations. The initial application of Agency Theory was focused towards developing a set of CG mechanisms necessary to govern top managers and protect company owners from managerial opportunism (Denis & McConnell, 2003). Later on, right before the global financial crisis of 1990s, comparative CG research started to emerge; and scholars, policy-experts, and transnational organizations started to realize the importance of worldwide CG reforms. In the process, institutional actors embraced the comprehensively studied Anglo-Saxon CG Model as the universal benchmark and recommended most of its measures as "good" governance principles (Bratton & McCahery, 1999; Claessens & Yurtoglu, 2013; Soederberg, 2003). Second, it can be argued that it is relatively straightforward to develop and promote compliance based standardized system versus create and maintain actor and context specific varied institutions (Wijen, 2014). In order to ensure policy compliance by a maximum number of adopters, institutional entrepreneurs often prefer a standardized set of concrete rules (Wijen, 2015). Similarly, in case of CG, researchers and policy experts have constructed a compliance based system. To ensure a large scale policy adoption, they have designed a universal set of "good" CG mechanisms, which are mostly rooted in the Anglo-Saxon Model (Aguilera & Cuervo-Cazurra, 2009; Ananchotikul & Eichengreen, 2009).

In the governance literature, research and policymaking on the U.S. corporations can be traced back to mid-1970s; whereas, in the rest of the world such efforts emerged almost two decades later (Cheffins, 2012; Denis & McConnell, 2003). The worldwide CG reforms during 1990s were prompted by the global financial crisis, market failure, and corporate misconduct committed by top management (e.g. Enron, HIH Insurance,

and Polly Peck in Anglo-Saxon economies), and controlling shareholders (e.g. Parmalat, Olympus, and Satyam in Non-Anglo-Saxon economies). During the same period, worldwide wave of economic liberalization, deregulation, and privatization stimulated the pace of globalization (Cuervo-Cazurra & Dau, 2009; Useem, 1998). According to World Investment Report (2015), from 1990 to 2014, inward foreign direct investment increased to almost 4 times in Europe, 20 times in Asia, and 19 times in Latin America; and outward foreign direct investment increased to almost 3 times in Europe, 9 times in Asia, and 17 times in Latin America. According to World Federation of Stock Exchanges Report (2015), the number of cross-listed foreign companies trading in major stock exchanges outside their home markets reached over 3000 by the year 2014. This data indicates that there has been a significant increase in the involvement of international actors in influencing local business institutions and requiring the adoption of "good" CG principles (Coffee, 2002; Marano & Kostova, 2015; Useem, 1998). In an effort to ensure stability in the world economy, supranational organizations such as OECD, World Bank, European Corporate Governance Network, Asian Corporate Governance Association, and Latin American Corporate Governance Roundtable have been pushing for improvement of CG policies. Such global efforts have been accompanied by a long list of national level reform initiatives in both developed and emerging economies (for detail see the website of European Corporate Governance Institute; http://www.ecgi.org/codes/all_codes.php). In 1999, OECD issued a set of "good" CG principles which later were revised during 2004. These principles became highly influential in the development of Codes of Good Governance across nations. The majority of these codes and their content followed the key principles of Anglo-Saxon governance (Chizema, 2008; Cromme, 2005; Krambia-

Kapardis & Psaros, 2006; Roberts, 2004). As shown in Figure 2.1, since 1990s, countries have been increasingly adopting codes of "good" governance as means to attain the global standard of CG (Source: Aguilera & Cuervo-Cazurra, 2009). As suggested by Coffee (2000) and Manning (2002), one of the core drivers of movement towards the shareholder-oriented CG reforms is the global expansion of security exchanges. Stock markets are central to shareholder driven CG model as investors play critical roles as the provider of corporate finance. Consequently, supporting legal institutions get developed to protect the interests of shareholders (Coffee, 2001). Figure 2.2 shows a rising trend in the creation of stock markets across independent nations during the period of 1800-2005 (Source: Weber, Davis, & Lounsbury, 2009).



Top Line indicates increase in the number of cumulative governance codes across nations
Bottom Line indicates increase in the number of cumulative nations issuing governance codes

Figure 2.1: Worldwide Creation of Codes of Good Governance, 1978-2008 (Source: Aguilera & Cuervo-Cazurra, 2009)

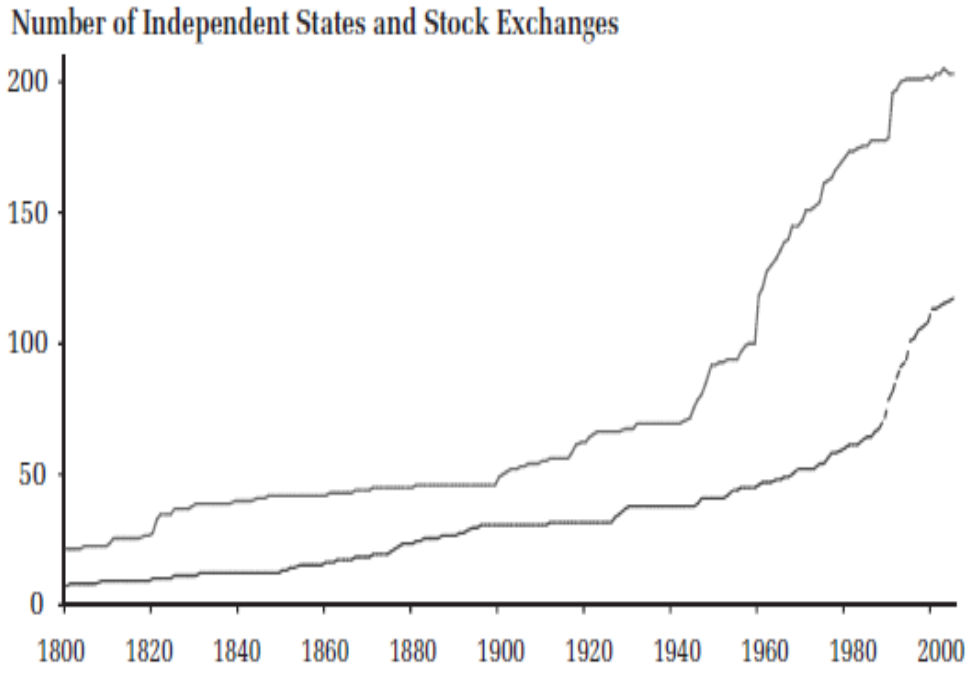


Figure 2.2: Prevalence of Stock Markets among Independent Countries, 1800-2005 (Source: Weber, Davis, & Lounsbury, 2009)

Comparative CG research discusses the historical differences between shareholder-oriented CG model common in the Anglo-Saxon economies versus stakeholder-oriented CG model common in the European, Asian, and Latin American economies (Donaldson & Preston, 1995; Fiss & Zajac, 2004; Zink, 2005). Since early 1980s, however, the world map of shareholder protection has changed significantly. Legal and disclosure related institutions have improved substantially in the Non-Anglo-Saxon context and the trajectory is increasing overtime (Guille´n & Capron, 2015; Hellman et al., 2018). Irrespective of any particular agency situation, it is quite regular for the external CG institutions to require/expect all firms to adopt the basic set of internal CG mechanisms. Enactment of a corporate board with independent directors and

appointment of separate CEO and Board Chair are the most important Monitoring CG often recommended as the firm level "good" mechanism (Gregory, 1998, 1999). Countries' codes of good governance and OECD suggested best CG principles lay out specific instructions on the corporate board structure and its functionality; and as discussed previously, majority of such universal recommendations are based on the Anglo-Saxon CG model (Gregory & Simmelkjaer, 2002; O'Shea, 2005). A long list of empirical research on Incentive CG has shown that managerial equity ownership and performance based compensation have been increasing in firms from Non-Anglo-Saxon nations even though these mechanisms used to be institutionally contested in this context (Brunello, Graziano, & Parigi, 2001; Buck et al., 2008; Ferris, Kim, & Kitsabunnarat, 2001; Fiss & Zajac, 2004). Comparative studies in 1970s and 1980s showed that executive compensation used to vary significantly in firms from European, Asian, and Latin American nations (Bass & Burger, 1979; Pennings, 1993). Since 1990s, however, these Non-Anglo-Saxon nations have started introducing Anglo-Saxon based incentive plans holding the idea that executive compensation linked to firm performance is an effective mechanism of Internal CG (Zattoni, 2007).

In sum, international CG research and policymaking have been consistent in benchmarking a standardized set of "good" CG principles. The proponents of Universal View of CG argue that various nations and firms are adopting the standardized policies as these measures are effective in addressing common agency problems (Hansmann & Kraakman, 2001; Lam & Lee, 2008). In contrast, the proponents of Embedded View argue that in many instances firms across nations are adopting the universal policies only

as fads and fashion which may facilitate the attainment of legitimacy; but may not be effective in achieving the intended goal (Abrahamson, 1991; Aguilera & Jackson, 2003).

2.5 Universal View of CG

A large number of CG scholars support the standardization of "good" governance principles. They recognize the differences in firm types in arguing that various firms from various nations are adopting commonly recommended internal mechanisms as these policies are aligned with the intended goal of attaining good governance (Chen et al., 2009; Gomez-Mejia et al., 2005; Kaplan, 1994a; Nyberg, Fulmer, Gerhart, & Carpenter, 2010). Furthermore, scholars in this line suggest that governments and policy-experts are improving their country level CG institutions (Coffee, 2001; Easterbrook & Fischel, 1991; Useem, 1998), which in turn is strengthening the firm level governance impact (Doidge et al., 2007; van Essen et al., 2012a). I refer to this perspective as the Universal View of CG. For an in depth analysis of the Universal View, I distinguish between the ideas of *Generalizability of Internal CG* and *Complementarity of External CG*.

2.5.1 Generalizability of Internal CG

According to the idea of *Generalizability of Internal CG*, firms embedded in various institutional contexts may have various features and forms; but there are evidences of organizational convergence in adopting internal CG mechanisms (Chen et al., 2009; Gomez-Mejia et al., 2005; Kang & Shivdasani, 1995; Kaplan, 1994b; Nyberg et al., 2010; Tosi & Gomez-Mejia, 1989). Commonly recommended Monitoring CG and Incentive CG are designed to address the core problems in agency relationship (Alchian & Demsetz, 1972; Jensen & Meckling, 1976). Various firms from various nations are experiencing positive results by incorporating these measures since agency problems

occur in all sorts of separation and delegation relations (Hendry, 2002). In the Law literature, scholars recognize the firm level convergence in CG policy adoption and describe it as 'convergence in function' (Gilson, 2001; Yoshikawa & Rasheed, 2009).

In the governance literature, a large body of theoretical and empirical research supports the idea of *Generalizability of Internal CG*. In Japan and Germany, firms are addressing their agency problems through the means of universal CG (Kaplan, 1994a, 1994b; Kaplan & Minton, 1994; Sanders & Tuschke, 2007); even though the nature of agency problem is different in firms from the Coordinated Market Economies (CMEs – Japan and Germany) versus in firms from the Liberal Market Economies (LMEs – Anglo-Saxon Economies) (Hall & Soskice, 2001). Similarly in China, commonly recommended internal CG is improving firms' accountability and transparency (Buck et al., 2008); even though the Chinese firms are different in many aspects in comparison to the dispersed firms from the Anglo-Saxon context (Ma et al., 2006). Organizational convergence in CG policy adoption and its positive impact have been supported by Dehaene, De Vuyst, & Ooghe (2001) for Belgian firms, Koski, Marengo, & Makinen (2012) for Finish firms, Minichilli, Zattoni, & Zona (2009) for Italian firms, Beiner, Schmid, & Wanzenried (2011) for Swish firms, and Cerbioni & Parbonetti (2007) for a large number of European firms. Similar findings are reported by Black & Khanna (2007) for Indian firms, Connelly & Limpaphayom (2004) for Thai firms, Abidin, Kamal, & Jusoff (2009) for Malaysian firms, and Mitton (2002) for a large number of East Asian firms.

2.5.2 Complementarity of External CG

Scholars supporting the idea of *Complementarity of External CG* assert that along with the firm level policy convergence, cross-country external institutional framework is also becoming similar in many aspects (Coffee, 2001; Easterbrook & Fischel, 1991; Hansmann & Kraakman, 2000; Morck et al., 2005; Useem, 1998). According to their logic, formation and rapid growth of stock markets in Europe, Asia, Latin America and other parts of the world point towards global spread of shareholder-oriented CG model (Coffee, 2001; Manning, 2002). Upward trends in the adoption of good governance codes and development of legal and disclosure provisions indicate growing awareness for shareholder protection (Aguilera & Cuervo-Cazurra, 2009; Guillén & Capron, 2015; Hellman et al., 2018). Prominence of global corporate intermediaries such as international law firms, international consulting firms, Big Five accounting firms, and so on suggest widespread support for the standardized system (Hansmann & Kraakman, 2000). In the Law literature, scholars describe the country level convergence in CG policy adoption as 'convergence in form' (Gilson, 2001; Yoshikawa & Rasheed, 2009).

Proponents of *Complementarity of External CG* argue that the universal governance measures offer maximum value in their entirety. That is, in weak contexts with less developed external CG, organizations ensure good governance mainly through the means of internal CG. Such firm level positive impact gets further enhanced in the strong contexts when the internal CG is supported by developed external CG. Governance scholars have extensively studied the complementary role of national laws and disclosure regulations in strengthening firm level governance. Doidge et al. (2007) and van Essen et al. (2012a) suggest that stronger legal CG institutions enhance the

positive impact of internal CG through the command of policy enforcement or penalization otherwise. Analyses by Hope (2003) and Renders & Gaeremynck (2012) imply that higher quality disclosure environment mandates stricter reporting of the organizational activities; thereby, directly influences implementation of the internal CG.

2.6 Embedded View of CG

Many Institutional and CG scholars have expressed doubts about the universality of "good" governance principles. According to their logic, many countries lack the availability of external CG institutions, which are necessary to implement the firm level mechanisms and sustain the shareholder-oriented CG model (Hall & Soskice, 2001; Kogut; Schmidt & Spindler, 2006). Moreover, researchers have questioned the goal alignment of standardized CG policies in mitigating unique agency conflicts across various types of firms (Bebchuk & Hamdani, 2009; Fiss, 2008; Young et al., 2008). I refer to this perspective as the Embedded View of CG. For an in depth analysis of the Embedded View, I utilize the Neo-Institutional constructs of Policy-Practice Decoupling and Means-Ends Decoupling.

2.6.1 Policy-Practice Decoupling of CG

Institutional scholars emphasize an open system view of organizations (Berger & Luckmann, 1967; Granovetter, 1985; Selznick, 1957), where they argue that "external influences — both directly in the form of legislation, public policy, and the professionalization of management, and more diffusely through public opinion and social activism — led organizations to be more attentive and responsive to their external environments" (Bromley & Powell, 2012: 2). In discussing the power of the external environment in shaping organizational formal structure, Meyer & Rowan (1977) suggest

that responses to the external pressures often generate a gap between official policies and daily practices which firms tend to buffer from the outside inspections. Typically, Policy-Practice Decoupling occurs when the formal policies are aligned with their intended objective; but positive results are seldom achieved since firms conduct ceremonial policy adoption just to secure institutional legitimation.

It is critical to incorporate the issue of 'quality of external institutions' in discussing the concept of Policy-Practice Decoupling. As the Neo-Institutional Theory suggests, when formal policies are aligned with their intended objective, ceremonial policy adoption decreases with the development of external institutions (Guillén & Capron, 2015; Wijen, 2015). Generally, in weak institutional environment, external institutions are not strong enough in implementing the firm level desired policies (Dharwadkar et al., 2000; Schøtt & Jensen, 2008; Westphal & Zajac, 1994). In such context, firms often can get away with the act of Policy-Practice Decoupling and nonattainment of the expected outcomes (Greve, Palmer, & Pozner, 2010). In contrast, in strong institutional environment, external institutions are relatively effective in implementing the formal policies (Espeland & Sauder, 2007; Masulis, Pham, & Zein, 2011; Rajan & Zingales, 1998). Policy-Practice Decoupling is no longer viewed as an accepted means to achieve legitimacy; rather it is penalized as an act of ethical misconduct and organizational failure (Tilcsik, 2010). Expected outcomes in such context are often achieved since effective policies are enforced/supported to attain both technical efficiency and environmental legitimacy (Heugens & Lander, 2009; Kennedy & Fiss, 2009).

In the governance literature, many scholars hold the idea of Policy-Practice Decoupling in analyzing the value of universal CG (Jaiswall & Firth, 2009; Klapper & Love, 2004; Leuz, Nanda, & Wysocki, 2003; van Essen et al., 2012b; Yeh & Woidtke, 2005). They argue that the internal mechanisms may be aligned with the intended goal of ensuring good governance; however, success of such policy mechanisms is contingent on the presence of supporting external CG institutions (Aguilera & Jackson, 2003; Aguilera & Jackson, 2010). Countries are not necessarily converging towards a standardized system; rather in many instances, ceremonially adopting common governance policies mainly to secure global legitimacy (Aguilera & Cuervo-Cazurra, 2004; Cuervo, 2002). Among many developed economies, there are differences in national governance system which may not be fully supportive of the shareholder-oriented CG model (Hall & Soskice, 2001; La Porta et al., 1998). In emerging economies, there is a void in the availability of external CG institutions, which severely constraints the firm level policy implementation (Khanna & Palepu, 2000; Khanna & Palepu, 1997). Fiss & Zajac (2004), Peng et al. (2003), Peng (2004), and La Porta et al. (2000) have found that commonly recommended internal CG could not guarantee organizational good governance in many Non-Anglo-Saxon nations. In explaining such insignificant/negative result, CG scholars point towards the organizational act of Policy-Practice Decoupling which essentially has been possible due to weaknesses in external CG institutions.

2.6.2 Means-Ends Decoupling of CG

Traditionally, 'Decoupling' research has focused on the gap between formal policies and organizational practices; and examined when and why organizations violate or avoid the implementation of goal-aligned policies (Fiss & Zajac, 2004; Westphal,

Gulati, & Shortell, 1997). Recent developments in the Neo-Institution literature focus on the gap between organizational practices and intended outcomes; and examine how and why misaligned policies are being rationalized within formal structures (Abrahamson, 1991; Bowen, 2014; Dick, 2015). As discussed by Bromley & Powell (2012), Means-Ends Decoupling occurs when the causal links between formal policies and intended outcomes are opaque and weak; yet organizations adopt these misaligned policies due to rationalization of the recommended structure by powerful actors and institutions. Means-Ends Decoupling is common in more fragmented environments and "may increase over time with the worldwide adoption of New Public Management and neo-liberal ideologies." (Bromley & Powell, 2012: 27).

Neo-Institution scholars have argued that Policy-Practice Decoupling is a transitory phenomenon (Guillén & Capron, 2015; Wijen, 2015). Overtime with institutional development, expected outcomes can be often achieved as the goal-aligned policies are enforced by powerful external institutions (Espeland & Sauder, 2007; Rajan & Zingales, 1998; Westphal et al., 1997). However, Means-Ends Decoupling is a relatively persistent phenomenon (Dick, 2015). In order to ensure clarity, manageability, and large scale policy implementation, institutional actors prefer developing a compliance based system with uniform set of rules (Wijen, 2014). Such institutional arrangements lead to rigidity and constrain flexibility in effectively responding to unique issues/problems (Wijen, 2015), which can vary due to environmental complexities, actor diversity, and may other aspects of circumstantial uncertainties (Espinosa & Walker, 2011; Levy & Lichtenstein, 2012). As a result, compliance based universal institutions often generate a gap between means (policies and practices) and ends (envisioned

outcomes). Developed external institutions cannot help moderate any positive outcomes as the core problem here is not firms' avoidance of policy implementation (which can be prevented by strong external institutions); rather a misalignment between policies and outcomes (strong external institutions may ensure implementation of the rationalized policies which, however, are not effective in achieving desired goals).

In the governance literature, many scholars imply the idea of Means-Ends Decoupling in criticizing the Anglo-Saxon based CG reforms (Bebchuk & Hamdani, 2009; Bruce et al., 2005; Davis et al., 1997; Morck, Yeung, & Yu, 2000; Young et al., 2008). They express serious concerns as extensive governance reforms over the years have not been able to achieve the envisioned goals (Chen et al., 2011; Young et al., 2008). Scholars argue that the nature of ownership structures, agency problems, actors' interests, and organizational dynamics vary across different types of firms from different contexts (Fiss, 2008; La Porta et al., 1999). Generally these differences are difficult to factor in while developing a standardized set of formal rules. Availability of supporting external institutions cannot guarantee firm level positive outcomes as these CG institutions are promoting a set of ineffective/misaligned internal policies to begin with (Bebchuk & Hamdani, 2009).

Table 2.2 summarizes the key points of Universal View of CG vs. Embedded View of CG. This summary is provided based on the two core issues; policy-goal alignment of internal CG mechanisms in attaining good governance and significance of external CG institutions in implementing the firm level policies.

Table 2.2: Summary of Universal View of CG vs. Embedded View of CG

Universal View	Generalizability of Internal CG	Complementarity of External CG
(i) Policy-Goal Alignment of Internal CG	Firm level CG policies in general are aligned with the intended goal of attaining good governance.	Firm level CG policies in general are aligned with the intended goal of attaining good governance.
ii) Role of External CG in Policy Implementation		Country level CG policies are the 'complementary' factor in enhancing positive impact of the firm level CG mechanisms. - In absence of developed external institutions in weak context, organizations rely on the internal mechanisms to attain good governance; in availability of developed external institutions in strong context, positive impact of the internal mechanisms gets further enhanced.
Embedded View	**Policy-Practice Decoupling of CG**	**Means-Ends Decoupling of CG**
(i) Policy-Goal Alignment of Internal CG	Firm level CG policies in general are aligned with the intended goal of attaining good governance.	Firm level universal CG policies are not aligned with the intended goal of solving various agency problems.
ii) Role of External CG in Policy Implementation	Country level CG policies are the 'necessary' factor in ensuring/ generating positive impact of the firm level CG mechanisms. - In absence of developed external institutions in weak context, organizations conduct symbolic adoption of the internal CG mechanisms that can seldom attain good governance; in strong context, intended outcomes by the internal CG mechanisms are often achieved as necessary external institutions are available in implementing the formal policies. - Scholars question the universality of "good" governance principles from the perspective of country institutional heterogeneity/embeddedness.	Because of ineffective internal mechanisms, country level CG institutions cannot support moderation of the firm level positive impact. - In various organizational contexts, the core problem is not lack in 'CG policy implementation' (which can be addressed by developed external institutions) but rather lack in 'CG policy alignment' (where developed external institutions may end up implementing the misaligned/ineffective internal policies). - Scholars question the universality of "good" governance principles from the perspective of firm structural heterogeneity/embeddedness.

CHAPTER 3

THEORETICAL FRAMEWORK & HYPOTHESES DEVELOPMENT

In this section, I begin with developing my first hypothesis in regard to how 'Excess Control' by UCOs affects 'Minority Shareholder Wealth' in the concentrated firms. The purpose of my base hypothesis is to indicate the presence of P-P conflict in this empirical setting. Next, I incorporate the Universal View of CG versus Embedded View of CG to generate alternative policy hypotheses and thereby, examine how a set of standardized CG mechanisms influence the negative relationship between Excess Control and Minority Shareholder Wealth. In other words, the purpose of my policy hypotheses is to examine the effectiveness of internal CG and external CG in addressing P-P conflict. Theoretically, my approach offers important benefits.

In the International CG literature, a large stream of research has focused on assessing the value of "good" governance mechanisms in various firms from various nations (Abdullah, 2004; Edwards et al., 2009; Lam & Lee, 2008; Li et al., 2008; Schmid & Zimmermann, 2007; van Essen et al., 2012a; van Essen et al., 2012b). While improving scholarly understandings of the topic, empirical findings of this research have been ambiguous and inconclusive. A parallel stream of research has examined the diversity of firm types across nations (Aguilera & Jackson, 2010; Bratton & McCahery, 1999; La Porta et al., 1999; Soederberg, 2003) and found that firms vary in terms of their organizational form, governance concern, and institutional context in which they are

embedded. Surprisingly, these two streams of CG research have not been well integrated. In examining the value of "good" CG policies, there has rarely been any attempt to specify the key organizational attributes (form, concern, and context), while such specification is extremely critical for systematically assessing the governance measures. As mentioned earlier, I am focusing on the closely-held firms with UCOs from Europe, Asia, and Latin America; thereby, I am specifying the organizational form (concentrated firms), governance concern (Type II agency problem) and institutional context (Non-Anglo-Saxon countries) of my focal firms and assessing the generalizability of "good" CG principles in a relatively precise manner.

In addition to addressing the issue of organizational attributes, my approach offers further clarity. In the existing literature, for understanding governance effectiveness of "good" CG principles, conventional approach to examines the direct impact of CG mechanisms on firm level various outcomes (Donaldson & Davis, 1994; Dulewicz & Herbert, 2004; Tian & Lau, 2001). There are ambiguities associated with such approach, which manifest in questionable interpretations of research findings. When authors find 'significant positive' impact on firm level outcomes, their conclusions generally point towards effective monitoring of the company insiders (Bhabra, Ferris, Sen, & Yen, 2003; Bonn, 2004; Jackling & Johl, 2009). But there remain questions; – adoptions of the legitimate policies often enable firms to access beneficial resources, attract favorable responses, and/or survive within environments where other firms did not adopt the required/desired programs (Covaleski, 1983; Westphal & Zajac, 1998; Zott & Huy, 2007). Firms in such circumstances are rewarded with positive outcomes; however, there is no certainty that the positive outcomes are rightfully distributed among the

shareholders. Ambiguities are also evident when authors find 'insignificant /negative' impact. While Peng (2004) points lack of policy implementation in explaining his insignificant results, Dalton, Hitt, Certo, & Dalton (2007) suggest lack of policy alignment in discussing their insignificant results. In contrast, Donaldson & Davis (1991; 1994) and Tian & Lau (2001) explain their 'insignificant/negative' results completely from a different perspective by drawing on the Stewardship View of the corporate agents. They describe the corporate insiders as the stewards of the company and suggest that. these corporate stewards nullify the value of "good" CG mechanisms by generating substitution effects; hence, the lack of significant positive result.

In brief, it is possible to justify the empirical findings of the direct impact analyses from different perspectives which frequently can be susceptible to biased interpretations. Therefore, instead of conducting a direct impact analysis, my theoretical framework first specifies the presence of Type II agency problem in a particular empirical setting and then examines the effectiveness of "good" CG policies in mitigating such governance concern. Thereby, my approach addresses the arguments raised by the Stewardship View; – 'insignificant/negative' impact of CG mechanisms cannot be explained by the logic of UCOs' substitution effect as presence of P-P conflict has already been established and it indicates intentional and/or unintentional expropriations by the UCOs. Next, by examining the value of internal CG in conjunction with the external CG, my approach aims to offer a relatively bias free conclusion in regard to whether the significant positive (insignificant/negative) result is the outcome of successful (unsuccessful) 'policy implementation' or is it the outcome of effective

(ineffective) 'policy alignment' of the governance mechanisms. These arguments will be clarified further during the development of policy-related hypotheses.

3.1 Hypothesis to Indicate Presence of P-P Problem

In the concentrated ownership structure, greater separation between voting control and cash-flow right generates Type II (P-P) agency problem between UCOs and minority shareholders. UCOs can utilize their Excess Control in directing and managing the closely-held firms so as to serve their own private benefits. Examples of private benefit of control include influence over determining board of directors and key management positions (Steinfeld, 1998), persuasion of selected strategies that prioritize personal, family or political obligations (Backman, 1999), resource tunneling in the forms of - granting related party loans at lower interest rate (La Porta, Lopez-de-Silanes, & Zamarripa, 2003), procuring supplies and materials at above market price from firms with higher cash-flow right, selling products and services at below market price to firms with lower cash-flow right (Chang & Hong, 2000; Khanna & Rivkin, 2000), and so forth.

An analysis with mathematical example will be helpful to clarify how Excess Control provides incentives and opportunities to expropriate minority shareholders. Suppose, in Company X, UCO's voting right is 28.93% and cash-flow right is 5.73%. Now utilizing the power of high voting control, UCO launches a business venture in Company X; which due to some unexpected events fails and leads to a loss of $1 million. Since UCO's cash-flow stake is 5.73%, a million dollar hit translates into a loss of only $57,300 (5.73% of $1 million) for them. The remaining loss of almost $0.95 million is incurred by the direct shareholders of Company X. Thus, Excess Control incentivizes UCOs to venture into risky investments at the expense of minority shareholders, who are

ultimately bearing the loss. On the contrary, suppose that business venture in Company X succeeds and leads to a gain of $1 million. Since voting control is 28.93%, UCO has the authority to order Company X to sell or transfer its asset worth of $1 million at a minimal cost to the company where UCO possess higher cash-flow stake. Thus, Excess Control provides UCO with the opportunity to tunnel inter-corporate assets for private benefit acquisitions.

There are many real life examples of Type II agency problem. Minority owners of German auto-company Volkswagen were struck by a drastic decline in their share value when the 'Emission Scandal' news erupted in September, 2015. Investigation by the U.S. Environmental Protection Agency found that Volkswagen had cheated on emission tests by installing sophisticated on-board software known as the 'Defeat Device'. Such criminal act was possible by the auto-company as its organizational culture had seldom been transparent and accountable to the minority owners. Its board of directors and management positions had always been decided and controlled by the powerful Porsche-Piech family who possess excessive control within the company through a complex network of equity holdings (The New York Times, 2015). Similarly, share value of Indian IT company Satyam Computers plunged by nearly 80% once the news on 'Accounting Fraud' broke into light in January, 2009. Ramalinga Raju – founder, CEO, and controlling owner of Satyam – admitted that his company had been falsifying its accounts for years by overstating revenues, inflating profits, and manipulating earnings. Raju was attempting to have Satyam invest $1.6 billion in Maytas Properties and Maytas Infrastructure – two firms controlled by his family members – and in the process, covering up the fake account through pseudo investments (Forbes, 2009). Japanese

camera maker and imaging company Olympus had been conducting fraudulent takeovers within its business network in order to hide $1.7 billion in losses over 13 years. In October 2011, newly appointed British CEO, Michael C. Woodford, was abruptly terminated by the internally controlled Olympus board when he demanded investigation over the irregular payments for numerous acquisitions. By 2012, this scandal had developed into one of the biggest financial misconducts in the history of corporate Japan that had wiped off almost 80% of the company's valuation (The Economist, 2012). State controlled Brazilian oil company Petrobras' market value declined drastically when an investigation over corruption and bribery started in March, 2014. Petrobras scandal was a complex network of secretive schemes in which company officials, politicians, and businessmen had colluded for years in illicitly channeling billions of dollars. Ruling Workers' Party and its coalition partners appointed their own candidates in Petrobras board and executive positions causing lack of transparency and accountability and also allowing tunneling of Petrobras assets for serving their private benefits at the expense of minority owners and Brazilian citizens (Financial Times, 2016).

Exercise of Excess Control, however, is not always limited to the motivation of private benefit acquisition; it can also occur due to collective benefit motivation. UCOs may engage in resource tunneling for propping up under-performing firms and/or bailing out distressed ('zombie') firms (Burkart & Lee, 2008; Chang & Hong, 2000. There are negative externalities associated with such tunneling {Hoshi, 2006 #292; Hoshi & Kashyap, 2004). Inherently this mechanism allows the managers of member firms to shirk their responsibilities since other firms would rescue them at times of difficulties (Khanna & Rivkin, 2000). In the process, productive firms are adversely affected as their

resources are often wasted in the poorly managed firms (Claessens, Fan, & Lang, 2006). In extreme cases, this may turn out to be damaging for the entire business group network and all minority shareholders (George & Kabir, 2008). UCOs also transfer resources from closely-held firms for financing projects related to social welfare and employment creation; even though this strategy may conflict with the interests of minority shareholders (Bai, Lu, & Tao, 2006; Cheung et al., 2008).

Series of studies in the finance (Lins, 2003; Schmid, 2009), management (Saggese & Sarto, 2016; Sun et al., 2016), economics (Friedman, Johnson, & Mitton, 2003; Morck et al., 2005), and law (Hale, 2006; Kastiel, 2015) literatures theoretically and empirically have shown that expropriation of minority shareholders increases with the extent of UCOs' disproportional ownership. Such findings are confirmed by Bennedsen & Nielsen (2010) in cases of European firms, Carney & Child (2013) in cases of Asian firms, and Cueto (2013) in cases of Latin American firms. The overwhelming evidences of Excess Control and its negative impact on Minority Shareholder Wealth do indicate that Type II agency problem is real irrespective of the UCOs' intentional (private benefit motivation) and/or unintentional (collective benefit motivation) expropriations. Based on this analysis, I generate my first hypothesis to indicate presence of P-P conflict in the concentrated firms:

Hypothesis 1: Excess Control has a negative effect on Minority Shareholder Wealth.

3.2 Universal View based Hypotheses: Generalizability of Internal CG

According to the *Generalizability of Internal CG* idea, internal governance mechanisms are effective in reducing Type II Agency problem (Cerbioni & Parbonetti, 2007; Chen et al., 2009; Croci, Gonenc, & Ozkan, 2012; Kaplan, 1994a, 1994b; Shan, 2013). Proponents of this view argue that as long as there exist delegation and separation

relationships, agency problems are inevitable irrespective of the identities of agents and principals (Gomez-Mejia et al., 2005; Hendry, 2002; Hoenen & Kostova, 2015; Nyberg et al., 2010). In stand-alone firms, agency problem arises between dispersed owners and top management; whereas in closely-held firms, agency problem arises between minority shareholders and UCOs. In many instances in concentrated firms, top management is formed directly by the UCO (in cases of firms with family owner-manager) or at least top management is appointed by the UCO (in cases of firms with professional managers). As in the case of Type I agency problem, – information asymmetry, divergence in actors' interests, and possibility of opportunism are also relevant in Type II Agency problem (Wiseman et al., 2012). Commonly recommended governance mechanisms of Monitoring CG and Incentive CG are inherently designed to address these exact concerns.

(a) Monitoring CG

Board Independence and CEO-Separation are defined as the key Monitoring CG. In the absence of independent directors, internal decision making in the closely-held firms would be dominated by UCOs. There will not be checks and balances over excessive power possessed by these organizational insiders. Presence of independent directors ensures that the agents are regularly monitored on behalf of the principals. As the outsiders, independent directors put their fair efforts to govern the dominant insiders and protect the interests of minority shareholders as these are their core duties (Fama, 1980; Jensen & Meckling, 1976); there is a reputation concern in regard to how well the independent directors are performing their tasks (Fama & Jensen, 1983; Zajac & Westphal, 1996). Furthermore, independent directors bring diversity and professional

knowledge to internal decision making which enables the board to better represent the interests of principals (Hillman & Dalziel, 2003; Pearce & Zahra, 1991).

