Dual Class Share Structures And Est Practices In Corporate | 4f4c95a2d24cd02c26a2ac827fe318b3

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Kanada

Amazon Unbound

'Investor Protection and Corporate Governance' analyzes the impact of corporate governance on firm performance and valuation. Using unique datasets gathered at the firm-level the first such data in the region and results from a homogeneous corporate governance questionnaire, the book examines corporate governance characteristics, ownership structures, dividend policies, and performance measures. The book's analysis reveals the very high levels of ownership and voting rights concentrations and monolithic governance structures in the largest samples of Latin American companies up to now, and new data emphasize the importance of specific characteristics of the investor protection regimes in several Latin American countries. By and large, those firms with better governance measures across several dimensions are granted higher valuations and thus lower cost of capital. This title will be useful to researchers, policy makers, government officials, and other professionals involved in corporate governance, economic policy, and business finance, law, and management.

Effects of Changes in the Dual-class Share Structure

Evaluating Dual Class Common Stock

Some studies have provided evidence that dual class shares reduce firm market value. Other studies have shown that dual class shares are more common in countries where the proxies for private benefits of control are low. In this paper we explore whether the negative relation between firm market value and dual class shares can be explained by lower takeover probability. For family controlled firms, we find that both the hazard rate of takeover and firm market value decline with dual class shares and firm leverage. We conclude that families entrench themselves by using dual class shares and by manipulating firm capital structure and this translates into lower firm value.

Long Term Changes in Voting Power and Control Structure Following the Unification of Dual Class Shares

This is a comprehensive look at the challenges legislators face in regulating related party transactions in a socially beneficial way.

How to Dominate a Firm With Valuable Control? Dual Class Firms Around the World

We analyze a firm's choice between dual class and single class share structures, either at IPO or subsequently, prior to an SEO. We consider an entrepreneur (incumbent) who obtains both security benefits and private benefits of control, and who wishes to sell equity to outsiders to raise financing to implement his firm's project. The incumbent may be either talented (lower cost of effort, comparative advantage in implementing projects) or untalented: the incumbent's ability is private information, with outsiders observing only a prior probability that he is talented (his reputation). The firm's project may be either long-term (intrinsically more valuable, but showing less signs of success in the short run) or short-term (faster resolution of uncertainty). Thus, under a single class share structure, an incumbent has a greater chance of losing control to potential rivals if he undertakes the long-term project, since outside equity holders may vote for the rival if they believe that the project is not progressing well. A dual class share structure allows the incumbent to have enough votes to prevail against any rival, but may be misused by untalented incumbents to dissipate value by not exerting effort. In equilibrium, the incumbent simultaneously chooses the IPO share structure (dual class or single class), project type (long-term or shortterm), and how much effort to exert. Our results help to explain firms' choices between dual class and single class IPOs and the relative post-IPO operating performance of dual class versus single class IPO firms. We also characterize the situations under which a firm will undergo a share unification or a dual class recapitalization, the announcement effect of these events on the firm's equity, and their effect on its subsequent operating performance. Finally, our model provides testable predictions for the conditions under which firms will include stronger antitakeover provisions in their corporate charters and the relationship between the prevalence of such provisions in a firm's charter and its post-IPO operating performance.

The Next Leap in Productivity

Dual-class shares have presented a challenge to standard valuation theories, and yet they make up a significant share of the trading volume and market capitalization in a significant number of the world's largest stock exchanges. This descriptive study overviews the incidence of dual-class firms in the 46 largest national stock markets, and described their voting and cash-flow rights in detail. The security-voting structure (deviations from one share one vote) of dual-class firms is examined in a comparative cross-country perspective - the higher-voting class is noted to concentrate majority or super majority control virtually in all cases. The national regulatory environment for multiple share classes is a hotly-debated topic, on which the study sheds systematic light. Predictably, the ownership of dual class firms is significantly more concentrated than that of their single-class counterparts, and in most cases involves majority voting power and the absence of smaller sizable voting blocks. The bulk of the evidence is consistent with the hypothesis that dominant owners do not prefer to share control. Owners are mostly families, who also participate actively in the management and supervision of the firm.

