

WORK IN PROGRESS

Firm performance in Scandinavia and South East Asia

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Abstract

Previous studies have shown that differences in corporate governance systems, traditions, and both formal and informal institutions appear to correlate with firm performance. It has been suggested that Scandinavia and South East Asia have similar ownership structures with vote differential shares, pyramids and strong family ownership. However, the regions have different legal traditions and hence formal institutions, and also informal institutions. This paper presents a detailed overview of firm performance for a sample of listed firms in Scandinavia (represented by Denmark, Finland, Norway and Sweden) and South East Asia (represented by Malaysia, Thailand, Hong Kong, Taiwan and South Korea). Firm performance is estimated using both the Marginal q-approach and the Tobin's Q on an unbalanced dataset from 1998 to 2006.

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Introduction

Ownership, control and legal origin around the world has been given a high degree of attention during the couple of last decades within the corporate governance area. By attempting to explain differences in firm performance between countries, different types of ownership, legal origin and corporate governance systems have been used as explanatory variables. This has led to that depending on certain country specific characteristics groups of countries has been formed with different degrees of homogeneity within the groups. Depending on similar legal origin and protection of minority owners countries have been grouped together (see La Porta et. al. 1997, 1999, 2000). Countries, or regions, with similar ownership types and structures have been grouped together (see Morck et. al. 2005). Also, the links between ownership structures, legal origin and firm performance around the world have been examined (see La Porta et. al. 2002, Mueller 2006).

La Porta et. al. (2002) show that legal origin can be related to ownership structures and how strong the protection of minority shareholders is. They show that countries with a relatively stronger legal protection of minority shareholders in general have higher valuation of firms and a more dispersed ownership structure. A dispersed ownership and high protection of minority shareholders may be found in countries with an Anglo Saxon legal tradition (common law), followed by more concentrated ownership in systems with civil law such as countries with German (and Scandinavian) traditions in the legal system and most concentrated in countries with French traditions in the legal system.

The results presented by La Porta et. al. are supported by a series of papers by Gugler et al (2003 and 2004) and Mueller (2006). They, however, use another method of estimating the performance of the firm, namely the marginal q developed by Mueller and Reardon (1993). The marginal q, as the name suggests, uses a market valuation of the marginal investment done by the firm. By estimating the marginal q for the firms country-wise, Mueller (2006) finds support for earlier observations of linkages between performance, ownership and legal origin. However, it is noted that there are large in-group variances for the countries with the same legal origin. This suggests that there may very well be other explanations to firm performance than merely ownership types and legal origin.

Morck et. al. (2005) finds that the, for Europe relatively unusual, ownership patterns in Scandinavia have similarities with those in South East Asia. Both regions have strong concentration of ownership to a relatively few owners. These owners are often defined as families, or individuals, and the owners enjoy a higher degree of control in relation to level of ownership. There are both pyramidal structures of ownership and voting differential shares in both regions.

While the two regions are suggested to be similar in ownership terms, intuitively, they are still different in many other ways. The similarity in ownership on one hand and the overall differences between the two regions on the other hand makes the are interesting for research in the corporate governance area.

The purpose of this paper is to investigate the similarities between Scandinavia and South East Asia in firm performance, legal origin and ownership structures. This is done by examining the performance for an unbalanced sample of listed firms from both regions and using comparing results from previous studies.

The remaining sections of the paper are structured in the following manner; section 2 contains a further review of earlier studies. Section 3 presents the data and the method for estimating performance for the firms. The results are presented in section 4 and the paper ends with a concluding discussion in section 5.

Previous studies

The general discussion on agency problems in corporate governance systems are generally referred to the survey paper written by Shleifer and Vishny (1997) while the specific studies concerning Scandinavia and South East Asia are presented in detail. Limiting the discussion to the agency problem between the investor and the manager of the firm in corporate governance gives a basic foundation for the discussion on ownership structures in the regions.

The agency perspective basically boils down to how the investor can impose influence on the managerial decisions made by the managers of the firm after the investment has been done. Generally, theory solves this question by imposing contracts between the investor and the manager. However, there still remains several problems in the relationship such as how can the investor control if the manager follows the contract, who has the best knowledge of what decisions will benefit the firm the most, depending on the size of the ownership share – how much influence does the investor have over the manager?