Separation of CEO and Board Chair roles is the other Monitoring CG considered to be able to address Type II agency conflict. Presence of an independent Board Chair is an addition to the system of checks and balances since it prevents concentration of power within one individual (Fama & Jensen, 1983; Higgs, 2003). CEO-Separation ensures that the CEO is fulfilling his/her role in running and managing the company, while the Board Chair is fulfilling his/her role in running the board and directing unbiased evaluation of the key insiders. In sum, CEO-Separation enhances the capacity of Monitoring CG; in its absence, there will be self-evaluation leading to ineffective monitoring (Jensen, 1993). The idea of *Generalizability of Internal CG* claims that the closely-held firms are converging in adopting the Monitoring CG as these mechanisms are effectively working in governing Type II agency conflict. This claim is supported by Kaplan & Minton (1994), Shan (2013), Lam & Lee (2008), Cueto (2013), Luo, Wan, & Cai, (2012), and Liu & Lu (2007), who have reported significant positive impacts by Monitoring CG in firms outside the Anglo-Saxon context and in firms with UCOs. Therefore:

> Hypothesis 2(a): The negative effect of Excess Control on Minority Shareholder Wealth is attenuated (positively moderated) by Monitoring CG (Board Independence; CEO-Separation).

(b) Incentive CG

Managerial Ownership and Performance based Pay are recommended as the key Incentive CG. Managerial Ownership is aimed at aligning the interests of agent with those of the principals (Denis, 2001; Jensen & Meckling, 1976; Morck et al., 1988). The

idea is that professionally hired managers will act towards maximizing the shareholder value if doing so also provides them with greater benefits (Barak, Cohen, & Lauterbach, 2011; Singla, Veliyath, & George, 2014). One of the most effective ways to have such interest alignment is to reward the professional management with equity shareholding and thereby incentivize them to increase closely-held firms' market valuation. Even though, in most instances, top management in the family owned firms already possess equity shareholding (when top management is from the controlling family), *Generalizability of Internal CG* suggests that managerial ownership is an effective Incentive CG in these family owned-managed firms as well (Tiscini & Raoli, 2013). Overtime, more and more firms are converging in adopting Managerial Ownership as an important Incentive CG. In line with peer and rival firms, family controlled-managed firms are also adopting this internal mechanism professionally since the insiders (family members) of these firms are highly concerned about family reputation, social legitimacy, companies' future, and internal policies' long term success (Croci et al., 2012; Cueto, 2013; Gomes, 2000; Mishra, Randøy, & Jenssen, 2001).

Performance based Pay policy implies that top management will be compensated in proportion to their past and present performance in improving firms' final outcomes (Cadsby, Song, & Tapon, 2007; Hall & Liebman, 1998; Jensen & Murphy, 1990; Murphy, 1999). Such incentive mechanism ensures a system of evaluation`, enhances transparency in compensation decision`, and continuously motivates top management in improving their future performance and thereby acting in the interest of the principals. Instead of deciding top management compensation arbitrarily`, tying it to the minority shareholders' wealth is particularly beneficial in closely-held firms as in these firms`, one

of the key ways to expropriate minority shareholders' wealth is to remunerate top management with extravagant compensation even when their performance is unsatisfactory (Amdouni & Boubaker, 2015; Gallego & Larrain, 2012; Jaiswall & Firth, 2009; Urzúa, 2009). A large number of CG research, in fact, have found a significant positive effect of "good" Incentive CG in various types of firms across different Non-Anglo-Saxon economies (Brahmi, 2015; Buck et al., 2008; Hassan & Hoshino, 2007; Kaplan, 1994b; Koski, Marengo, & Mäkinen, 2012; Liu & Lu, 2007; Sanders & Tuschke, 2007). Hence:

> Hypothesis 2(b): The negative effect of Excess Control on Minority Shareholder Wealth is attenuated (positively moderated) by Incentive CG (Managerial Ownership; Performance based Pay).

3.3 Universal View based Hypotheses: Complementarity of External CG

The idea of *Complementarity of External CG* not only acknowledges that firm level governance mechanisms are capable of addressing P-P problem, it also asserts that countries are converging towards providing supporting external institutions (Aguilera & Cuervo-Cazurra, 2009; Coffee, 1999, 2001; Hansmann & Kraakman, 2000, 2001). And the more the institutional environment becomes stronger in implementing desired policies and punishing misconducts, the stronger will be the positive impact of the firm level mechanisms in attaining goals (Engelen & van Essen, 2010; Goodin, 1998). The central premise of this idea is built on the argument that firm level CG mechanisms are utilized to the maximum when country level CG mechanisms are available as the 'complementary' factor.

Scholars argue that in countries with weak governance institutions, firms address their agency problems mainly through the organizational convergence of internal CG

(Bonetti et al., 2016; Chen et al., 2009; Dahyaa et al., 2008; Durnev & Kim, 2005). That is, in weak context, organizations mostly rely on the firm level mechanisms of Monitoring CG and Incentive CG to protect the interests of minority shareholders. In countries with strong governance institutions, the positive impact of internal mechanisms gets further enhanced as the external mechanisms function as an additional force to implement arm's length agency contract (Barney & Ouchi, 1986; Fama, 1980; Sun et al., 2010). Countries' legal and disclosure provisions are the critical elements of external CG mechanisms.

Strict legal institutions induce the 'complementary' effect by strengthening accountability by corporate insiders (La Porta, Lopez-De-Silanes, & Shleifer, 2006), providing regulatory means to minority shareholders (La Porta et al., 2002), and creating a rational system whereby the benefit of investment in governance is higher compared to the cost (Doidge et al., 2007). In sum, CG related national laws reduce the expropriation of minority shareholders through the legal means of *ex-ante* constraints and *ex-post* punishment/sanction (Djankov et al., 2008). Similarly, high quality of country level disclosure provisions enhances the firm level governance by reducing information asymmetry between investors and company insiders (Leuz & Verrecchi, 2000); mandating transparent reporting on within network transactional activities, and requiring information release on the complex ownership structure (OECD Report, 2004). More directly, disclosure related institutions influence firms' governance by requiring periodic information on compliance vs. non-compliance of the suggested measures (Mahoney, 1995). Analyses by Doidge et al. (2007), Hope (2003), Renders & Gaeremynck (2012), and van Essen et al. (2012a) provide support for the complementary effect generated by

the country level CG institutions. Based on this analysis, I hypothesize (Universal View based hypotheses are summarized in Figure 3.1):

Hypothesis 3(a): The negative effect of Excess Control on Minority Shareholder Wealth is attenuated (positively moderated) by Monitoring CG (Board Independence; CEO-Separation) and the degree of attenuation increases with the quality of external CG institutions (legal institution; disclosure standard). That is, external mechanisms are the 'complementary' factor in enhancing the positive impact of internal mechanisms.

Hypothesis 3(b): The negative effect of Excess Control on Minority Shareholder Wealth is attenuated (positively moderated) by Incentive CG (Managerial Ownership; Performance based Pay) and the degree of attenuation increases with the quality of external CG institutions (legal institution; disclosure standard). That is, external mechanisms are the 'complementary' factor in enhancing the positive impact of internal mechanisms.

3.4 Embedded View based Hypotheses: Policy-Practice Decoupling of CG

Scholars believing in *Policy-Practice Decoupling of CG* argue that internal governance policies may be aligned with the intended goal of addressing Type II agency problem but their effectiveness is contingent on the presence external governance institutions (Aguilera & Jackson, 2003; Aguilera & Jackson, 2010; Goyer, 2010; Schmidt & Spindler, 2006). Institutional scholars suggest that there are differences among national governance systems, which in many instances may not be supportive of the shareholder-

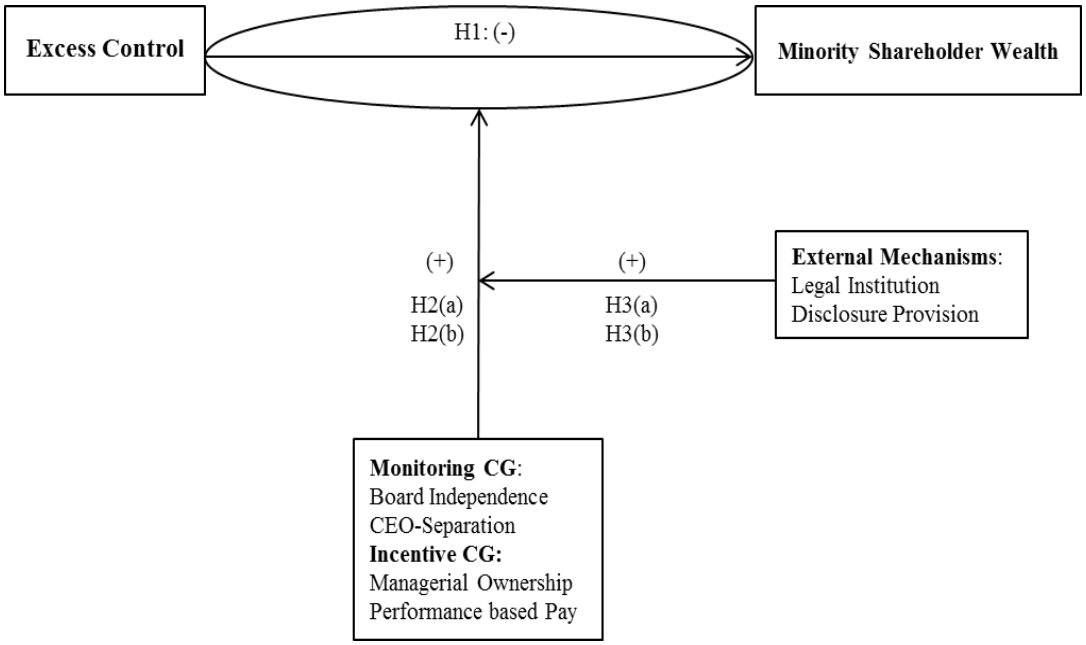


Figure 3.1: Universal View based hypotheses regarding the effectiveness of Internal CG and External CG in attenuating P-P problem; P-P problem is indicated by H1

oriented CG model (Hall & Soskice, 2001; La Porta et al., 1998). Many countries are ceremonially adopting common CG policies mainly to secure global legitimacy (Aguilera & Cuervo-Cazurra, 2004; Cuervo, 2002). Institutional scholars also analyze the condition of institutional voids in emerging economies (Khanna & Palepu, 2000; Khanna & Rivkin, 2000; Kogut & Spicer, 2002) and assert that in such contexts, external CG mechanisms are missing in enforcing firm level good governance. In short, the success of internal mechanisms in protecting the minority shareholders' wealth depends on the availability of necessary CG institutions, which are not present universally across nations.

When the firm level CG mechanisms are not mandated by strong institutions, UCOs seldom comply with the formal recommendations (Kim, Kitsabunnarat-Chatjuthamard, & Nofsinger, 2007; Nowland, 2008; Schulze, Lubatkin, Dino, &

Buchholtz, 2001; Shi, Magnan, & Kim, 2012). Even if they comply, most firms manage to engage in ceremonial policy adoption because of the weaknesses in the external institutions (Guillén & Capron, 2015; Peng, 2003, 2004). Ironically, in weak context, suggested internal mechanisms can be utilized as a means of further expropriation. For example, UCOs can exercise their excessive power to manipulate the board structure by appointing their own people as board members and Board Chair. Formally, on paper, these board members and Board Chair may be the outsiders in the focal firms; in reality, they serve the interest of UCOs (Singla et al., 2014; Veliyath & Ramaswamy, 2000; Yeh & Woidtke, 2005). There is also evidence of misappropriation of the incentive mechanisms. In the concentrated firms, UCOs themselves belong to the top management team or they appoint top management and engage in collusions. At the expense of minority shareholders, UCOs reward top management with extravagant pay and equity ownership irrespective of their (top management's) performance results (Amdouni & Boubaker, 2015; Gallego & Larrain, 2012; Jaiswall & Firth, 2009).

In sum, according to the idea of *Policy-Practice Decoupling of CG*, availability of developed external institutions is crucial for the success of Monitoring CG and Incentive CG. When legal and disclosure related CG institutions are strong enough to enforce firm level implementation of the internal policies and punish the act of ceremonial policy adoption (Espeland & Sauder, 2007), firms will conduct real policy adoption. Such policy implementation may be legitimacy motivated (Kostova & Roth, 2002); however, due to 'positive externality' there will be mitigation of P-P conflict. There is a difference between *Complementarity of External CG* and *Policy-Practice Decoupling of CG* that should be recognized with caution. Both emphasize the importance of external

mechanisms. However, *Complementarity of External CG* explains the availability of legal and disclosure provisions as a 'complementary' factor. In their absence in weak context, organizations rely on the internal CG mechanisms to attain good governance; in strong context, its availability functions as an additional force to enhance the positive impact of firm level mechanisms. On the contrary, *Policy-Practice Decoupling of CG* emphasizes the availability of legal and disclosure provisions as a 'necessary' factor. In their absence in weak context, organizations conduct symbolic adoption of the internal CG that seldom attains good governance; in strong context, intended outcomes by the internal CG are often achieved as necessary institutions are available in enforcing the desired policies. Empirical findings by Hellman et al. (2018), Heugens et al. (2009), Klapper & Love (2004), and Leuz et al. (2003), have shown that availability of developed external institutions is a pre-requisite for the success of internal governance; otherwise there will be ceremonial policy adoption with no impact on the intended outcomes. Accordingly, I hypothesize (Embedded View based hypotheses are summarized in Figure 3.2):

> Hypothesis 4(a): The negative effect of Excess Control on Minority Shareholder Wealth is attenuated (positively moderated) by Monitoring CG (Board Independence; CEO-Separation) on the pre-condition that the internal mechanisms are implemented by developed external institutions (legal institution; disclosure standard). That is, external mechanisms are the 'necessary' factor in moderating the positive impact of internal mechanisms.
>
> Hypothesis 4(b): The negative effect of Excess Control on Minority Shareholder Wealth is attenuated (positively moderated) by Incentive CG (Managerial Ownership; Performance based Pay) on the pre-condition that the internal

mechanisms are implemented by developed external institutions (legal institution; disclosure standard). That is, external mechanisms are the 'necessary' factor in moderating the positive impact of internal mechanisms.

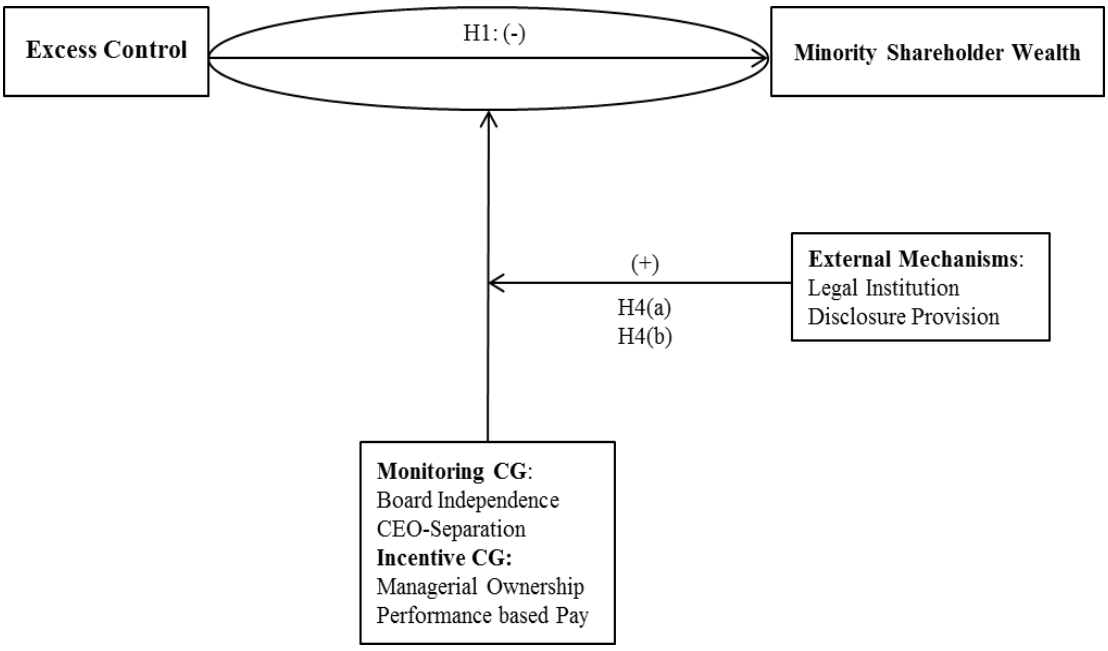


Figure 3.2: Embedded View based hypotheses regarding the effectiveness of Internal CG and External CG in attenuating P-P problem; P-P problem is indicated by H1

Rejection of significant positive impact by the internal and external CG policies in attenuating P-P problem will provide support for the analysis of *Means-Ends Decoupling of CG*, which raises serious concerns about the effectiveness of common CG policies in governing the UCOs (Attig et al., 2016; Bebchuk & Hamdani, 2009; Davis et al., 1997; Fiss, 2008; Heracleous & Lan, 2012; Morck et al., 2000; Young et al., 2008). Proponents of this view agree that agency problem occurs in both the dyads – dispersed owner-manager (P-A) and minority shareholder-UCO (P-P). However, in the P-A conflict, top

management exploit their day to day decision making power to expropriate the dispersed shareholders; whereas in the P-P conflict, UCOs utilize their excessive control to expropriate the minority shareholders. That is, agents' identity and their means of power vary substantially. Universal CG policies are fundamentally designed to govern the top management; they are not equipped with curtailing the excessive power of UCOs (Bebchuk & Hamdani, 2009). According to *Means-Ends Decoupling of CG*, when internal CG mechanisms are misaligned to begin with, external CG institutions cannot support moderating any positive result at the organizational level (Bromley & Powell, 2012; Dick, 2015). The core problem in such instance is not lack in 'policy implementation' (which can be addressed by developed external institutions) but rather lack in 'policy-goal alignment' (where developed external institutions may end up enforcing misaligned policies) (Wijen, 2014; 2015). In short, proponents of *Policy-Practice Decoupling of CG* question the universality of "good" CG principles from the perspective of country institutional heterogeneity/embeddedness; whereas proponents of *Means-Ends Decoupling of CG* question the universality of "good" CG principles from the perspective of firm structural heterogeneity/embeddedness. A large number of studies have shown that commonly recommended internal policies cannot improve the firm level governance even when the external institutions are relatively developed to sustain the shareholder-oriented CG model (Daily & Dalton, 1997; Dalton, Hitt, Certo, & Dalton, 2007; Mizruchi, 2004; Walsh & Seward, 1990).

CHAPTER 4

RESEARCH DESIGN & METHODOLOGY

This chapter describes the research design and methodology to test all the hypotheses developed in Chapter 3. It provides discussion on the sample selection, data sources, variable definition and corresponding measure operationalization. Chapter 4 ends with elaborating the statistical method and models to test the hypotheses.

4.1 Sample Selection & Data

The sample of this investigation consists of the publicly traded non-finance companies from 40 countries across Europe, Asia, and Latin America. The first criterion of the sample selection was to start with all the companies that are closely-held within the control of UCOs. The closely-held firms then were ordered based on the size of their market capitalization. The top companies were included in the final dataset given that for these companies, data were available on all the measures. At the end, I developed a cross-sectional dataset of 1109 concentrated firms for the year 2016. It is important to note that the data period of company ownership is spread between the years 2015 to 2017. The sample includes closely-held firms with different types of UCOs, such as – family, state, financial institution, corporation, and so forth. It also includes the domestic and multinational corporations and corporations that are cross-listed in the foreign stock markets.

In many instances, data on the concentrated firms are not readily available. Therefore, major portions of the data have been manually collected/calculated from the

sources like Bureau van Dijk-Orbis, Capital-IQ, and company annual reports. Data on the measures of Minority Shareholder Wealth and firm level control variables are directly obtained from Bureau van Dijk-Orbis. The same source has been utilized to manually collect data on the company ownership structure. For majority of the sample firms, data on Monitoring CG has been manually collected from the company annual reports; however, for 369 companies, data on Monitoring CG are directly obtained from NRG-Matrics. Information provided by Capital-IQ has been utilized to manually calculate data on Incentive CG. Indices and measures created by the World Bank and International Country Risk Guide have been incorporated to capture the quality of countries' legal and disclosure institutions.

Table 4.1 presents the list of 40 countries of which 19 are from Europe, 15 are from Asia, and 6 are from Latin America. Among the 1109 sample firms, 565 are from Europe, 487 are from Asia, and 57 are from Latin America. Table 4.2 shows a breakdown of number of companies based on the types of UCOs; as expected the dataset is dominated by family controlled firms. Table 4.2 also shows that 265 of the sample firms are owned by the foreign UCOs and 561 are cross-listed in the foreign stock markets.

4.2 Variables & Measures

Before discussing the operationalization of variables and measures, it is critical to re-emphasize that the dissertation intends to examine the effectiveness of "good" governance policies in addressing Type II agency problem. In testing the base hypothesis (where it is hypothesized that Excess Control negatively affects Minority Shareholder Wealth), even though 'Minority Shareholder Wealth' appears as the *dependent variable* and UCOs' 'Excess Control' appears as the *independent variable,* the core objective of

Table 4.1: Country List & Sample Information

Europe	Firm #	Asia	Firm #	Latin America	Firm #
1. Austria	14	20. Bangladesh	14	35. Argentina	9
2. Belgium	23	21. China	58	36. Brazil	18
3. Bulgaria	9	22. Egypt	8	37. Chile	12
4. Czech Republic	8	23. Hong Kong	46	38. Colombia	5
5. Denmark	19	24. India	85	39. Mexico	8
6. Finland	18	25. Indonesia	22	40. Peru	5
7. France	83	26. Israel	25		
8. Germany	60	27. Japan	40		
9. Greece	15	28. Jordan	10		
10. Italy	65	29. Malaysia	25		
11. Netherlands	25	30. Pakistan	19		
12. Norway	36	31. Philippines	30		
13. Poland	53	32. Singapore	45		
14. Portugal	14	33. South Korea	35		
15. Russia	15	34. Thailand	25		
16. Spain	21				
17. Sweden	50				
18. Switzerland	25				
19. Turkey	12				
Total (Europe)	565	Total (Asia)	487	Total (Latin America)	57

Table 4.2: Identity of UCOs & Type of Firms' International-Orientation

Identity of UCOs	Firm #	Type of Firms' International-Orientation	Firm #
Family	650	Foreign Ownership	265
State	190	Foreign Ownership from Anglo-Saxon Nation	62
Financial Institution	147	Crosslisting	561
Corporation	100	Crosslisting in Anglo-Saxon Market	413
Other	22		

my dissertation is to investigate whether commonly recommended "good" CG policies attenuate the negative impact of Excess Control on the Minority Shareholder Wealth. In the policy-related alternative hypotheses, even though the internal CG and external CG appear as the *moderating variables*, these are my core variables of interest. In brief, the negative relationship between Excess Control and Minority Shareholder Wealth in

hypothesis 1 indicates the presence of Type II agency problem and my goal is to investigate to what extent the internal and external CG mechanisms moderate this negative relationship. In other words, to what extent the internal and external CG mechanisms address Type II agency problem. In the following section, I present the definition of variables and measures along with a discussion on their data sources.

Minority Shareholder Wealth

In the CG research, scholars have employed measures of Firm Value to proxy for the variable of Minority Shareholder Wealth (Bae, Baek, Kang, & Liu; Bennedsen & Nielsen, 2010; Cueto, 2013). In the closely-held firms, UCOs can divert resources for attaining their private and/or collective benefit interests; consequently, Firm Value gets adversely impacted which represents expropriation of Minority Shareholder Wealth. The idea of employing Firm Value as the proxy of Minority Shareholder Wealth implies that higher or lower valuation of firms in the market provides information on whether the minority shareholders have been protected or expropriated by the UCOs (Dahyaa et al., 2008). Following Claessens et al. (2001), La Porta et al. (2002), and Renders & Gaeremynck (2012), I am employing Tobin's Q as the measure of my dependent variable. For robustness tests, I will employ Market-to-Book as the second measure of Firm Value. Data on Tobin's Q and Market-to-Book are directly obtained from Bureau van Dijk-Orbis.

Excess Control

Excess Control is the difference between UCOs' voting control and cash-flow right. Following the approach applied by Faccio & Lang (2002), and Lins (2003), I define a shareholder as the UCO whose direct and indirect voting control sum up to 10% or

more. In the chain of ownership, indirect voting control is measured by the weakest link. For example, if company X owns fraction y of company Y and company Y owns fraction z of company Z, then company X's indirect voting control in company Z is min of (y, z). If company X also owns direct voting control in company Z, then company X's direct and indirect voting control are aggregated to calculate the total voting control right. Company X will be defined as the UCO of company Z if its aggregate voting control reaches the 10% threshold (i.e., aggregate voting control sums up to 10% or more). To compute the indirect cash-flow right, intermediary cash-flow rights are multiplied along the chain of ownership. In the above example, company X's indirect cash-flow right in company Z is the product of y and z. If company X also owns direct cash-flow right in company Z, then company X's direct and indirect cash-flow rights are aggregated to calculate the total cash-flow right. Voting controls by the UCOs differ from their cash-flow rights because of the pyramidal structure, multiple control chains, cross-shareholding, and dual class share; such difference provides the UCOs with Excess Control in the closely-held firms. Bureau van Dijk – Orbis contains detail information on the company ownership structure that they present via the ownership maps. I have accessed the ownership map of each closely-held firm individually, traced the identity of UCOs, and finally, calculated their (UCOs') voting control and cash-flow right following the process explained above.

Internal Mechanisms (Monitoring CG & Incentive CG)

At the firm level, I am analyzing the effectiveness of two major governance policies – Monitoring CG and Incentive CG. Mechanisms of Monitoring CG are designed to monitor top management so that they act in the interest of the shareholders and

mechanisms of Incentive CG are designed to provide top management with the incentive packages so as to align their interest with that of the shareholders and thereby motivate their action towards serving the shareholders (Denis, 2001).

Monitoring CG comprises of Board Independence and CEO-Separation. Board Independence is measured by the ratio of total number of independent board members to total number of overall board members. Independent board members are required to be the non-executive of the focal company and non-affiliated to the focal company's business group network. For the concentrated firms, a board member is defined to be an independent director if he/she satisfies the following criteria – (i) he/she is not an executive/employee of the focal firm, (ii) he/she is not the UCO, (iii) he/she is not an executive/employee/director of any company within the business group network, (iv) he/she is not an executive/employee/director of any company where the UCO has shareholding, (v) in cases of family controlled firms, he/she is not a member of the controlling family, (vi) in cases of state controlled firms, he/she is not a politician and/or not an employee of the government, and (vii) in cases of foreign controlled firms, he/she is not a citizen of the particular foreign country (Dahya et al., 2008). For robustness tests, I am including a second measure of board independence where company outsiders are defined as the independent directors. That is, if a board member is not an executive/employee of the focal firm, he/she will be considered as an outside director. For majority of the sample firms, data on Board Independence have been manually collected from company annual reports. In particular, board members' biography section has been consulted to code data on 'executive', 'affiliated', and 'independent' directors. For 369 firms, data on Board Independence were directly obtained from NRG-Matrics.

CEO-Separation is defined as the board leadership structure where company CEO and Board Chair are two different individuals (Zajac & Westphal, 1996). CEO-Separation is measured by a dummy variable which takes the value of 1 if CEO and Board Chair are two different individuals or zero if CEO and Board Chair is the same person. Data on CEO-Separation has been manually collected from company annual reports.

Incentive CG comprises of Managerial Ownership and Performance based Pay. Managerial Ownership is measured by the percentage of voting control directly and indirectly owned by the company CEOs (Mueller & Spitz-Oener, 2006). For robustness tests, I have also applied the percentage of cash-flow right directly and indirectly owned by the company CEOs as the second measure of Managerial Ownership. The ownership maps of Bureau van Dijk – Orbis have been utilized to calculate each CEO's voting control and cash-flow right, – a process similar to the calculation of Excess Control. For the ownership threshold below 5%, data has been directly obtained from Capital-IQ.

Performance based Pay[3] is measured by CEO's 'variable pay' (which is determined based on CEO's performance) to CEO's 'total pay' (which is the summation of CEO's base salary and variable pay) (Gao & Li, 2015). CEO's 'variable pay' is the summation of bonus, stock option, restricted stock, and LTIP. For robustness tests, I have applied CEO's 'total pay' (summation of base salary, bonus, stock option, restricted stock, and LTIP) as the second measure of Performance based Pay. Information provided by Capital-IQ has been consulted to calculate data on CEOs' Performance based Pay. It is important to mention that for the concentrated firms, data availability on CEO compensation is very limited. Among the 1109 sample firms, data on 'variable pay/total

pay' is available for 750 firms from 33 countries and data on 'total pay' is available for 848 firms from 34 countries.

External Mechanisms (Legal & Disclosure Institutions)

At the country level, I am analyzing the significance of legal and disclosure provisions in implementing the firm level governance policies. To capture the quality of countries' legal institution, I employ the 'Minority Shareholder Protection' index of World Bank Doing Business (2016). The index ranges from 0 to 10 and covers the *de-jure* regulations of anti-self-dealing and shareholder governance. To capture both the *de-jure* and *de-facto* regulatory environment of minority shareholder protection, I re-scale the Minority Shareholder Protection index to 0 to 1 and multiply it with the index of Rule of Law developed by the International Country Risk Guide, 2016. Following Bell, Filatotchev, Aguilera (2014), I classify countries below the sample median as the context with weak legal institution and above the sample median as the context with strong legal institution.

For measuring the quality of country level disclosure standard, I utilize the indices of 'Extent of Corporate Transparency' and 'Extent of Disclosure' of World Bank Doing Business (2016). The combined index ranges from 0 to 10. In many countries, information reporting is mandated following the 'comply-or-explain' principle. Hence, to capture the enforcement of disclosure standard, I re-scale the combined index to 0 to 1 and multiply it with the index of Rule of Law. As described above, I classify countries below the sample median as the context with weak disclosure institution and above the sample median as the context with strong disclosure institution.

For robustness test, I am employing an additional measure of external CG institution covering the overall quality of countries' public institution, corporate transparency, and governance standard. The index of Institution from the Global Competitiveness Report has been incorporated for the year 2016 and the index is developed by World Economic Forum.

Control Variables

A number of firm, industry, and country level variables can influence the measure of Minority Shareholder Wealth; hence, the empirical analysis is controlled for the respective measures. At the firm level, I include the control variables of Firm Age, Firm Size, Firm Profitability, Firm Growth, Crosslisting dummy, Foreign UCO dummy, and indicators for UCOs' identity. Firm Age is measured by the count of total years since the time of company foundation to year 2016. Firm Size is measured by computing the natural log of total asset. Firm Profitability is measured by Return on Asset. Firm Growth is measured by computing sales growth. Cross-listed firms and Foreign firms operate in an environment with relatively advanced external institutions, which can influence internal governance and firms' valuation (Coffee, 2002; Useem, 1998). Therefore, Crosslisting dummy is employed to indicate whether a firm is cross-listed in the foreign stock market and Foreign UCO dummy is employed to indicate whether a firm is controlled by the foreign owners. Differences in ownership types also can have impact over internal governance and firms' valuation (Gilson, 2006); hence the analysis is controlled for the identity of UCOs. Dummies and indicators are incorporated to capture the impact of family, state, financial institution, corporation, and other types of UCOs. Data on the measures of firm level control variables are gathered from Bureau van Dijk-

Orbis and Capital-IQ. Firms' Industry Affiliation is determined based on the category defined by Campbell (1996)[4]. An indicator has been assigned for each of the sample firms according to their industry SIC codes. The World Bank data on countries' GDP growth is utilized to control for country effect. Table 4.3 presents the summary of variable definition, measure operationalization, and respective data sources.

4.3 Methodology

For testing the hypotheses, I am analyzing the data with multiple-regression involving interaction between Excess Control and internal CG mechanisms. As suggested by Aiken & West (1991) and Irwin & McClelland (2001), I address the issue of multicollinearity by mean-centering the measures of interaction terms, – i.e. Excess Control and internal CG mechanisms that are continuous in nature. Since heteroscedasticity is an inherent problem of cross-sectional data, I am employing the OLS technique with Huber-White estimators, whose robust standard errors take care of the assumption of homoscedasticity. The analysis is also accounted for the endogeneity of ownership structure. Scholars define firm size, firm portability, and countries' economic growth as the potential instruments of UCO's excessive control (Guedhami & Pittman, 2006). The current study incorporates these firm and country level measures as the control variables. Additionally, following the approach of Guedhami & Mishra (2009), I use UCOs' average excess control in firms located in the same country as the instrument to obtain the fitted value of Excess Control and then apply the fitted estimator in the second stage of the endogeneity investigation. I am also conducting multiple robustness tests by incorporating various measures of Minority Shareholder Wealth, Monitoring CG, Incentive CG, and external institution. For further investigation of the

Table 4.3: Summary of Variables, Measures, and Data Sources

Variables	Measures	Data Sources
Minority Shareholder Wealth	Firm Value measure of Tobin's Q (for robustness test, Market-to-Book)	Bureau van Dijk-Orbis, 2016
Excess Control (%)	Difference between the percentage of UCOs' voting control and cash-flow right	Manually calculated data from Bureau van Dijk-Orbis, 2015-2017
Internal CG:		
Board Independence (%) (Monitoring CG)	Independent directors divided by total directors; independent directors are required to be non-executive and non-affiliated to the focal firm (for robustness test, outside directors divided by total directors; outside directors are required to be non-executive of the focal firm)	Manually collected data from annual reports, 2016 Directly obtained data from NRG-Metrics, 2016
CEO-Separation (Monitoring CG)	Dummy variable; if CEO-Separation = 1, otherwise = 0	Manually collected data from annual reports, 2016
Managerial Ownership (%) (Incentive CG)	Percentage of CEOs' direct and indirect voting ownership (for robustness test, percentage of CEOs' direct and indirect cash-flow ownership)	Manually calculated data from Bureau van Dijk-Orbis, 2016 Directly obtained data from Capital-IQ, 2016
Performance based Pay (%) (Incentive CG)	CEO's variable pay divided by CEO's total pay (for robustness test, CEO's total pay)	Capital-IQ, 2016
External CG:		
Legal Institution	Product of Minority Shareholder Protection index and Rule of Law index	World Bank Doing Business, 2016 International Country Risk Guide, 2016
Disclosure Standard	Product of Transparency-Disclosure index and Rule of Law index	World Bank Doing Business, 2016 International Country Risk Guide, 2016

Control Variables:		
Firm Age	Measured by counting the years since time of company establishment to 2016	Capital-IQ, 2016
Firm Size	Natural log of total assets	Bureau van Dijk-Orbis, 2016
Firm Profit	Return on Asset	Bureau van Dijk-Orbis, 2016
Firm Growth	Sales Growth	Bureau van Dijk-Orbis, 2016
Crosslisting	Dummy variable; whether the focal firm is cross-listed in the foreign stock market (if yes = 1, otherwise = 0)	Manually collected data from Bureau van Dijk-Orbis, 2016
UCO Foreign	Dummy variable; if UCO is Foreign = 1, otherwise = 0	Manually collected data from Bureau van Dijk-Orbis, 2015-2017
Identity of UCOs	Dummies and indicators are assigned for different types of UCOs (family, state, financial institution, corporation, and other)	Manually collected data from Bureau van Dijk-Orbis, 2015-2017
Industry	An indicator is assigned for each firm according to their industry SIC code; industry category is defined following Campbell (1996)	Manually collected data from Bureau van Dijk-Orbis, 2016
Country	GDP Growth (%)	World Bank, 2016

policy-related hypotheses, I am incorporating additional relevant aspects of the CG literature and appending this extended investigation as ad-hoc analysis. All the statistical analyses of the dissertation have been conducted with STATA version 15. In the following section, I explain the model specification for testing all the hypotheses.