Timing and Wealth Effects of German Dual Class Stock Unifications

Dual-Class Shares

Hedge Fund Activism begins with a brief outline of the research literature and describes datasets on hedge fund activism.

Main Street And Wall Street (rist. Anast.)

Related Party Transactions and Minority Shareholder Rights

Corporate governance discussions focus mostly on widely held firms. Controlled companies, e.g. family companies or listed subsidiaries, pose different challenges, however. Where a company is under the control of a large active shareholder, the quot;agencyquot;-conflict between shareholders and managers is less pronounced. Yet, the power of controlling shareholders gives rise to another quot;agencyquot;-issue: the potential conflicts of interest with minority shareholders. Thus, corporate governance rules that were developed for widely held firms may overshoot or undershoot in the context of controlled companies. Specifically adjusted rules might therefore be called for.This paper analyzes the particular corporate governance issues faced by controlled companies with a functional, efficiency-based perspective. It conceptualizes the pros and cons of controlled company structures and tries to draw normative conclusions. Looking at regulatory regimes in the US, the UK, Germany or Switzerland, it argues for regulatory flexibility to allow controlled companies to choose specific corporate governance structures where this is in the interest of shareholders as a class. Furthermore, it posits that control premiums and dual class shares have a potential to efficiently promote controlling shareholder structures. Allowing controlling shareholders to recoup some of their costs of control as shareholders (external costs of control) through control premiums (external private benefits of control) adds to their incentive to produce benefits of control for all shareholders (shared benefits of control). Dual class share structures, in turn, allow controlling shareholders to protect (external) private and shared benefits of control when new financing needs arise.

The Shareholder Value Myth

Thomas Jefferson’s writings on morality have largely been ignored. His thoughts on the subject, never developed in any formal work, are said to be unsystematic—a judgment reinforced by his shift from Stoicism (intentions are critical) to Utilitarianism (consequences are critical) later in life. Yet his writings and the moral works he recommended reveal much about his moral sense and views on good living. Jefferson valued personal moral improvement, had great respect for moral exemplars and drew inspiration from moralists, sermonizers, novelists, poets, historians and such role models as Professor William Small and his friend George Wythe.

Dual Class IPOs, Share Recapitalizations, and Unifications

In light of the overwhelming impact of technology on modern life, this thought-provoking book critically analyses the interaction of innovation, technology and corporate law. It highlights the impact of artificial intelligence and distributed ledgers on corporate governance and form, examining the extent to which technology may enhance or displace conventional theories and practices concerning corporate governance and regulation. Expert contributors from multiple jurisdictions identify themes and challenges that transcend national boundaries and confront the international community as a whole.

An Analysis of the Reasons for Applying a Dual Class Share Ownership Structure

Dual-class Share Structures and Best Practices in Corporate Governance

The Impact of Family Ownership and Dual Class Shares on Takeover Risk

A Washington Post Notable Book This New York Times bestseller is a "masterful" (The Washington Post), "juicy tour of the company [Jeff] Bezos built" (The New York Times Book Review), revealing the most important business story of our time by the bestselling author of The Everything Store. Almost ten years ago, Bloomberg journalist Brad Stone captured the rise of Amazon in his bestseller The Everything Store. Since then, Amazon has expanded exponentially, inventing novel products like Alexa and disrupting countless industries, while its workforce has quintupled in size and its valuation has soared to nearly two trillion dollars. It's almost impossible to go a day without encountering the impact of Jeff Bezos's Amazon, between services like Whole Foods, Prime Video, and Amazon's cloud computing unit, AWS, plus Bezos's ownership of The Washington Post. We live in a world run, supplied, and controlled by Amazon and its iconoclast founder. In Amazon Unbound, Brad Stone presents an "excellent" (The New York Times), deeply reported, vividly drawn portrait of how a retail upstart became of the most powerful and feared entities in the global economy. Stone also probes the evolution of Bezos himself—who started as a geeky technologist totally devoted to building Amazon, but who transformed to become a fit, disciplined billionaire with global ambitions, who ruled Amazon with an iron fist, even as he found his personal life splashed over the tabloids. Definitive, timely, and "engaging" (Jon Meacham, author of The Soul of America), Stone has provided an unvarnished portrait of a man and company that we couldn't imagine modern life without.

