Published work on PP conflicts

- with Mike Young, Dave Ahlstrom, Garry Bruton, and Yi Jiang (Young et al., 2008 JMS)
- with Yi Jiang (PhD 2006):
  - Peng & Jiang (2010 JMS)
  - Jiang & Peng (2011 APJM)
- with Steve Sauerwald (PhD 2014 expected)
  - Peng & Sauerwald (2013 chapter in Oxford Handbook of Corporate Governance)
  - Sauerwald & Peng (2013 APJM)

Corporate philanthropy as expropriation

Alan Muller (University of Amsterdam)
Weiqiang Tan (Hong Kong Baptist University)
Stephen Cheung (Hong Kong Baptist University)
Mike Peng (University of Texas at Dallas)

Context and data

- 873 of the 1450 listed firms in China are state controlled
- Corporate philanthropy in the wake of the 2008 Sichuan earthquake
- 533 of them engaged in corporate philanthropy
- Event study (CAR [0, +1])
- Promotion of the chairman of the board within 1 year (May 13, 2008—May 31, 2009)
Finding 1: Promotable chairmen of state-controlled firms are more likely to approve corporate philanthropy.
• Promotion age cut-off: 50

Finding 2: (Minority) shareholders—and the market—hate it

Finding 3: But the chairman is promoted anyway (odds ratio approaching 1)

Contributions
• Extending PP conflicts research from family firms to state-owned firms
• Highlighting institutional differences between developed and emerging economies on philanthropy
• Perhaps Friedman’s (1970) contention that corporate philanthropy represents expropriation of shareholder value is right—at least in this context

Research Questions & Motivation
• How do board composition, leadership structure, and managerial incentives affect firm performance in China?
• How do these relationships evolve as China adopts international standards in its corporate governance mechanisms?
• Growing interest in corporate governance research in China due to institutional transitions and paced corporate governance reforms (Clarke, 2003; Peng, 2004).
• As an extension of this growing interest, we conduct a meta-analysis of the available studies on China using a database of 82 studies.
Methods

- Four search strategies:
  1. Prior review articles (e.g. Clarke, 2003; Claessens and Fan, 2002; Peng et al., 2001; Tam, 2000).
  2. Five electronic databases: (1) ABI/INFORM Global, (2) EconLit, (3) Google Scholar, (4) JSTOR, and (5) SSRN.
  4. References of the retrieved studies, as well as all articles citing them using Google Scholar and ISI Web of Knowledge.

- These strategies yielded a final sample of 82 primary studies that include years from 1991 to 2008.
- We use HOMA (Hedges & Olkin, 1985) and MARA (Lipsey & Wilson, 2001) meta-analytical regression analysis to test our hypotheses.

Hypotheses

Due to institutional transitions and corporate governance reforms (see Appendix Table 1), we expect to see a convergence to the agency model in terms of the effects of board independence, CEO duality, and managerial incentives on firm performance in China.

Board composition & leadership structure

- Hypothesis 1. Board independence is positively related to firm performance.
- Hypothesis 2. CEO duality is negatively related to firm performance.

Managerial incentives

- Hypothesis 3. CEO pay is positively related to firm performance.
- Hypothesis 4. Insider ownership is positively related to firm performance.

Temporal effects

- Hypothesis 5. The effects of board independence, CEO duality, and managerial incentives on firm performance become stronger over time.

Findings

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Performance</th>
<th>Accounting</th>
<th>Market</th>
<th>Hypothesis 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Independence</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H1. Board independence is positively related to firm performance</td>
<td>Supported</td>
<td>Supported</td>
<td>Not Supported</td>
<td>Supported</td>
</tr>
<tr>
<td>CEO duality</td>
<td>Not Supported</td>
<td>Not Supported</td>
<td>Not Supported</td>
<td>Supported</td>
</tr>
<tr>
<td>CEO pay</td>
<td>Supported</td>
<td>Supported</td>
<td>Supported</td>
<td>Data not available</td>
</tr>
<tr>
<td>Insider ownership</td>
<td>Supported</td>
<td>Supported</td>
<td>Supported</td>
<td>Not Supported</td>
</tr>
</tbody>
</table>

Conclusion

- We report that the agency perspective prevails as corporate governance reforms continue in China.