For testing Hypothesis 1, the model specification can be expressed as follows:

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_n C_{mi} + \varepsilon_i \quad (1)$$

Where: =

Y_i = Minority Shareholder Wealth for focal firm i

β_0 = the intercept of Y_i

β_1 = the direct effect of X_{1i} on Y_i

X_{1i} = Excess Control by UCOs for focal firm i

β_n = the direct effect of C_{mi} on Y_i (where n = 2, 3, 4,……)

C_{mi} = vector of control variables for focal firm i (where m = 1, 2, 3, ……)

ε_i = the randomly varying unique error term contributed by firm i to β_0 (where ε_i: $N(0,\sigma^2)$)

Hypothesis 1 *(Excess Control has a negative effect on Minority Shareholder Wealth)* will be supported if the coefficient of Excess Control is negative and significant (i.e., H_a: $\beta_1<0$).

Two way interaction regression analyses will be conducted for testing Hypotheses 2(a) and 2(b). Model specification for the analysis is as follows:

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{1i} X_{2i} + \beta_n C_{mi} + \varepsilon_i \quad (2)$$

Where: =

Y_i = Minority Shareholder Wealth for focal firm i

β_0 = the intercept of Y_i

β_1 = the direct effect of X_{1i} on Y_i

X_{1i} = Excess Control by UCOs for focal firm i

β_2 = the direct effect of X_{2i} on Y_i

X_{2i} = Internal CG for focal firm i

β_3 = the interaction effect of X_{1i} and X_{2i} on Y_i

β_n = the direct effect of C_{mi} on Y_i (where n = 4, 5, 6, ……)

C_{mi} = vector of control variables for focal firm i (where m = 1, 2, 3, ……...)

ε_i = the randomly varying unique error term contributed by firm i to β_0 (where ε_i: $N(0,\sigma^2)$)

Hypotheses 2(a) and 2(b) – *The negative effect of Excess Control on Minority Shareholder Wealth is attenuated (positively moderated) by (a) Monitoring CG (Board Independence; CEO-Separation)* and *(b) Incentive CG (Managerial Ownership and Performance based Pay)* – will be supported if the coefficient of the interaction term between Excess Control and internal CG is positive and significant (i.e., H_a: $\beta_3>0$). Significant positive effect by the two way interaction will imply that negative effect of Excess Control on Minority Shareholder Wealth ($\beta_1<0$) is attenuated by the internal CG.

For testing Hypotheses 3(a), 3(b) and 4(a), 4(b), I need to examine the three way interaction among Excess Control, internal CG, and external CG. To capture the interaction effect of countries' legal institution, I split the dataset into two sub-samples, – first, with the firms that belong to the countries with weak legal institution (these countries' legal institutional index is below the sample median) and next, with the firms that belong to the countries with strong legal institution (these countries' legal institutional index is above the sample median). Then for each of the two sub-samples, I

run separate regressions based on the model specification of equation 2. I repeat these exact same steps for analyzing the interaction effect of countries' disclosure institution.

Hypotheses 3(a) and 3(b) – *The negative effect of Excess Control on Minority Shareholder Wealth is attenuated (positively moderated) by (a) Monitoring CG (Board Independence; CEO-Separation)* and *(b) Incentive CG (Managerial Ownership; Performance based Pay) and the degree of attenuation increases with the quality of external CG institutions (legal institution; disclosure standard)* – will be supported if the coefficient of the interaction term between Excess Control and internal CG is positive and significant (i.e., H_a: $\beta_3>0$) and additionally, the coefficient of the interaction term is higher for the sample firms belonging to the context with strong institutions than that of the sample firms belonging to the context with weak institutions. Significant positive effect by the two way interaction will imply that negative effect of Excess Control on Minority Shareholder Wealth ($\beta_1<0$) is attenuated by the internal CG and a higher β_3 for the sub-sample with strong institutions will imply that the attenuation of the negative effect is further enhanced when the internal CG is complemented by the external CG.

Hypotheses 4(a) and 4(b) – *The negative effect of Excess Control on Minority Shareholder Wealth is attenuated (positively moderated) by (a) Monitoring CG (Board Independence; CEO-Separation)* and *(b) Incentive CG (Managerial Ownership; Performance based Pay) on the pre-condition that the internal mechanisms are implemented by developed external institutions (legal institution; disclosure standard)* – will be supported if the coefficient of the interaction term between Excess Control and internal CG is insignificant/negative (i.e., H_a: $\beta_3\leq0$) for the sample firms belonging to the context with weak institutions; however, the coefficient of the interaction term between

Excess Control and internal CG is positive and significant (i.e., H_a: $\beta_3>0$) for the sample firms belonging to the context with strong institutions. Significant positive β_3 for the sub-sample with strong institutions versus insignificant/negative β_3 for the sub-sample with weak institutions will imply that the negative effect of Excess Control on Minority Shareholder Wealth ($\beta_1<0$) is attenuated by the internal mechanisms when such formal policies are implemented by necessary external institutions.

Rejection of significant positive interaction by the internal CG (i.e., H_a: $\beta_3\leq0$) across the entire analysis will indicate that the recommended firm level mechanisms are not aligned with the goal of reducing P-P conflict. Insignificant/negative β_3 particularly for the sub-sample with strong institutions will imply that the negative effect of Excess Control on Minority Shareholder Wealth ($\beta_1<0$) cannot be attenuated by the internal CG even in the presence of developed external CG. Such results will manifest in supporting the idea that there is a problem of policy-goal alignment between recommending a standardized CG policies and governing the UCOs.

CHAPTER 5

RESULTS

This chapter begins with presenting the basic statistics, correlations, and related information on the country level measures. Next, it describes the basic statistics and correlations among the firm level measures. It details the results of hypotheses test followed by the investigation of endogeneity test and robustness tests. For further analyses of the policy-related hypotheses, an ad-hoc analysis section with a series of additional regressions has been incorporated at the end of this chapter.

5.1 Results of Country Level Measures

Table 5.1 reports the basic statistics and correlations of countries' legal institution, disclosure standard, and GDP growth. Correlations among the country level measures are low and not significant. The basic statistics of legal CG institution indicate that the mean is 0.44 on a scale from 0 to 1 with a standard deviation of 0.17 and a range of 0.15 to 0.75. For disclosure standard, the mean is 0.48 on a scale from 0 to 1 with a standard deviation of 0.18 and a range of 0.20 to 0.80. Table 5.2 and Table 5.3 rank the 40 countries based on the quality of their legal and disclosure institutions, respectively. Countries above the sample median are assigned to the context with strong institution and countries below the sample median are assigned to the context with weak institution. According to Table 5.2 and Table 5.3, Norway, Malaysia, Portugal, and Czech Republic are listed in the context with strong legal institution; these countries' positions get switched to the weak context for disclosure standard. On the contrary, Poland, Italy,

Russia, China, and Mexico are listed in the context with weak legal institution; these countries' positions get upgraded to the strong context for disclosure standard.

Table 5.1: Descriptive Statistics & Correlations of Country Level Measures

	N	Mean	St.Dev.	Min	Max	1	2	3
1. Legal Institution (0-1)	40	0.44	0.17	0.15	0.75	1.00		
2. Disclosure Standard (0-1)	40	0.48	0.18	0.20	0.80	0.05	1.00	
3. GDP Growth (%)	40	2.64	2.24	-3.47	7.11	-0.12	-0.17	1.00

*** p<0.01, ** p<0.05, * p<0.1

Table 5.2: Countries with Strong vs. Weak Legal Institution

Countries in Strong Context	Countries in Weak Context
1.Norway	21. Poland
2. Austria	22. Chile
3. Sweden	23. Switzerland
4. Denmark	24. Italy
5. Singapore	25. Turkey
6. Hong Kong	26. Bulgaria
7. Israel	27. Pakistan
8. South Korea	28. Peru
9. Spain	29. Russia
10. Finland	30. China
11. Netherlands	31. Thailand
12. India	32. Jordan
13. France	33. Colombia
14. Malaysia	34. Indonesia
15. Belgium	35. Egypt
16. Portugal	36. Brazil
17. Czech Republic	37. Argentina
18. Germany	38. Bangladesh
19. Japan	39. Philippines
20. Greece	40. Mexico

Table 5.3: Countries with Strong vs. Weak Disclosure Institution

Countries in Strong Context	Countries in Weak Context
1. Denmark	22. Bulgaria
2. Sweden	23. Norway
3. Finland	24. Turkey
4. Hong Kong	25. Chile
5. Singapore	26. Jordan
6. France	27. Thailand
7. Israel	28. Egypt, Arab Rep.
8. Spain	29. Portugal
9. Austria	30. Philippines
10. Belgium	31. Indonesia
11. Poland	32. Pakistan
12. Mexico	33. Peru
13. Netherlands	34. Czech Republic
14. Russia	35. Switzerland
15. Greece	36. Colombia
16. India	37. Argentina
17. China	38. Brazil
18. South Korea	39. Malaysia
19. Italy	40. Bangladesh
20. Germany	
21. Japan	

5.2 Results of Firm Level Measures

Table 5.4 presents the descriptive statistics of key firm level measures including Tobin's Q (the proxy of Minority Shareholder Wealth), Excess Control, Monitoring CG, Incentive CG, and control variables. Data for all the measures are available on 1109 observations except for Performance based Pay; data for this Incentive CG is limited to 750 observations.

Table 5.4: Descriptive Statistics of Firm Level Key Measures

	N	Mean	Std. Dev.	Min	Max
Tobin's Q	1109	1.17	1.65	0.00	17.38
Excess Control (%)	1109	13.15	9.96	0.00	54.70
Board Independence (%)	1109	40.42	19.45	0.00	100.00
CEO-Separation[a]	1109	0.79	0.41	0.00	1.00
Managerial Ownership (%)	1109	8.64	18.15	0.00	92.47
Performance based Pay (%)	750	37.65	27.25	-4.94	99.02
Firm Age (yr)	1109	51.37	46.65	1.00	650.00
Firm Size[b]	1109	20.14	2.32	11.83	26.79
Firm Profitability	1109	0.03	0.21	-2.56	4.23
Firm Growth	1109	2.70	82.65	-1.00	2749.71
Crosslisting[a]	1109	0.51	0.50	0.00	1.00
UCO Foreign[a]	1109	0.24	0.43	0.00	1.00

a. Dummy variables
b. Natural Log transformed variable

Table 5.5 shows the correlations among key firm level measures. In general, correlation values are low. Excess Control and Tobin's Q are negatively and significantly correlated ($\rho = -0.18$; $p < .001$), which provides initial support for the predicted relationship. Correlations among Excess Control and internal CG are insignificant except for Managerial Ownership ($\rho = -0.11$; $p < .01$), where the ρ value is low. For the globally-driven firms, correlations are significantly positive for Crosslisting to Board Independence, CEO-Separation, and Performance based Pay and for Foreign UCOs to Tobin's Q, Excess Control, and CEO-Separation. For both Crosslisting and Foreign UCOs, correlations are significantly negative with Managerial Ownership.

Table 5.5: Correlations among Firm Level Key Measures

	1	2	3	4	5	6	7	8	9	10	11	12
1. Tobin's Q	1.00											
2. Excess Control	-0.18***	1.00										
3. Board Independence	0.03	-0.02	1.00									
4. CEO-Separation[a]	0.07**	0.04	0.09***	1.00								
5. Managerial Ownership	-0.01	-0.11***	0.01	-0.33***	1.00							
6. Performance Based Pay	0.05	0.00	0.09***	0.10***	-0.13***	1.00						
7. Firm Age	-0.05	0.05*	0.04	0.02	-0.07**	0.18***	1.00					
8. Firm Size[b]	-0.23***	0.15***	0.08**	0.03	-0.22***	0.39***	0.26***	1.00				
9. Firm Profitability	0.03	0.01	0.04	0.01	0.00	0.06	0.07**	0.10***	1.00			
10. Firm Growth	0.00	-0.04	0.02	0.02	-0.01	-0.02	-0.03	-0.02	-0.03	1.00		
11. Crosslisting[a]	0.03	-0.02	0.19***	0.09***	-0.07**	0.29***	0.11***	0.29***	0.02	0.03	1.00	
12. UCO Foreign[a]	0.11***	0.09***	0.02	0.09***	-0.18***	0.03	-0.04	-0.02	-0.02	-0.01	0.08**	1.00

a. Dummy variables; b. Natural Log transformed variable
*** p<0.01, ** p<0.05, * p<0.1

5.3 Hypotheses Tests

Table 5.6 presents the results of OLS regressions with two-way interactions for the full sample. Model 1 tests H1, Models 3 & 5 test H2(a), and Models 7 & 9 test H2(b). My base hypothesis predicts that *Excess Control has a negative effect on Minority Shareholder Wealth*, which indicates presence of P-P conflict in the concentrated firms. Model 1 provides support for significant negative effect of Excess Control on Minority Shareholder Wealth (i.e. Tobin's Q) with $\beta = -0.025$ and $p<0.01$. That is, for a percentage increase in Excess Control, the value of Minority Shareholder Wealth (i.e. Tobin's Q) gets decreased by 0.025. The sign, magnitude, and significance of the effect of Excess Control persist across all the models of Table 5.6. The β and p values of Excess Control in Model 5 (which includes the interaction for CEO-Separation) should be interpreted with caution. Since CEO-Separation is a dummy variable (if CEO-Separation = 1, otherwise = 0), the $\beta = -0.011$ with $p>0.1$ of Excess Control in Model 5 basically represents the coefficient at CEO-Separation = 0. For computing the coefficient at CEO-Separation = 1, I utilized the 'margin' command of STATA which derives the results as $\beta = -0.029$ with $p < 0.001$. In sum, hypothesis 1 is supported by all the models in Table 5.6.

Since P-P conflict is evident in the concentrated firms, my next objective is to examine whether commonly recommended "good" CG policies attenuate the negative effect of Excess Control. Hypotheses built on the idea of *Generalizability of Internal CG* predict that the negative effect is attenuated by the mechanisms of Monitoring CG and Incentive CG. That is, hypothesis 2(a) will be supported if the interaction between Excess Control and Monitoring CG is positive and significant; whereas hypothesis 2(b) will be

Table 5.6: OLS Regression with Mean-Centered Interactions & Huber-White Robust Errors

DV Tobin's Q	Model 1	Model 2	Model 3	Model 4	Model 5[c]	Model 6	Model 7	Model 8	Model 9
Excess Control (EC)[a]	-0.025*** (0.005)	-0.024*** (0.005)	-0.025*** (0.005)	-0.025*** (0.005)	-0.011 (0.008)	-0.025*** (0.005)	-0.026*** (0.005)	-0.029*** (0.006)	-0.031*** (0.006)
Board Independence[a]		0.004* (0.002)	0.002 (0.002)						
EC*Board Independence			-0.000 (0.000)						
CEO-Separation				0.282*** (0.108)	0.198* (0.107)				
EC*CEO-Separation					-0.018* (0.010)				
Managerial Ownership[a]						-0.006* (0.003)	-0.004 (0.003)		
EC*Managerial Ownership							0.000 (0.000)		
Performance based Pay[a]								0.011*** (0.002)	0.010*** (0.002)
EC*Performance based Pay									-0.000 (0.000)
Firm Age	0.000 (0.001)	0.000 (0.001)	0.000 (0.001)	0.000 (0.001)	0.000 (0.001)	0.000 (0.001)	0.000 (0.001)	0.001 (0.001)	0.001 (0.001)
Firm Size[b]	-0.163*** (0.028)	-0.144*** (0.025)	-0.164*** (0.027)	-0.142*** (0.025)	-0.162*** (0.027)	-0.150*** (0.025)	-0.169*** (0.027)	-0.228*** (0.038)	-0.243*** (0.042)

Firm Profit	0.388	0.364	0.380	0.376	0.395	0.392	0.399	0.246	0.238
	(0.630)	(0.634)	(0.632)	(0.628)	(0.628)	(0.627)	(0.628)	(0.631)	(0.624)
Firm Growth	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Crosslisting	0.376***		0.363***		0.352***		0.367***		0.227
	(0.101)		(0.103)		(0.103)		(0.102)		(0.168)
UCO Foreign	0.400***		0.400***		0.388***		0.380***		0.491***
	(0.133)		(0.133)		(0.132)		(0.134)		(0.171)
UCO Family	-0.470	-0.558	-0.467	-0.495	-0.408	-0.491	-0.420	-0.579	-0.532
	(0.382)	(0.390)	(0.388)	(0.384)	(0.384)	(0.382)	(0.382)	(0.474)	(0.467)
UCO State	-0.623	-0.677*	-0.615	-0.646*	-0.578	-0.678*	-0.615	-0.595	-0.599
	(0.389)	(0.396)	(0.395)	(0.389)	(0.390)	(0.388)	(0.388)	(0.489)	(0.484)
UCO Financial Institution	-0.512	-0.494	-0.509	-0.445	-0.460	-0.499	-0.509	-0.401	-0.535
	(0.402)	(0.408)	(0.407)	(0.403)	(0.404)	(0.401)	(0.401)	(0.512)	(0.515)
UCO Corporation	-0.085	-0.104	-0.087	-0.064	-0.032	-0.095	-0.075	0.011	-0.078
	(0.436)	(0.443)	(0.441)	(0.438)	(0.439)	(0.437)	(0.437)	(0.547)	(0.540)
Industry	yes	yes	yes	yes	yes	yes	yes	yes	yes
Country	yes	yes	yes	yes	yes	yes	yes	yes	yes
Constant	4.755***	4.599***	4.441***	4.465***	4.227***	4.927***	4.534***	6.201***	6.146***
	(0.700)	(0.705)	(0.703)	(0.682)	(0.709)	(0.682)	(0.699)	(0.928)	(0.947)
Observations	1,109	1,109	1,109	1,109	1,109	1,109	1,109	750	750
R-squared	0.114	0.093	0.114	0.096	0.118	0.095	0.116	0.124	0.140

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. In models with interaction, continuous variables are mean-centered; b. measure is natural log transformed

c. At CEO-Separation = 1, β3 = -0.029 with robust st. error = 0.006 and p<0.01

supported if the interaction between Excess Control and Incentive CG is positive and significant. Model 2 and Model 3 present the findings of Board Independence. As the results show, Board Independence has significant positive effect on firms' valuation (β = 0.004 and $p<0.1$); however, the interaction between Excess Control and Board Independence is not significant (β = -0.000 and $p>0.1$). Model 4 and Model 5 present the results of CEO-Separation. Like Board Independence, CEO-Separation has significant positive effect on firms' valuation (β = 0.282 and $p<0.01$); the interaction between Excess Control and CEO-Separation is significant but in negative direction (β = -0.018 and $p<0.1$). Hence, the results reject H2(a). While Board Independence and CEO-Separation improve firms' valuation, these Monitoring CG cannot prevent the UCOs from exercising excessive control. The finding of CEO-Separation is particularly interesting. The negative effect on Minority Shareholder Wealth (i.e. Tobin's Q) for a percentage increase in Excess Control actually gets increased by 0.018 when there is CEO-Separation. Figure 5.1 and Figure 5.2 plot the moderation effect of Monitoring CG on the negative relation between Excess Control and Minority Shareholder Wealth (i.e. Tobin;s Q). According Figure 5.1, the negative effect of Excess Control gets enhanced for high Board Independence as opposed to the prediction of H2(a); the interaction, however, is not significant. Figure 5.2 depicts the moderation effect of CEO-Separation. The negative effect of Excess Control gets enhanced for CEO-Separation = 1 as opposed to the prediction of H2(a) and the interaction is significant.

Model 6 and Model 7 present the findings of Managerial Ownership. Managerial Ownership has significant but negative impact on firms' valuation (β = -0.006 and $p<0.1$) and the interaction between Excess Control and Managerial ownership is insignificant (β

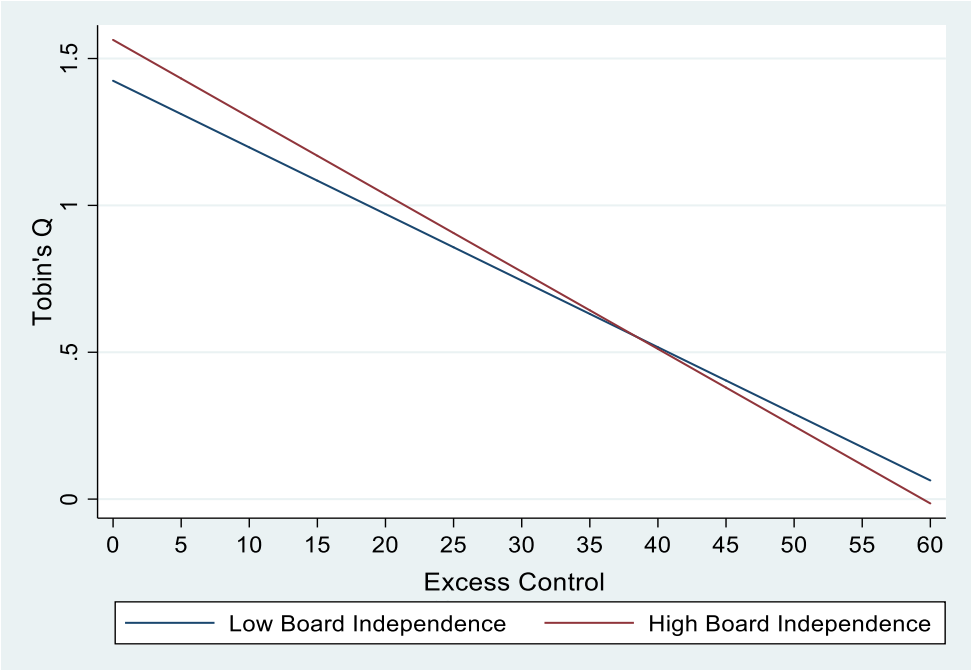


Figure 5.1: Interaction plot for the moderation effect of Board Independence on the negative relationship between Excess Control and Minority Shareholder Wealth (i.e. Tobin's Q) using OLS regression with Huber-White robust errors

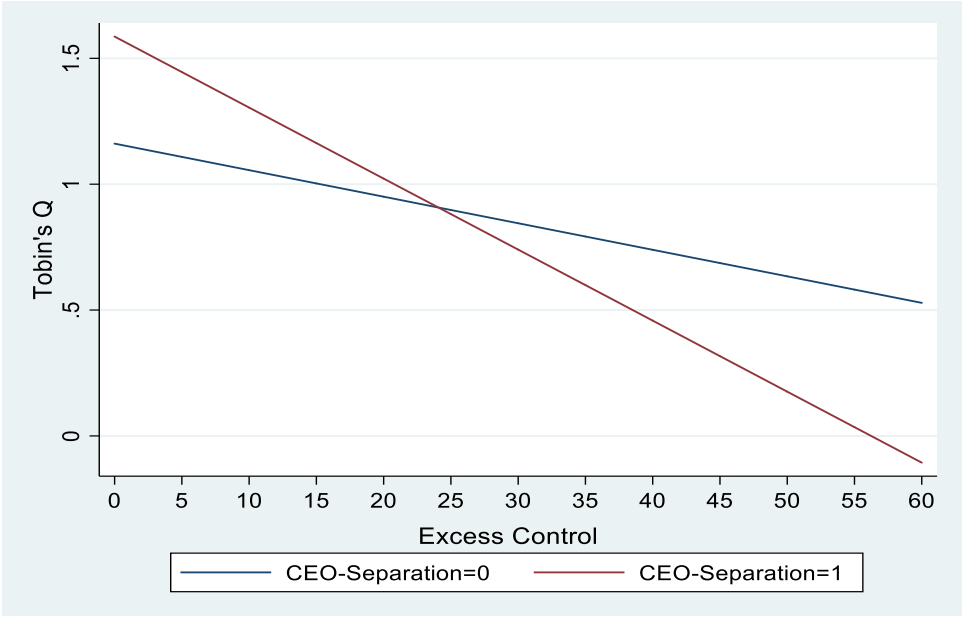


Figure 5.2: Interaction plot for the moderation effect of CEO-Separation on the negative relationship between Excess Control and Minority Shareholder Wealth (i.e. Tobin's Q) using OLS regression with Huber-White robust errors

= 0.000 and p>0.1). Finally, Model 8 and Model 9 report the results of Performance based Pay. On firms' valuation, Performance based has positive and significant impact (β = 0.011 and p<0.01). Like all the other internal CG, the interaction between Excess Control and Performance based Pay is not significant (β = -0.000 and p>0.1). In sum, the results reject H2(b). Figure 5.3 and Figure 5.4 depict the moderation effect of Incentive CG. According to Figure 5.3, the negative effect of Excess Control gets decreased for high Managerial Ownership as predicted by H2(b); the interaction, however, is not significant. Figure 5.4 plots the moderation effect of Performance based Pay. The negative effect of Excess Control gets enhanced for high Performance based Pay as opposed to the prediction of H2(a) and the interaction again is not significant. Table 5.6 presents significant results for a number of control variables. Firm Size has significant negative impact on firms' valuation. But the measure of Firm Size has been natural log transformed across the entire analyses; hence, the value of coefficient is very low in absolute term. For globally-driven firms, crosslisitng in the foreign stock market and presence of foreign UCO show significant positive impact on firms' valuation.

According to the findings of Table 5.6, interactions between Excess Control and internal mechanisms are not significant for the full sample. It is, therefore, critical examine whether the country level external institutions produce three-way interaction in influencing the firm level CG. Table 5.7 and Table 5.8 incorporate the measures of countries' legal and disclosure institutions respectively to illustrate the combined effect of external institution and internal mechanisms. In Table 5.7, the dataset is split between firms from countries with weak legal institution vs. strong legal institution. Similarly, in

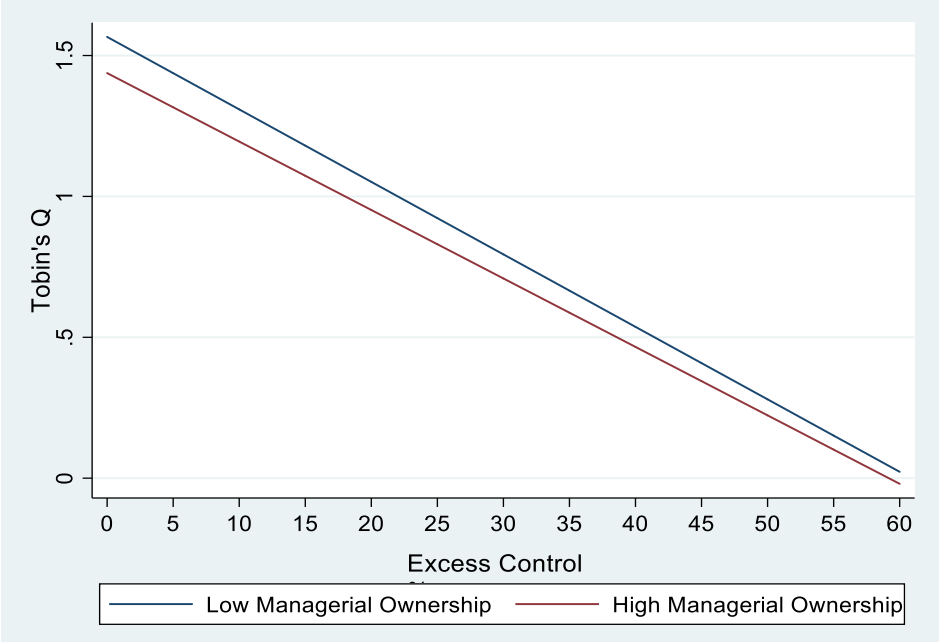


Figure 5.3: Interaction plot for the moderation effect of Managerial Ownership on the negative relationship between Excess Control and Minority Shareholder Wealth (i.e. Tobin's Q) using OLS regression with Huber-White robust errors

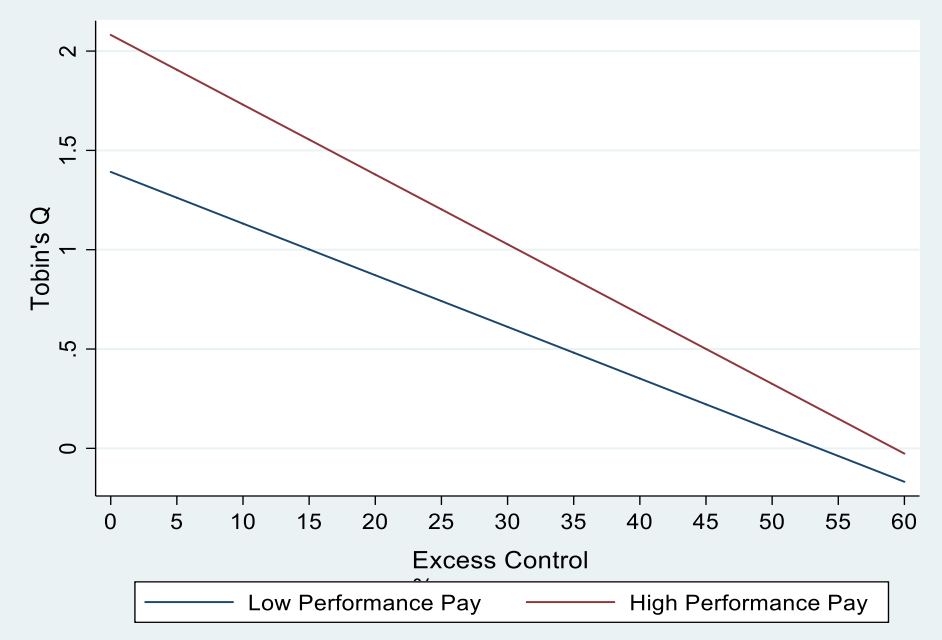


Figure 5.4: Interaction plot for the moderation effect of Performance based Pay on the negative relationship between Excess Control and Minority Shareholder Wealth (i.e. Tobin's Q) using OLS regression with Huber-White robust errors

Table 5.8, the dataset is divided between firms from countries with weak disclosure standard vs. strong disclosure standard. The effect of Excess Control on Minority Shareholder Wealth (i.e. Tobin's Q) remains negative and significant across all the models of both the sub-samples. Hence, P-P conflict is evident in the concentrated firms from countries with weak external institutions as well as countries with strong external institutions.

Hypotheses 3(a) and 3(b) predict that the negative effect of Excess Control on Minority Shareholder Wealth (i.e. Tobin's Q) is attenuated by Monitoring CG and Incentive CG and the degree of attenuation increases with the quality of legal institution and disclosure standard. That is, the first condition to support H3(a) and H3(b) requires that the interactions between Excess Control and internal mechanisms have to be positive and significant in the entire analyses. The rejection of H2(a) and H2(b) by the results of Table 5.6 already sets the back drop to reject H3(a) and H3(b). Additionally, Table 5.7 shows that the interactions are insignificant not only for the sub-sample of weak legal institution but also for the sub-sample of strong legal institution. Table 5.8 presents similar results of insignificant interaction for the sub-samples of weak and strong disclosure institution. Therefore, H3(a) and H3(b) are rejected.