Shleifer and Vishny (1997) discuss many of the possible troubles and consequences that can arise between the investor and manager of the firm and which should be accounted for in a contract between the two. They argue that one way of imposing investor control of the firm is that the investors retain the residual control rights. However, this does not really apply since it must be assumed that the investors are just not qualified or informed enough to make the residual decisions for the firm. If that would have been the case, there would not be any need for hiring the manager at all. One way of keeping control of the managers' decisions as being the best for the firm and the investors is to give the managers incentive to do so. However, according to Shleifer and Vishny (1997) the problem with incentive contracts may be that the managers act in self interest and negotiate rather with poorly motivated boards of directors rather than large investors. On the other hand, a relatively large investor may impose more control over the incentives stated in the contract between the manager and the investor.

Shleifer and Vishny (1997) argues that despite the problem of why investors chose to part with their money and give it to managers of firms in spite of the lack of influence

on the investments are that they may write contracts including control rights of the firm. It is here that the legal protection of the investor comes into place. According to Shleifer and Vishny (1997) the most important legal right the shareholders have is the right to vote on important firm matters, for example mergers and acquisitions or the election of the board of directors. Voting rights are, however, not totally uncomplicated. Countries with lower protection of minority shareholders (see La Porta et. al 1999) usually enjoy a lower level of dispersed ownership. Also, some countries allow for cross ownership, pyramidal ownership and vote differential shares. All these factors affect the ownership structure and minority investors tend to be fewer in countries where their vote matters less. La Porta et. al. (1999) finds that protection of minority owners mainly stems from the country's legal traditions, where the Anglo Saxon legal tradition has the highest protection of minority owners and the French legal system the lowest. On the other hand, Roe (1990) claim that there are other factors than just the legal origin and shareholder protection that affects ownership structures in a country. Instead, he argues that the laws controlling ownership comes from a public-spirited belief that financial stability comes from financial fragmentation, federalism (in the U.S), rivalry between financial institutions, all affecting and being affected by the political system of the country. In other words, there may be more to the story of explaining ownership structures than just legal origin.

If the legal protection of minority shareholders, where ever it may stem from, is not strong enough Shleifer and Vishny (1997) suggests that they perhaps could get more effective control rights by being large. If ownership is concentrated at a small number of shareholders with a collective large control of cash flows the resolute actions by the investors are much easier to do. In other words, concentration of ownership leverages the legal protection of the shareholder. Apart from the U.S and United Kingdom, concentrated dispersed ownership is fairly uncommon. Or in the words of Shleifer and Vishny (1997) pp. 755 "*heavily concentrated share holdings and a predominance of controlling ownership seems to be the rule around the world*". This conclusion is by far not unique, Gugler et. al. (2003), La Porta et. al. (1999), Morck et. al. (2005) gives the same or a similar conclusion when looking at ownership around the world.

Concentrated ownership does however come at a cost. While the benefits are fairly clear for large investors; they have both an interest in getting their money back and they have the power to demand it, the costs may not be just as simply described. Assuming that diversification reduces risk, one could claim that a concentrated ownership bears a larger risk. Also, large investors represent their own interests, interests that do not necessarily have to be the same as the interest of other investors, employees or managers. This problem is enhanced if the concentrated ownership also enjoys voting differential shares and/or a pyramidal ownership structure, which may lead to entrenchment effects.

Concluding the survey made by Shleifer and Vishny (1997) it is clear that both the legal protection of investors and concentrated ownership in some form and to a certain degree is essential for good corporate governance systems. Manager's needs to be forced by large investors to distribute profits and the investors needs some basic legal rights to be able to force the managers in doing so. The discussion of concentration of ownership vis à vi legal protection has been thoroughly examined for many countries. For this paper, reviews of ownership in South East Asia and Scandinavia are of most interest.

In the literature the corporate governance systems in South East Asia have been examined too much larger extent than the Scandinavian. The Asian economic crisis in the late 1990's has drawn a lot of attention to the region and its corporate governance structures.