The Three-Box Solution

Executives, investors, and the business press routinely chant the mantra that corporations are required to "maximize shareholder value." In this pathbreaking book, renowned corporate expert Lynn Stout debunks the myth that corporate law mandates shareholder primacy. Stout shows how shareholder value thinking endangers not only investors but the rest of us as well, leading managers to focus myopically on short-term earnings; discouraging investment and innovation; harming employees, customers, and communities; and causing companies to indulge in reckless, sociopathic, and irresponsible behaviors. And she looks at new models of corporate purpose that better serve the needs of investors, corporations, and society.

One Size Does Not Fit All

How to Innovate and Execute Leaders already know that innovation calls for a different set of activities, skills, methods, metrics, mind-sets, and leadership approaches. And it is well understood that creating a new business and optimizing an already existing one are two fundamentally different management challenges. The real problem for leaders is doing both, simultaneously. How do you meet the performance requirements of the existing business—one that is still thriving—while dramatically reinventing it? How do you envision a change in your current business model before a crisis forces you to abandon it? Innovation guru Vijay Govindarajan expands the

leader's innovation tool kit with a simple and proven method for allocating the organization's energy, time, and resources—in balanced measure—across what he calls "the three boxes": • Box 1: The present—Manage the core business at peak profitability • Box 2: The past—Abandon ideas, practices, and attitudes that could inhibit innovation • Box 3: The future—Convert breakthrough ideas into new products and businesses The three-box framework makes leading innovation easier because it gives leaders a simple vocabulary and set of tools for managing and measuring these different sets of behaviors and activities across all levels of the organization. Supported with rich company examples—GE, Mahindra & Mahindra, Hasbro, IBM, United Rentals, and Tata Consultancy Services—and testimonies of leaders who have successfully used this framework, this book solves once and for all the practical dilemma of how to align an organization on the critical but competing demands of innovation.

Founders without Limits

Abstract: Dual class firms typically have two classes of common stock, one with superior voting rights. In many cases, the holders of superior class are insiders, including directors and executive officers as a group, who have significant control over the firm while holding only a minority equity stake. Consequently, dual class firms face severe agency problems that arise from conflicts of interests between controlling and non-controlling shareholders. The objective of this study is to examine how the divergence between insiders' control rights and cash flow rights, arising from the dual class ownership structure, affects insiders' extraction of private benefits of control. This study focuses on three indicators of entrenchment, namely related party transactions, executive compensation, and CEO turnover-performance sensitivity. A mechanism that insiders of dual class firms use to make inferior class shares more attractive to investors, specifically dividend payout, is also examined. The empirical results provide evidence fairly consistent with entrenchment hypothesis. Although there is no difference in CEO turnover after poor performance between dual class firms and single class firms, dual class firms, relative to single class firms, engage in more related party transactions and have higher proportion of cash compensation to total compensation. Higher dividend payout is also used as a mechanism to compensate inferior class shareholders for entrenchment risk inherent in dual class firms.

Regulation of Dual Class Share Structures in Listed Companies

Unifications of Dual-Class Shares in Germany - First Empirical Evidence on Liquidity Effects of Share Class Unifications

An Assessment of Dual-Class Shares in Brazil

The first comprehensive collation of the international history of, and evidence on, dual-class stock, and their relevance to UK policy.

The Disclosure Effects of Dual Class Ownership Structures

Investor Protection and Corporate Governance

Dual Class Firms and Debt Issuance

Big Tech has flourished on the US public markets in recent years with numerous blue-chip IPOs, from Google and Facebook, to new kids on the block such as Snap, Zoom, and Airbnb. A key trend is the burgeoning use of dual-class stock. Dual-class stock enables founders to divest of equity and generate finance for growth through an IPO, without losing the control they desire to pursue their long-term, market-disrupting visions. Bobby Reddy scrutinises the global history of dual-class stock, evaluates the conceptual and empirical evidence on dual-class stock, and assesses the approach of the London Stock Exchange and ongoing UK regulatory reforms to dual-class stock. A policy roadmap is presented that optimally supports the adoption of dual-class stock while still protecting against its potential abuses, which will more effectively attract high-growth, innovative companies to the UK equity markets, boost the economy, and unleash the true potential of 'founders without limits'.