Hypotheses 4(a) and 4(b) predict that the negative effect of Excess Control on Minority Shareholder Wealth (i.e. Tobin's Q) is attenuated by Monitoring CG and Incentive CG when such internal mechanisms are implemented by stronger legal and disclosure institutions. In sum, H4(a) and H4(b) require positive interactions between Excess Control and internal mechanisms specifically in the context with strong external institutions. As discussed above, the interactions are insignificant across the entire

Table 5.7: OLS Regression with Mean-Centered Interactions & Huber-White Robust Errors for Legal Institution

	Context with Weak Legal Institution					Context with Strong Legal Institution				
DV Tobin's Q	Model 1	Model 2	Model 3[c]	Model 4	Model 5	Model 6	Model 7	Model 8[d]	Model 9	Model 10
Excess Control (EC)[a]	-0.019***	-0.019***	-0.016	-0.020***	-0.028***	-0.030***	-0.030***	-0.015	-0.031***	-0.034***
	(0.006)	(0.006)	(0.013)	(0.006)	(0.010)	(0.007)	(0.007)	(0.010)	(0.007)	(0.008)
Board Independence[a]		0.003					-0.004			
		(0.003)					(0.003)			
EC*Board Independence		-0.000					0.000			
		(0.000)					(0.000)			
CEO-Separation			0.250**					0.089		
			(0.125)					(0.159)		
EC*CEO-Separation			-0.005					-0.019		
			(0.015)					(0.013)		
Managerial Ownership[a]				-0.004					-0.004	
				(0.004)					(0.004)	
EC*Managerial Ownership				-0.001					0.000	
				(0.001)					(0.000)	
Performance based Pay[a]					0.007***					0.012***
					(0.003)					(0.003)
EC*Performance based Pay					0.000					-0.000
					(0.000)					(0.000)
Firm Age	0.001	0.001	0.001	0.001	0.003	0.001	0.001	0.001	0.001	0.000
	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Firm Size[b]	-0.145***	-0.147***	-0.148***	-0.152***	-0.269***	-0.188***	-0.189***	-0.185***	-0.193***	-0.248***
	(0.039)	(0.039)	(0.039)	(0.040)	(0.085)	(0.037)	(0.037)	(0.037)	(0.036)	(0.049)
Firm Profit	3.025**	3.040**	2.986**	2.917**	2.840*	0.180	0.204	0.189	0.198	0.101
	(1.216)	(1.185)	(1.213)	(1.224)	(1.653)	(0.624)	(0.618)	(0.624)	(0.623)	(0.621)
Firm Growth	0.036	0.040	0.042	0.028	0.351	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.081)	(0.082)	(0.076)	(0.090)	(0.319)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)

Crosslisting	0.319**	0.280*	0.310**	0.345**	0.316	0.476***	0.505***	0.452***	0.456***	0.265
	(0.142)	(0.152)	(0.140)	(0.143)	(0.262)	(0.148)	(0.147)	(0.161)	(0.153)	(0.232)
UCO Foreign	0.408***	0.408***	0.376**	0.379**	0.696**	0.327*	0.317*	0.325*	0.314*	0.361*
	(0.153)	(0.153)	(0.154)	(0.152)	(0.282)	(0.173)	(0.173)	(0.173)	(0.174)	(0.201)
UCO Family	-0.509	-0.531	-0.474	-0.480	-2.584	-0.437	-0.439	-0.393	-0.381	-0.156
	(1.131)	(1.136)	(1.137)	(1.144)	(1.956)	(0.332)	(0.321)	(0.335)	(0.331)	(0.379)
UCO State	-0.578	-0.577	-0.572	-0.567	-2.315	-0.558	-0.556	-0.505	-0.536	-0.183
	(1.127)	(1.131)	(1.133)	(1.138)	(1.983)	(0.353)	(0.341)	(0.355)	(0.350)	(0.415)
UCO Financial Institution	-0.730	-0.755	-0.692	-0.717	-2.870	-0.418	-0.428	-0.383	-0.411	-0.110
	(1.138)	(1.142)	(1.144)	(1.149)	(1.960)	(0.365)	(0.354)	(0.368)	(0.363)	(0.451)
UCO Corporation	-0.462	-0.505	-0.447	-0.461	-2.523	0.048	0.049	0.093	0.068	0.456
	(1.146)	(1.154)	(1.151)	(1.156)	(1.976)	(0.422)	(0.413)	(0.427)	(0.421)	(0.487)
Industry	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Country	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Constant	4.377***	4.424***	4.214***	4.497***	8.785***	4.451***	4.419***	4.336***	4.568***	5.745***
	(1.429)	(1.430)	(1.416)	(1.434)	(2.458)	(0.823)	(0.812)	(0.847)	(0.815)	(1.022)
Observations	422	422	422	422	214	687	687	687	687	536
R-squared	0.165	0.172	0.171	0.171	0.236	0.135	0.137	0.137	0.137	0.149

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. Continuous variables of the interaction terms are mean-centered; b. measure is natural log transformed

c. At CEO-Separation = 1, β3 = -0.021 with robust st. error = 0.007 and p<0.01

d. At CEO-Separation = 1, β3 = -0.034 with robust st. error = 0.008 and p<0.01

Table 5.8: OLS Regression with Mean-Centered Interactions & Huber-White Robust Errors for Disclosure Standard

	Context with Weak Disclosure Standard					Context with Strong Disclosure Standard				
DV Tobin's Q	Model 1	Model 2	Model 3[c]	Model 4	Model 5	Model 6	Model 7	Model 8[d]	Model 9	Model 10
Excess Control (EC)[a]	-0.020***	-0.021***	-0.006	-0.022***	-0.036***	-0.028***	-0.028***	-0.014	-0.028***	-0.030***
	(0.007)	(0.007)	(0.014)	(0.007)	(0.012)	(0.006)	(0.006)	(0.010)	(0.006)	(0.007)
Board Independence[a]		-0.001					0.002			
		(0.003)					(0.003)			
EC*Board Independence		-0.000					0.000			
		(0.000)					(0.000)			
CEO-Separation			0.186					0.139		
			(0.134)					(0.135)		
EC*CEO-Separation			-0.018					-0.018		
			(0.017)					(0.012)		
Managerial Ownership[a]				-0.007**					-0.002	
				(0.003)					(0.004)	
EC*Managerial Ownership				0.000					-0.000	
				(0.000)					(0.000)	
Performance based Pay[a]					0.008					0.010***
					(0.005)					(0.003)
EC*Performance based Pay					-0.001					0.000
					(0.001)					(0.000)
Firm Age	0.000	0.000	0.000	0.000	0.001	0.001	0.001	0.000	0.001	0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Firm Size[b]	-0.190***	-0.194***	-0.192***	-0.200***	-0.383***	-0.176***	-0.177***	-0.173***	-0.178***	-0.222***
	(0.042)	(0.042)	(0.042)	(0.043)	(0.103)	(0.033)	(0.033)	(0.033)	(0.033)	(0.045)
Firm Profit	4.529***	4.531***	4.509***	4.485***	4.880***	0.114	0.112	0.123	0.118	0.055
	(1.616)	(1.596)	(1.596)	(1.600)	(1.829)	(0.608)	(0.607)	(0.607)	(0.607)	(0.611)
Firm Growth	0.052***	0.052***	0.052***	0.052***	0.048***	-0.000*	-0.000*	-0.000**	-0.000*	-0.000
	(0.005)	(0.005)	(0.005)	(0.005)	(0.006)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)

Crosslisting	0.650***	0.660***	0.625***	0.600***	1.082**	0.313**	0.302**	0.291**	0.312**	0.073
	(0.191)	(0.204)	(0.187)	(0.187)	(0.470)	(0.126)	(0.127)	(0.130)	(0.127)	(0.183)
UCO Foreign	0.404**	0.386*	0.384*	0.345*	0.706**	0.365**	0.361**	0.359**	0.356**	0.415**
	(0.198)	(0.199)	(0.196)	(0.204)	(0.329)	(0.156)	(0.157)	(0.156)	(0.158)	(0.186)
UCO Family	-0.778	-0.822	-0.730	-0.706	-2.226	-0.434	-0.423	-0.382	-0.413	-0.315
	(1.298)	(1.287)	(1.314)	(1.309)	(1.745)	(0.317)	(0.317)	(0.318)	(0.319)	(0.370)
UCO State	-0.524	-0.531	-0.480	-0.543	-1.635	-0.734**	-0.719**	-0.698**	-0.732**	-0.469
	(1.294)	(1.279)	(1.311)	(1.303)	(1.793)	(0.328)	(0.328)	(0.326)	(0.327)	(0.393)
UCO Financial Institution	-0.875	-0.920	-0.801	-0.890	-2.280	-0.433	-0.423	-0.398	-0.431	-0.251
	(1.294)	(1.284)	(1.312)	(1.304)	(1.758)	(0.348)	(0.349)	(0.349)	(0.349)	(0.427)
UCO Corporation	-0.453	-0.521	-0.397	-0.477	-1.565	-0.026	-0.019	0.019	-0.021	0.201
	(1.348)	(1.342)	(1.366)	(1.359)	(1.820)	(0.393)	(0.392)	(0.393)	(0.394)	(0.459)
Industry	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Country	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Constant	5.393***	5.511***	5.237***	5.644***	10.277***	4.496***	4.518***	4.335***	4.537***	5.597***
	(1.656)	(1.656)	(1.659)	(1.689)	(2.552)	(0.743)	(0.742)	(0.754)	(0.727)	(0.945)
Observations	306	306	306	306	145	803	803	803	803	605
R-squared	0.294	0.299	0.300	0.304	0.417	0.117	0.118	0.120	0.117	0.131

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. Continuous variables of the interaction terms are mean-centered; b. measure is natural log transformed

c. At CEO-Separation = 1, β3 = -0.024 with robust st. error = 0.008 and p<0.01

d. At CEO-Separation = 1, β3 = -0.031 with robust st. error = 0.007 and p<0.01

analyses. Particularly, the mechanisms of internal CG cannot attenuate the negative effect of Excess Control even in the context with stronger legal institution and disclosure standard. Hence, H4(a) and H4(b) are rejected.

In sum, empirical findings of the current study consistently show significant negative effect of Excess Control on Minority Shareholder Wealth (i.e. Tobin's Q). Such findings indicate presence of P-P conflict in the concentrated firms from both countries with weak external institutions as well as countries with strong external institutions. Findings are also consistent in depicting insignificant interactions between Excess Control and internal CG mechanisms in firms across all the contexts. Table 5.6 shows insignificant interactions for the full sample; Table 5.7 shows insignificant interactions for the sub-samples incorporating countries' legal institution; and finally, Table 5.8 shows insignificant interactions for the sub-samples incorporating countries' disclosure standard. Interaction plots for Table 5.7 and Table 5.8 are provided in Appendix B (Figure B.1 – Figure B.16).

In terms of impacting firms' valuation, CEO-Separation shows significant positive effect for firms from the countries with weak legal institution. Also, Performance based Pay shows significant positive effect for firms from the countries with weak and strong legal institution and for firms from the countries with strong disclosure institution. Across the sub-samples, crosslisting in the foreign stock market and presence of foreign UCO consistently generate significant positive impact on firms' valuation.

5.5 Endogeneity Test

The scholars of corporate ownership argue that UCO's excessive control can be endogenously determined by firm size, firm profitability, and countries' economic growth (Guedhami & Pittman, 2006). The current investigation has already been controlled for

these firm and country level attributes. It can also be argued that firm's internal governance acts as an antecedent to influence its ownership structure. To check for such endogeneity, I regressed Excess Control on the internal mechanisms of Monitoring CG and Incentive and the results show insignificant coefficients for all these measures.

Finally, following the approach of Guedhami & Mishra (2009), I use the average value of expropriation in firms located in the same country as an alternative to obtain the fitted value of Excess Control. In the second stage, I apply this fitted value of Excess Control as the instrument to run OLS regressions on the full sample. Table 5.9 presents the results of endogeneity test. As shown in Model 1, the negative effect of fitted Excess Control on Minority Shareholder Wealth (i.e. Tobin's Q) remains significant at 10% level. Additionally, the negative effect of Excess Control remains significant in Models 2, 3, 5, 6, 8, and 9 and the interactions remain fairly same across all the models. Therefore, it can be concluded that endogeneity has not been a problem for the main analyses.

5.5 Robustness Tests

For robustness test of the hypotheses, I have run additional regressions with an alternative model of three-way interactions. The robustness tests also include analyses with alternative measures of Minority Shareholder Wealth, internal CG mechanisms, and external institutions. I have employed the Firm Value proxy of Market-to-Book for measuring Minority Shareholder Wealth, percentage of outside directors for measuring Minority Shareholder Wealth, percentage of outside directors for measuring Board Independence, percentage of CEOs' cash-flow right for measuring Managerial Ownership, and CEOs' total pay for measuring Performance based Pay. I have also incorporated the measure of CEO-Duality to examine the impact of board leadership

Table 5.9: Endogeneity Test

DV Tobin's Q	Model 1	Model 2	Model 3	Model 4	Model 5[c]	Model 6	Model 7	Model 8	Model 9
Fitted Excess Control (FEC)[a]	-0.024*	-0.029*	-0.027*	-0.023	-0.012	-0.026*	-0.022	-0.069***	-0.072***
	(0.015)	(0.016)	(0.015)	(0.015)	(0.028)	(0.015)	(0.015)	(0.022)	(0.021)
Board Independence[a]		0.004*	0.002						
		(0.002)	(0.002)						
FEC*Board Independence			-0.001						
			(0.001)						
CEO-Separation				0.234**	0.170				
				(0.105)	(0.106)				
FEC*CEO-Separation					-0.013				
					(0.032)				
Managerial Ownership[a]						-0.004	-0.002		
						(0.003)	(0.003)		
FEC*Managerial Ownership							-0.001*		
							(0.001)		
Performance based Pay[a]								0.011***	0.011***
								(0.002)	(0.002)
FEC*Performance based Pay									-0.001
									(0.001)
Firm Age	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Firm Size[b]	-0.188***	-0.167***	-0.188***	-0.167***	-0.188***	-0.171***	-0.192***	-0.241***	-0.251***
	(0.025)	(0.023)	(0.025)	(0.024)	(0.025)	(0.024)	(0.025)	(0.034)	(0.036)

Firm Profit	0.417	0.391	0.412	0.406	0.419	0.417	0.411	0.251	0.249
	(0.646)	(0.647)	(0.645)	(0.640)	(0.645)	(0.641)	(0.641)	(0.642)	(0.636)
Firm Growth	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Crosslisting	0.399***		0.377***		0.383***		0.402***		0.165
	(0.102)		(0.105)		(0.103)		(0.102)		(0.163)
UCO Foreign	0.324**		0.324**		0.313**		0.310**		0.469***
	(0.129)		(0.129)		(0.129)		(0.130)		(0.165)
UCO Identity	yes	yes	yes	yes	yes	yes	yes	yes	yes
Industry	yes	yes	yes	yes	yes	yes	yes	yes	yes
Country	yes	yes	yes	yes	yes	yes	yes	yes	yes
Constant	4.617***	4.347***	4.320***	4.296***	4.204***	4.649***	4.390***	6.247***	5.721***
	(0.577)	(0.563)	(0.545)	(0.552)	(0.540)	(0.562)	(0.544)	(0.789)	(0.745)
Observations	1,109	1,109	1,109	1,109	1,109	1,109	1,109	750	750
R-squared	0.089	0.072	0.091	0.072	0.091	0.070	0.092	0.115	0.129

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. In models with interaction, continuous variables are mean-centered; b. measure is natural log transformed

c. At CEO-Separation = 1, β3 = -0.025 with robust st. error = 0.016 and p>0.1

structure through a different lens. Finally, for measuring the overall quality of countries' public institutions, corporate transparency, and governance standard, I have utilized the index of Institution from the Global Competitiveness Report.

5.5.1 Robustness Test with Alternative Model of Three-Way Interactions

For testing the three-way interaction among Excess Control, internal CG, and external CG, following alternative model has been employed to conduct robustness test.

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{1i} X_{2i} + \beta_5 X_{2i} X_{3i} + \beta_6 X_{1i} X_{3i} + \beta_7 X_{1i} X_{2i} X_{3i} + \beta_n C_{mi} + \varepsilon_i \quad (3)$$

Where: =

Y_i = Minority Shareholder Wealth for focal firm i

β_0 = the intercept of Y_i

β_1 = the direct effect of X_{1i} on Y_i

X_{1i} = Excess Control by UCOs for focal firm i

β_2 = the direct effect of X_{2i} on Y_i

X_{2i} = Internal CG for focal firm i

β_3 = the direct effect of X_{3i} on Y_i

X_{3i} = External CG for focal firm i

β_4 = the two way interaction effect of X_{1i} and X_{2i} on Y_i

β_5 = the two way interaction effect of X_{2i} and X_{3i} on Y_i

β_6= the two way interaction effect of X_{1i} and X_{3i} on Y_i

β_7= the three way interaction effect of X_{1i}, X_{2i}, and X_{3i} on Y_i

β_n = the direct effect of C_{mi} on Y_i (where n = 8, 9, 10, ……)

C_{mi} = vector of control variables for focal firm i (where m = 1, 2, 3, ……...)

ε_i = the randomly varying unique error term contributed by firm i to β_0 (where ε_i: $N(0,\sigma^2)$)

Hypothesis 3(a) and 3(b) will be supported if the coefficient of two way interaction between Excess Control and internal CG is positive and significant (i.e., H_a: $\beta_4>0$ in equation 3) and additionally, the coefficient of three way interaction among Excess Control, internal CG, and external CG is positive and significant (i.e., H_a: $\beta_7>0$ in equation 3). Significant positive effect by the two way interaction term implies that negative effect of Excess Control on Minority Shareholder Wealth ($\beta_1<0$) is attenuated by the internal CG. Moreover, significant positive effect by the three way interaction term implies that attenuation of negative effect ($\beta_1<0$) is further enhanced when the internal CG is complemented by the external CG.

Hypothesis 4(a) and 4(b) will be supported if the coefficient of two way interaction between Excess Control and internal CG is insignificant (i.e., H_a: $\beta_4\leq0$ in equation 3) but the coefficient of three way interaction among Excess Control, internal CG, and external CG is positive and significant (i.e., H_a: $\beta_7>0$ in equation 3). Significant positive effect by the three way interaction term implies that negative effect of Excess Control on Minority Shareholder Wealth ($\beta_1<0$) is attenuated by internal CG only when such firm level mechanisms are supported by necessary external CG.

Rejection of H3(a), H3(b) and H4(a), H4(b) will indicate that the internal CG are not aligned with the intended goal of attenuating Excess Control's negative effect and the external CG cannot moderate any firm level positive impact. Table 5.10 and Table 5.11 summarize the results for legal institution and disclosure standard, respectively. Empirical findings are fairly similar across the analyses with sub-sampling technique and integrated model of three-way interactions. There is a significant negative relationship between Excess Control and Minority Shareholder Wealth (i.e. Tobin's Q). However, the

Table 5.10: OLS of Three-Way Interactions for Legal Institution

DV Tobin's Q	Model 1	Model 2[c]	Model 3	Model 4
Excess Control (EC)[a]	-0.026***	-0.012	-0.026***	-0.032***
	(0.005)	(0.008)	(0.005)	(0.006)
Legal Institution[a]	0.571*	0.573	0.654**	0.500
	(0.319)	(0.463)	(0.313)	(0.445)
EC*Legal	-0.020	-0.005	-0.021	0.009
	(0.028)	(0.049)	(0.026)	(0.042)
Board Independence[a]	0.001			
	(0.002)			
EC*Board Independence	-0.000			
	(0.000)			
Board Independence*Legal	-0.032**			
	(0.016)			
EC*Board Independence*Legal	0.001			
	(0.002)			
CEO-Separation		0.184*		
		(0.110)		
EC*CEO-Separation		-0.017*		
		(0.010)		
CEO-Separation*Legal		0.030		
		(0.589)		
EC*CEO-Separation*Legal		-0.015		
		(0.058)		
Managerial Ownership[a]			-0.004	
			(0.003)	
EC*Managerial Ownership			0.000	
			(0.000)	
Managerial Ownership*Legal			-0.008	
			(0.014)	
EC*Managerial Ownership*Legal			0.001	
			(0.001)	
Performance based Pay[a]				0.010***
				(0.002)
EC*Performance based Pay				-0.000
				(0.000)
Performance based Pay*Legal				0.006
				(0.013)
EC*Performance based Pay*Legal				-0.001
				(0.001)

Firm Age	0.000	0.000	0.000	0.001
	(0.001)	(0.001)	(0.001)	(0.001)
Firm Size[b]	-0.164***	-0.160***	-0.167***	-0.243***
	(0.027)	(0.028)	(0.027)	(0.041)
Firm Profit	0.413	0.414	0.420	0.238
	(0.626)	(0.630)	(0.629)	(0.628)
Firm Growth	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)
Crosslisting	0.338***	0.313***	0.326***	0.233
	(0.111)	(0.113)	(0.112)	(0.167)
UCO Foreign	0.368***	0.363***	0.352***	0.466***
	(0.131)	(0.131)	(0.132)	(0.172)
UCO Family	-0.432	-0.377	-0.377	-0.492
	(0.380)	(0.384)	(0.380)	(0.475)
UCO State	-0.535	-0.513	-0.527	-0.535
	(0.386)	(0.389)	(0.386)	(0.490)
UCO Financial Institution	-0.463	-0.425	-0.458	-0.500
	(0.400)	(0.403)	(0.401)	(0.520)
UCO Corporation	-0.053	-0.007	-0.035	-0.033
	(0.436)	(0.440)	(0.436)	(0.551)
Industry	yes	yes	yes	yes
GDPGrowth	yes	yes	yes	yes
Constant	4.417***	4.181***	4.471***	6.097***
	(0.701)	(0.718)	(0.703)	(0.958)
Observations	1,109	1,109	1,109	750
R-squared	0.121	0.121	0.120	0.142

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. Continuous variables of the interaction terms are mean-centered; b. measure is natural log transformed

c. At CEO-Separation = 1, $\beta 3$ = -0.029 with robust st. error = 0.006 and p<0.01

Table 5.11: OLS of Three-Way Interactions for Disclosure Standard

DV Tobin's Q	Model 1	Model 2[c]	Model 3	Model 4
Excess Control (EC)[a]	-0.026***	-0.013	-0.026***	-0.031***
	(0.005)	(0.008)	(0.005)	(0.006)
Legal Institution[a]	0.224	0.775	0.210	-0.131
	(0.315)	(0.540)	(0.317)	(0.417)
EC*Legal	-0.002	0.010	0.004	0.045
	(0.029)	(0.044)	(0.028)	(0.044)
Board Independence[a]	0.001			
	(0.002)			
EC*Board Independence	0.000			
	(0.000)			
Board Independence*Legal	-0.018			
	(0.013)			
EC*Board Independence*Legal	0.002			
	(0.001)			
CEO-Separation		0.204*		
		(0.106)		
EC*CEO-Separation		-0.016*		
		(0.010)		
CEO-Separation*Legal		-0.686		
		(0.641)		
EC*CEO-Separation*Legal		-0.011		
		(0.055)		
Managerial Ownership[a]			-0.004	
			(0.003)	
EC*Managerial Ownership			0.000	
			(0.000)	
Managerial Ownership*Legal			0.015	
			(0.014)	
EC*Managerial Ownership*Legal			0.000	
			(0.001)	
Performance based Pay[a]				0.010***
				(0.002)
EC*Performance based Pay				-0.000
				(0.000)
Performance based Pay*Legal				-0.023
				(0.015)
EC*Performance based Pay*Legal				0.001
				(0.001)

Firm Age	0.001	0.000	0.000	0.001
	(0.001)	(0.001)	(0.001)	(0.001)
Firm Size[b]	-0.166***	-0.161***	-0.168***	-0.241***
	(0.027)	(0.028)	(0.028)	(0.042)
Firm Profit	0.405	0.404	0.405	0.250
	(0.623)	(0.628)	(0.627)	(0.624)
Firm Growth	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)
Crosslisting	0.349***	0.327***	0.348***	0.236
	(0.114)	(0.115)	(0.115)	(0.172)
UCO Foreign	0.392***	0.383***	0.375***	0.485***
	(0.133)	(0.132)	(0.134)	(0.171)
UCO Family	-0.452	-0.406	-0.419	-0.637
	(0.379)	(0.387)	(0.386)	(0.481)
UCO State	-0.595	-0.567	-0.609	-0.717
	(0.384)	(0.391)	(0.390)	(0.499)
UCO Financial Institution	-0.492	-0.444	-0.506	-0.641
	(0.401)	(0.407)	(0.406)	(0.528)
UCO Corporation	-0.076	-0.026	-0.073	-0.188
	(0.433)	(0.440)	(0.438)	(0.549)
Industry	yes	yes	yes	yes
GDPGrowth	yes	yes	yes	yes
Constant	4.459***	4.209***	4.532***	6.173***
	(0.703)	(0.717)	(0.711)	(0.966)
Observations	1,109	1,109	1,109	750
R-squared	0.117	0.119	0.117	0.144

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. Continuous variables of the interaction terms are mean-centered; b. measure is natural log transformed

c. At CEO-Separation = 1, $\beta 3 = -0.029$ with robust st. error = 0.006 and p<0.01

two-way interactions between Excess Control and internal CG and the three-way interactions among Excess Control, internal CG, and external CG remain insignificant.

5.5.2 Robustness Test with Alternative Measure of Minority Shareholder Wealth

Table 5.12, Table 5.13, and Table 5.14 present the results for Market-to-Book (MTB). The findings are mostly consistent in showing significant negative effect by Excess Control on Minority Shareholder Wealth (i.e. MTB). Table 5.12 is developed for the full sample, which shows positive and significant effect by CEO-Separation and Performance based Pay on MTB. The interaction effects remain insignificant for all the internal mechanisms. Table 5.13 depicts the results for MTB on the sub-samples of legal institution and Table 5.14 depicts the results for MTB on the sub-samples of disclosure standard. Again, the interaction effects are insignificant. Similar to the previous analyses, Crosslisting and Foreign UCOs show positive and significant effect on Minority Shareholder Wealth (i.e. MTB).

5.5.3 Robustness Test with Alternative Measures of Internal CG

Table 5.15, Table 5.16, and Table 5.17 summarize the results of regression analyses that incorporate the alternative measures of internal mechanisms. Tables 5.15 presents the results for full sample and according to its findings, CEO-Duality positively and significantly attenuates the negative effect of Excess Control. In specific terms, the negative effect on Minority Shareholder Wealth for a percentage increase in Excess Control gets decreased by 0.018 when there is CEO-Duality. The interaction effects are insignificant for other alternative internal CG. Table 5.16 and Table 5.17 depict the results for legal institution and disclosure standard respectively. CEO-Duality and Managerial Cash Ownership show negative and significant effect on Minority

Table 5.12: OLS Regression with Mean-Centered Interactions & Huber-White Robust Errors (Market-to-Book)

DV Market-to-Book	Model 1	Model 2	Model 3	Model 4	Model 5[c]	Model 6	Model 7	Model 8	Model 9
Excess Control (EC)[a]	-0.040***	-0.035***	-0.040***	-0.037***	-0.038	-0.037***	-0.042***	-0.053***	-0.057***
	(0.014)	(0.013)	(0.014)	(0.014)	(0.024)	(0.014)	(0.014)	(0.017)	(0.017)
Board Independence[a]		-0.000	-0.002						
		(0.010)	(0.011)						
EC*Board Independence			-0.000						
			(0.001)						
CEO-Separation				1.390***	1.262**				
				(0.509)	(0.531)				
EC*CEO-Separation					-0.005				
					(0.026)				
Managerial Ownership[a]						-0.015	-0.011		
						(0.010)	(0.012)		
EC*Managerial Ownership							-0.000		
							(0.001)		
Performance based Pay[a]								0.023**	0.021**
								(0.009)	(0.009)
EC*Performance based Pay									0.000
									(0.001)
Firm Age	0.005	0.004	0.004	0.004	0.004	0.004	0.004	0.005	0.006*
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Firm Size[b]	-0.293***	-0.271***	-0.292***	-0.277***	-0.292***	-0.296***	-0.310***	-0.461***	-0.497***
	(0.113)	(0.096)	(0.113)	(0.095)	(0.112)	(0.094)	(0.108)	(0.145)	(0.172)

Firm Profit	3.748	3.696	3.747	3.692	3.745	3.740	3.772	3.515	3.533
	(2.638)	(2.612)	(2.638)	(2.615)	(2.633)	(2.626)	(2.645)	(2.758)	(2.804)
Firm Growth	0.000	0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)
Crosslisting	0.451		0.471		0.334		0.439		0.604
	(0.451)		(0.477)		(0.469)		(0.454)		(0.689)
UCO Foreign	1.291**		1.293**		1.222**		1.233**		1.308*
	(0.529)		(0.530)		(0.518)		(0.533)		(0.683)
UCO Identity	yes	yes	yes	yes	yes	yes	yes	yes	yes
Industry	yes	yes	yes	yes	yes	yes	yes	yes	yes
Country	yes	yes	yes	yes	yes	yes	yes	yes	yes
Constant	7.395***	7.298***	6.836***	6.572***	6.130**	8.156***	7.341***	10.229***	10.331***
	(2.546)	(2.405)	(2.589)	(2.431)	(2.712)	(2.244)	(2.430)	(3.545)	(3.708)
Observations	1,109	1,109	1,109	1,109	1,109	1,109	1,109	750	750
R-squared	0.040	0.031	0.041	0.039	0.047	0.033	0.041	0.046	0.053

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. In models with interaction, continuous variables are mean-centered; b. measure is natural log transformed

c. At CEO-Separation = 1, β3 = -0.043 with robust st. error = 0.015 and p<0.01

Table 5.13: OLS Regression with Mean-Centered Interactions & Huber-White Robust Errors for Legal Institution (MTB)

	Context with Weak Legal Institution					Context with Strong Legal Institution				
DV Market-to-Book	Model 1	Model 2	Model 3[c]	Model 4	Model 5	Model 6	Model 7	Model 8[d]	Model 9	Model 10
Excess Control (EC)[a]	-0.009	-0.017	-0.033	-0.006	-0.023	-0.062***	-0.063***	-0.045	-0.064***	-0.071***
	(0.020)	(0.017)	(0.028)	(0.022)	(0.033)	(0.018)	(0.018)	(0.028)	(0.018)	(0.020)
Board Independence[a]		-0.031					-0.002			
		(0.025)					(0.010)			
EC*Board Independence		-0.001					0.001			
		(0.002)					(0.001)			
CEO-Separation			0.542					1.427*		
			(0.490)					(0.831)		
EC*CEO-Separation			0.028					-0.022		
			(0.038)					(0.032)		
Managerial Ownership[a]				0.012					-0.025	
				(0.015)					(0.016)	
EC*Managerial Ownership				0.000					-0.001	
				(0.001)					(0.001)	
Performance based Pay[a]					-0.001					0.030**
					(0.011)					(0.014)
EC*Performance based Pay					0.001					0.000
					(0.001)					(0.001)
Firm Age	-0.001	-0.000	-0.000	-0.000	-0.000	0.006**	0.006**	0.005*	0.006**	0.005*
	(0.008)	(0.008)	(0.008)	(0.008)	(0.011)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)

Firm Size[b]	-0.251**	-0.229**	-0.257**	-0.226*	-0.454	-0.353**	-0.356**	-0.332**	-0.384**	-0.526**
	(0.122)	(0.110)	(0.127)	(0.115)	(0.302)	(0.164)	(0.164)	(0.168)	(0.158)	(0.211)
Firm Profit	1.204	1.017	1.121	1.410	0.966	3.873	3.896	3.915	3.967	3.639
	(11.633)	(11.578)	(11.700)	(11.517)	(18.298)	(2.775)	(2.783)	(2.790)	(2.801)	(2.853)
Firm Growth	0.195	0.225	0.181	0.158	0.534	0.000	0.000	-0.000	-0.000	-0.000
	(0.327)	(0.355)	(0.320)	(0.349)	(0.615)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)
Crosslisting	0.666	0.895	0.661	0.650	1.197	0.839	0.842	0.525	0.748	0.661
	(0.713)	(0.862)	(0.707)	(0.683)	(0.952)	(0.606)	(0.619)	(0.733)	(0.645)	(0.951)
UCO Foreign	2.081*	2.061*	2.035*	2.157*	2.781	0.776	0.769	0.737	0.654	0.700
	(1.140)	(1.110)	(1.117)	(1.175)	(1.858)	(0.572)	(0.568)	(0.562)	(0.537)	(0.670)
UCO Identity	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Industry	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Country	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Constant	7.991**	7.575**	7.711**	7.308**	11.759	6.487*	6.513*	5.551	7.441**	10.080**
	(3.683)	(3.385)	(3.544)	(3.496)	(7.947)	(3.579)	(3.602)	(3.842)	(3.388)	(4.398)
Observations	422	422	422	422	214	687	687	687	687	536
R-squared	0.044	0.056	0.045	0.045	0.059	0.060	0.061	0.067	0.064	0.070

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. Continuous variables of the interaction terms are mean-centered; b. measure is natural log transformed

c. At CEO-Separation = 1, β3 = -0.005 with robust st. error = 0.024 and p>0.1

d. At CEO-Separation = 1, β3 = -0.067 with robust st. error = 0.020 and p<0.01

Table 5.14: OLS Regression with Mean-Centered Interactions & Huber-White Robust Errors for Disclosure Standard (MTB)

	Context with Weak Disclosure Standard					Context with Strong Disclosure Standard				
DV Market-to-Book	Model 1	Model 2	Model 3[c]	Model 4	Model 5	Model 6	Model 7	Model 8[d]	Model 9	Model 10
Excess Control (EC)[a]	-0.013	-0.019	-0.008	-0.004	-0.014	-0.052***	-0.052***	-0.046*	-0.054***	-0.068***
	(0.022)	(0.021)	(0.033)	(0.029)	(0.044)	(0.017)	(0.018)	(0.028)	(0.017)	(0.019)
Board Independence[a]		-0.035					0.011			
		(0.024)					(0.010)			
EC*Board Independence		-0.000					-0.000			
		(0.001)					(0.001)			
CEO-Separation			0.483					1.310*		
			(0.546)					(0.670)		
EC*CEO-Separation			-0.007					-0.009		
			(0.042)					(0.031)		
Managerial Ownership[a]				0.018					-0.018	
				(0.029)					(0.013)	
EC*Managerial Ownership				0.002					-0.001	
				(0.002)					(0.001)	
Performance based Pay[a]					-0.006					0.024**
					(0.019)					(0.011)
EC*Performance based Pay					0.001					0.000
					(0.002)					(0.001)
Firm Age	-0.004	-0.004	-0.004	-0.004	0.000	0.008**	0.008**	0.008**	0.008**	0.007**
	(0.006)	(0.006)	(0.006)	(0.005)	(0.009)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)

Firm Size[b]	-0.332***	-0.316***	-0.336***	-0.311***	-0.610**	-0.325**	-0.323**	-0.312**	-0.349**	-0.480**
	(0.106)	(0.104)	(0.108)	(0.100)	(0.266)	(0.147)	(0.148)	(0.149)	(0.142)	(0.195)
Firm Profit	3.315	3.255	3.260	3.411	4.746	3.795	3.749	3.813	3.832	3.529
	(11.925)	(11.719)	(11.988)	(11.798)	(17.856)	(2.723)	(2.738)	(2.726)	(2.730)	(2.809)
Firm Growth	0.028	0.038	0.027	0.029	0.027	0.000	0.000	-0.000	0.000	0.000
	(0.045)	(0.041)	(0.046)	(0.044)	(0.076)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)
Crosslisting	1.271**	1.584**	1.216**	1.257*	2.900**	0.332	0.265	0.169	0.322	0.144
	(0.640)	(0.800)	(0.616)	(0.680)	(1.206)	(0.551)	(0.556)	(0.600)	(0.556)	(0.792)
UCO Foreign	1.844	1.752	1.814	1.906	3.072	1.018*	1.020*	0.952*	0.926*	0.950
	(1.356)	(1.269)	(1.350)	(1.452)	(2.950)	(0.522)	(0.527)	(0.511)	(0.496)	(0.613)
UCO Identity	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Industry	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Country	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Constant	9.550***	9.325***	9.234***	9.089***	13.068*	6.527**	6.588**	5.717*	7.187**	9.677**
	(2.941)	(2.859)	(2.793)	(2.428)	(7.080)	(3.217)	(3.245)	(3.415)	(3.048)	(4.078)
Observations	306	306	306	306	145	803	803	803	803	605
R-squared	0.054	0.072	0.055	0.059	0.086	0.049	0.050	0.056	0.052	0.061