Villalonga and Amit (2006) have investigated especially how family ownership and management may affect firm value for all of the Fortune-500 firms in 1994-2000. Their main findings are that family ownership may create value only when the founder of the firm serves as the CEO, or as a chairman with a hired CEO. In their case, family ownership and management can explain differences in firm value rather than legal origin. However, they do note that legislations on voting differentiation, pyramid ownership and special voting agreements do affect the value of the firm. The legislations are linked to the separate countries' corporate governance systems, being a product of formal and informal institutions.

Another branch of research affected by the contributions made by La Porta et. al. in 1999 are those focusing rather on the ownership *structures* themselves than the effects on performance. Claessens et. al. (2000) examines the separation of ownership and control in East Asian Corporations (in Hong Kong, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Taiwan, and Thailand). They find that the separation between ownership and control is most pronounced in family controlled firms and small firms. Also, that more than two-thirds of the firms are controlled by a single shareholder. Generally, family controlled firms tend to be older than the average firm, contrasting the notion of ownership becoming more dispersed over time.

A similar study by Agnblad et. al (2001) on Swedish ownership finds that Sweden does not fit in to the general relationship presented earlier by La Porta et. al. in 1999. With relatively concentrated ownership, a rapid increase of international investor ownership and well developed financial markets, the country poses as an interesting anomaly for the relationship between legal origin, protection of ownership and the development of financial markets. Eklund (2007) find, by using the Marginal q method, that concentration of ownership and vote differentials in Scandinavia are affecting performance by improving resource allocation and reducing agency problems. In accordance to the earlier Agnblad (2001), it is shown that legal origin does not seem to affect ownership in Scandinavia in the way suggested by La Porta et. al.

Morck et. al. (2005) tests for the relation between controlling owners, pyramidal control structures, cross shareholdings and super voting rights with economic entrenchment and growth. They find that in many cases a few families control a considerable proportion of the country's economy with high degrees of economic entrenchment. Additionally, they suggest that there is an important linkage between political economy and the distribution of corporate control which needs to be thoroughly investigated. Furthermore, Morck et. al. (2005) interestingly claims that the Swedish ownership structures tend to resemble more those of East Asia rather those in Canada.

Claessens and Fan (2002) find that the corporate governance in Asia is a very inhomogeneous combination of ownership structures and property rights systems.

This affects the incentive, policy and performance of managers and their firms. However, the authors claims that the prevalence of family ownership and relationship-based transactions are common in the whole region. The issues in the Asian corporate governance systems are mainly the emerging markets lacking of protection of minority rights imposing larger shareowners in those countries. The Asian economic crisis did have a substantial impact on the restructuring of the corporate governance system in Asia.

The vulnerability in corporate governance systems with lower protection of minority shareholders in Taiwan is examined by Lee and Yeh (2004). They find by using variables for influence on directors by the controlling shareholder, controlling shareholder debt ratio and controlling shareholder's voting rights that firms with weak corporate governance systems usually are more sensitive to economic downturns. This may support the suggestion that firms with a few, large shareholders are less diversified and hence face a larger risk.

The literature on Scandinavia as a whole is sparser than the literature on South East Asia. Still, there are several papers focusing on the separate countries in Scandinavia. Von Nandelstadh and Rosnberg (2003) examine the Finnish corporate governance mechanisms and its effects on performance and Halla (1999) examines how corporate governance and control looks in Finland. Sweden has been examined by among others Henrekson and Jakobsson (2006) who looks at the Swedish model of firm ownership and Bjuggren et. al. (2007) who examines ownership structures, control and firm performance in Sweden. Randøy and Nielsen (2002) compare the corporate governance and the compensations to the CEO's in Norway and Sweden and Sandven (2002) gives and theoretical overview of the corporate governance system in Norway. The Danish corporate governance system is examined by among others Thomsen et. al. (2008) who actually looks at all of Scandinavia's (excluding Finland) formal and informal networks.

Method and data

Performance of the firm may be measured in a multitude of ways. The number of measures available makes it attractive to compare the advantages and drawbacks of each method. In this paper performance is estimated using both marginal q and Tobin's Q for the firms in the dataset.