Voting Rights, Corporate Control, and Firm Performance

This paper studies stock market reactions to a Swiss court ruling on the sale of shares in a Swiss company from October 2016. The study includes a hand-collected sample of 155 firms listed in Switzerland. The ruling represents a natural experiment-type situation to investigate price effects on dual-class firms. The study avoids endogeneity concerns, which are common in the literature on equity capital structures. The study finds evidence of statistically significant positive price reactions for shares of firms that have two of Sika's corporate governance characteristics: (1) dual-class equity structure; and (2) one shareholder controlling 50% or more of voting rights. On average, firms with these characteristics produced a statistically significant positive open-close return on the court ruling announcement. I provide evidence that the impact of the court ruling operates independently of statutory clauses, such as voting cap and opting-out. I interpret that these results show an increased perception of protection for outside shareholder of dual-class firms. The findings are not as robust when I estimate results for sub-sample tests or in the context of a long-term regression model. I also test the announcement of the sale as a reverse event. I find evidence for shares of firms with a shareholder holding at least 50% of voting rights or more to react negatively to the sale, which is the expected opposite reaction to the court ruling, while the equity capital structure of firms did not affect the stock-price reaction.

The Law and Finance of Related Party Transactions

Hedge Fund Activism

How much should top management really care about IT? That’sthe question Adam Kolawa bluntly poses in this feisty andcompelling book. “The Next Leap in Productivity” goesfar beyond traditional business books written for the CIOcommunity. It tackles crucial issues such as productivity,efficiency and quality management. It makes the case for applyingthe principles of Deming and Juran to software development. Then ittakes a “leap,” arguing that huge potential increasesin IT productivity can lead to enormous increases in enterpriseproductivity. In this sense, “The Next Leap inProductivity” is a truly visionary book. Software vendors and CIOs who read this book will discover asoftware development process that is transparent, practical andefficient. Non-technical C-level executives (CEOs, CFOs, COOs,etc.) will discover a blueprint for improving corporateproductivity and dramatically reducing operating costs. For the past decade, CIOs have been urged, coaxed, counseled andexhorted to act more like CEOs, CFOs, COOs and other C-levelexecutives. This book suggests that it’s time for CEOs, CFOs,COOs and other C-level executives to start acting more like CIOs.“The Next Leap in Productivity” will appeal to anyoneinvolved in buying, selling, developing or using IT. Advance Praise for

“The Next Leap inProductivity” “Adam’s book is a challenge to all the top managerswho’ve stopped caring about IT. His message is simple: If youreally care about IT, you find ways to make IT more productive. Theimprovements you achieve in IT productivity can then be leveragedinto huge leaps in productivity at the enterprise level. This bookoffers a roadmap for translating IT productivity into businessprofit. Adam’s argument is worth reading and worthconsidering as you formulate your IT strategies and plan your ITbudgets.”--Gary Beach, Publisher Emeritus, CIOmagazine “Adam lays the groundwork for a common language that canbe used to bridge the chasms between IT and other essentialcomponents of the business such as finance, product development,sales, marketing, distribution and customer service. Everyone whoreads this book will learn valuable lessons that can be leveragedto improve returns on human capital investments at every level ofthe organization. Adam’s concepts have the potential to boostlevels of confidence and performance throughout theenterprise.”-- Michael Minelli, Co-author, Partnering withthe CIO “These kinds of productivity principles are not meretheory. When we put these same principles into effect, ourproductivity went up more than we had thought possible. And ouremployee morale went up, too. It became easier to write code theright way and harder to make stupid mistakes. This new way ofcreating software makes it possible for us to concentrate on whatwe really want to do here at Cisco, which is to improve theInternet for everybody.”-- Andy Chessin, Senior TechnicalLead, Cisco, Inc.