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. Continuous variables of the interaction terms are mean-centered; b. measure is natural log transformed

c. At CEO-Separation = 1, β3 = -0.025 with robust st. error = 0.047 and p>0.01

d. At CEO-Separation = 1, β3 = -0.071 with robust st. error = 0.022 and p<0.01

Table 5.15: OLS Regression with Mean-Centered Interactions & Huber-White Robust Errors (alternative internal CG)

DV Tobin's Q	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9
Excess Control (EC)[a]	-0.025***	-0.024***	-0.025***	-0.024***	-0.028***	-0.025***	-0.025***	-0.025***	-0.027***
	(0.005)	(0.005)	(0.005)	(0.005)	(0.006)	(0.005)	(0.005)	(0.006)	(0.006)
Board Outsider[a]		0.002	0.001						
		(0.002)	(0.002)						
EC*Board Outsider			0.000						
			(0.000)						
CEO-Duality				-0.274**	-0.193*				
				(0.107)	(0.106)				
EC*CEO-Duality					0.018*				
					(0.010)				
Cash Ownership[a]						-0.005	-0.004		
						(0.004)	(0.004)		
EC*Cash Ownership							-0.000		
							(0.000)		
Total Pay[a]								0.000***	0.000***
								(0.000)	(0.000)
EC*Total Pay									-0.000
									(0.000)
Firm Age	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.000	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Firm Size[b]	-0.176***	-0.155***	-0.176***	-0.156***	-0.175***	-0.162***	-0.180***	-0.214***	-0.234***
	(0.025)	(0.023)	(0.025)	(0.023)	(0.025)	(0.023)	(0.025)	(0.031)	(0.034)

Firm Profit	0.408	0.402	0.412	0.394	0.414	0.409	0.415	0.295	0.298
	(0.634)	(0.632)	(0.633)	(0.630)	(0.632)	(0.631)	(0.633)	(0.620)	(0.618)
Firm Growth	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Crosslisting	0.375***		0.372***		0.352***		0.372***		0.308**
	(0.101)		(0.103)		(0.103)		(0.103)		(0.143)
UCO Foreign	0.384***		0.384***		0.373***		0.372***		0.461***
	(0.131)		(0.131)		(0.131)		(0.133)		(0.159)
UCO Identity	yes	yes	yes	yes	yes	yes	yes	yes	yes
Industry	yes	yes	yes	yes	yes	yes	yes	yes	yes
Country	yes	yes	yes	yes	yes	yes	yes	yes	yes
Constant	4.387***	4.078***	4.069***	4.353***	4.143***	4.455***	4.170***	5.416***	5.279***
	(0.543)	(0.536)	(0.538)	(0.530)	(0.540)	(0.522)	(0.535)	(0.690)	(0.716)
Observations	1,109	1,109	1,109	1,109	1,109	1,109	1,109	848	848
R-squared	0.109	0.087	0.109	0.091	0.113	0.089	0.109	0.104	0.121

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. In models with interaction, continuous variables are mean-centered; b. measure is natural log transformed

Table 5.16: OLS Regression with Mean-Centered Interactions & Huber-White Robust Errors for Legal Inst. (alt. int. CG)

	Context with Weak Legal Institution					Context with Strong Legal Institution				
DV Tobin's Q	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
Excess Control (EC)[a]	-0.018***	-0.018***	-0.020***	-0.021***	-0.018**	-0.030***	-0.030***	-0.034***	-0.031***	-0.033***
	(0.006)	(0.006)	(0.007)	(0.006)	(0.008)	(0.007)	(0.007)	(0.008)	(0.007)	(0.007)
Board Outsider[a]		-0.003					0.001			
		(0.004)					(0.003)			
EC*Board Outsider		0.000					0.000			
		(0.000)					(0.000)			
CEO-Duality			-0.258**					-0.085		
			(0.125)					(0.158)		
EC*CEO-Duality			0.004					0.020		
			(0.015)					(0.013)		
Cash Ownership[a]				-0.008*					-0.002	
				(0.005)					(0.006)	
EC*Cash Ownership				-0.001					0.000	
				(0.001)					(0.001)	
Total Pay[a]					0.000**					0.000**
					(0.000)					(0.000)
EC*Total Pay					0.000					0.000
					(0.000)					(0.000)
Firm Age	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)

Firm Size[b]	-0.151***	-0.149***	-0.155***	-0.158***	-0.210***	-0.198***	-0.198***	-0.196***	-0.201***	-0.242***
	(0.036)	(0.036)	(0.037)	(0.037)	(0.057)	(0.034)	(0.034)	(0.034)	(0.034)	(0.042)
Firm Profit	3.049**	3.047**	3.015**	2.938**	2.811*	0.196	0.200	0.205	0.207	0.182
	(1.243)	(1.250)	(1.240)	(1.252)	(1.505)	(0.625)	(0.623)	(0.625)	(0.626)	(0.612)
Firm Growth	0.038	0.040	0.043	0.018	0.413	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.079)	(0.080)	(0.075)	(0.095)	(0.288)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Crosslisting	0.318**	0.318**	0.310**	0.343**	0.273	0.469***	0.460***	0.446***	0.457***	0.315
	(0.140)	(0.141)	(0.138)	(0.140)	(0.205)	(0.148)	(0.160)	(0.161)	(0.154)	(0.203)
UCO Foreign	0.406**	0.412**	0.377**	0.381**	0.506**	0.301*	0.302*	0.302*	0.293*	0.387*
	(0.162)	(0.162)	(0.163)	(0.162)	(0.233)	(0.172)	(0.172)	(0.171)	(0.173)	(0.197)
UCO Identity	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Industry	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Country	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Constant	3.971***	3.917***	4.123***	4.106***	5.141***	4.067***	4.069***	4.082***	4.167***	5.219***
	(0.833)	(0.846)	(0.868)	(0.847)	(1.272)	(0.712)	(0.712)	(0.709)	(0.704)	(0.904)
Observations	422	422	422	422	283	687	687	687	687	565
R-squared	0.160	0.162	0.167	0.170	0.163	0.131	0.131	0.133	0.132	0.136

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. Continuous variables of the interaction terms are mean-centered; b. measure is natural log transformed

Table 5.17: OLS Regression with Mean-Centered Interactions & Huber-White Robust Errors for Disclosure Std. (alt. int. CG)

	Context with Weak Disclosure Standard					Context with Strong Disclosure Standard				
DV Tobin's Q	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
Excess Control (EC)[a]	-0.020***	-0.020***	-0.024***	-0.024***	-0.025***	-0.028***	-0.028***	-0.031***	-0.027***	-0.029***
	(0.007)	(0.007)	(0.008)	(0.007)	(0.009)	(0.006)	(0.006)	(0.007)	(0.006)	(0.007)
Board Outsider[a]		-0.004					0.003			
		(0.004)					(0.003)			
EC*Board Outsider		0.000					-0.000			
		(0.000)					(0.000)			
CEO-Duality			-0.218					-0.118		
			(0.134)					(0.135)		
EC*CEO-Duality			0.019					0.017		
			(0.017)					(0.012)		
Cash Ownership[a]				-0.012**					0.000	
				(0.005)					(0.005)	
EC*Cash Ownership				-0.000					-0.000	
				(0.000)					(0.001)	
Total Pay[a]					0.000**					0.000***
					(0.000)					(0.000)
EC*Total Pay					0.000					-0.000
					(0.000)					(0.000)
Firm Age	0.000	0.001	0.000	0.000	-0.002	0.001	0.001	0.001	0.001	0.002**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)

Firm Size[b]	-0.181***	-0.178***	-0.184***	-0.198***	-0.272***	-0.195***	-0.192***	-0.193***	-0.194***	-0.203***
	(0.037)	(0.037)	(0.037)	(0.040)	(0.072)	(0.031)	(0.032)	(0.031)	(0.031)	(0.035)
Firm Profit	4.515***	4.467***	4.489***	4.496***	3.291**	0.131	0.139	0.140	0.127	-0.034
	(1.629)	(1.638)	(1.605)	(1.617)	(1.414)	(0.608)	(0.606)	(0.607)	(0.609)	(0.632)
Firm Growth	0.052***	0.053***	0.052***	0.052***	0.047***	-0.000	-0.000	-0.000*	-0.000	-0.000
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Cross listing	0.633***	0.634***	0.606***	0.577***	0.895***	0.300**	0.274**	0.279**	0.304**	0.226
	(0.182)	(0.183)	(0.178)	(0.176)	(0.319)	(0.126)	(0.136)	(0.130)	(0.128)	(0.150)
UCO Foreign	0.384*	0.389*	0.363*	0.326	0.411	0.341**	0.341**	0.337**	0.342**	0.547***
	(0.198)	(0.199)	(0.196)	(0.204)	(0.256)	(0.156)	(0.156)	(0.155)	(0.158)	(0.191)
UCO Identity	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Industry	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Country	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Constant	4.374***	4.311***	4.466***	4.863***	5.982***	4.262***	4.262***	4.301***	4.223***	4.502***
	(0.775)	(0.780)	(0.778)	(0.871)	(1.416)	(0.668)	(0.668)	(0.669)	(0.643)	(0.786)
Observations	306	306	306	306	300	803	803	803	803	523
R-squared	0.286	0.289	0.293	0.297	0.218	0.110	0.110	0.112	0.110	0.134

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. Continuous variables of the interaction terms are mean-centered; b. measure is natural log transformed

Shareholder Wealth in the sub-sample of weak legal institution and Managerial Cash Ownership shows negative and significant effect on Minority Shareholder Wealth in the sub-sample of weak disclosure institution. Managerial Total Pay shows positive and significant effect on Minority Shareholder Wealth across the entire analyses; however, the coefficient value is very low for total pay ($\beta = 0.000$). Most importantly, the interaction effects of the alternative internal CG do not show any significant positive effect across the analyses with legal and disclosure institutions.

5.5.4 Robustness Test with Alternative Measure of External Institution

Table 5.18 ranks the 40 countries based on the quality of their overall institutions (the index of Overall Institution is developed by the Global Competitiveness Report, 2016)[5]. Table 5.19 presents the regression results for the sub-samples of overall institutions. The results are mostly similar to the main analyses. P-P conflict is present in both weak and strong contexts. Board Independence and CEO-Separation significantly improve Minority Shareholder Wealth in the weak context; whereas Performance based Pay is effective in both the contexts. Firms' international orientation also remains to be beneficial. But interactions of the CG policies show no sign of significant positive impact in attenuating the P-P conflict.

5.6 Ad-hoc Analyses:

To extend the investigation of policy-related hypotheses, I ran a series of additional regressions incorporating relevant aspects of the CG literature. The ad-hoc analysis section starts with assessing the effectiveness of common CG policies in family vs. non-family firms, locally-listed vs. cross-listed firms, and domestic vs. foreign firms. Furthermore, I re-examined the policy-related hypotheses integrating a number of market and informal institutions. So far, the current study concentrated on analyzing the

'moderating' impact of external CG institutions. With a new model of regression, I incorporated an extended analysis to test the 'direct' impact of external CG institutions in addressing P-P conflict. Finally, I explored the presence of Multiple Blockholders as a potential internal CG to check on the UCOs.

Table 5.18: Countries with Strong vs. Weak Overall Institution

Countries in Strong Context	Countries in Weak Context
1. Finland	21. Czech Republic
2. Singapore	22. Poland
3. Norway	23. India
4. Switzerland	24. Spain
5. Hong Kong SAR	25. Korea, Rep.
6. Netherlands	26. Turkey
7. Sweden	27. Philippines
8. Japan	28. Greece
9. Denmark	29. Thailand
10. Germany	30. Egypt
11. Austria	31. Russian Federation
12. Belgium	32. Italy
13. Malaysia	33. Bulgaria
14. France	34. Mexico
15. Chile	35. Colombia
16. Jordan	36. Peru
17. Portugal	37. Pakistan
18. Israel	38. Brazil
19. China	39. Bangladesh
20. Indonesia	40. Argentina

Source: World Economic Forum, Global Competitiveness Report, 2016

Table 5.19: OLS Regression with Mean-Centered Interactions & Huber-White Robust Errors for Alternative External Inst.

	Context with Weak Institution					Context with Strong Institution				
DV Tobin's Q	Model 1	Model 2	Model 3[c]	Model 4	Model 5	Model 6	Model 7	Model 8[d]	Model 9	Model 10
Excess Control (EC)[a]	-0.021***	-0.020***	-0.012	-0.021***	-0.034***	-0.029***	-0.029***	-0.018*	-0.029***	-0.032***
	(0.007)	(0.007)	(0.011)	(0.007)	(0.010)	(0.006)	(0.006)	(0.010)	(0.006)	(0.008)
Board Independence[a]		0.007*					-0.002			
		(0.004)					(0.003)			
EC*Board Independence		-0.000					0.000			
		(0.000)					(0.000)			
CEO-Separation			0.217*					0.160		
			(0.122)					(0.157)		
EC*CEO-Separation			-0.012					-0.013		
			(0.014)					(0.013)		
Managerial Ownership[a]				0.000					-0.003	
				(0.004)					(0.004)	
EC*Managerial Ownership				-0.000					0.000	
				(0.001)					(0.000)	
Performance based Pay[a]					0.011***					0.009***
					(0.003)					(0.004)
EC*Performance based Pay					0.000					-0.000
					(0.000)					(0.000)
Firm Age	0.001	0.001	0.001	0.001	0.006**	0.001	0.001	0.000	0.001	-0.000
	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)

Firm Size[b]	-0.086**	-0.093**	-0.087**	-0.084**	-0.182***	-0.230***	-0.231***	-0.228***	-0.233***	-0.293***
	(0.037)	(0.038)	(0.037)	(0.041)	(0.047)	(0.036)	(0.036)	(0.035)	(0.036)	(0.051)
Firm Profit	5.827***	5.804***	5.803***	5.833***	0.621	-0.187	-0.174	-0.181	-0.175	-0.103
	(1.532)	(1.535)	(1.530)	(1.537)	(1.509)	(0.579)	(0.574)	(0.577)	(0.579)	(0.695)
Firm Growth	0.029	0.024	0.038	0.019	0.011	-0.000*	-0.000*	-0.000**	-0.000**	-0.000
	(0.086)	(0.086)	(0.082)	(0.090)	(0.228)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Crosslisting	0.200	0.163	0.181	0.207	-0.094	0.528***	0.536***	0.512***	0.514***	0.555**
	(0.152)	(0.155)	(0.152)	(0.155)	(0.220)	(0.149)	(0.150)	(0.153)	(0.153)	(0.253)
UCO Foreign	0.509**	0.521***	0.468**	0.509**	0.902***	0.170	0.169	0.172	0.154	0.118
	(0.199)	(0.200)	(0.198)	(0.202)	(0.304)	(0.158)	(0.158)	(0.158)	(0.157)	(0.198)
UCO Identity	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Industry	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Country	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Constant	1.993**	2.179**	1.893**	1.929**	4.022***	5.295***	5.324***	5.166***	5.409***	6.391***
	(0.890)	(0.910)	(0.873)	(0.964)	(0.952)	(0.720)	(0.726)	(0.730)	(0.712)	(1.019)
Observations	459	459	459	459	309	650	650	650	650	441
R-squared	0.262	0.269	0.267	0.263	0.192	0.141	0.142	0.143	0.142	0.156

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. Continuous variables of the interaction terms are mean-centered; b. measure is natural log transformed

c. At CEO-Separation = 1, β3 = -0.024 with robust st. error = 0.007 and p<0.01

d. At CEO-Separation = 1, β3 = -0.031 with robust st. error = 0.007 and p<0.01

5.6.1 Ad-hoc Analysis for Family Firms vs. Non-Family Firms

It is important to investigate the role of CG policies in governing the UCOs of family vs non-family firms. In contrast to the relatively distant UCOs of the non-family firms (state, financial institution, corporation, and other), family UCOs are closely involved in organizational governance and decision making (Carney et al., 2011; Chen & Nowland, 2010; Duran, Kostova, & van Essen, 2017). Table 5.20 summarizes the results of Family vs. Non-Family firms. Expropriation of Minority Shareholder Wealth is evident in both types of firms. Among the internal mechanisms, Performance based Pay significantly improves firms' valuation. Also, presence of foreign UCOs is beneficial for firms' valuation. Only the Family firms enhance their performance by cross-listing in the foreign stock markets. Interaction effects of the CG mechanisms are insignificant for the Family firms. In the Non-Family firms, interaction effects of CEO-Separation and Performance based Pay are significant but in the opposite direction.

5.6.2 Ad-hoc Analysis for Locally-listed Firms vs. Cross-listed Firms

Globally driven firms operate in an environment where the external institutions are relatively advanced in implementing the firm level policies (Douma, George, & Kabeer, 2006; Ferris, Kim, & Noronha, 2009; Kostova & Zaheer, 1999). If the internal CG mechanisms in their current design are aligned with mitigating the P-P conflict, then it is highly likely that the moderating impacts will be effective in the globally driven firms. For the ad-hoc analysis, I compare the concentrated firms that are listed in the domestic/local stock markets versus the ones that are cross-listed in the foreign stock markets. Cross-listed firms are exposed to the international institutional environment which subsequently requires higher governance standard (Cueto, 2013; Coffee, 2002); locally-listed firms often do not face such strict mandates.

Table 5.20: OLS Regression with Mean-Centered Interactions & Huber-White Robust Errors; Family vs. Non-Family Firms

	Family Firms					Non-Family Firms				
DV Tobin's Q	Model 1	Model 2	Model 3[c]	Model 4	Model 5	Model 6	Model 7	Model 8[d]	Model 9	Model 10
Excess Control (EC)[a]	-0.026***	-0.026***	-0.019**	-0.027***	-0.028***	-0.023***	-0.023***	0.007	-0.024***	-0.035***
	(0.006)	(0.006)	(0.009)	(0.006)	(0.007)	(0.008)	(0.008)	(0.017)	(0.008)	(0.010)
Board Independence[a]		0.005					0.001			
		(0.003)					(0.003)			
EC*Board Independence		-0.000					0.000			
		(0.000)					(0.000)			
CEO-Separation			0.184					0.227		
			(0.134)					(0.155)		
EC*CEO-Separation			-0.010					-0.034*		
			(0.011)					(0.018)		
Managerial Ownership[a]				-0.004					-0.031***	
				(0.003)					(0.012)	
EC*Managerial Ownership				0.000					-0.000	
				(0.000)					(0.001)	
Performance based Pay[a]					0.011***					0.009**
					(0.003)					(0.004)
EC*Performance based Pay					0.000					-0.001*
					(0.000)					(0.000)
Firm Age	-0.001	-0.001	-0.001	-0.001	-0.000	0.001	0.001	0.001	0.001	0.002
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)

Firm Size[b]	-0.168***	-0.170***	-0.167***	-0.174***	-0.243***	-0.217***	-0.218***	-0.219***	-0.234***	-0.298***
	(0.035)	(0.035)	(0.034)	(0.034)	(0.054)	(0.037)	(0.037)	(0.037)	(0.040)	(0.051)
Firm Profit	-0.273	-0.296	-0.269	-0.266	-0.392	4.706***	4.714***	4.672***	4.718***	5.339***
	(0.592)	(0.597)	(0.590)	(0.591)	(0.583)	(1.546)	(1.552)	(1.539)	(1.527)	(2.005)
Firm Growth	-0.000	-0.000*	-0.000*	-0.000*	-0.000	0.177***	0.177***	0.174***	0.173***	0.159**
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.055)	(0.055)	(0.054)	(0.055)	(0.072)
Crosslisting	0.566***	0.540***	0.545***	0.553***	0.536**	0.234	0.225	0.204	0.212	-0.002
	(0.135)	(0.137)	(0.136)	(0.137)	(0.208)	(0.149)	(0.155)	(0.153)	(0.149)	(0.263)
UCO Foreign	0.315*	0.330**	0.297*	0.280*	0.412**	0.470**	0.471***	0.456**	0.464**	0.484**
	(0.161)	(0.162)	(0.162)	(0.163)	(0.203)	(0.182)	(0.181)	(0.181)	(0.181)	(0.225)
Industry	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Country	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Constant	3.955***	3.991***	3.832***	4.119***	5.391***	5.118***	5.145***	4.986***	5.489***	7.110***
	(0.720)	(0.722)	(0.717)	(0.703)	(1.073)	(0.820)	(0.818)	(0.821)	(0.886)	(1.154)
Observations	650	650	650	650	434	459	459	459	459	316
R-squared	0.116	0.120	0.120	0.118	0.138	0.211	0.212	0.218	0.219	0.270

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. Continuous variables of the interaction terms are mean-centered; b. measure is natural log transformed

c. At CEO-Separation = 1, β3 = -0.029 with robust st. error = 0.007 and p<0.01

d. At CEO-Separation = 1, β_3 = -0.027 with robust st. error = 0.008 and p<0.01

Table 5.21 presents the findings of Locally-Listed vs. Cross-Listed firms. As the table shows, CEO-Separation significantly improves Locally-Listed firms' efficiency and Performance based Pay is beneficial for both types of firms. Presence of Foreign UCOs is critical in improving performance in the Locally-Listed firms but not necessarily in the Cross-Listed firms. Interaction effects by the CG mechanisms are mostly insignificant. In the Locally-Listed firms, Performance based Pay shows significant impact in the opposite direction. In Appendix C, Table C.1 summarizes the results for firms that are cross-listed in the Anglo-Saxon stock market. CG mechanisms remain insignificant in attenuating the expropriation of minority shareholders even in such advanced environment.

5.6.3 Ad-hoc Analysis for Domestic Firms vs. Foreign Firms

Concentrated firms are often owned by Foreign UCOs. To attain legitimacy in the international environment, these globally driven firms frequently need to comply with higher governance standard (Kostova & Zaheer, 1999; Perkins, Morck & Yeung, 2014; Sanders & Carpenter, 1998). Organizational culture of the Foreign firms also promote the adoption of standard CG measures (Kostova & Roth, 2002; Latterman, 2014). Given the recommended CG mechanisms are aligned with attenuating the P-P conflict, their (CG mechanisms) interactions more likely will be effective in the Foreign firms than in the Domestic firms.

Table 5.22 shows the results for sub-samples split between Domestic vs. Foreign firms. CEO-Separation positively and significantly impacts Minority Shareholder Wealth in the Domestic firms. In this regard, Performance based Pay is beneficial for both types of firms. Crosslisting in the foreign market is an effective mechanism for the Domestic firms in enhancing their market valuation; however, for the Foreign firms, Crosslisting is a redundancy. The interaction effects of the CG mechanisms are insignificant in the

Table 5.21: OLS Regression with Mean-Centered Interactions & Huber-White Robust Errors; Locally vs. Cross Listed Firms

	Locally-Listed Firms					Cross-Listed Firms				
DV Tobin's Q	Model 1	Model 2	Model 3[c]	Model 4	Model 5	Model 6	Model 7	Model 8[d]	Model 9	Model 10
Excess Control (EC)[a]	-0.024***	-0.024***	-0.012	-0.025***	-0.033***	-0.027***	-0.027***	-0.014	-0.027***	-0.030***
	(0.007)	(0.007)	(0.010)	(0.007)	(0.011)	(0.007)	(0.007)	(0.013)	(0.007)	(0.007)
Board Independence[a]		0.001					0.002			
		(0.004)					(0.003)			
EC*Board Independence		-0.001					0.000			
		(0.000)					(0.000)			
CEO-Separation			0.288**					0.083		
			(0.112)					(0.191)		
EC*CEO-Separation			-0.017					-0.015		
			(0.013)					(0.015)		
Managerial Ownership[a]				-0.002					-0.003	
				(0.004)					(0.004)	
EC*Managerial Ownership				0.000					-0.000	
				(0.000)					(0.000)	
Performance based Pay[a]					0.014***					0.009***
					(0.005)					(0.003)
EC*Performance based Pay					-0.001**					0.000
					(0.000)					(0.000)
Firm Age	-0.000	-0.001	-0.001	-0.001	0.003	0.001	0.001	0.001	0.001	0.000
	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)

Firm Size[b]	-0.108***	-0.107***	-0.110***	-0.112***	-0.166***	-0.221***	-0.222***	-0.219***	-0.225***	-0.282***
	(0.034)	(0.034)	(0.034)	(0.035)	(0.050)	(0.040)	(0.040)	(0.039)	(0.039)	(0.050)
Firm Profit	-0.151	-0.183	-0.134	-0.137	-0.746	0.563	0.558	0.567	0.567	0.473
	(1.406)	(1.413)	(1.397)	(1.405)	(1.219)	(0.491)	(0.494)	(0.493)	(0.490)	(0.504)
Firm Growth	0.019	0.021	0.022	0.021	0.017*	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.012)	(0.013)	(0.013)	(0.013)	(0.009)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
UCO Foreign	0.668***	0.689***	0.642***	0.659***	1.150***	0.158	0.159	0.157	0.140	0.093
	(0.235)	(0.238)	(0.232)	(0.239)	(0.361)	(0.139)	(0.139)	(0.138)	(0.139)	(0.155)
UCO Identity	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Industry	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Country	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Constant	2.616***	2.602***	2.485***	2.737***	3.273***	5.644***	5.661***	5.554***	5.759***	7.044***
	(0.750)	(0.745)	(0.735)	(0.769)	(1.009)	(0.892)	(0.897)	(0.924)	(0.862)	(1.124)
Observations	548	548	548	548	284	561	561	561	561	466
R-squared	0.125	0.128	0.132	0.125	0.195	0.137	0.139	0.139	0.138	0.162

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. Continuous variables of the interaction terms are mean-centered; b. measure is natural log transformed

c. At CEO-Separation = 1, β3 = -0.029 with robust st. error = 0.009 and p<0.01

d. At CEO-Separation = 1, β3 = -0.029 with robust st. error = 0.007 and p<0.01

Table 5.22: OLS Regression with Mean-Centered Interactions & Huber-White Robust Errors; Domestic vs. Foreign Firms

	Firms with Domestic UCOs					Firms with Foreign UCOs				
DV Tobin's Q	Model 1	Model 2	Model 3[c]	Model 4	Model 5	Model 6	Model 7	Model 8[d]	Model 9	Model 10
Excess Control (EC)[a]	-0.023***	-0.023***	-0.015*	-0.024***	-0.028***	-0.032***	-0.031**	0.009	-0.024**	-0.039***
	(0.005)	(0.005)	(0.009)	(0.005)	(0.007)	(0.012)	(0.012)	(0.019)	(0.012)	(0.013)
Board Independence[a]		0.003					-0.004			
		(0.002)					(0.006)			
EC*Board Independence		0.000					-0.000			
		(0.000)					(0.001)			
CEO-Separation			0.200*					-0.009		
			(0.117)					(0.271)		
EC*CEO-Separation			-0.011					-0.045**		
			(0.011)					(0.023)		
Managerial Ownership[a]				-0.004					0.010	
				(0.003)					(0.016)	
EC*Managerial Ownership				-0.000					0.005**	
				(0.000)					(0.002)	
Performance based Pay[a]					0.009***					0.018***
					(0.002)					(0.006)
EC*Performance based Pay					0.000					-0.001**
					(0.000)					(0.000)
Firm Age	-0.000	-0.000	-0.000	-0.000	-0.000	0.004	0.003	0.004	0.004	0.006**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)

Firm Size[b]	-0.159***	-0.160***	-0.160***	-0.166***	-0.217***	-0.197***	-0.195***	-0.200***	-0.195***	-0.321***
	(0.030)	(0.030)	(0.029)	(0.030)	(0.046)	(0.051)	(0.051)	(0.051)	(0.051)	(0.058)
Firm Profit	0.331	0.318	0.328	0.337	0.170	0.414	0.410	0.451	0.367	0.276
	(0.500)	(0.500)	(0.496)	(0.497)	(0.494)	(2.483)	(2.483)	(2.516)	(2.457)	(2.359)
Firm Growth	-0.000**	-0.000**	-0.000**	-0.000**	-0.000*	0.045***	0.045***	0.044***	0.045***	0.038***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)
Crosslisting	0.451***	0.434***	0.430***	0.448***	0.394**	0.193	0.232	0.208	0.147	-0.379
	(0.110)	(0.113)	(0.110)	(0.110)	(0.178)	(0.266)	(0.258)	(0.272)	(0.270)	(0.465)
UCO Identity	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Industry	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Country	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Constant	3.802***	3.818***	3.709***	3.988***	4.942***	4.581***	4.513***	4.634***	4.667***	7.762***
	(0.626)	(0.626)	(0.619)	(0.621)	(0.898)	(1.122)	(1.120)	(1.171)	(1.155)	(1.379)
Observations	844	844	844	844	550	265	265	265	265	200
R-squared	0.102	0.104	0.106	0.105	0.118	0.158	0.160	0.163	0.169	0.237

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. Continuous variables of the interaction terms are mean-centered; b. measure is natural log transformed

c. At CEO-Separation = 1, β3 = -0.026 with robust st. error = 0.006 and p<0.01

d. At CEO-Separation = 1, β3 = -0.037 with robust st. error = 0.013 and p<0.01

Domestic firms. In the Foreign firms, CEO-Separation and Performance based Pay show significant interaction effect in the opposite direction and Managerial Ownership shows significant interaction effect in the positive direction. In Appendix C, Table C.2 presents the results for firms that are owned by Anglo-Saxon UCOs. Even in these globally driven firms, CG mechanisms cannot attenuate the expropriation of minority shareholders

5.6.4 Ad-hoc Analysis for Market Institutions

Market for corporate control disciplines the company insiders through the threat of takeover risk (Manne, 1965). CG scholars, however, question the effectiveness of take over market in disciplining the UCOs as concentrated ownership structure often facilitates friendly transfer of control and deters hostile takeovers (Enrique & Volpin, 2007; Rossi & Volpin, 2004). I decided to examine the impact of market institution since countries' stock exchange and pro-market orientation can play important role in influencing the firm level policy implementation (Coffee, 2001; Kogut & Spicer, 2002). For analyzing the quality of Stock Market and Pro-Market institutions, I respectively employ the World Bank measure of Stock Turnover Ratio[6] and Heritage Foundation index of Market Openness[7]. The lists of countries in the weak vs. strong contexts are presented in Table C.3 and Table C.4 in Appendix C.

Table 5.23 summarizes the results for Stock Market based sub-samples. In the context with weak Stock Market institution, CEO-Separation and Crosslisting significantly improves firms' performance; whereas in the context with strong Stock Market institution, Performance based Pay and Foreign UCOs are effective in performance improvement. Table 5.24 describes the results for Pro-Market institution. Board Independence and CEO-Separation are improving firms' performance in the weak Pro-Market context and Performance based Pay is proven to be beneficial for both the

Table 5.23: OLS Regression with Mean-Centered Interactions & Huber-White Robust Errors; Stock Market Institution

	Context with Weak Stock Mkt Institution					Context with Strong Stock Mkt Institution				
DV Tobin's Q	Model 1	Model 2	Model 3[c]	Model 4	Model 5	Model 6	Model 7	Model 8[d]	Model 9	Model 10
Excess Control (EC)[a]	-0.019***	-0.020***	-0.008	-0.020***	-0.018**	-0.029***	-0.029***	-0.017*	-0.030***	-0.035***
	(0.007)	(0.007)	(0.015)	(0.008)	(0.009)	(0.006)	(0.006)	(0.010)	(0.006)	(0.008)
Board Independence[a]		-0.000					0.002			
		(0.004)					(0.003)			
EC*Board Independence		0.000					-0.000			
		(0.000)					(0.000)			
CEO-Separation			0.287**					0.206		
			(0.133)					(0.139)		
EC*CEO-Separation			-0.014					-0.016		
			(0.017)					(0.012)		
Managerial Ownership[a]				-0.000					-0.005	
				(0.005)					(0.003)	
EC*Managerial Ownership				-0.000					0.000	
				(0.001)					(0.000)	
Performance based Pay[a]					0.005					0.012***
					(0.003)					(0.003)
EC*Performance based Pay					-0.000					-0.000
					(0.000)					(0.000)
Firm Age	0.001	0.001	0.001	0.001	0.002	0.001	0.001	0.001	0.001	-0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)

Firm Size[b]	-0.144***	-0.144***	-0.146***	-0.143***	-0.204***	-0.192***	-0.192***	-0.190***	-0.199***	-0.242***
	(0.040)	(0.040)	(0.040)	(0.040)	(0.046)	(0.031)	(0.031)	(0.031)	(0.031)	(0.049)
Firm Profit	0.304	0.321	0.288	0.299	-0.145	0.443	0.434	0.453	0.460	0.356
	(1.420)	(1.422)	(1.391)	(1.425)	(1.264)	(0.717)	(0.718)	(0.719)	(0.717)	(0.713)
Firm Growth	-0.000	-0.000	-0.000	-0.000	0.000	0.033***	0.033***	0.033***	0.034***	0.027***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.007)	(0.007)	(0.007)	(0.006)	(0.007)
Crosslisting	0.472***	0.461***	0.437***	0.477***	0.520**	0.202	0.192	0.177	0.190	-0.117
	(0.165)	(0.172)	(0.162)	(0.165)	(0.234)	(0.128)	(0.128)	(0.132)	(0.130)	(0.227)
UCO Foreign	0.151	0.150	0.123	0.148	0.175	0.414***	0.415***	0.404***	0.385**	0.635***
	(0.211)	(0.214)	(0.211)	(0.216)	(0.244)	(0.157)	(0.158)	(0.156)	(0.159)	(0.216)
UCO Identity	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Industry	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Country	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Constant	3.228***	3.232***	3.107***	3.191***	3.526***	4.571***	4.574***	4.434***	4.788***	6.161***
	(0.829)	(0.826)	(0.803)	(0.781)	(0.843)	(0.683)	(0.683)	(0.689)	(0.686)	(1.015)
Observations	366	366	366	366	235	743	743	743	743	515
R-squared	0.109	0.109	0.117	0.109	0.207	0.127	0.127	0.130	0.129	0.147

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. Continuous variables of the interaction terms are mean-centered; b. measure is natural log transformed

c. At CEO-Separation = 1, β3 = -0.021 with robust st. error = 0.010 and p<0.05

d. At CEO-Separation = 1, β3 = -0.033 with robust st. error = 0.008 and p<0.01

Table 5.24: OLS Regression with Mean-Centered Interactions & Huber-White Robust Errors; Pro-Market Institution

	Context with Weak Pro-Mkt Institution					Context with Strong Pro-Mkt Institution				
DV Tobin's Q	Model 1	Model 2	Model 3[c]	Model 4	Model 5	Model 6	Model 7	Model 8[d]	Model 9	Model 10
Excess Control (EC)[a]	-0.026***	-0.026***	-0.021**	-0.026***	-0.031***	-0.021***	-0.021***	-0.008	-0.021***	-0.023***
	(0.006)	(0.006)	(0.010)	(0.006)	(0.009)	(0.007)	(0.007)	(0.011)	(0.007)	(0.007)
Board Independence[a]		0.007*					-0.001			
		(0.004)					(0.003)			
EC*Board Independence		-0.000					-0.000			
		(0.000)					(0.000)			
CEO-Separation			0.240**					0.070		
			(0.105)					(0.216)		
EC*CEO-Separation			-0.008					-0.015		
			(0.012)					(0.013)		
Managerial Ownership[a]				-0.003					0.001	
				(0.003)					(0.005)	
EC*Managerial Ownership				0.000					-0.000	
				(0.000)					(0.000)	
Performance based Pay[a]					0.009***					0.008***
					(0.003)					(0.003)
EC*Performance based Pay					-0.000					-0.000
					(0.000)					(0.000)
Firm Age	0.003	0.003	0.003	0.003	0.005*	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)

Firm Size[b]	-0.104***	-0.105***	-0.107***	-0.113***	-0.130**	-0.239***	-0.238***	-0.238***	-0.238***	-0.319***
	(0.034)	(0.034)	(0.034)	(0.040)	(0.054)	(0.039)	(0.039)	(0.039)	(0.038)	(0.051)
Firm Profit	7.541***	7.565***	7.481***	7.500***	8.354***	-0.279	-0.277	-0.276	-0.285	-0.368
	(1.661)	(1.653)	(1.663)	(1.678)	(2.375)	(0.564)	(0.563)	(0.564)	(0.565)	(0.555)
Firm Growth	-0.011	-0.017	0.000	0.016	0.132	-0.000*	-0.000*	-0.000**	-0.000*	-0.000*
	(0.105)	(0.105)	(0.103)	(0.101)	(0.280)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Crosslisting	-0.068	-0.061	-0.071	-0.066	-0.343	0.748***	0.755***	0.743***	0.757***	0.753***
	(0.149)	(0.149)	(0.148)	(0.152)	(0.247)	(0.161)	(0.163)	(0.165)	(0.166)	(0.214)
UCO Foreign	0.665***	0.670***	0.650***	0.648***	0.853***	0.042	0.041	0.043	0.047	0.071
	(0.196)	(0.196)	(0.194)	(0.200)	(0.306)	(0.151)	(0.151)	(0.151)	(0.151)	(0.176)
UCO Identity	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Industry	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Country	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Constant	2.322***	2.362***	2.264***	2.567***	3.170**	5.346***	5.322***	5.288***	5.297***	6.845***
	(0.787)	(0.774)	(0.772)	(0.946)	(1.225)	(0.832)	(0.831)	(0.839)	(0.790)	(1.055)
Observations	528	528	528	528	279	581	581	581	581	471
R-squared	0.318	0.323	0.324	0.320	0.392	0.132	0.133	0.134	0.133	0.169

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. Continuous variables of the interaction terms are mean-centered; b. measure is natural log transformed

c. At CEO-Separation = 1, β3 = -0.029 with robust st. error = 0.007 and p<0.01

d. At CEO-Separation = 1, β3 = -0.034 with robust st. error = 0.008 and p<0.01

contexts. The effect of Foreign UCOs is positive and significant in the weak context and the effect of Crosslsiting is positive and significant in the strong context. In consistent with the analyses for all the external institutions, the investigation for market institutions also suggest there is no significant positive interaction by the CG mechanisms in attenuating the negative effect of Excess Control.