Tobin's Q

Tobin's Q is a very well established measure of performance of the firm used in many of the previous studies mentioned above. Basically, Tobin's Q shows the relation between the firm's market value and the replacement cost of its assets. This measure gives an indication of the relationship between how the market values the firm based on available information and the accounting data on its total assets reported by the firm. Tobin's Q is expressed in the following manner:

$$Tobin's\ Q = \frac{Market\ Value}{Asset\ Value} \quad (1)$$

While the measure is commonly used, it does not take into consideration the accounting standards for the firm (or in the country). It can also be argued that Tobin's Q is not a very intuitive measure since real replacement cost of the assets and the firm's reported assets may not always match completely. Still, since Tobin's Q has been used in several previous studies it is informative to include estimates of for the countries in this study.

Marginal q

In addition to the Tobin's Q the marginal q approach is used in the evaluation of performance of firms in Scandinavia and South East Asia. This is in accordance with Gugler et. al. (2003 and 2004) and Mueller (2006).

Marginal q is directly linked to the Net Present Value (NPV) Theoretically, a management that only has the interest of the shareholders as the objective will undertake all investment that promise a positive net present value and the last investment decided cannot have a lower net present value than zero (i.e. $NPV \geq 0$). On the other hand a management that caters to other objectives than those of the

shareholders as a group will be prepared to choose projects with a negative NPV. Accordingly, when estimating the marginal q a negative NPV of a project undertaken by the management of the firm will affect the marginal q negatively (decrease it to a figure below 1). A marginal q less than 1 imply that returns on the marginal investments are lower than their cost of capital. This is a very attractive feature of the estimated marginal q since it makes it fairly intuitive to analyse. A marginal q above 1 implies good investment performance for the firm, however with the possibility that the managers do not undertake projects with positive NPV's due to for example capital constraint. By estimating an average marginal q for a sample of firms in a country we get a general view of the firm performance for each of the countries in the study.

Since firms make investments in both tangible and intangible assets marginal q includes both types of investments. Marginal q can be derived in the follows (in accordance to Mueller and Reardon (1993)). The investments I_t made by the firm in time period t will generate a future cash flow given by C_{t+j} where $j = 1$ with a finite or infinite time horizon. The present value of such an investment assuming an infinite time horizon is given by the present value equation:

$$PV_t = \sum_{j=1}^{\infty} \frac{C_{t+j}}{(1+i_t)^j} \quad (2)$$

With a constant real discount rate it over time, the present value equation can be rewritten as:

$$PV_t = I_t r_t / i_t \quad (3)$$

where r_t denotes the earned return in perpetuity. Introducing the NPV to the equation, one can argue that the firm may increase its shareholders wealth by I_t by using the funds for repurchasing its shares or by paying the shareholders in terms of dividend. To maximise the shareholders wealth it is required that the present value in time t is

larger, or at least as large, as the investment in time t , thus also affecting the relationship between the return and the discount rate with the same properties.

Looking at market value for the firm (M_t), it may be defined in the end of period t as the market value of the firm in the previous period (M_{t-1}) plus the present value of the investment made during period t (PV_t) minus the depreciation (δ) of the firms total capital (M_{t-1}) during the period. Additionally, any errors (μ_t) made by the market when evaluating the present value of the firms total capital in the end of the period may be considered as an statistically defined random error term. According to this, the market value of the firm in the end of the current period is given by equation 3:

$$M_t \equiv M_{t-1} + PV_t - \delta_t M_{t-1} + \mu_t \quad (4)$$

One can use equation 3 to replace the right hand side of the term for each successive period for a total market value of n time periods:

$$M_{t+n} = M_{t-1} + \sum_{i=0}^n PV_{t+i} - \sum_{i=0}^{n-1} \delta_{t+i} M_{t+i} + \sum_{i=0}^n \mu_{t+i} \quad (5)$$

Assuming that $c_t = r_t/i_t$, then a weighted average, c , of the c_{t+i} 's over the $n + 1$ periods with each I_{t+i} as weights is given by:

$$c = \sum_{i=0}^n c_{t+i} I_{t+i} / \sum_{i=0}^n I_{t+i} = \sum_{i=0}^n PV_{t+i} / \sum_{i=0}^n I_{t+i} \quad (6)$$

Using equation 4, equation 5 may be rewritten as:

$$c = (M_{t+n} - M_{t-1}) / \sum_{i=0}^n I_{t+i} + \sum_{i=0}^n \delta_{t+i} M_{t+i-1} / \sum_{i=0}^n I_{t+i} - \sum_{i=0}^n \mu_{t+i} / \sum_{i=0}^n I_{t+i} \quad (7)$$

By assuming that the markets are efficient and that the law of large numbers apply the last term, the “error” term, will move towards zero.