Corporate Governance

This paper studies the reasons and the costs of separating ownership from control by analyzing the decision of German dual class firms to consolidate their share structure from dual to single class equity between 1990 and 2001. We find that the firm value increases significantly by an average 4% on the announcement day. A significant part of the variation in abnormal returns can be explained by the ownership structure and by changes in liquidity. A logit analysis of the unification decision yields that firms are more likely to unify if their controlling shareholder loses only little voting power in a stock unification. Also, firms that are financially constrained are more likely to abolish dual class shares; these firms often issue additional shares after the stock unification.A previous version of this paper was circulated via SSRN under the title When do Firms Abolish Dual-Class Stocks?

Concentrated Corporate Ownership

Value Effects of a Dual-class Share Structure and Statutory Limitations to Voting Rights Transferability

Recent policy initiatives within the harmonization of European company laws have promoted a so-called "principle of proportionality" through proposals that regulate mechanisms opposing a proportional distribution of ownership and control. We scrutinize the foundation for these initiatives by analyzing the use of instruments to separate ownership from control across legal regimes in a sample of over 4,000 publicly traded firms from 14 Western European countries. First, we confirm the negative impact on firm value from disproportional ownership structures previously established in a sample of Asian firms by Claessens et al. (2002). Second, we show that dual class shares have a larger and more significant negative effect on firm value than pyramids and cross holdings. Third, we find that the impact of disproportionality and the underlying instruments is inversely related to the level of investor protection. Thus, dual class shares and pyramids substitute legal protection in countries with inadequate investor protection. Fourth, we find no evidence of a significant effect of disproportionality instruments on earnings performance. Finally, we discuss policy implications of these findings in relationship to the process of harmonization of the European capital markets. JEL classifications: G30, G32, G34 and G38 Keywords: Ownership Structure, Dual Class Shares, Pyramids, EU company laws.

Founders without Limits

Standard economic models assume that many small investors own firms. This is so in most large U.S. firms, but wealthy individuals or families generally hold controlling blocks in smaller U.S. firms and in all firms in most other countries. Given this, the lack of theoretical and empirical work on tightly held firms is surprising. What corporate governance problems arise in tightly held firms? How do these differ from corporate governance problems in widely held firms? How do control blocks arise and how are they maintained? How does concentrated ownership affect economic growth? How should we regulate tightly held firms? Drawing together leading scholars from law, economics, and finance, this volume examines the economic and legal issues of concentrated ownership and their impact on a shifting global economy.

Technology and Corporate Law

This dissertation thesis provides evidence that the detachment of control rights from cash flow rights in US and Canadian dual class share firms are associated with lower levels of voluntary disclosure. While prior studies have looked at the effect of ownership concentration on disclosure, this study focuses on one mechanism through which concentrated ownership is achieved and its effect on voluntary disclosure. The evidence is consistent with the explanation that controlling owners use opaqueness in disclosures to conceal private rents. To examine the research question, my study develops a new disclosure index that captures managerial discretionary disclosure decisions with respect to compensation practices. By attempting to address the selection bias that could confound the disclosure predictions, the study also provides empirical insights into which firms choose dual class equity. The within dual class sample analyses employed as an alternative method to mitigate selection biases, reveal that disclosure is decreasing in the largest controlling shareholder's divergence between control rights and cash flow rights. I also find evidence that disclosure levels are decreasing in the premium at which superior voting shares trade relative to inferior voting shares---a proxy for the controlling shareholder's private benefits from control. In addition to the above, I also provide some cross-country analyses. The evidence is largely consistent with a higher rent extraction explanation in weaker regimes. Dual class share firms in weaker regimes disclose lesser information than their stronger regime dual class share counterparts. Based on prior literature, Canada is hypothesized in this study to have weaker regulatory enforcement and thus a weaker investor protection environment. Finally, the study provides direct evidence that separating control rights from cash flow rights enables managers to extract private rents in the form of excess executive compensation.