5.6.5 Ad-hoc Analysis for Informal Institutions

Countries' informal institutional environment is crucial for instilling cognitive and normative understanding of the desired CG policies (Dyck & Zingales, 2004; Jiang & Peng, 2011; van Essen et al., 2012a). Higher ethical standard in business conduct supports the implementation of formal policies by promoting a culture of self-enforcement. Countries' informal institutional environment is also crucial for empowering the social actors who can demand corporate accountability by legitimizing the best practices and attaching social sanctions to the alternative courses of behaviors. To incorporate the influence of country level ethical standard and accountability by the social actors, I utilized the Transparency International Corruption Perception[8] index and Freedom House Media/Press Freedom[9] index respectively. The lists of countries in the weak vs. strong contexts are presented in Table C.5 and Table C.6 in Appendix C.

Table 5.25 presents the results for Corruption index and Table 5.26 presents the results for Freedom of Media. Similar to the previous analyses, empirical findings of the informal institutions show that P-P conflict is evident in the concentrated firms across countries with weak vs. strong informal institutions. CEO-Separation significantly improves firms' valuation in countries with weak informal institutions; whereas Performance based Pay significantly improves firms' valuation in both the contexts. Crosslisting is proven to be beneficial for the concentrated firms in countries with strong

Table 5.25: OLS Regression with Mean-Centered Interactions & Huber-White Robust Errors; Corruption Index

	Context with High Corruption					Context with Low Corruption				
DV Tobin's Q	Model 1	Model 2	Model 3[b]	Model 4	Model 5	Model 6	Model 7	Model 8[c]	Model 9	Model 10
Excess Control (EC)[a]	-0.026***	-0.026***	-0.020**	-0.026***	-0.032***	-0.022***	-0.022***	-0.018	-0.022***	-0.025***
	(0.007)	(0.007)	(0.010)	(0.006)	(0.009)	(0.006)	(0.006)	(0.011)	(0.006)	(0.007)
Board Independence[a]		0.006					-0.001			
		(0.004)					(0.003)			
EC*Board Independence		0.000					-0.000			
		(0.000)					(0.000)			
CEO-Separation			0.355***					-0.079		
			(0.119)					(0.166)		
EC*CEO-Separation			-0.009					-0.006		
			(0.012)					(0.013)		
Managerial Ownership[a]				-0.003					0.000	
				(0.004)					(0.004)	
EC*Managerial Ownership				0.000					-0.000	
				(0.000)					(0.000)	
Performance based Pay[a]					0.009***					0.008***
					(0.003)					(0.003)
EC*Performance based Pay					-0.000					0.000
					(0.000)					(0.000)
Firm Age	0.004**	0.004*	0.004**	0.004**	0.006**	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)

Firm Size[b]	-0.092***	-0.093***	-0.101***	-0.099**	-0.130**	-0.235***	-0.234***	-0.236***	-0.234***	-0.312***
	(0.035)	(0.034)	(0.036)	(0.040)	(0.051)	(0.036)	(0.036)	(0.036)	(0.034)	(0.049)
Firm Profit	7.222***	7.245***	7.121***	7.187***	6.771***	-0.218	-0.216	-0.216	-0.222	-0.419
	(1.702)	(1.695)	(1.705)	(1.720)	(2.302)	(0.560)	(0.559)	(0.563)	(0.561)	(0.562)
Firm Growth	-0.065	-0.074	-0.060	-0.036	-0.061	-0.000*	-0.000*	-0.000*	-0.000*	-0.000**
	(0.081)	(0.080)	(0.080)	(0.079)	(0.282)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Crosslisting	-0.056	-0.061	-0.066	-0.059	-0.181	0.644***	0.651***	0.656***	0.647***	0.667***
	(0.169)	(0.168)	(0.166)	(0.171)	(0.242)	(0.139)	(0.141)	(0.148)	(0.141)	(0.217)
UCO Foreign	0.725***	0.714***	0.677***	0.712***	0.962***	0.030	0.029	0.033	0.030	0.054
	(0.229)	(0.228)	(0.228)	(0.233)	(0.335)	(0.140)	(0.140)	(0.139)	(0.139)	(0.170)
UCO Identity	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Industry	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Country	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Constant	2.070**	2.109***	2.057***	2.300**	2.982***	5.328***	5.311***	5.373***	5.306***	6.908***
	(0.803)	(0.784)	(0.790)	(0.959)	(1.144)	(0.793)	(0.793)	(0.807)	(0.751)	(1.035)
Observations	457	457	457	457	273	652	652	652	652	477
R-squared	0.312	0.316	0.321	0.314	0.357	0.142	0.142	0.143	0.142	0.171

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. Continuous variables of the interaction terms are mean-centered; b. measure is natural log transformed

c. At CEO-Separation = 1, β3 = -0.029 with robust st. error = 0.008 and p<0.01

d. At CEO-Separation = 1, β3 = -0.027 with robust st. error = 0.008 and p<0.01

Table 5.26: OLS Regression with Mean-Centered Interactions & Huber-White Robust Errors; Freedom of Media

	Context with Weak Media					Context with Strong Media				
DV Tobin's Q	Model 1	Model 2	Model 3[c]	Model 4	Model 5	Model 6	Model 7	Model 8[d]	Model 9	Model 10
Excess Control (EC)[a]	-0.025***	-0.026***	-0.014	-0.026***	-0.034***	-0.022***	-0.022***	-0.017	-0.022***	-0.025***
	(0.007)	(0.007)	(0.011)	(0.007)	(0.010)	(0.006)	(0.006)	(0.011)	(0.006)	(0.008)
Board Independence[a]		0.005					0.001			
		(0.004)					(0.003)			
EC*Board Independence		0.000					-0.000			
		(0.000)					(0.000)			
CEO-Separation			0.280**					-0.053		
			(0.124)					(0.161)		
EC*CEO-Separation			-0.015					-0.006		
			(0.014)					(0.013)		
Managerial Ownership[a]				-0.006					0.000	
				(0.004)					(0.004)	
EC*Managerial Ownership				0.000					-0.000	
				(0.000)					(0.000)	
Performance based Pay[a]					0.010***					0.009***
					(0.003)					(0.003)
EC*Performance based Pay					-0.000					-0.000
					(0.000)					(0.000)
Firm Age	0.005**	0.005**	0.005**	0.005**	0.010***	-0.000	-0.000	-0.000	-0.000	-0.001
	(0.002)	(0.003)	(0.002)	(0.002)	(0.004)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)

Firm Size[b]	-0.111***	-0.109***	-0.118***	-0.123***	-0.177***	-0.228***	-0.228***	-0.229***	-0.227***	-0.301***
	(0.033)	(0.033)	(0.033)	(0.037)	(0.041)	(0.035)	(0.035)	(0.035)	(0.034)	(0.059)
Firm Profit	7.360***	7.374***	7.229***	7.327***	0.712	-0.230	-0.234	-0.228	-0.236	-0.185
	(1.570)	(1.559)	(1.569)	(1.564)	(1.729)	(0.564)	(0.565)	(0.566)	(0.566)	(0.669)
Firm Growth	0.193	0.188	0.196	0.211	0.157	-0.000*	-0.000*	-0.000*	-0.000*	-0.000*
	(0.202)	(0.202)	(0.192)	(0.188)	(0.147)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Crosslisting	-0.048	-0.065	-0.061	-0.051	-0.252	0.611***	0.607***	0.619***	0.616***	0.631**
	(0.184)	(0.177)	(0.180)	(0.182)	(0.213)	(0.137)	(0.139)	(0.145)	(0.139)	(0.263)
UCO Foreign	0.594***	0.593***	0.552***	0.572***	0.705***	0.080	0.081	0.083	0.077	0.227
	(0.185)	(0.186)	(0.184)	(0.189)	(0.236)	(0.145)	(0.145)	(0.144)	(0.145)	(0.217)
UCO Identity	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Industry	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Country	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Constant	2.282***	2.258***	2.263***	2.661***	3.408***	5.118***	5.114***	5.151***	5.092***	6.599***
	(0.713)	(0.703)	(0.703)	(0.833)	(0.838)	(0.757)	(0.760)	(0.769)	(0.722)	(1.164)
Observations	437	437	437	437	310	672	672	672	672	440
R-squared	0.332	0.336	0.340	0.337	0.234	0.131	0.131	0.131	0.132	0.144

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. Continuous variables of the interaction terms are mean-centered; b. measure is natural log transformed

c. At CEO-Separation = 1 β3 = -0.038 with robust st. error = 0.011 and p<0.01

d. At CEO-Separation = 1, β3 = -0.023 with robust st. error = 0.007 and p<0.01

informal institutions and Foreign UCOs are proven to be beneficial in countries with weak informal institutions. Most importantly, the interactions between Excess Control and internal CG mechanisms remain consistently insignificant across the entire analysis of informal institutions.

In Appendix C, I re-examine the policy-related hypotheses in firms from the developing/transitioning countries as well as in firms from the developed countries[10]. Table C.7 presents the list of developed and transitioning/developing countries. Table C.8 summarizes results for this analysis. In the concentrated firms from developing/transitioning countries, CEO-Separation shows significant interaction; the interaction is in the opposite direction. For rest of the analyses, the results of interaction terms remain insignificant.

5.6.7 Ad-hoc Analysis for External Institutions' Direct Impact

Firms' external institutional environment directly impacts organizational routines (Feldman & Rafaeli, 2002), actions (He, Tian, & Chen, 2007), and strategy framing (Powell, 1991). Current study focused on analyzing the 'moderating' role of external CG institutions in organizational policy implementation. In this section, I am running a new set of multi-regressions to investigate the 'direct' impact of external CG institutions in attenuating P-P Conflict. At the country level, I am testing the influence of legal and disclosure institutions. For the globally driven firms, I am investigating the impact of international institutional environment for which I am incorporating the measure of Crosslisting and Foreign UCOs. Table 5.27 presents the results of this 'direct' impact analysis. Legal institution, disclosure standard, Crosslisting, and Foreign UCOs – all are proven to be effective in enhancing firms' valuation. However, their interaction effects are not significant in attenuating the P-P conflict. That is, external CG institutions are

Table 5.27: OLS Regression with Mean-Centered Interactions & Huber-White Robust Errors; External Institutions

DV Tobin's Q	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9
Excess Control (EC)[a]	-0.024***	-0.024***	-0.024***	-0.024***	-0.024***	-0.023***	-0.017**	-0.026***	-0.024***
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.007)	(0.005)	(0.005)
Legal Institution[a]		1.072***	1.086***						
		(0.278)	(0.285)						
EC*Legal			-0.026						
			(0.026)						
Disclosure Standard[a]				0.616**	0.617**				
				(0.278)	(0.277)				
EC*Disclosure					0.005				
					(0.028)				
Crosslisting						0.409***	0.412***		
						(0.098)	(0.099)		
EC*Crosslisting							-0.011		
							(0.010)		
UCO Foreign								0.425***	0.432***
								(0.128)	(0.135)
EC*UCO Foreign									-0.006
									(0.012)
Firm Age	0.001	0.000	0.000	0.001	0.001	0.001	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Firm Size[b]	-0.155***	-0.151***	-0.153***	-0.154***	-0.154***	-0.180***	-0.182***	-0.153***	-0.153***
	(0.023)	(0.023)	(0.023)	(0.023)	(0.023)	(0.025)	(0.025)	(0.023)	(0.023)

Firm Profit	0.394	0.426	0.428	0.415	0.415	0.391	0.389	0.413	0.415
	(0.633)	(0.635)	(0.634)	(0.630)	(0.631)	(0.642)	(0.644)	(0.625)	(0.626)
Firm Growth	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
UCO Identity	yes	yes	yes	yes	yes	yes	yes	yes	yes
Industry	yes	yes	yes	yes	yes	yes	yes	yes	yes
Country	yes	yes	yes	yes	yes	yes	yes	yes	yes
Constant	4.221***	3.624***	3.854***	3.875***	3.886***	4.451***	4.193***	4.171***	3.834***
	(0.523)	(0.553)	(0.513)	(0.537)	(0.513)	(0.541)	(0.544)	(0.524)	(0.518)
Observations	1,109	1,109	1,109	1,109	1,109	1,109	1,109	1,109	1,109
R-squared	0.087	0.096	0.097	0.090	0.090	0.100	0.101	0.098	0.098

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. In models with interaction, continuous variables are mean-centered; b. measure is natural log transformed

effectively playing the role of 'performance facilitator'; but their monitoring of the power exercise by UCOs is not adequate.

5.6.8 Ad-hoc Analysis for Multiple Blockholders

A number of CG scholars discuss the benefit of multiple major/strategic blockholders to balance out the excessive power of UCOs (Attig, Guedhami, & Mishra, 2008; Dharwadkar et al., 2000; Jiang & Peng, 2011). Firms with Multiple Blockholders refer to the concentrated firms where in addition to the UCO, multiple shareholders own more than or equal to 10% of the control right. By forming coalition among the key players and utilizing their industry internal knowledge, Multiple Blockholders can ensure higher accountability in the concentrated firms. In the ad-hoc analysis, I examine the presence of Multiple Blockholders as an alternative CG mechanism to monitor the within network resource transactions.

Table 5.28 presents the results for Multiple Blockholders. The findings suggest, interactions of Multiple Blockholders are positive and significant for both the proxies of Minority Shareholders (Tobin's Q and MTB). The negative effect on Tobin's Q for a percentage increase in Excess Control gets decreased by 0.016 and the negative effect on MTB for a percentage increase in Excess Control gets decreased by 0.077 when Multiple Blockholders are present. The results, however, show significant negative effect of Multiple Blockholders on firms' valuation. Further in depth research is necessary to investigate the 'resource provider' and 'governance' roles of the Multiple Blockholders.

Table 5.28: OLS Regression with Mean-Centered Interactions & Huber-White Robust Errors; Multiple Blockholders

	Tobin's Q	MTB
Excess Control (EC)	-0.029***	-0.067***
	(0.007)	(0.018)
Multiple Blockholders	-0.471***	-1.262**
	(0.179)	(0.539)
EC*Multiple Blockholders	0.016*	0.077***
	(0.009)	(0.027)
Firm Age	0.001	0.005
	(0.001)	(0.003)
Firm Size[a]	-0.180***	-0.299***
	(0.025)	(0.115)
Firm Profit	0.406	3.729
	(0.624)	(2.617)
Firm Growth	-0.000	-0.000
	(0.000)	(0.000)
Crosslisting	0.381***	0.440
	(0.101)	(0.455)
UCO Foreign	0.394***	1.306**
	(0.131)	(0.524)
UCO Identity	yes	yes
Industry	yes	yes
Country	yes	yes
Constant	4.592***	7.887***
	(0.562)	(2.604)
Observations	1,109	1,109
R-squared	0.116	0.044

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1
a. Measure is natural log transformed

CHAPTER 6

DISCUSSION & IMPLICATIONS

In the final chapter of the dissertation, I start with discussing the insights of key empirical findings. Next, I focus on describing the Theoretical Contributions, Policy & Managerial Implications, and Limitations & Future Research. This chapter ends with presenting a summary of the investigation in the Conclusion section.

6.1 Discussion

The empirical analysis begins with examining whether the concentrated firms are prone to Type II agency problem. Results are consistent in depicting significant negative effect of UCOs' excessive control on the minority shareholder wealth. Such findings reaffirm the importance of good governance. The core objective of this dissertation has been to examine the effectiveness of standardized CG policies in addressing Type II agency problem. While the findings show positive and significant impact of Board Independence, CEO-Separation, and Performance based Pay on improving firms' valuation, interaction impacts of all the internal mechanisms remain insignificant in attenuating excessive control's negative effect. Interaction impacts of the country level external mechanisms in implementing the formal policies also remain insignificant, where the results are mostly similar across the analyses with legal and disclosure institutions. Hence, the investigation provides support for the Embedded View based analysis, in particular for the analysis of *Means-Ends Decoupling of CG*. In brief, the investigation implicates that commonly recommended CG mechanisms may be effective

in improving firms' valuation; however, in their current capacity, these policies are not adequate in protecting the minority shareholders and preventing the UCOs from exercising their excessive control. As the country level external mechanisms cannot generate any positive moderation impact, it can be implied that the insignificant interaction by the internal CG is a not a result of lack in policy implementation; rather it is a result of lack in policy-goal alignment. These results are robust across the investigations with alternative measures of Minority Shareholder Wealth, Monitoring CG, Incentive CG, and external institution.

For further investigation of the Embedded View based hypotheses, I conducted a series of ad-hoc analyses. I started with examining the family vs. non-family firms, locally-listed vs. cross-listed firms, and domestic vs. foreign firms. Majority of the closely-held firms across nations are family owned and/or family controlled where the organizational culture is mostly relational in nature (Chen & Nowland, 2010; Duran et al., 2017). In contrast to the arm's length transactional culture of non-family firms (state, financial institution, corporation, and other), family owners tend to be closely involved in organizational governance and management. Hence, it is important to examine whether commonly recommended CG mechanisms differ in governing the UCOs of family vs non-family firms. The interaction impacts are insignificant across the sub-samples with family vs. non-family firms implicating that the suggested CG policies are ineffective in questioning all types of UCOs.

Cross-listed and foreign firms operate in an environment, where the external institutions are stricter in mandating and enforcing the formal CG policies (Coffee, 2002; Kostova & Zaheer, 1999; Useem, 1998). If the internal CG mechanisms are aligned with

governing the UCOs, their (internal CG mechanisms') moderating impacts should be positive and significant in the globally driven firms. The results show insignificant interactions across the sub-samples with locally-listed vs. cross-listed firms and domestic vs. foreign firms. Such findings provide stronger support for *Means-Ends Decoupling of CG*. As the globally driven firms operate in an environment with advanced institutions, insignificant interactions in these firms cannot be explained by the logic of lack in policy implementation; rather such results indicate lack in policy-goal alignment. The findings remain unchanged even across the analyses with Anglo-Saxon-Crosslisted firms and Anglo-Saxon-Foreign firms.

In addition to the quality of country level legal and disclosure provisions, International CG literature also study the importance of market and informal institutions. I examined the impact of Stock Market institution since countries' stock exchanges play critical role in monitoring the firm level policy implementation (Coffee, 2001; Kogut & Spicer, 2002). Interaction impacts of the internal CG remain insignificant across the analyses with weak and strong Stock Market institution. Additionally, I examined the implementation of internal CG with the index of Pro-Market institution. This analysis was conducted to capture the influence of countries' market openness. Again coefficients of the interaction terms are insignificant. Countries' informal institutional environment is crucial for promoting self-enforced good governance (Dyck & Zingales, 2004; Jiang & Peng, 2011; van Essen et al., 2012a). The agent of social actors play powerful role in demanding corporate accountability and attaching social sanctions to the alternative courses of behaviors. To incorporate the influence of country level ethical standard and accountability by the social actors, I utilized Corruption Perception index and

Media/Press Freedom index respectively. Interactions by the internal CG mechanisms remain insignificant for both the sub-samples. I also tested the policy-related hypotheses by splitting the full sample into developing vs. developed economies; again the results remain mostly unchanged.

One of the core objectives of the dissertation was to examine the moderating role of external CG institutions in implementing the internal policies. In the ad-hoc analysis section, I extended the analysis by examining the 'direct' impact of local institutions (legal and disclosure standard) and global institutions (Crosslisting and Foreign UCOs) in addressing the P-P conflict. The findings confirm the facilitating role of the advanced institutions as they can help improving the firm level performance (Griffin et al., 2017; Jiang & Peng, 2011). While the resources of external institutions are proven to be extremely critical, their interactions are insignificant in mitigating the expropriation of minority shareholders; that is, their governance role is not powerful enough to oversee the UCOs.

In sum, the findings of the dissertation point towards the benefit of internal and external CG mechanisms in improving firms' technical efficiency. These results support the resource based view of independent board members and separate board chair who bring knowledge, experience, and expertise to the organizational decision making (Hillman & Dalziel, 2003; van Essen et al., 2012b). However, as the outsiders within the relational network, independent board members and separate board chair often do not possess any voice/power to question the act of UCOs (Arnoldi, Chen, & Na, 2013; Chung & Luo, 2013; García-Castro et al., 2013; Keister, 1998). Results of the current study are most consistent in depicting significant positive impact by Performance based Pay on

firms' valuation, which provides support for the incentive-alignment principle (Buck et al., 2008; Sanders & Tuschke, 2007). But Managerial Ownership and Performance based Pay cannot prevent expropriation by the UCOs. In the family firms, family managers frequently possess ownership stakes in the focal firms; yet there is evidence of expropriation (Tiscini & Raoli, 2013). It is often found that managerial pay is relatively low for family managers (Gomez-Mejia, Larraza-Kintana, & Makri, 2003); that is because being the UCOs, these managers can exercise their excessive control for rewarding themselves with alternative forms of extravagant remuneration (McConaughy, 2000; Rediker & Seth, 1995; Schulze et al., 2001; Walsh & Seward, 1990). In the non-family firms, UCOs have the strongest voice in appointing top managers (Steinfeld, 1998) and deciding their incentive packages (Kastiel, 2015). Being appointed and incentivized by the UCOs, professional managers will seldom exercise their equity stakes to challenge their employers. In fact the findings show, Performance based Pay is often used as a means of further expropriation which indicates CEOs of the affiliated firms are colluding with the UCOs. Concentrated firms' local institutional environment (legal and disclosure provisions) and global institutional environment (Crosslisting and Foreign UCOs) play direct role in improving organizational efficiency; however, even the advanced external institutions are proven to be inadequate in protecting the minority shareholders.

6.2 Theoretical Contributions

This dissertation offers critical insights to the International CG research. With the worldwide initiatives to reform/improve firm and country level CG policies, a large stream of literature has developed to assess the value of this policy scheme. In

determining the quality of national and organizational governance, CG scholars often employ a number of standardized indices that are developed pertaining to the universal CG policies. While the rigorous investigations across disciplines (economics, finance, law, sociology, political science, and so forth) provide invaluable insights, the findings have been inconclusive in international settings. Scholars have been analyzing the effectiveness of commonly recommended CG policies across various organizations and country institutional contexts. The heterogeneity of CG aspects further get complex when the CG scholars expand their policy analyses into examining other important governance concerns such as protecting interests of all the stakeholders (Aguilera & Jackson, 2003), safe-guarding the natural environment (Sar, 2018), fulfilling corporate social responsibilities (Stuebs & Sun, 2015), and so forth.

This dissertation is built on the argument that in examining the policy effectiveness of recommended CG mechanisms, it is crucial to specify the governance concern; identify the actors that are involved in the agency relationships; and finally, incorporate the institutional context where the organizations are embedded in. For the current analysis, I examined the closely-held firms with UCOs from Europe, Asia, and Latin America where Type II agency problem exists between minority shareholders and UCOs. This approach enabled me to perform a relatively bias free investigation as I specified the 'organizational form' (concentrated firms), 'governance concern' (expropriation of minority shareholders by UCOs), and 'institutional context' (Non-Anglo-Saxon countries) of the focal firms. At the organizational level, I analyzed whether the internal mechanisms of Monitoring CG and Incentive CG are aligned with the intended goal of reducing Type II agency problem and at the country level, I examined to

what extent the external mechanisms of legal institution and disclosure standard matter in implementing the formal policies. My approach has been comprehensive in developing an alternative set of policy-related hypotheses, where I addressed the debate between Universal View of CG versus Embedded View of CG. In sum, the current study aims to emphasize the importance of specification in conducting CG research – in absence of which the policy analyses will be incomplete/misleading.

This dissertation also aims at encouraging the CG scholars to utilize the progression of Agency Theory in conducting CG research (Hendry, 2002; Hoenen & Kostova, 2015; Kostova et al., 2016) . Classical Agency Theory had been at the core in shaping the conventional CG mechanisms, which were mostly designed towards governing the stand-alone firms with dispersed owners. Often researchers tend to conclude that Agency Theory is not generating effective CG mechanisms as it is not addressing the differences among national governance systems. Whereas in reality, the worldwide CG reforms mostly were driven by the Anglo-Saxon MODEL, – governance mechanisms of which had been designed employing the classical Agency THEORY. The standardized CG policies were developed for a particular dyad of actors and organizations, which were embedded in a particular institutional environment. CG scholars need to join the effort by other disciplines and utilize the progression of Agency Theory in designing actor, problem, and context specific governance policies. In Economics, scholars apply Agency Theory to govern the conflict between employer and employee (Stiglitz, 1975), insurer and insured (Spence & Zeckhauser, 1975), buyer and supplier, lawyer and client, and so forth (Harris & Raviv, 1978). In Political Science, scholars utilize Agency Theory to examine the agency relationship between politicians

and bureaucrats (Banfield, 1975; Niskanen, 1971). In International Business, scholars suggest for the contextualization Agency Theory to understand the management of multinational corporations (Kostova et al., 2016; O'Donnell, 2000; Roth & Nigh, 1992; Roth & O'Donnell, 1996). The field of CG should advance the research agenda by developing newer and more advanced governance mechanisms and in the process contribute to the progression of Agency Theory research.

This dissertation also contributes to the literature on Decoupling. Traditionally, Decoupling research focused on the gap between formal policies and organizational practices, where the inherent assumptions implied that the formal policies are aligned with achieving the intended goals (Fiss & Zajac, 2004; Westphal, Gulati, & Shortell, 1997). Recent developments in the Neo-Institution literature shifted the focus towards the gap between organizational practices and intended goals (Abrahamson, 1991; Bowen, 2014; Dick, 2015). According to Bromley & Powell (2012), Means-Ends Decoupling occurs when the causal links between formal policies and intended goals are opaque and weak; yet organizations adopt these misaligned policies due to the rationalization of structural forms. Scholars in this line believe that Means-Ends Decoupling will increase overtime with the worldwide initiatives to promote and adopt uniform concrete rules. In the current study, I have employed the idea of *Means-Ends Decoupling of CG* in examining the effectiveness of common governance policies. I have incorporated the issue of external institutional environment in distinguishing between the acts of Policy-Practice Decoupling versus Means-Ends Decoupling. The analyses tested the performance of Monitoring CG and Incentive CG in addressing P-P conflict in firms from both weak institutional context as well as strong institutional context. If the findings

were positive and significant in the strong context but not in the weak context, then it would indicate that the internal CG policies are aligned with the intended goal of addressing P-P conflict; insignificant/negative results in the weak context would indicate that the firms are getting way with Policy-Practice Decoupling due to lack in policy implementation. Since the findings are mostly insignificant across the entire analyses, the investigation essentially is pointing towards Means-Ends Decoupling. Insignificant/negative results particularly in the strong context imply that the internal CG policies by design are not equipped with the means to attenuate P-P conflict; as lack in policy implementation is not a major concern in this instance. By utilizing the Neo-Institutional ideas of Policy-Practice Decoupling and Means-Ends Decoupling, this dissertation provides a relatively bias free understanding of the functionality of CG mechanisms in diverse settings.

6.3 Policy & Managerial Implications

There are important policy and managerial implications associated with the current investigation. Concentrated ownership structure is one of the dominant forms of organizations in many countries around the world. The power structure and actors involved in the concentrated firms are different compared to the typical Anglo-Saxon firms, where UCOs establish their excessive control through the complex structure of pyramiding, multiple holdings, and dual class shares. According to the empirical findings, commonly recommended CG policies significantly improve concentrated firms' market valuation. Unfortunately, such increase in firms' resource seldom gets distributed among the minority shareholders (Kuznetsov & Muravyev, 2001; Raithatha & Komera, 2016). Through the chain of ownership control, assets get tunneled from high productive

affiliates to the parent firms where UCOs possess maximum cash-flow rights (Chang & Hong, 2000; Khanna & Rivkin, 2000; La Porta et al., 2003) and/or to the 'zombie' firms where resources get wasted in rescuing the inefficient firms (Claessens et al., 2006; George & Kabir, 2008; Hoshi, 2006; Hoshi & Kashyap, 2004). To protect the affiliated firms and their minority shareholders, a comprehensive policy scheme with more targeted/focused means has to be designed and implemented with high importance.

It is critical to emphasize that the existing mechanisms must not be excluded from the CG policy scheme; rather, they should be revisited and reformed to be well-equipped particularly for governing the UCOs. Furthermore, there should be flexibility in supplementing the existing mechanisms by additional means, employing them in accordance with their functionality, or even substituting them given the circumstantial specificities. As Bromley & Powell (2012) and Wijen (2014) suggest, there must be clearer specifications of the relationship between policies and intended goals and between organizations and their external institutions. In addition to a set of 'master' institutions, the Neo-Institutional scholars also advocate for the flexibility of complementing or substituting the 'master' institutions with 'niche' institutions which are tailored towards attaining the specific goals. For example, CG scholars discuss the benefit of multiple major/strategic blockholders in the concentrated firms (Attig, Guedhami, & Mishra, 2008; Dharwadkar, et al., 2000; Jiang & Peng, 2011). Compared to an individual board member, Multiple Blockholders can better monitor the UCOs as they are able to combine their industry internal knowledge with coalition opportunity. In the ad-hoc analysis, results show a significant positive effect by Multiple Blockholders in attenuating the negative effect of Excess Control. Kuzentov & Kuzentov (2003) analyze the power of

stakeholder coalition among the minority shareholders, company employees, resource suppliers, and so forth in governing the act of UCOs. As the country level external institution, Morck (2005) explains effectiveness of 'double' and 'multiple' taxation on curtailing the intensity of within network internal transactions. The source of UCOs' unique power is the excessive ownership control which they often exercise in organizational decision making almost with zero accountability. Bebchuk & Hamdani (2009) recommend for customizing the country disclosure standard for the concentrated firms. In addition to the 'master' (basic) information, UCOs should be required to report information on their complex ownership structure and within network internal transactions.

Investigations of the dissertation implicate that the governance mechanisms ideally have two major roles to perform – one is to enhance firms' performance/valuation and the other one is to monitor agent's act in utilizing/distributing the enhanced resources. The proponents of Universal View of CG should be careful in advocating for a concrete set of standardized CG policies as the recommended measures in their current form are not adequate to govern the UCOs. Similarly, the proponents of Embedded View of CG should be careful in opposing/rejecting the existing CG policies as the recommended measures are critical in improving performance of the concentrated firms. Capezio, Shields, & O'Donnell (2011) and Garcia-Castro et al. (2013) suggest that the merit of CG mechanisms should not be interpreted in isolation. Given the characteristics of governance concern and complementarity among the governance policies, the merit of CG mechanisms should be determined in 'bundle' and as a whole. For example, the conventional practice is to advocate for CEO-Separation and other checks over CEO

power as "good" governance principle. But the dissertation implicates that in the concentrated firms, CEOs should be empowered with sufficient means so that they can question the power exercise by UCOs. Empirical findings show that CEO-Duality positively and significantly attenuates the negative relationship between Excess Control and Minority Shareholder Wealth and CEO-Duality is more effective in the non-family firms and foreign owned firms. Moreover, in the foreign owned firms, Managerial Ownership is also proven to be effective in attenuating the negative relationship between Excess Control and Minority Shareholder Wealth. That is, given the internal fit between policies and their intended goals and between organizations and their external institutions, policy-experts and managers should be pragmatic in designing a meaningful governance structure. Such pragmatic approach may require implementing a 'hybrid' configuration of common and new or even competing CG mechanisms (Leblebici, 2000; Menard, 2004).