In equation (7), c can be calculated using balance sheets and income statement data. The market value of the firm can be calculated by summarizing its separate components; physical capital, intangible capital and goodwill capital. Market value also reflects the present value of the cash flows from all of the firm’s assets investment in year t can be formulated as:

$$I_t = \text{After tax profits} + \text{Depreciation} - \text{Dividends} + \Delta\text{Debt} + \Delta\text{Equity} + R\&D + \text{ADV} \quad (8)$$

where ΔDebt and ΔEquity are funds raised using new debt and equity issues and ADV is advertising expenditures.

Using equations (2), (3) and (5) depreciation and returns on investments may be estimated using the following equation for market value:

$$M_t = M_{t-1} + c_t I_t - \delta_t M_{t-1} + \mu_t \quad (9)$$

Where investments, I_t is defined as in equation (8). By subtracting both sides with the market value for previous period and dividing both sides with the market value for the previous period, the following equation is obtained:

$$\frac{M_{it} - M_{i,t-1}}{M_{i,t-1}} = -\delta + c_t \frac{I_{it}}{M_{i,t-1}} + \mu_t \quad (10)$$

where, M_{it} is the market value of a firm i in period t , c_t represents the marginal q and μ_t is the error term with the assumed usual statistical characteristics.

The dataset

In this paper, Scandinavia is defined as being compiled by Denmark, Finland, Norway and Sweden. One could argue that the Scandinavian Peninsula consists only of Norway and Sweden, but here a wider definition is used, more similar to the Nordic definition (excluding Island and semi-independent smaller islands such as Åland Svalbard). South East Asia includes a geographically wider definition than the Scandinavian, here including Hong Kong, Malaysia, South Korea, Taiwan and Thailand. It could be correctly argued that South Korea is not part of South East Asia and if still included Japan should also be in the dataset. However, South Korea constitutes an interesting case especially when it comes to ownership structures and much information is gained by including the country in the definition. Japan on the other hand, being the second largest economy in the world, would probably benefit more from an exclusive examination (which has been done in several previous studies, for example see Gedajlovic and Shapiro (2002), Morck et. al. (2000), Morck and Nakamura (2003)) and is therefore excluded for now.

The financial data is provided by Standard and Poor's COMPUSTAT Global. Since financial firms generally differ from other traditional industries in accounting data firms listed as any type of financial firm (banks, insurance company etc) are removed from the dataset. This is in accordance with earlier research (see Gugler et. al. 2002, La Porta et. al. 2002). Furthermore, since Standard and Poor does not provide data on advertising expenditures explicitly in COMPUSTAT Global, a wider definition is used than that of Mueller and Reardon (1993). The wider definition includes "general selling expenses" functioning as a proxy for the advertising expenditures.

Additionally, since the marginal q method relies on an observable change in several of the variables, firms that are missing data on market value, debt etc. is removed from the dataset. At least four consecutive years of observations for each firm is required for the firm to stay in the dataset. Since some firms have observations for the whole time period and some only for parts of the time period the dataset is an unbalanced panel.

Table 2 summarizes information about the number of the sample firms used in the estimations and the original number of firms. Additionally, information about each

country's stock exchange, legal origin, GDP per capita and accounting standards is presented in Table 2.

If the Scandinavian legal origin is defined as separate from the Germanic legal system, the countries can be divided into three groups of legal origin. The Scandinavian legal system includes all four countries in the Scandinavia group, Hong Kong, Malaysia and Thailand forms the group of Anglo Saxon legal traditions and Taiwan and South Korea is forming the Germanic legal tradition group.

