Book review

Corporate Governance and Initial Public Offerings: An International Perspective
Alessandro Zattoni and William Judge
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In recent years, corporate governance has become a foremost issue in the international capital markets. This arises mainly from the issue of accountability, stemming from collapses of giant firms due to scandals involving fraud and managerial opportunism. Governance policies have taken on rising importance as information asymmetry between shareholders and managers rises, especially for firms that go public. This textbook discusses and analyzes corporate governance mechanisms (both internal and external) in firms that enter the financial markets for the first time. Since the evidence shows that national governance environments differ significantly, comparative studies provide comprehensive evaluation of policies in different economies.

This book is the result of collaborative international research that sheds light onto corporate governance and initial public offerings in 21 countries. This work is directed mainly toward scholars and other capital market participants with an interest in initial public offerings (IPOs) and/or corporate governance in international capital markets. This collection of studies, each of which examines a particular economy, can benefit researchers interested in local studies or in the differential effect of corporate governance and IPOs among countries.

The first chapter summarizes the major results of the studies and provides descriptive statistics on the data set used in the study. The authors set forth the necessary background on corporate governance and IPOs to make the reader aware of the theoretical framework related to corporate governance. Moreover, the chapter introduces the notions of internal and external corporate governance mechanisms and it outlines previous research in this field. The chapter ends with a summary of findings on different economies and it explains the methodology applied in a multinational data set. Thereafter, the book is organized into national chapters written by country experts. Each chapter provides extensive detail on governance and IPOs, and ends with a case study of an individual IPO that occurred in the sample period. Economies are presented in alphabetical order in the following sequence (Chapters 2–22, respectively): Australia, Belgium, Canada, China, Germany, India, Israel, Italy, Japan, Kingdom of Saudi Arabia, Mexico, Netherlands, Nigeria, Russia, Singapore, Spain, Sweden, Switzerland, Turkey, UK, and USA.

Throughout the textbook, the authors use a consistent format for each chapter. This structure is suitable and ideal for a comparative study. More specifically, national studies begin with an overview of the regulatory framework as well as the codes and principles of the country with respect to corporate governance. Then, evolution of the study mechanisms for the sample period is presented. This is followed by each country’s regulations, necessary processes, listing criteria, and all relevant requirements concerning IPO activities, together with descriptive statistics on IPO data. At the end of each chapter, a case study on a national IPO and a general conclusion for that economy are presented.
To provide a multinational picture of corporate governance policies on IPOs, the authors include in their studies both developed and emerging economies. One of the main contributions of the studies is that they include a number of countries not examined in prior empirical studies. Moreover, the authors examine large and growing (e.g. Russia, China, and India) as well as relatively smaller economies (e.g. Israel, Saudi Arabia, and Nigeria). Notably, the sample countries represent 73% of global economic output.

Another advantage of this textbook is that the authors have an in-depth knowledge of the economic environment, institutional framework, corporate governance, and IPO environment of each country under investigation. The collaboration among researchers of the same background but of different nationality generates an ideal environment for examining and understanding the research question.

With well-known examples of national IPOs in mind, a change in corporate governance mechanisms prompts readers to take a much more systematic approach toward understanding a firm’s choices. The examples presented are very fruitful in explaining how corporate governance can affect a company after it goes public. From real-world-oriented comprehensive illustrations, readers can draw their own conclusions by taking into consideration both financial and managerial data derived from both public and private sources.

The authors also emphasize the complex and multidimensional perspective of corporate governance operations throughout the global economy. To facilitate reader analysis of the results, the authors take a more balanced approach toward different national environments. In an attempt to distill the data, the authors conduct cluster analysis by grouping countries into similar clusters. This approach is very useful, since readers can better understand corporate governance behavior around IPOs based on the characteristics of the country under investigation. Thereafter, a closer look into national analysis provides further detail on corporate governance in each distinct economy.

This book is very interesting; however, I offer some suggestions for improvement. Specifically, the book examines IPO activity and corporate governance over the period 2006–2008. Clearly, 2008 is a year that suffered from the consequences of a financial crisis, and therefore IPO activity is expected to be different compared to previous years. It is indeed interesting to examine corporate governance in different market conditions, that is, before and during a crisis. The authors, by clustering data over the three-year period, assume that the crisis did not affect all economies in the same manner, not only in terms of time and duration, but also in terms of magnitude and persistence. If the above assumption does not hold, readers should interpret these results with caution. Moreover, since the methodology includes cluster analysis with respect to the countries included in the sample, it would have been helpful if the authors incorporated summary statistics on each cluster, similar to the presentation in the introductory chapter. This further analysis would aid the reader in better understanding the major differences (in numbers) among several groups of economies with the same characteristics.

Overall, this book is highly recommended for academics and students (both graduates and undergraduates), policymakers, financial analysts, portfolio managers, investment bankers, credit analysts, and other capital market participants with keen interest in corporate governance issues. The work is an invaluable tool, due to its international perspective, as elaborated in detail by national experts.

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