6.4 Limitations & Future Research

There are limitations to this study. Historically, there have been a large number of closely-held firms operating in Europe, Asia, and Latin America. But data availability on these firms is regrettably limited. The empirical analyses have been conducted for a single year as data pertaining to the ownership structure is not readily available for multiple years. I had to manually collect/calculate data on each firm's ownership structure by individually accessing their complex ownership maps. Furthermore, data on the closely-held firms' governance structure is also very limited and required manual data collection/calculation. Such constraints precluded the possibility of constructing panel dataset and conducting longitudinal empirical analyses. Secondly, the Firm Value

measure of Tobin's Q (and Market-to-Book in robustness test) has been applied as the proxy of Minority Shareholder Wealth. In the CG literature, scholars advise for using better proxies to capture the expropriation of minority shareholder wealth; such as related party transactions, internal loan guarantee on favorable terms, tunneling of resources, and so forth (Berkman, Cole, & Fu, 2009; Dyck & Zingales, 2004; Cheung et al., 2009). Again sufficient data were not available on the better proxies due to lack in information disclosure on the within network activities. Finally, the scope of the study was limited within investigating the closely-held firms from the Non-Anglo-Saxon countries. However, concentrated firm structure is also visible in the Anglo-Saxon countries, where Type II agency problem is evident between minority shareholders and UCOs (Attig, 2007). The current study investigated the CG policies in firms with Anglo-Saxon foreign UCOs and in firms that are cross-listed in the Anglo-Saxon stock markets; however, it did not cover the closely-held firms that originated from and operate in the Anglo-Saxon countries.

An important extension as future research can focus on the concentrated firms from the Anglo-Saxon countries and examine how the recommended CG policies govern UCOs' excessive control in the Anglo-Saxon firms. The aim of the current study has been to shed light on the functionality of common CG policies. Future research should conduct investigation on the niche institutions and explore the possibility of designing effective governance means given the specificities of actor, problem, and contextual environment of the concentrated firms. Future research should also focus on the value creation feature of the existing policies. The current study shows that the existing internal policies significantly improve valuation of the concentrated firms. To what extent the

external CG mechanisms substitute and/or complement the internal CG mechanisms in the concentrated firms, – a thorough investigation is critical to unpack this combined relationship.

6.5 Conclusion

I started my dissertation asking the research question, – *Are the standardized set of "good" CG policies effective in mitigating Type II agency problem in closely-held firms from Non-Anglo-Saxon nations?* While confirming the value creation capability of the recommended CG policies, empirical findings of the dissertation point towards their (CG policies') ineffectiveness in mitigating Type II agency problem. For conducting the policy analyses, I adopted a focused approach by examining the closely-held firms with UCOs from Europe (Faccio & Lang, 2002), Asia (Claessens, Djankov, & Lang, 2000), and Latin America (Cueto, 2013). I specified the actor, problem, and contextual attributes for precisely analyzing the generalizability of "good" CG principles.

My approach was comprehensive as I summarized the debate between Universal View of CG vs. Embedded View of CC and developed a set of alternative hypotheses by incorporating these views. To define the Universal View, I integrated the ideas of *Generalizability of Internal CG* and *Complementarity of External CG*. The proponents of *Generalizability of Internal CG* assert that as long as there exist delegation situations, agency problems will arise in all sorts of separation relationships; therefore, various forms of firms are adopting the internal mechanisms to mitigate their unique agency problems (Cerbioni & Parbonetti, 2007; Kang & Shivdasani, 1995; Kaplan, 1994a; Mitton, 2002; Sanders & Tuschke, 2007). The proponents of *Complementarity of External CG* not only propose that the internal mechanisms are capable of addressing

unique agency conflict, but also believe that countries are universally developing external CG institutions (Coffee, 1999, 2001; Hansmann & Kraakman, 2000, 2001; Yoshikawa & Rasheed, 2009). And the more the external environment provides developed supporting institutions, the higher will be the positive impact of firm level mechanisms. To define the Embedded View, I utilized the Neo-Institutional constructs of *Policy-Practice Decoupling* and *Means-Ends Decoupling*. The proponents of *Policy-Practice Decoupling of CG* suggest that recommended internal mechanisms may have the potential to address the conflict between minority shareholders and UCOs; however, success of such CG mechanims is contingent on the presence of country level supporting institutions. Not all the countries are universally developing external CG institutions; and firms can get away with the act of ceremonial policy adoption in countries with weak institutions. (Fiss & Zajac, 2004; Gallego & Larrain, 2012; Heugens, van Essen, & van Oosterhout, 2009; Peng, Buck, & Filatotchev, 2003; Veliyath & Ramaswamy, 2000). The proponents of *Means-Ends Decoupling of CG* believe that the common internal mechanisms cannot mitigate the conflict between minority shareholders and UCOs as these mechanisms are designed for governing the managers of stand-alone firms (Bebchuk & Hamdani, 2009; Bruce, Buck, & Main, 2005; Chen et al., 2011; Lubatkin et al., 2007; Young et al., 2008). External CG institutions cannot moderate organizational governance improvement in the concentrated firms as such institutions intend to enforce the misaligned policies (Bromley & Powell, 2012; Wijen, 2014).

For testing the policy-related hypotheses, I developed a cross-sectional dataset of publicly traded non-financial concentrated firms from Europe, Asia, and Latin America. Using the hand-collected dataset on recent ownership and governance structure, the

empirical analyses of the dissertation find support for the Embedded View based hypotheses. In particular, the investigations provide support for the analysis of *Means-Ends Decoupling of CG* implicating that the internal mechanisms of Board Independence, CEO-Separation, Managerial Ownership, and Performance based Pay are not aligned with the intended goal of mitigating Type II agency problem. Country level external mechanisms of legal institution and disclosure provision cannot not generate any positive moderating impact as the core problem in this instance is not policy enforcement; rather it is policy-goal alignment. The list of literature is relatively large in International CG research that shares the analysis of *Means-Ends Decoupling of CG* in reviewing the effectiveness of common governance policies (Bebchuk & Hamdani, 2009; Bruce et al., 2005; Chen et al., 2011; Davis et al., 1997; Enriques & Volpin, 2007; Fiss, 2008; McConaughy, 2000; Morck et al., 2000; Rediker & Seth, 1995; Schulze et al., 2001; Tiscini & Raoli, 2013; Young et al., 2008). Detestable corporate scandals in the affiliated firms of Volkswagen Group in Germany, Renault-Nissan-Mitsubishi Alliance in Japan, and Samsung Group in South Korea corroborate the fact that CG failure is still a major concern even in the context with relatively developed external institutions.

It is to be noted that the existing mechanisms must not be excluded from the CG policy scheme. Studies show that the performance of concentrated firms often suffers as the UCOs tend to adopt fewer of the recommended CG measures (Griffin et al, 2017; Renders & Gaeremynck, 2012). Firms those adopt the recommended CG measures attain higher performance; however, the benefit of higher performance is not distributed among the minority shareholders. That is, the suggested mechanisms are not adequate in governing the UCOs. In the aftermath of 1990's financial crisis, the worldwide initiative

to improve governance was a worthwhile policy decision. It is time to strengthen the existing measures and develop newer ones that are better apt for the modern corporations. This dissertation makes a comprehensive effort to contribute in this policy dialogue.

ENDNOTES

1. Detail information on code of good governance across countries is provided by the European Corporate Governance Institute (http://www.ecgi.org/codes/all_codes.php).

2. Journal articles cited in Table 2.1 are provided in the References section.

3. In Capital-IQ, data provided on CEO salary and CEO bonus is straightforward. Data on stock option, restricted stock, and LTIP are provided under the category of 'Other Compensation'.

4. Industry categories developed by Campbell (1996) include – Petroleum, Consumer Durables, Basic, Food/Tabaco, Construction, Capital Goods, Transportation, Utilities, Textile/Trade, Service, and Leisure.

5. World Economic Forum Global Competitiveness Report 2015-2016
   http://reports.weforum.org/global-competitiveness-report-2015-2016/institutions

6. World Bank Stocks Traded, Turnover Ratio of Domestic Shares (%)
   https://data.worldbank.org/indicator/CM.MKT.TRNR?view=chart

7. Heritage Foundation Index of Market Openness
   https://www.heritage.org/index/open-markets

8. Transparency International Corruption Perception Index
   https://www.transparency.org/country

9. Freedom House Press Freedom Index
   https://freedomhouse.org/report-types/freedom-press

10. United Nations: World Economic Situation & Prospects 2016

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APPENDIX A: EXAMPLES OF OWNERSHIP MAPS WITH UCO's VOTING RIGHT AND CASH-FLOW RIGHT

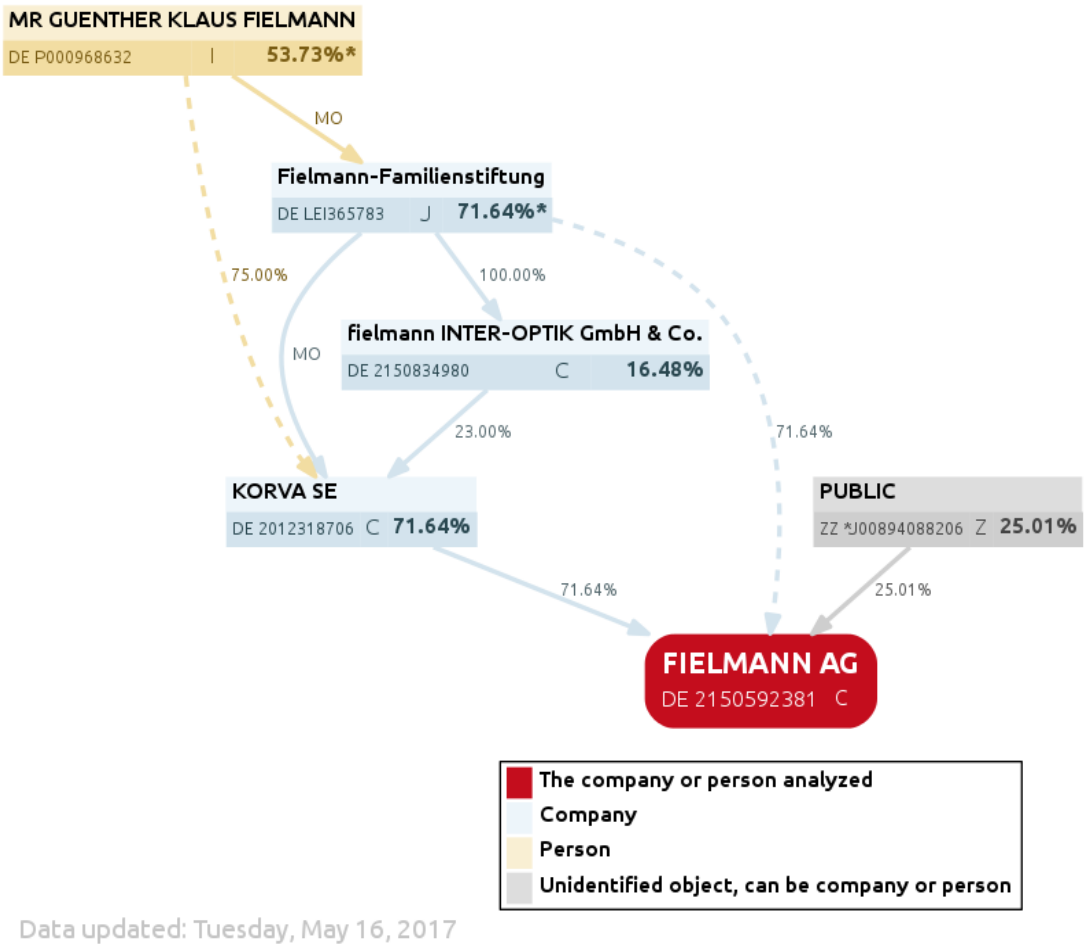

Figure A.1: Fielmann AG; Mr. Guenther Klaus Fielmann is the UCO with voting right 71.64% and cash-flow right 53.73%

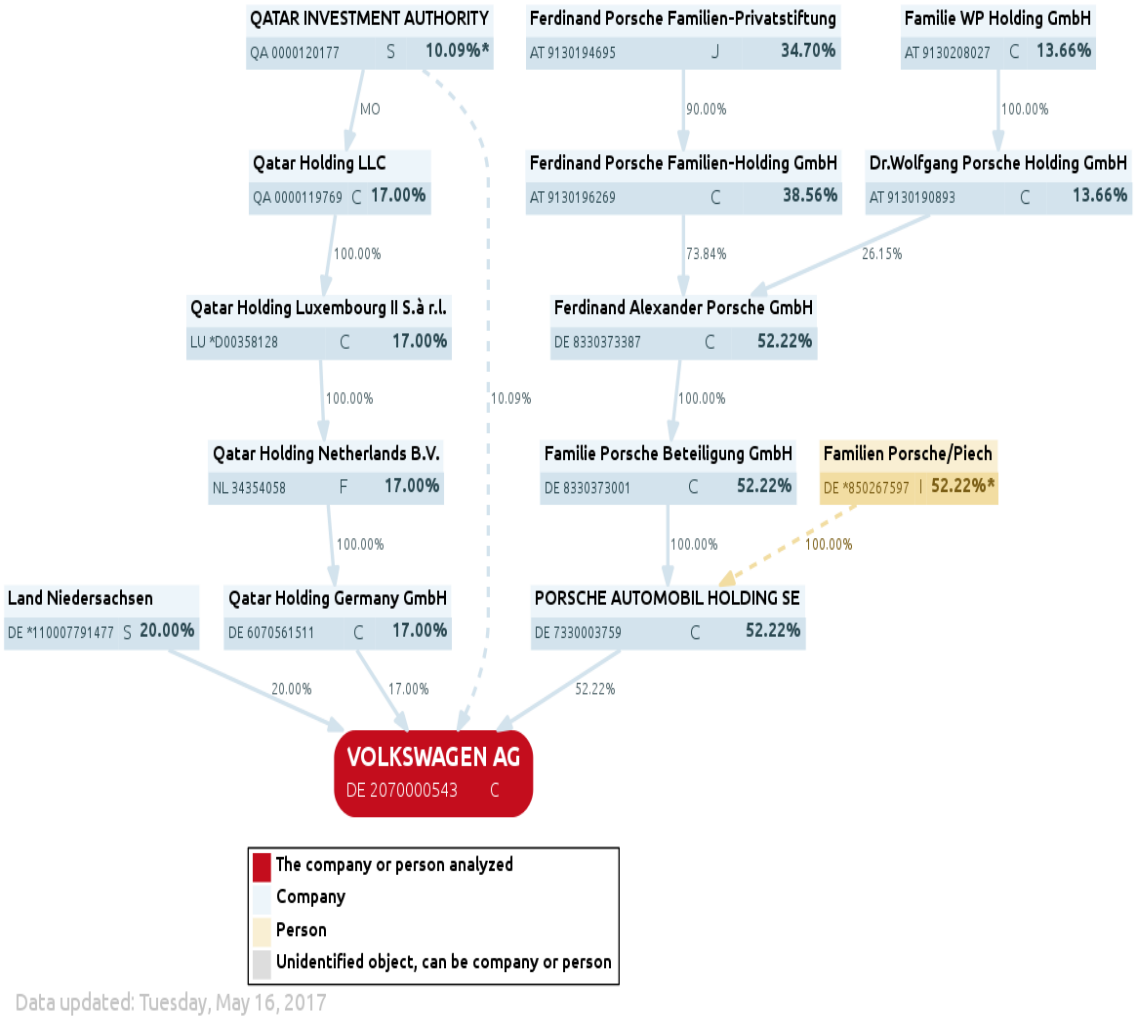

Figure A.2: Volkswagen AG; Porsche/Piech family is the UCO with voting right 52.22% and cash-flow right 48.36%

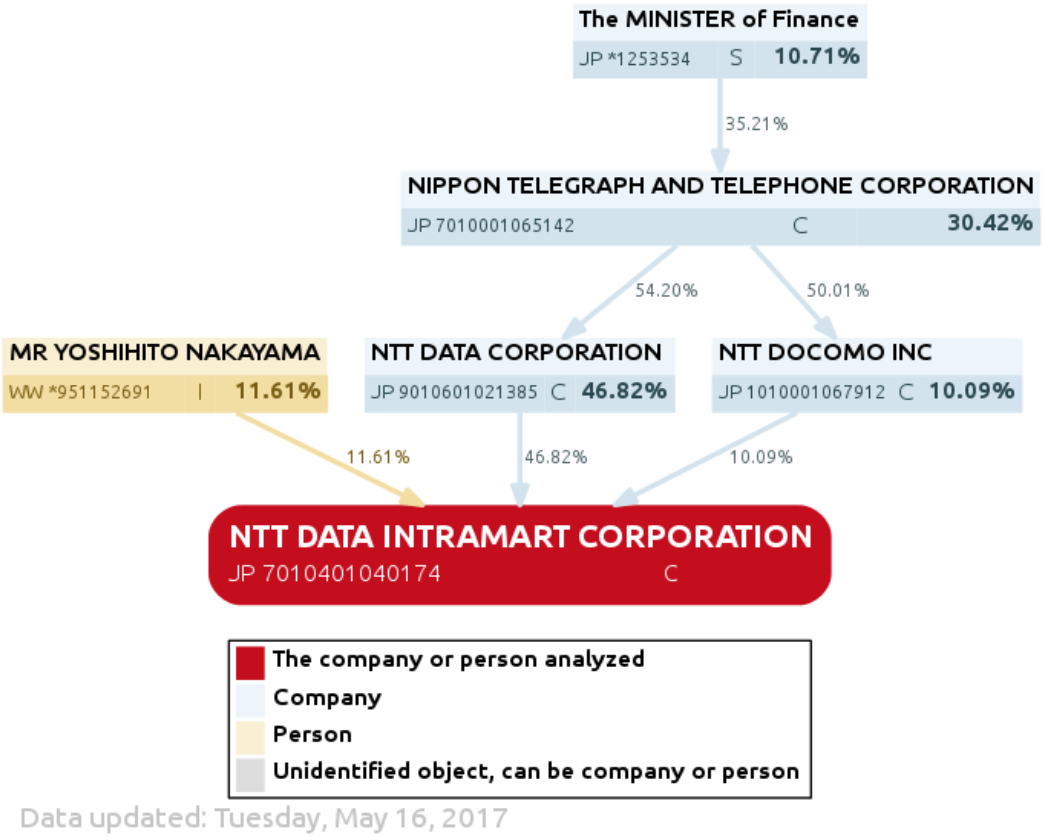

Figure A.3: NTT Data Intramart Corporation; the Japanese Ministry of Finance is the UCO with voting right 35.21% and cash-flow right 10.71%

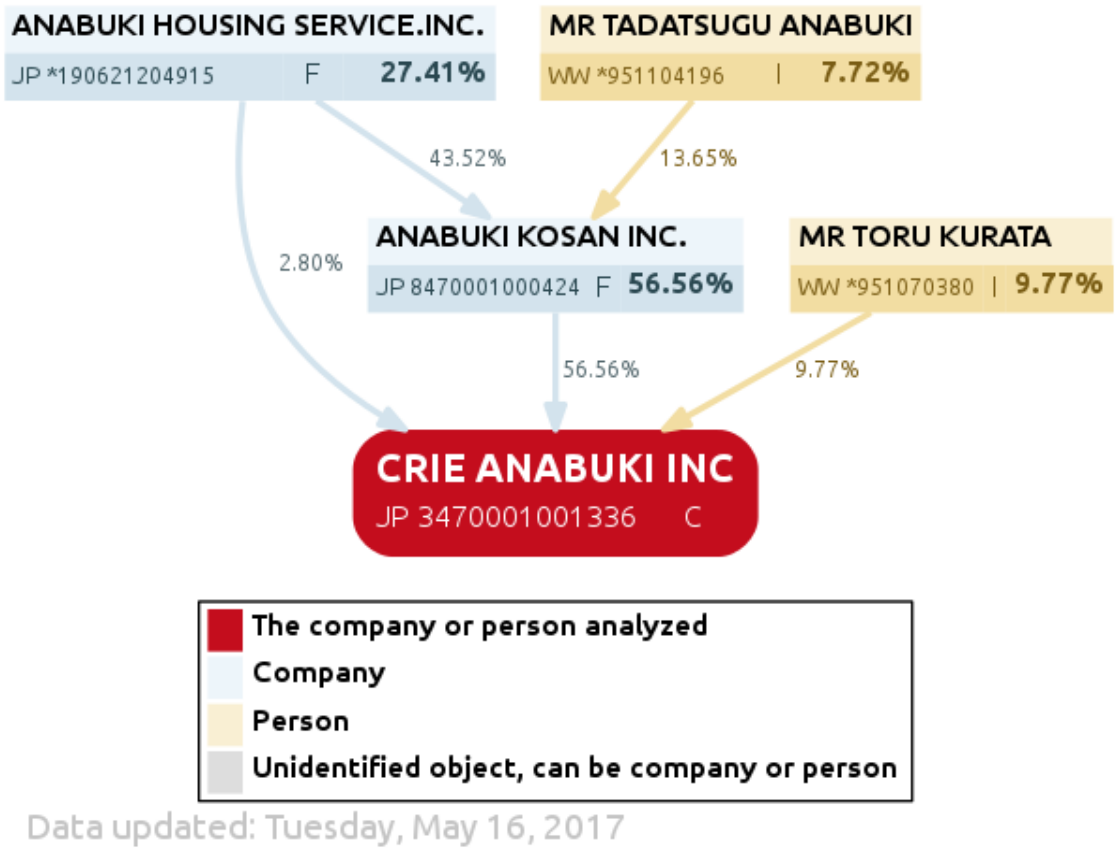

Figure A.4: Crie Anabuki Inc.; Anabuki family is the UCO with voting right 59.36% and cash-flow right 35.13

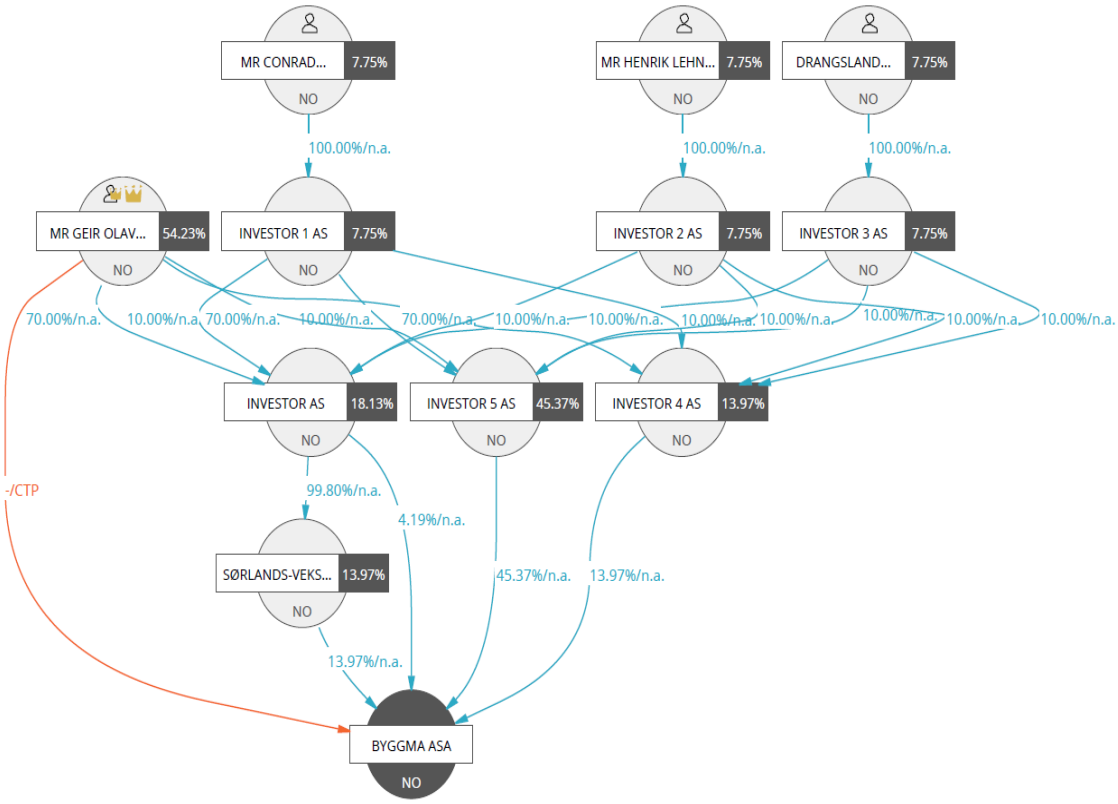

Figure A.5: BYGGMA ASA; Drangsland Family is the UCO with voting right 77.55% and cash-flow right 77.48%

APPENDIX B: ADDITIONAL INTERACTION PLOTS

Interaction plots for Table 5.7 (OLS Regression with Mean-Centered Interactions & Huber-White Robust Errors for Legal Institution) and Table 5.8 (OLS Regression with Mean-Centered Interactions & Huber-White Robust Errors for Disclosure Standard) are presented below.

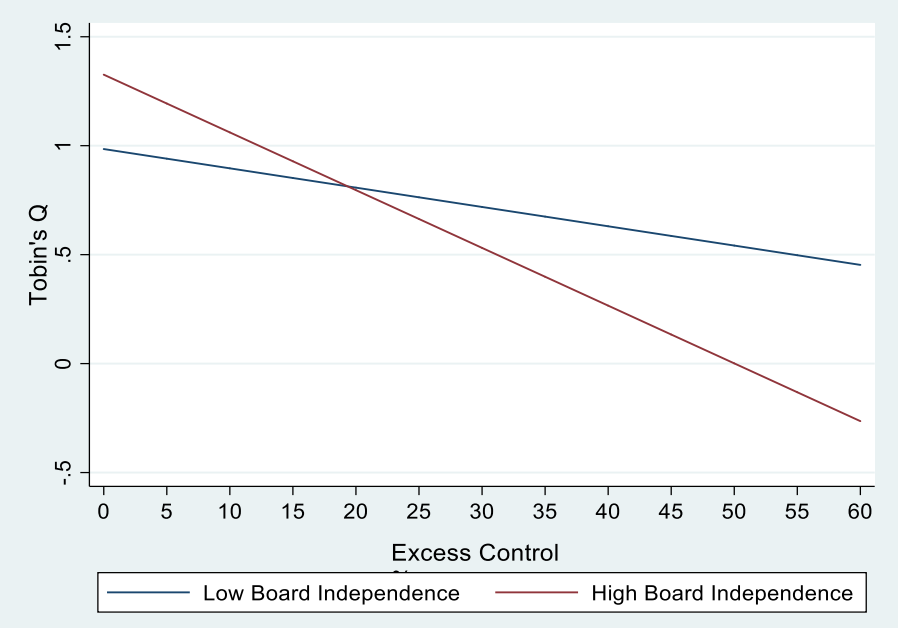

Figure B.1: Interaction plot for the moderation effect of Board Independence on the negative relationship between Excess Control and Minority Shareholder Wealth (i.e. Tobin's Q) using OLS regression with Huber-White robust errors; for sub-sample with weak legal institution

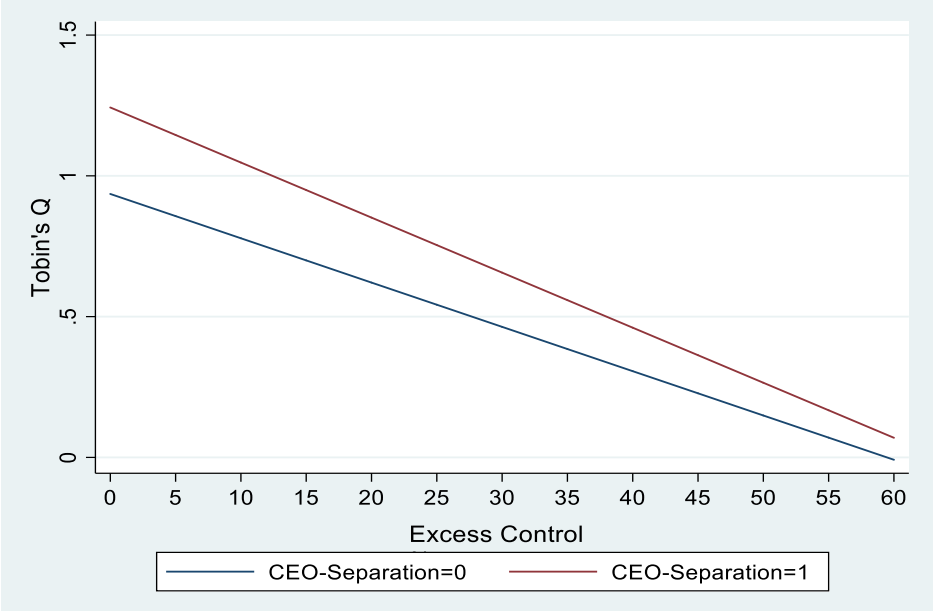

Figure B.2: Interaction plot for the moderation effect of CEO-Separation on the negative relationship between Excess Control and Minority Shareholder Wealth (i.e. Tobin's Q) using OLS regression with Huber-White robust errors; for sub-sample with weak legal institution

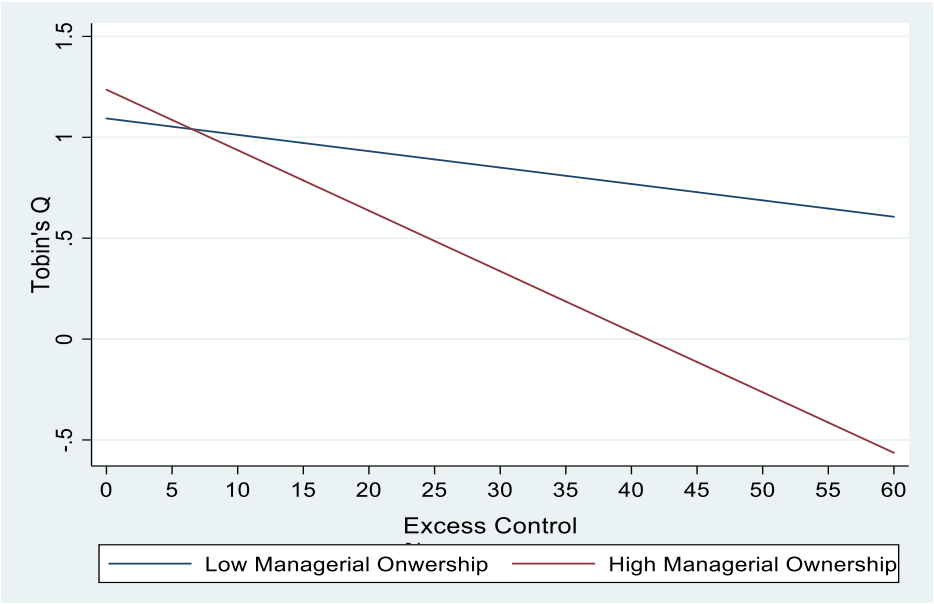

Figure B.3: Interaction plot for the moderation effect of Managerial Ownership on the negative relationship between Excess Control and Minority Shareholder Wealth (i.e. Tobin's Q) using OLS regression with Huber-White robust errors; for sub-sample with weak legal institution

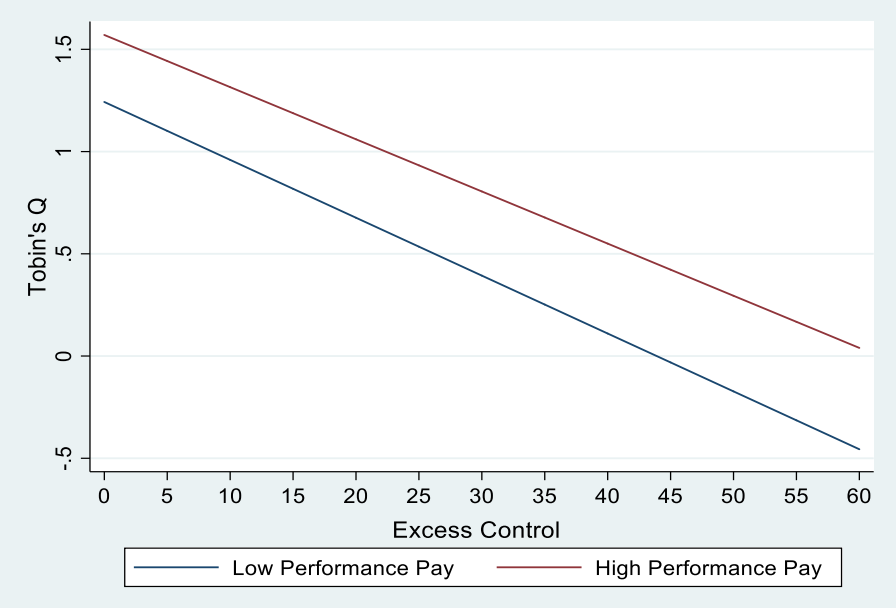

Figure B.4: Interaction plot for the moderation effect of Performance based Pay on the negative relationship between Excess Control and Minority Shareholder Wealth (i.e. Tobin's Q) using OLS regression with Huber-White robust errors; for sub-sample with weak legal institution

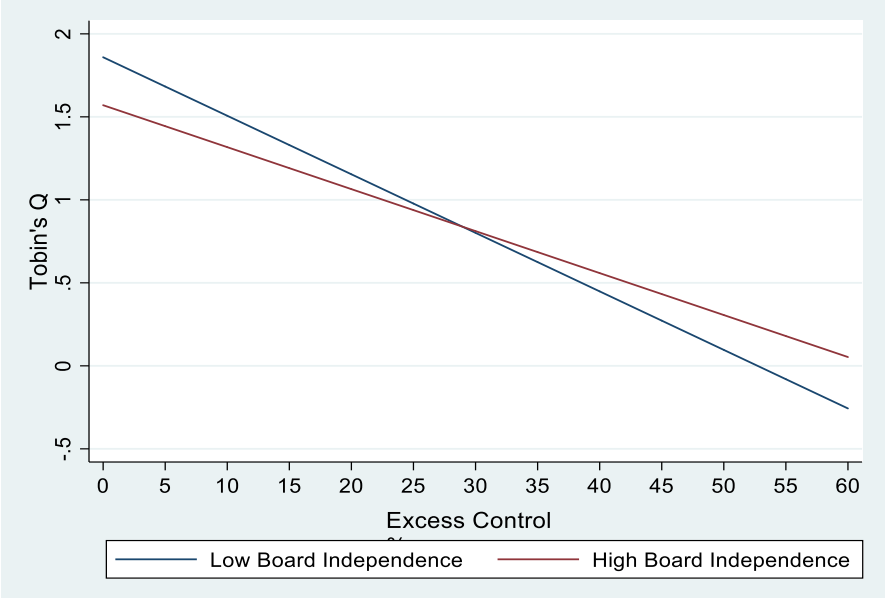

Figure B.5: Interaction plot for the moderation effect of Board Independence on the negative relationship between Excess Control and Minority Shareholder Wealth (i.e. Tobin's Q) using OLS regression with Huber-White robust errors; for sub-sample with strong legal institution

