國家科學委員會補助專題研究計畫 期中進度報告

公司治理於台灣與美國的相關研究：計量方法改進與新研究議題

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中、英文摘要及關鍵詞(keywords)

本計劃今年的執行中成果目前已產生三篇研究稿件，其中一部份將在或即將在研討會發表，此三篇研究稿件延續 Gomper, Ishii, and Metrics (2003)所提出的公司制理指標為基礎，進行深一層面的分析。第一個研究稿討論外部公司治理與資訊不對稱之關係，在方法論上將考慮外部公司治理與資訊不對稱都為內生的變數，以 GIM 樣本中美國 1000 多家公司為樣本進行分析，同時也將討論不同公司治理指標的重要性。同時考量公司資訊透明度因素對結果進行穩健度測試，並進而分析個別證券外部公司治理與市場衝擊成本(market impact costs)、證券流動性的脆弱性(vulnerability)。第二個研究稿則將討論考慮外部融資需求因子下，公司治理與公司價值的關聯。運用 NYSE 與 NASDAQ 上市公司為樣本，本研究先仔細討論影響(外部)公司治理的外生影響因素有那些。並利用聯立方程模式討論，外部融資需求如何影響到公司治理與公司價值的關聯，有別於過去文獻，本文特別強調。第三個研究稿則探討內部公司治理機制的替代與互補性，分析的主要為台灣的上市公司，目前已完成初步的研究結果。

關鍵字

公司治理, 反購併條款, 內生性, 資訊不對稱成本, 外部融資需求

This project's results have been written as three working papers. Some of the papers are submitted to international finance conference for presentation. The first paper investigates the effects of G-index on information asymmetry costs of equity trading. The second paper explores the impact of external financing needs on corporate governance and firm value by pointing out that corporate governance practice (measured as companies' adoptions of anti-takeover provisions) could be affected by external forces such as product market competition, investment opportunities and external financing needs. Because poor corporate governance signals higher asymmetric information costs and thus higher costs of raising external finance, it is important to understand the impact of external financing needs on firm value and corporate governance. The results show that the need of external finance strengthens the influence of corporate governance on firm value. The third paper examines the effectiveness and efficiency of independent director in Taiwanese corporate governance system by investigating how it interacts with other internal governance mechanisms. The result reveals a positive valuation effect of independent director, as well as domestic institutional investor and foreign institutional investor, and finds that the governance effect of independent director substitutes the effect of domestic institutional investor and complements the effect of foreign institutional investor. Moreover, the substitution effect exists in large or high-leveraged firms while the complementary effect exists in small or low-leveraged firms.

Keywords:

Corporate governance, Anti-takeover provision, Information asymmetry, External financing needs

報告內容

Following a string of corporate scandals, Enron, Tyco, and WorldCom etc., it is of great importance to understand how major corporate governance mechanisms affect shareholder wealth or firm valuation in economic issue. Most of the empirical literature examines the functional relationship between firm performance and corporate governance, namely, the market for corporate control (Gompers, Ishii, and Metrick, 2003; Bebchuk, Cohen, and Ferrell, 2005; Bebchuk and Cohen, 2005; Core, Guay, and Rusticus, 2006). They document that firms with better governance (widely open to the market for the control) have higher firm value or higher shareholder right than firms with bad governance. Moreover, Masulis, Wang, and Xie (2006) and Dittmar and Mahrt-Smith (2007) suggest that weak corporate governance quality would destruct shareholder value by having inefficient investment decisions or wasting the value of cash resources. In other words, firms have good corporate governance can mitigate the conflict of interests between shareholders and managers or alleviate shareholder-manager agency costs.

This research project currently conducted three related work to the GIM corporate governance index. First, this research sets out to investigate the effects of anti-takeover provision on information asymmetry costs of equity liquidity, positing that there are several reasons why companies with higher levels of ATP will incur higher adverse selection costs of liquidity. First of all, openness can directly encourage uninformed ownership and trading. Ferreira and Laux (2006) argue that fundamental governance provisions that express openness to the market for control may be more common among firms that are open in other ways, including open to sharing information with investors. Furthermore, strong investor protection, expressed by openness to takeovers, is associated with a reduced possibility of insiders (controlling shareholders and managers) expropriating outside investors. Thus, openness can directly encourage uninformed ownership and trading, thereby providing more cover for, and indirectly encouraging, privately informed trading. Poor external corporate governance is related to more severe problem of conflict of interest between managers and shareholders. A reduction in shareholder rights causes an unanticipated increase in agency costs, so that managers may be more willing and able to extract private benefits. Hence, a weaker shareholder right environment with worse economic prospects will result in greater expropriation by managers, and thus, higher asymmetric information costs. Therefore, ceteris paribus, the conflict of interest between managers and shareholders is more severe at firms with more ATPs, or equivalently, firms less vulnerable to takeovers. Masulis, Wang, and Xie (2006) show that managers protected by more ATPs are more likely to indulge in value destroying acquisitions since they are less likely to be disciplined for taking such actions by the market for corporate control.