As mentioned in the general discussion of corporate governance systems and the legal protection of shareholders indications of how strong presence the formal corporate governance system has can be informative. Country wise scoring of accounting standards, provided by Gugler et. al. (2003), may give some indications of how strong the formal institutions are. The grouping of strong and weak accounting standards are given by Gugler et. al. (2003). Scoring equal to or above 64 is considered as strong accounting standards while scoring 63 or below is considered as weak accounting standards. In the two regions, only Denmark and South Korea are considered to have weak accounting standards, while the remaining countries have strong accounting standards. However, both Denmark and South Korea are close to the cut off between strong and weak. This is also true for Taiwan and Thailand, while Sweden has an exceptionally high score at 83, followed by Malaysia, Finland and Norway in their seventies and Hong Kong at 69. There is no other really clear pattern between legal origin and accounting standards here other than that the Anglo Saxon legal tradition tends to also have strong accounting standards. If one would exclude Denmark, the relationship is even stronger for Scandinavian legal systems and accounting standards.

Table 1 Number of firms reported and number of firms with data

	Legal origin/system	Accounting standards scoring*	GDP per Capita 2007 estimates, US Dollar (IMF)	Stock exchange	No. of firms in COMPUSTAT Global	No. of firms in the sample (percent in parenthesis)**
Denmark	Scandinavian (German)	62	37 392	Copenhagen Stock Exchange (OMX)	161	97 (60.2)
Finland	Scandinavian (German)	77	35 280	Helsinki Stock Exchange (OMX)	114	94 (82.5)
Norway	Scandinavian (German)	74	53 037	Oslo Stock Exchange	154	87 (56.5)
Sweden	Scandinavian (German)	83	36 494	Stockholm Stock Exchange (OMX)	260	195 (75.0)
Hong Kong	Anglo Saxon (English oriented)	69	41 994	Stock Exchange of Hong Kong	268	119 (44.4)
Malaysia	Anglo Saxon (English oriented)	76	13 315	Kuala Lumpur Stock Exchange	825	570 (69.1)
South Korea	Asian-Germanic	62	24 783	Korea Stock Exchange	334	227 (68.0)
Taiwan	Asian-Germanic	65	30 126	Taipei Stock Exchange	1 177	343 (29.1)
Thailand	Anglo Saxon (English oriented)	64	7 900	Stock Exchange of Thailand	363	234 (64.5)
Mean	-	70.2	31 146	-	406	218 (53.7)
Total	-	-	-	-	3 656	1 275 (53.8)

* Accounting standards scoring according to Gugler et. al (2003); where a score at 63 or below is considered as weak accounting standards and scores at 64 or above as strong accounting standards

** Firms with less than four consecutive yearly observations are removed from the dataset

The possible intuitive difference between the two regions is maybe most clear when looking at the GDP per capita measure for each country. Also, the difference within the groups is clear. While Scandinavia seems to offer a more homogenous group, Norway still has a GDP per capita well above the three other countries (about 50 percent higher). In fact, it is the highest number comparing all countries in the sample. The second highest is found in Hong Kong, or the South East Asia group. In this group, the four lowest GDP per capita figures are found with Thailand at only 19 percent of Hong Kong's GDP per capita. Truly, there are large differences both within the geographical groups and between them. Using GDP per capita as a proxy to identify whether the country is a developed or developing economy one can relate the level of development with ownership structures and accounting standards. The relation between ownership structures and developing countries is suggested by Shleifer and Vishny (1997) to be that a developing country may gain from concentrated ownership due to an increased influence from the investors on the management. The relation between accounting standards and level of development is fairly weak. However, a simple correlation test between the two variables gives a positive, but statistically insignificant (ten percent level) relationship.

The loss of firms due to missing observations varies substantially between the nine countries in the dataset. However, for all but one of the countries 50 percent or more of the listed firms are represented in the sample. Indeed, about 85 percent of the Finnish firms are represented. The only country with less than 50 percent of the firms in the sample is Taiwan which contains less than 30 percent of the firms. This is troublesome, but the absolute number of firms examined is still high compared to especially the Scandinavian countries. The reason for the loss of firms for Taiwan is solely based on lack of reported firm information. In general, it is hard to determine whether or not the sample is representative of the whole population of firms. Naturally, a higher share of the total number of firms in the sample will result in a higher probability that the sample is representative. Considering that firms missing observations in many cases are those that are either recently introduced to the stock exchange or those that may have left the stock exchange for some reason (or been acquired by another firm) it is possible that the sample may contain a bias towards the relatively larger listed firms.