The Ownership of Enterprise

The Principle of Proportionality

This paper examines the unification of non-voting preference shares into a one share-one vote structure using a sample of all German dual-class companies from 1987 until 2003. We test several hypotheses with regard to the reasons for the abolition of preference shares. First, as the separation of ownership and control is viewed as a means of keeping control over a firm, a detailed analysis of changes in the ownership structure of firms abolishing their preference shares is performed. Indeed, family firms losing the majority of control by unifying their share classes seem to restrain from this step by selling controlling blocks before the unification. Second, dualclass firms may comprise higher agency costs due to the violation of the one share-one vote rule and, thus, face higher costs of equity capital. We apply two methods for estimating changes in the cost of capital of unifying firms : (i) we perform an event study to examine the market reaction to the announcement of share class unifications and (ii) we investigate bid-ask spreads before and after the unification computed from intraday trading data to analyze liquidity effects on the cost of capital associated with the unification. In sum, the unification of dual-class preference shares into single-class voting shares seems to be strictly shareholder value increasing. Dual-class firms seem to be able to significantly reduce their cost of capital through unification, because of increases in firm value as well as a substantial reduction in bid-ask spreads.

The Elusive Thomas Jefferson

The investor-owned corporation is the conventional form for structuring large-scale enterprise in market economies. But it is not the only one. Even in the United States, noncapitalist firms play a vital role in many sectors. Employee-owned firms have long been prominent in the service professions--law, accounting, investment banking, medicine--and are becoming increasingly important in other industries. The buyout of United Airlines by its employees is the most conspicuous recent instance. Farmer-owned produce cooperatives dominate the market for most basic agricultural commodities. Consumer-owned utilities provide electricity to one out of eight households. Key firms such as MasterCard, Associated Press, and Ace Hardware are service and supply cooperatives owned by local businesses. Occupant-owned condominiums and cooperatives are rapidly displacing investor-owned rental housing. Mutual companies owned by their policyholders sell half of all life insurance and one-quarter of all property and liability insurance. And nonprofit firms, which have no owners at all, account for 90 percent of all nongovernmental schools and colleges, two-thirds of all hospitals, half of all day-care centers, and one-quarter of all nursing homes. Henry Hansmann explores the reasons for this diverse pattern of ownership. He explains why different industries and different national economies exhibit different distributions of ownership forms. The key to the success of a particular form, he shows, depends on the balance between the costs of contracting in the market and the costs of ownership. And he examines how this balance is affected by history and by the legal and regulatory framework within which firms are organized. With noncapitalist firms now playing an expanding role in the former socialist countries of Eastern Europe and Asia as well as in the developed market economies of the West, The Ownership of Enterprise will be an important book for business people, policymakers, and scholars.

Organized Exchanges and the Regulation of Dual Class Common Stock

The publication reviews provisions covering related party transactions and the protection of minority shareholder rights in 31 jurisdictions, both OECD and non-OECD. In addition, the regulatory and legal systems that have beeen developed in five jurisdictions are reviewed in detail.

Dual Class Ownership Structure and Insider Entrenchment

The new edition of this successful text offers an indispensable guide to the key concepts of corporate governance every student and business professional should know. It includes more exercises and student questions, penetrating analysis of the latest examples of corporate failure and controversy, and the lively "cases in point" which have characterized previous editions. Features 16 case studies of corporations in crisis, including General Motors, American Express, Time Warner, IBM, and Premier Oil Contains an invaluable web link to The Corporate Library, the leading independent research firm dedicated to corporate governance Includes an Appendix with an overview of CG Guidelines and Codes of Best Practice in Emerging Markets

Three Essays on Corporate Finance

We examine the impact of dual class share structures on the parameters of debt issuance. We find that, as compared to single class firms, the debt in dual class firms is associated more use of covenants especially performance based covenants, and is more likely to be secured. In addition, the impact of dual class share structure differs based on the severity of the agency costs of debt. We find that many of these issuance parameters are differently affected for large, profitable and low leverage firms (which face lower agency costs of debt) as opposed to small, less profitable and highly levered firms. These results are robust when we control the endogeneity of ownership structure and simultaneous changes in these issuance parameters. These results suggest that dual class share structures exacerbate the conflicts between controlling shareholders and lenders. However, the link between dual class share structures and debt issuance is not as clear for other issuance parameters such as the

maturity and interest cost of debt.

Stakeholders Or Shirkers?