Second, this research project conducts an analysis of the relationship among external financing need, corporate governance and firm value. While it is well known that better corporate governance is related to firm value, the external driven forces of firms' adoption of corporate governance practice are seldom discussed. We extend the current understanding by linking external forces and governance value. The external forces include the competition in product market and investment opportunities and external financing needs. This research focuses on how governance practices changes in response to the needs for external financing needs and how corporate governance and the need for external finance interact to influence firm value. We particularly emphasize the impact of external financing needs because it is directly related to outside shareholders. After controlling for firm's characteristics and instrumental variables, the results reveal that governance practices is affected by firm valuation, not vice versa. Firms' corporate governance practices are affected by external forces including product market competition, investment opportunities, and external financing needs. In addition, external finance needs appear to strengthen the influence of corporate governance quality on firm value. The results are consistent with our hypothesis that better corporate governance would be associated with higher valuation and the external financial needs provide incentives for firms' corporate governance practices.

Although a growing body of work exists on firm-level governance correlates with valuation, it is unclear whether this relationship is causal. Demsetz and Lehn (1985) suggest that firms may endogenously choose different governance practices. Thus, firms play dual role in governance practices: passive and actively, firms not only affected by firm's governance practices, but also actively improve governance practices, to have higher valuation (Himmelberg, Hubbard, and Palia, 1999; Palia, 2001; Durnev and Kim, 2005; Black, Jang, and Kim, 2006). The relationship between governance and value might be determined endogenously. On the governance value issue, it is necessary to concern the endogeneity problem. We, thus, adopt the simultaneous equations approach using 3SLS and GMM estimation methods in this study to take into account the potential endogeneity. Accordingly, the first hypothesis in this study is: there is a reverse causality between governance quality and firm performance.

Durnev and Kim (2005) argue that firms with profitable investment opportunities have better corporate governance. However, profitable firms have more internally generated funds, and hence rely less on external financing (Demirgüç-Kunt and Maksimovic, 1998). In order to isolate the impact of external financing from that of the profitability of investment opportunities, we follow Durnev and Kim's assumptions that investment is given and external financing is bounded from above by a minimum level of cash flow rights necessary to maintain the control and that new investors rationally anticipate diversion. Under the assumptions, we could reasonably conjecture that if profitable investment opportunities lead to more external financing, firms with greater external financing are likely to have better corporate governance.

Moreover, Myers and Majluf (1984) suggest that financial slack is valuable for firms with positive investment opportunities that face costs of external finance and point out external financing is costly due to information asymmetry. Chung (2006) show that companies good governance quality would reduce information asymmetry and have better equity liquidity. Chen, Chen, and Wei (2003) show that both disclosure and non-disclosure corporate governance mechanisms have a significantly negative effect on the cost of equity capital. Anderson, Mansi, and Reeb (2004) suggest that board independence and board size are associated with a significantly lower cost of debt financing. According those findings, firms with better governance might have lower the cost of equity or cost of debt. Thus, governance practices would have influences on external financing since it might reduce the cost of equity or cost of debt.

The determined components of firm valuation are the expected cash flows and the cost of financing. Better corporate governance could improve firm value by affecting expected cash flows through efficient investment decision. Reducing the cost of financing also could enhance firm value. External financing needs would affected by cost of financing, governance quality would reduce cost of external financing by improve information asymmetry. Thus, firms which have external financing needs may have incentives to practice higher-quality governance and have higher firm value by possessing lower cost of external financing. Accordingly, the second hypothesis in this study is: external financing needs has positive effect on corporate governance quality and would strengthen the relationship between governance and firm value.

Most literature has focused corporate governance on the association of firm characteristics. However, the environmental factors may play an important role in the choices of firm's decision regarding their governance practices. Gillan, Hartzell, and Starks (2003) aurge that industry factors contribute most of the explainable variation in overall governance structure and appear to dominate firm factors.

Leibenstein (1966) and Hart (1983) argue that product market competition has a disciplinary effect on managerial behavior. Shleifer and Vishny (1997) suggest that product market competition is perhaps the most effective mechanism to eliminate managerial inefficiency. Managers of firms operating in more competitive industries are less likely to shirk or put valuable corporate resources into inefficient uses, since the margin for error is thin and any missteps can be quickly exploited by competitors. Those evidences support that market competition acts as an important governance mechanism that would discourage management from wasting corporate resources. Smith and Watts (1992) suggest that the investment opportunity set and industry factors play a significant role in determining financial and governance policies. Such findings indicate that different aspects of governance, notably the market for corporate control appear to be influenced by the environmental factors. Accordingly, the third hypothesis in this study is: external environments are associated with governance practices. The results show that the need of external finance strengthens the influence of corporate governance on firm value. The results thus provide important implications for corporate governance practices for firms with strong needs of outside equity.

The third paper considers the substitution and complement effects of internal corporate governance mechanisms and examines the effectiveness and efficiency of independent director in Taiwanese corporate governance system by investigating how it interacts with other internal governance mechanisms, including domestic institutional investor and foreign institutional investor. The result reveals a positive valuation effect of independent director, as well as domestic institutional investor and foreign institutional investor, and finds that the governance effect of independent director substitutes the effect of domestic institutional investor and complements the effect of foreign institutional investor. Moreover, the substitution effect exists in large or high-leveraged firms while the complementary effect exists in small or low-leveraged firms. The implication of this research is that multiple governance mechanism is not necessarily optimal for every firm. For some firms it might be better to concentrate their resources in refining a single governance mechanism, while for others, it is more beneficial to diversify into many governance mechanisms with complementary effects.