This possible bias may be used as an explanation for the severe skewness in the data that can be observed in the descriptive statistics presented in the appendix. In addition to the possible bias in the sample itself, the skewness can also stem from the transformations done when adapting the data to the marginal q method¹. To handle this problem of extreme outliers, the dataset for each country is trimmed by five percent. This trimming of the data will make the estimates more reliable in terms of standards deviations and also give more reasonable results. However, it is a question of balance of choosing the cut off level since some of the observations that are removed may very well be without these faults and really true values.

The estimates of marginal q and Tobin's Q for the trimmed dataset are presented in Table 3.

¹ Since the method uses change over time, a missing observation or wrongly specified observation may give an unreasonably large change in the variable between two years. Such extreme values may cause the dataset to become more skewed.

Table 2 Estimation results of the marginal q and average Tobin's Q for each country

Country	Marginal Q estimates			Tobin's Q estimates		Obs.
	Coefficient mq	Constant	R-square (within)	Tobin's average Q	Std. deviation	
Denmark	0.837* [22.87]	-0.081* [-4.04]	0.463	0.829	0.026	706
Finland	0.916* [35.63]	-0.002* [-0.16]	0.685	1.020	0.024	680
Norway	0.829* [18.77]	0.105* [5.51]	0.409	0.970	0.026	597
Sweden	0.911* [36.44]	-0.014 [-0.98]	0.540	1.019	0.017	1 326
Hong Kong	0.767* [23.43]	0.016 [1.00]	0.421	0.665	0.029	874
Malaysia	0.884* [70.69]	-0.066* [-10.42]	0.5850	0.728	0.011	4 116
South Korea	0.758* [4.31]	0.074* [6.51]	0.016	-	-	1 322
Taiwan	0.907* [24.30]	-0.067* [-6.03]	0.256	1.018	0.016	2 056
Thailand	1.001* [42.50]	-0.181* [-16.78]	0.536	0.764	0.016	1 802

* Significant on a 1% level
t-values within brackets

The estimated marginal q is significant on a 1 percent level for all the countries. All estimates are fairly close to or very close to one suggesting well functioning markets and that the managers of the firms do not over invest in any great extent. It is not really possible to see any significant difference between the firm performance in Scandinavia and South East Asia using the marginal q estimation. We find the highest marginal q for Thailand (a value not significantly different from one) and the second highest for Finland. The lowest estimated marginal q is found for South Korea, again showing that the differences between the regions and within the regions are large and confirming the intuitive picture of the two regions.

The estimated average Tobin's Q for each country is generally higher than the estimated marginal q in four cases and lower in four cases. Due to large uncertainty in the data on total assets reported by the South Korean firms, the average Tobin's Q was not possible to estimate. For Finland, Norway, Sweden and Taiwan the estimated average Tobin's Q is very close to one. However, it is only for Finland that it is not possible to statistically separate the estimate from one. Even though the estimates of Tobin's Q differ somewhat from the estimated marginal q, the both estimates show robust results for that managers in most of the countries do not over invest in any great extent. For Hong Kong especially, and Thailand and Malaysia to some extent this is however not totally true. The fairly low Tobin's Q and marginal q for Hong Kong would suggest that the managers do undertake projects that are not value as having a positive net present value.

When comparing the results of the marginal q estimates with the other information about the regions it is not possible to find any statistically significant pattern between legal origin, accounting standards, GDP per capita or the estimated average Tobin's Q. While one should keep in mind that there are only estimates for nine countries to correlate so any weak connection may not be statistically strong enough to show, the regions and countries continue to show large discrepancies between each other. Hence, the similarities in ownership structures in Scandinavia and South East Asia cannot only be explained by legal origin, GDP per capita or accounting standards.

When comparing the results from the sample firms with the results from previous papers these differences in and between the regions are only enhanced. Table 4 list a comprehensive review of the estimates and previous results.