Figure B.6: Interaction plot for the moderation effect of CEO-Separation on the negative relationship between Excess Control and Minority Shareholder Wealth (i.e. Tobin's Q) using OLS regression with Huber-White robust errors; for sub-sample with strong legal institution

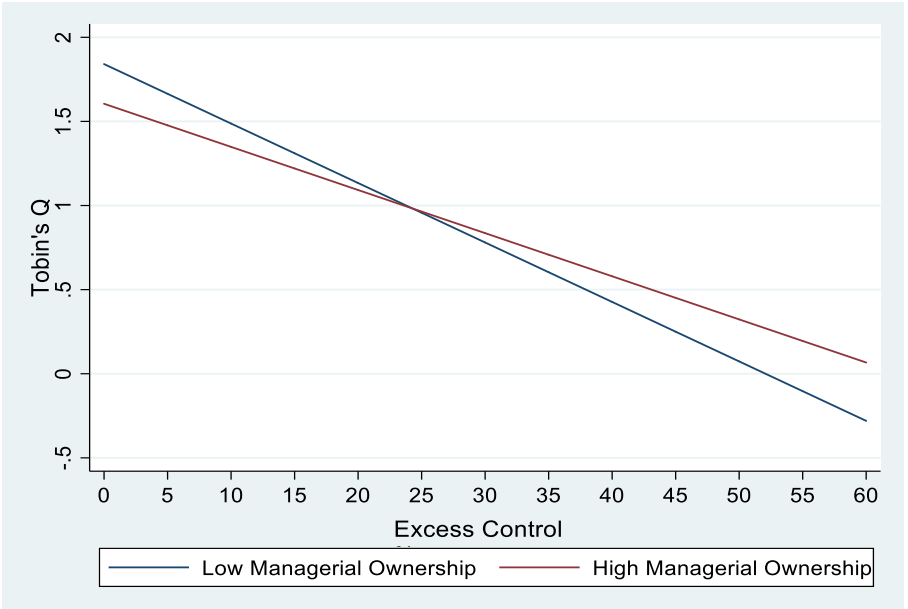

Figure B.7: Interaction plot for the moderation effect of Managerial Ownership on the negative relationship between Excess Control and Minority Shareholder Wealth (i.e. Tobin's Q) using OLS regression with Huber-White robust errors; for sub-sample with strong legal institution

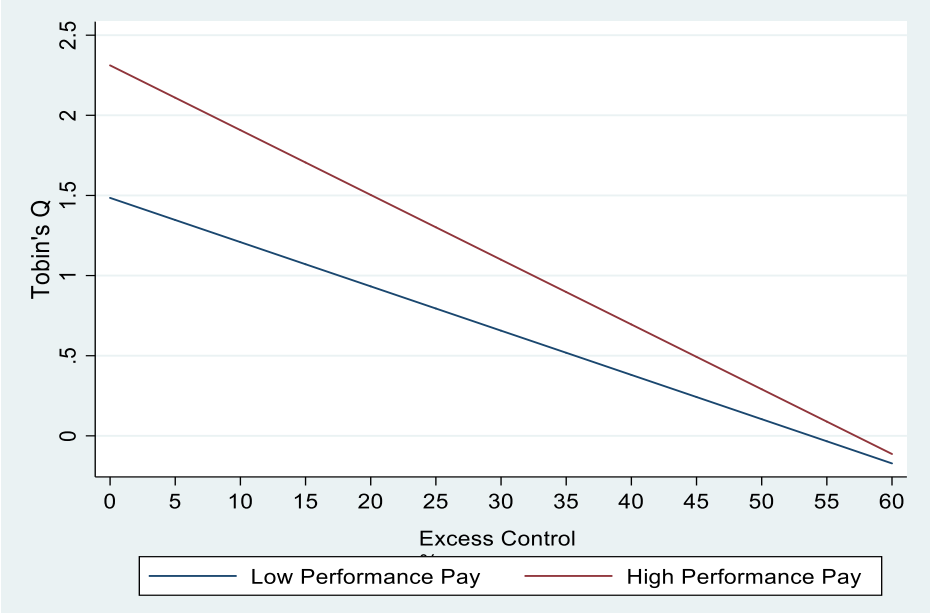

Figure B.8: Interaction plot for the moderation effect of Performance based Pay on the negative relationship between Excess Control and Minority Shareholder Wealth (i.e. Tobin's Q) using OLS regression with Huber-White robust errors; for sub-sample with strong legal institution

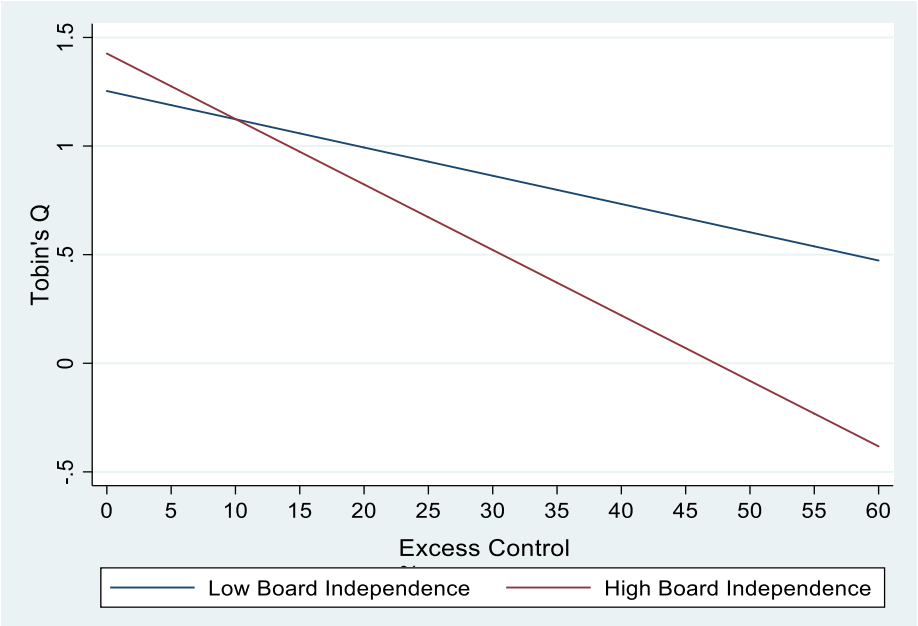

Figure B.9: Interaction plot for the moderation effect of Board Independence on the negative relationship between Excess Control and Minority Shareholder Wealth (i.e. Tobin's Q) using OLS regression with Huber-White robust errors; for sub-sample with weak disclosure standard

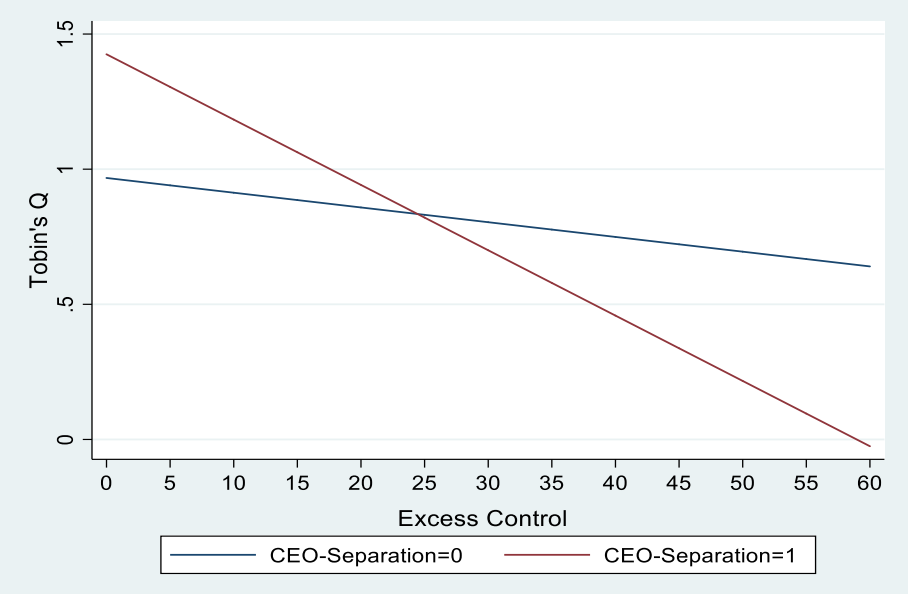

Figure B.10: Interaction plot for the moderation effect of CEO-Separation on the negative relationship between Excess Control and Minority Shareholder Wealth (i.e. Tobin's Q) using OLS regression with Huber-White robust errors; for sub-sample with weak disclosure standard

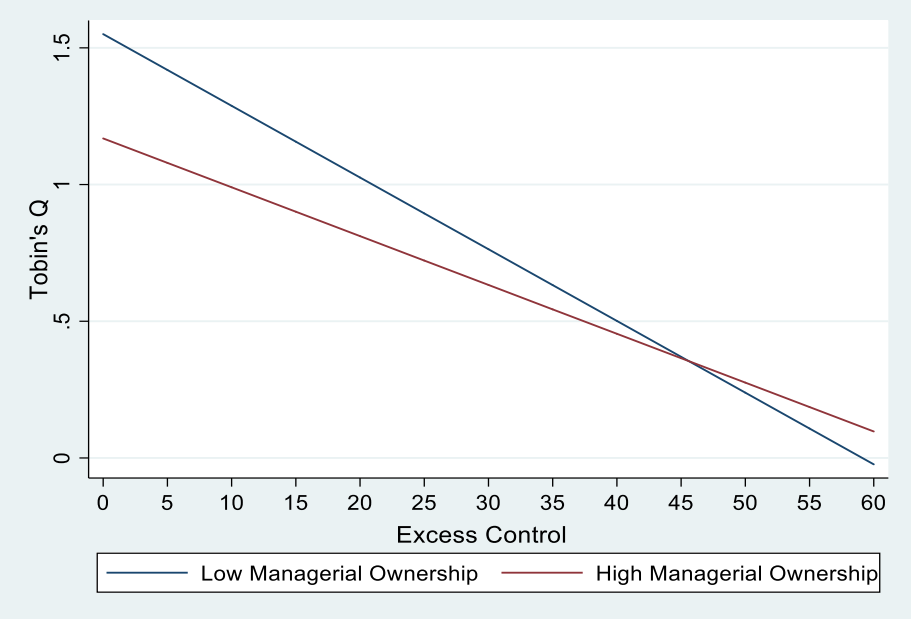

Figure B.11: Interaction plot for the moderation effect of Managerial Ownership on the negative relationship between Excess Control and Minority Shareholder Wealth (i.e. Tobin's Q) using OLS regression with Huber-White robust errors; for sub-sample with weak disclosure standard

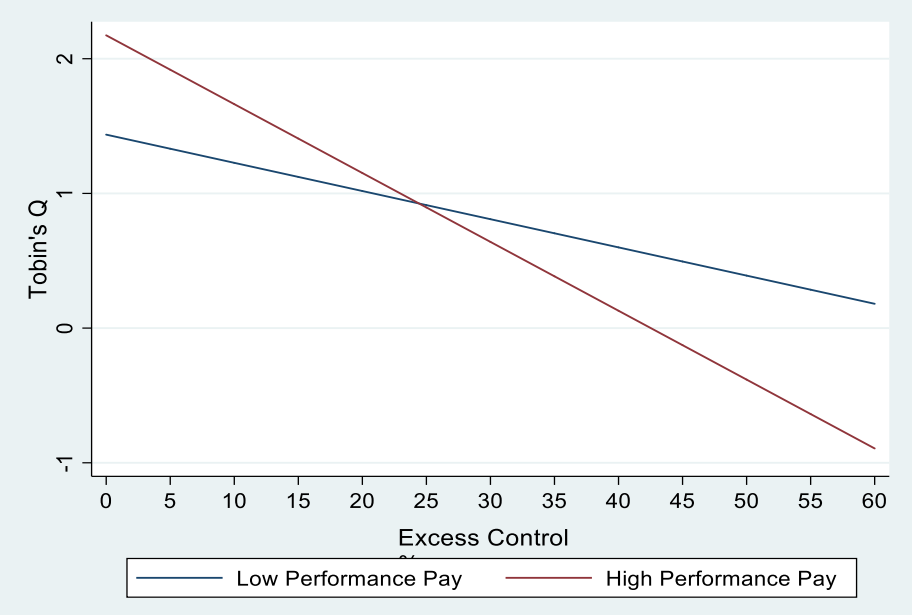

Figure B.12: Interaction plot for the moderation effect of Performance based Pay on the negative relationship between Excess Control and Minority Shareholder Wealth (i.e. Tobin's Q) using OLS regression with Huber-White robust errors; for sub-sample with weak disclosure standard

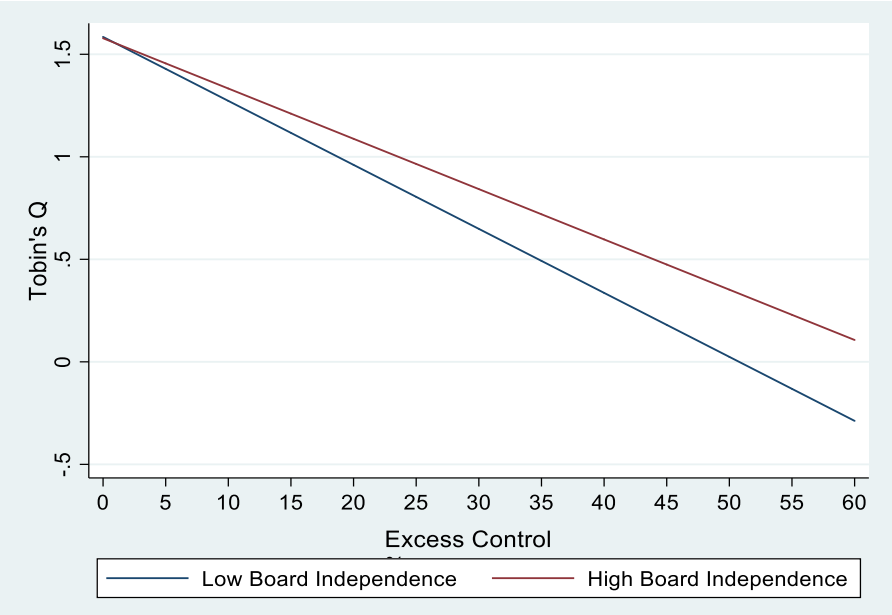

Figure B.13: Interaction plot for the moderation effect of Board Independence on the negative relationship between Excess Control and Minority Shareholder Wealth (i.e. Tobin's Q) using OLS regression with Huber-White robust errors; for sub-sample with strong disclosure standard

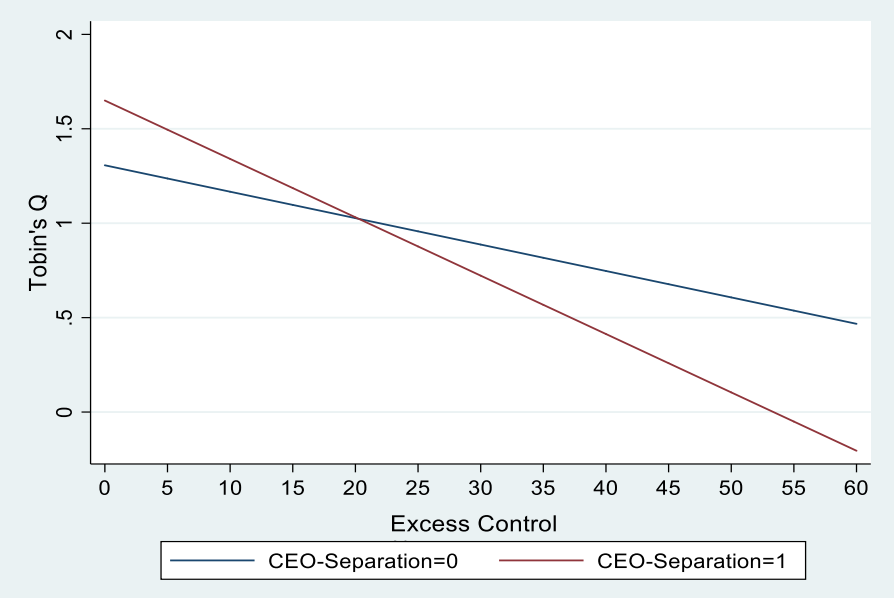

Figure B.14: Interaction plot for the moderation effect of CEO-Separation on the negative relationship between Excess Control and Minority Shareholder Wealth (i.e. Tobin's Q) using OLS regression with Huber-White robust errors; for sub-sample with strong disclosure standard

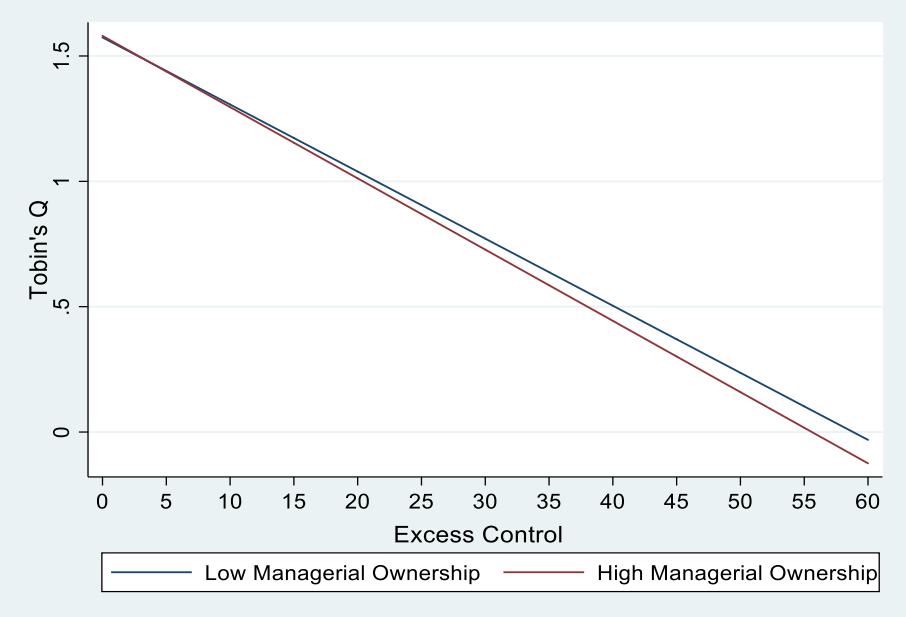

Figure B.15: Interaction plot for the moderation effect of Managerial Ownership on the negative relationship between Excess Control and Minority Shareholder Wealth (i.e. Tobin's Q) using OLS regression with Huber-White robust errors; for sub-sample with strong disclosure standard

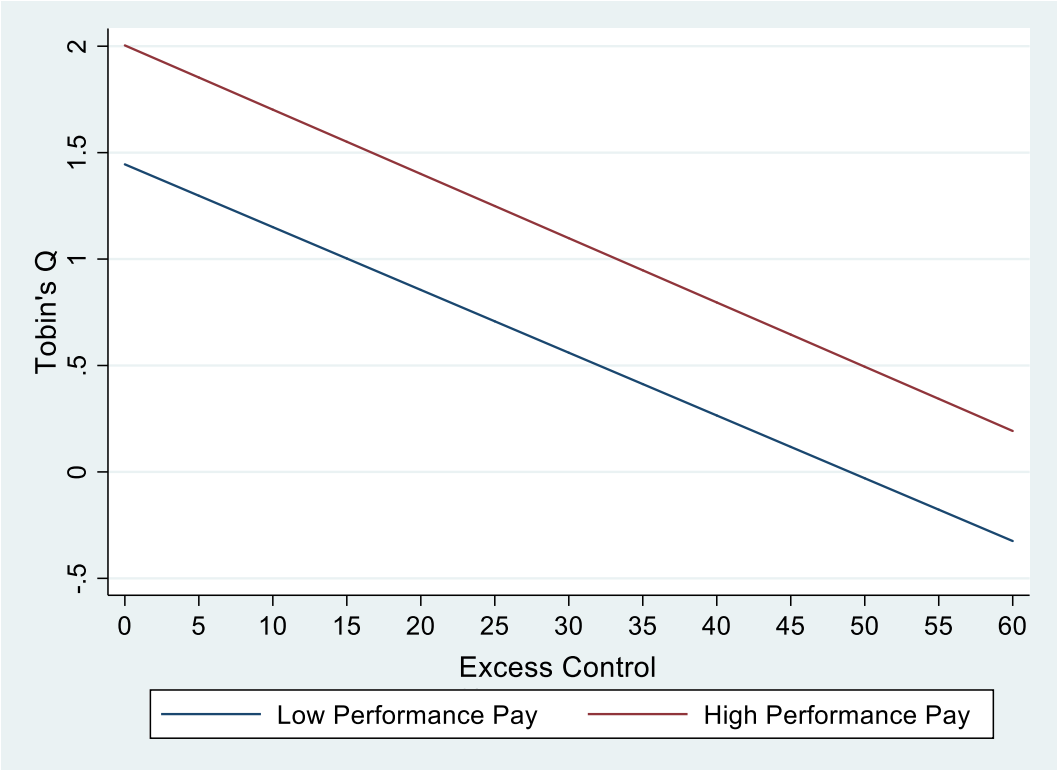

Figure B.16: Interaction plot for the moderation effect of Performance based Pay on the negative relationship between Excess Control and Minority Shareholder Wealth (i.e. Tobin's Q) using OLS regression with Huber-White robust errors; for sub-sample with strong disclosure standard

APPENDIX C: ADDITIONAL TABLES FOR ANALYSES

Table C.1 presents the OLS regression results of sub-sample with firms that are cross-listed in the Anglo-Saxon stock markets and Table C.2 presents the OLS regression results of sub-sample with firms that are owned by the Anglo-Saxon Foreign UCOs. Table C.3 and Table C.4 provide the ranking of countries based on the quality of Stock Market institution and Pro-Market Institution respectively. Table C.5 and Table C.6 depict the ranking of countries based on the state of Corruption Perception index and Media/Press Freedom index respectively. Table C.7 splits the countries into developed and developing contexts and Table C.8 presents the OLS regression results for concentrated firms operating in the developing vs. developed contexts.

Table C.1: OLS Regression with Huber-White Robust Errors; Anglo-Saxon-Listing

DV Tobin's Q	Model 1	Model 2	Model 3[c]	Model 4	Model 5
Excess Control (EC)[a]	-0.025***	-0.025***	-0.006	-0.026***	-0.027***
	(0.007)	(0.008)	(0.017)	(0.008)	(0.008)
Board Independence[a]		0.001			
		(0.003)			
EC*Board Independence		0.000			
		(0.000)			
CEO-Separation			-0.064		
			(0.270)		
EC*CEO-Separation			-0.022		
			(0.019)		
Managerial Ownership[a]				0.002	
				(0.006)	
EC*Managerial Ownership				-0.000	
				(0.001)	
Performance based Pay[a]					0.009***
					(0.003)
EC*Performance based Pay					0.000
					(0.000)
Firm Age	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Firm Size[b]	-0.277***	-0.277***	-0.277***	-0.274***	-0.348***
	(0.054)	(0.054)	(0.054)	(0.051)	(0.063)
Firm Profit	1.110	1.116	1.126	1.102	1.268
	(1.185)	(1.190)	(1.187)	(1.178)	(1.309)
Firm Growth	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
UCO Foreign	0.236	0.237	0.241	0.244	0.186
	(0.178)	(0.178)	(0.176)	(0.175)	(0.190)
UCO Identity	yes	yes	yes	yes	yes
Industry	yes	yes	yes	yes	yes
Country	yes	yes	yes	yes	yes
Constant	6.961***	6.971***	6.993***	6.892***	8.583***
	(1.236)	(1.240)	(1.307)	(1.171)	(1.433)
Observations	413	413	413	413	355
R-squared	0.160	0.160	0.162	0.161	0.197

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1
a. Continuous variables of the interaction terms are mean-centered; b. measure is natural log transformed
c. At CEO-Separation = 1, β3 = -0.029 with robust st. error = 0.008 and p<0.01

Table C.2: OLS Regression with Huber-White Robust Errors; Anglo-Saxon-UCOs

DV Tobin's Q	Model 1	Model 2	Model 3[c]	Model 4	Model 5
Excess Control (EC)[a]	-0.054**	-0.054**	-0.033	-0.045*	-0.048**
	(0.023)	(0.023)	(0.036)	(0.025)	(0.022)
Board Independence[a]		0.003			
		(0.012)			
EC*Board Independence		0.001			
		(0.001)			
CEO-Separation			0.204		
			(1.046)		
EC*CEO-Separation			-0.024		
			(0.048)		
Managerial Ownership[a]				-0.043**	
				(0.019)	
EC*Managerial Ownership				0.004	
				(0.007)	
Performance based Pay[a]					0.047***
					(0.015)
EC*Performance based Pay					-0.001
					(0.001)
Firm Age	0.012	0.013	0.011	0.013	0.004
	(0.008)	(0.008)	(0.009)	(0.008)	(0.009)
Firm Size[b]	-0.271*	-0.263*	-0.258	-0.314**	-0.408**
	(0.148)	(0.154)	(0.167)	(0.154)	(0.156)
Firm Profit	6.165**	6.056**	6.281**	6.179**	5.817**
	(2.601)	(2.622)	(2.711)	(2.558)	(2.537)
Firm Growth	0.061***	0.062***	0.061***	0.058***	0.055***
	(0.012)	(0.012)	(0.012)	(0.012)	(0.011)
Crosslisting	0.924	0.889	0.952	0.740	-1.120
	(0.574)	(0.698)	(0.580)	(0.569)	(1.010)
UCO Identity	yes	yes	yes	yes	yes
Industry	yes	yes	yes	yes	yes
Country	yes	yes	yes	yes	yes
Constant	4.773	4.532	4.307	6.115*	10.913***
	(3.089)	(3.238)	(3.900)	(3.280)	(3.278)
Observations	62	62	62	62	53
R-squared	0.384	0.389	0.385	0.405	0.535

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. Continuous variables of the interaction terms are mean-centered; b. measure is natural log transformed

c. At CEO-Separation = 1, $\beta 3$ = -0.057 with robust st. error = 0.027 and p<0.05

Table C.3: Countries with Strong vs. Weak Stock Market Institution

Countries in Strong Context	Countries in Weak Context
1. Italy	21. Egypt
2. China	22. Greece
3. Turkey	23. Poland
4. South Korea	24. Austria
5. Japan	25. Singapore
6. Finland	26. Pakistan
7. Spain	27. Belgium
8. Portugal	28. Mexico
9. Thailand	29. Malaysia
10. Czech Republic	30. Russia
11. Germany	31. Israel
12. Brazil	32. Indonesia
13. Sweden	33. Philippines
14. Switzerland	34. Colombia
15. Netherlands	35. Chile
16. France	36. Jordan
17. India	37. Argentina
18. Norway	38. Bangladesh
19. Denmark	39. Bulgaria
20. Hong Kong	40. Peru

Source: World Bank Stocks Traded, Turnover Ratio of Domestic Shares (%), 2016
https://data.worldbank.org/indicator/CM.MKT.TRNR?view=chart

Table C.4: Countries with Strong vs. Weak Pro-Market Institution

Countries in Strong Context	Countries in Weak Context
1. Hong Kong	21. Italy
2. Switzerland	22. South Korea
3. Denmark	23. Bulgaria
4. Netherlands	24. Portugal
5. Singapore	25. Turkey
6. Finland	26. Japan
7. Sweden	27. Jordan
8. Austria	28. Philippines
9. Czech Republic	29. Thailand
10. Chile	30. Malaysia
11. Belgium	31. Argentina
12. Spain	32. Egypt
13. Germany	33. Indonesia
14. Poland	34. Greece
15. Colombia	35. Brazil
16. Israel	36. Pakistan
17. France	37. India
18. Mexico	38. Bangladesh
19. Norway	39. Russia
20. Peru	40. China

Source: Heritage Foundation Index of Market Openness, 2016
https://www.heritage.org/index/open-markets

Table C.5: Countries with Low (Strong) vs. High (Weak) Corruption

Countries in Strong Context	Countries in Weak Context
1. Denmark	21. Malaysia
2. Finland	22. Jordan
3. Sweden	23. Italy
4. Switzerland	24. Greece
5. Norway	25. Bulgaria
6. Singapore	26. Turkey
7. Netherlands	27. China
8. Germany	28. India
9. Hong Kong	29. Brazil
10. Belgium	30. Colombia
11. Austria	31. Indonesia
12. Japan	32. Argentina
13. France	33. Peru
14. Chile	34. Thailand
15. Israel	35. Philippines
16. Portugal	36. Egypt
17. Poland	37. Pakistan
18. Spain	38. Mexico
19. Czech Republic	39. Russia
20. South Korea	40. Bangladesh

Source: Transparency International Corruption Perception Index, 2016
https://www.transparency.org/country

Table C.6: Countries with High (Strong) vs. Low (Weak) Media/Press Freedom

Countries in Strong Context	Countries in Weak Context
1. Norway	21. Bulgaria
2. Belgium	22. India
3. Finland	23. Philippines
4. Netherlands	24. Brazil
5. Sweden	25. Peru
6. Denmark	26. Greece
7. Switzerland	27. Indonesia
8. Portugal	28. Argentina
9. Germany	29. Colombia
10. Czech Republic	30. Bangladesh
11. Austria	31. Pakistan
12. Japan	32. Mexico
13. France	33. Jordan
14. Poland	34. Malaysia
15. Spain	35. Singapore
16. Chile	36. Turkey
17. Italy	37. Egypt
18. Israel	38. Thailand
19. South Korea	39. Russia
20. Hong Kong	40. China

Source: Freedom House Press Freedom Index
https://freedomhouse.org/report-types/freedom-press

Table C.7: List of Developed & Transitioning/Developing Countries

Developed Countries	Developing Countries
1. Austria	19. Argentina
2. Belgium	20. Bangladesh
3. Bulgaria	21. Brazil
4. Czech Republic	22. Chile
5. Denmark	23. China
6. Finland	24. Colombia
7. France	25. Egypt
8. Germany	26. Hong Kong
9. Greece	27. India
10. Italy	28. Indonesia
11. Japan	29. Israel
12. Netherlands	30. Jordan
13. Norway	31. Malaysia
14. Poland	32. Mexico
15. Portugal	33. Pakistan
16. Spain	34. Peru
17. Sweden	35. Philippines
18. Switzerland	36. Russia
	37. Singapore
	38. South Korea
	39. Thailand
	40. Turkey

Source: United Nations: World Economic Situation & Prospects, 2016

Table C.8: OLS Regression with Huber-White Robust Errors; Developing Countries vs. Developed Countries

	Developing Countries					Developed Countries				
DV Tobin's Q	Model 1	Model 2	Model 3[c]	Model 4	Model 5	Model 6	Model 7	Model 8[d]	Model 9	Model 10
Excess Control (EC)[a]	-0.026***	-0.027***	-0.007	-0.027***	-0.034***	-0.023***	-0.023***	-0.016	-0.023***	-0.025***
	(0.007)	(0.007)	(0.011)	(0.007)	(0.010)	(0.007)	(0.007)	(0.012)	(0.007)	(0.008)
Board Independence[a]		0.003					0.000			
		(0.004)					(0.003)			
EC*Board Independence		0.000					-0.000			
		(0.000)					(0.000)			
CEO-Separation			0.328***					0.003		
			(0.109)					(0.189)		
EC*CEO-Separation			-0.024*					-0.010		
			(0.014)					(0.015)		
Managerial Ownership[a]				-0.006*					-0.001	
				(0.003)					(0.004)	
EC*Managerial Ownership				0.000					-0.000	
				(0.000)					(0.000)	
Performance based Pay[a]					0.011***					0.009***
					(0.003)					(0.003)
EC*Performance based Pay					-0.000					-0.000
					(0.000)					(0.000)
Firm Age	0.006**	0.006**	0.006**	0.006**	0.010***	-0.001	-0.001	-0.001	-0.001	-0.001
	(0.003)	(0.003)	(0.003)	(0.003)	(0.004)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)

Firm Size[b]	-0.119***	-0.118***	-0.122***	-0.130***	-0.182***	-0.233***	-0.233***	-0.233***	-0.234***	-0.306***
	(0.030)	(0.030)	(0.029)	(0.031)	(0.041)	(0.044)	(0.044)	(0.043)	(0.043)	(0.060)
Firm Profit	1.259	1.281	1.250	1.265	0.719	-0.081	-0.082	-0.076	-0.080	-0.189
	(1.799)	(1.806)	(1.761)	(1.775)	(1.732)	(0.668)	(0.670)	(0.670)	(0.670)	(0.669)
Firm Growth	0.118	0.116	0.129	0.142	0.156	-0.000*	-0.000*	-0.000*	-0.000*	-0.000*
	(0.108)	(0.108)	(0.101)	(0.096)	(0.147)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Crosslisting	-0.083	-0.098	-0.121	-0.101	-0.225	0.819***	0.816***	0.813***	0.820***	0.654**
	(0.145)	(0.143)	(0.144)	(0.144)	(0.213)	(0.184)	(0.188)	(0.185)	(0.187)	(0.272)
UCO Foreign	0.569***	0.564***	0.532***	0.546***	0.696***	0.160	0.162	0.164	0.152	0.225
	(0.182)	(0.182)	(0.177)	(0.185)	(0.236)	(0.169)	(0.169)	(0.169)	(0.169)	(0.220)
UCO Identity	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Industry	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Country	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Constant	2.466***	2.449***	2.337***	2.824***	3.493***	5.068***	5.066***	5.065***	5.094***	6.682***
	(0.632)	(0.631)	(0.629)	(0.680)	(0.835)	(0.879)	(0.884)	(0.884)	(0.849)	(1.190)
Observations	531	531	531	531	310	578	578	578	578	440
R-squared	0.172	0.173	0.185	0.178	0.234	0.119	0.120	0.120	0.120	0.144

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

a. Continuous variables of the interaction terms are mean-centered; b. measure is natural log transformed

c. At CEO-Separation = 1, β3 = -0.031 with robust st. error = 0.008 and p<0.01

d. At CEO-Separation = 1, β3 = -0.025 with robust st. error = 0.009 and p<0.01