

Auditing and Accounting Studies

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Markus P. Urban

The Influence of Blockholders on Agency Costs and Firm Value

An Empirical Examination of Blockholder
Characteristics and Interrelationships
for German Listed Firms



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Foreword by Prof. Dr. Annette G. Köhler



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Foreword

At least since the global financial and economic crisis, shareholder engagement and monitoring are high on the agenda of policymakers, both at a global and at a European level. In its review on corporate governance in both financial and non-financial institutions, the European Commission attaches great importance to shareholder monitoring and shareholder engagement as one of the essential mechanisms of the corporate governance system of companies. However, the European Commission argues that the financial crisis has highlighted weaknesses within the mechanism of shareholder engagement. As a result, the European Commission aims to encourage shareholder engagement by offering shareholders more possibilities to engage in corporate governance.

While regulators consider shareholder engagement as an important component of a firm's governance system, the existing literature on blockholder monitoring does not provide a satisfactory understanding of the nature and effect of shareholder monitoring. Although researchers in the recent past began to extend their focus beyond the largest blockholder, their analyses are still rather aggregate. Moreover, there is uncertainty on whether the blockholder's impact on measures of firm performance stems from a reduction of agency costs as proposed by corporate governance theory or from other factors unrelated to agency costs inherent in companies.

In the present work, Markus Urban determines the influence of blockholders on agency costs and firm value, thereby explicitly accounting for blockholder characteristics and blockholder interrelationships that may affect the blockholders' influence. He makes a significant contribution to the existing corporate governance literature by providing a profound theoretical and empirical analysis on the nature and effect of shareholder monitoring in the German institutional environment.

The research contribution impresses by its conceptual finesse, scientific rigor and high academic standard, but also by its enormous relevance to current debates in European Corporate Governance. The thesis of Markus Urban is a must read for corporate governance researchers, standard-setters and regulators as well as readers generally interested in current topics in corporate governance.

I thank Markus Urban very much for his excellent support in teaching and research during his research assistance activities at my chair and wish the work the deserved positive resonance.

Prof. Dr. Annette G. Köhler

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Markus Urban

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