Table 3 Estimated marginal q for 1998- 2000 and estimations made in previous studies

Country	Estimations of average marginal q	Estimations of average Tobin's Q	Estimations by La Porta et. al. (2002)** Tobin's Q	Estimations by Gugler et. al. (2003) Marginal q (1985-2000)	Estimations by Mueller (2006) Marginal q (1985-2000) ***
Denmark	0.837*	1.206	1.5040	0.65	0.65
Finland	0.916*	0.980	1.1018	0.96	0.96
Norway	0.829*	1.03	1.1443	1.04	1.04
Sweden	0.911*	0.981	1.2123	0.65	0.65
Hong Kong	0.767*	1.504	1.1626	0.78	0.78
Malaysia	0.884*	1.373	-	0.86	0.86
South Korea	0.758*	-	1.0725	0.70	0.70
Taiwan	0.907*	0.982	-	1.26	1.26
Thailand	1.001*	1.309	-	0.64	0.64

* Significant on a 5% level

** Only includes firms with a shareholder holding 10 percent or more of the votes. Also, La Porta et. al. (2002) does not report estimates for Malaysia, Taiwan and Thailand

*** Same data set as used by Gugler et. al. (2003)

Comparing the results from the estimations of marginal q and Tobin's Q for the data sample with previous studies gives a mixed result. There does not seem to be any correlation between any of the estimates in a statistical sense. But we can see that the estimated Tobin's Q generally are higher than the marginal q for both La Porta et. al. (2002) and in this paper. Tobin's Q seems to give an ratio above one in most cases while marginal q tends to give estimates below one. It may not really comply to theory to compare these two measures, however it is interesting to observe that the methods differ in output.

The average marginal q estimated by Gugler et. al. (2003) and Mueller (2006) are based on the same dataset and therefore identical. The estimates in this paper are not very consistent but they do show similarities for some of the countries. Finland, Hong Kong, Malaysia and to some extent South Korea show similarities in the estimates of marginal q , while the remaining countries show more disparity in the comparison. Most striking is maybe the difference for Taiwan which has an estimated marginal q well above one in the previous estimates while in this paper the marginal q has decreased to below one. There are several plausible explanations to this differences; one being that the estimates are done on different time periods and another that Taiwan is the country with the largest loss in observations in this paper. It is possible that the sample for Taiwan is not representative for the economy.

Conclusion

Ownership structures in Scandinavia and South East Asia has been considered fairly similar in several previous studies. The ownership structures have been thoroughly examined in a large number of articles, especially the Asian ownership structure. Concentrated ownership, strong family ownership and both pyramid and vote differential shares are common in the regions. However, intuitively Scandinavia and South East Asia differs in several other ways. The corporate governance system of both regions may be different, but it seems to have created two similar ownership structures.

By surveying previous studies of the corporate governance system and ownership structures in both regions and also comparing accounting standards, legal origin, level of development some more light is shed over the differences both between and within the regions. South East Asia shows the largest differences within the region while Scandinavia seems to have a somewhat more homogenous corporate governance structure. The intuitive differences between the two regions are rather strengthened by the results and comparisons than weakened making the area still very interesting for research. The fairly similar ownership structures in the regions may not only be explained by the more common indicators for corporate governance, but more theory and new measures need to be implemented for further comparisons. In addition, adding ownership data to the sample may affect the estimations of firm performance and give a deeper understanding on how different ownership types affect performance in the regions.

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Appendix

Table 4 Descriptive statistics of total market value for each country

	Minimum	Maximum	Mean	Std. Deviation	Skewness	Std. Error
Denmark	0	803 481 296	8 991 804	37 753 448.7	12.445	0.079
Finland	0	1 762 388 326	6 760 013	63 870 799.4	23.487	0.080
Norway	0	1 699 919 951	7 772 715	55 528 955.4	22.202	0.063
Sweden	0	1 340 128 141	12 705 742	61 820 554.6	14.256	0.058
HongKong	0	1 499 441 346	23 162 421	1 024 28155.9	8.542	0.072
Malaysia	0	957 164 148	2 014 517	76 973 211,0	36.281	0.047
SouthKorea	0	91 731 112 556	1 292 232 347	5 388 454 344.7	10.428	0.055
Taiwan	0	1 270 846 307	35 213 051	89 267 518.9	5.773	0.054
Thailand	0	1 494 318 006	12 070 751	54 518 161.1	13.720	0.047