Contributions

- With this study, we provide meta-analyses for the effects of board composition, leadership structure, and managerial incentives on firm performance in China.
- We endeavor to contribute to the ongoing debate between control versus collaboration perspectives by highlighting the role of managerial incentives in the special context of China.
- We include both accounting and market-based measures of firm performance to distinguish between different performance outcomes in our analyses.

Evolution of Corporate Governance in China

<table>
<thead>
<tr>
<th>Period</th>
<th>Key events</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989-1997</td>
<td>- Launch of Shanghai and Shenzhen Stock Exchanges; - Launch of the Company Law (1994) and the Security Law (1999); - Structural changes such as the formation of boards of directors, the supervisory board, and mandatory annual meetings were introduced.</td>
<td>- Improvements in the quality of disclosures and transparency. - Convergence to international standards (e.g. rules about having independent directors on board). - Corporate governance framework has improved.</td>
</tr>
<tr>
<td>2000-2011</td>
<td>- Revision of corporate laws; (e.g. company law, accounting, securities law); - Introduction of the Code of Corporate Governance of Listed Companies (2002); - The 2005 non-tradable share reform.</td>
<td></td>
</tr>
</tbody>
</table>
### Table 3: HOMA Results: Corporate Governance & Firm Accounting Performance

<table>
<thead>
<tr>
<th>Predictor</th>
<th>K</th>
<th>N</th>
<th>Mean</th>
<th>SE</th>
<th>CI 95%</th>
<th>Q Test</th>
<th>I</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Executive Ownership</td>
<td>23</td>
<td>31132</td>
<td>0.0163</td>
<td>0.010</td>
<td>-0.003/0.036</td>
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<td></td>
</tr>
<tr>
<td>CEO Ownership</td>
<td>8</td>
<td>53</td>
<td>0.0237</td>
<td>0.017</td>
<td>-0.017/0.04</td>
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<tr>
<td>Insider Ownership</td>
<td>91</td>
<td>110973</td>
<td>0.014</td>
<td>0.012</td>
<td>(-)0.01/0.04</td>
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<td></td>
</tr>
<tr>
<td>CEO Pay</td>
<td>7</td>
<td>63</td>
<td>0.008</td>
<td>0.006</td>
<td>0.04/0.07</td>
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<td></td>
</tr>
<tr>
<td>CEO Duality</td>
<td>34</td>
<td>18837</td>
<td>0.004</td>
<td>0.008</td>
<td>-0.012/0.008</td>
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<td></td>
</tr>
<tr>
<td>Board Independence</td>
<td>20</td>
<td>18630</td>
<td>-0.009</td>
<td>0.014</td>
<td>-0.036/0.018</td>
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<tr>
<td>Management Ownership</td>
<td>24</td>
<td>21969</td>
<td>0.0186</td>
<td>0.010</td>
<td>-0.001/0.039</td>
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<tr>
<td>Insider Specific Owner</td>
<td>31</td>
<td>31048</td>
<td>0.0219</td>
<td>0.014</td>
<td>-0.01/0.04</td>
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<td></td>
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<tr>
<td>Insider Ownership</td>
<td>45</td>
<td>49922</td>
<td>0.008</td>
<td>0.007</td>
<td>-0.006/0.027</td>
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<td></td>
</tr>
</tbody>
</table>

**Notes:**
- K = number of samples
- N = firm observations
- SE = the standard error of the mean correlation
- CI 95% = 95 percent confidence interval around the meta-analytic mean
- p < 0.05
- p < 0.01
- p < 0.001
- ** = significant at the 0.05 level
- *** = significant at the 0.01 level
- **** = significant at the 0.001 level

**Partial Linear Correlation:**
- r_{xy,z}

**Pearson Product-Moment Correlation:**
- r

**Temporal Effects**

**HOMA Results on Firm Market Performance**

**HOMA Results on Firm Accounting Performance**

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Both GS3E and GB3E are now available.

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Both GS3E and GB3E are now available.