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An Empirical Analysis of Latin American Board of Directors and Minority Shareholders' Rights

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■ **ABSTRACT**

This paper examines the link between corporate governance structures and the potential for expropriation of minority shareholders' rights. Analysis of 97 firms from Brazil, Chile and Mexico that traded ADR shares in the United States between 2000 and 2002, indicates that increasing the size of the board by inclusion of additional independent outside directors lowers the potential for expropriation of minority shareholders' rights. Also, increases in the tenure of independent outside directors, decreases in CEOs' shareholdings and more interlocking directors on a board all serve to lower the potential for expropriation of minority shareholders' rights.

Keywords: Corporate Governance, Minority Shareholders' Rights, Board of Directors

■ **RESUMEN**

El artículo examina la relación entre las estructuras de gobierno corporativo y la posibilidad de expropiación de los derechos de los accionistas minoritarios. Se analizaron 97 empresas de Brasil, Chile y México entre el 2000 y 2002. Los resultados indican que el aumento en el tamaño de la junta de directores, al incluir directores externos independientes, baja la posibilidad de la expropiación de los derechos de los accionistas minoritarios. Además, a mayor tiempo de servicio en la junta de los directores externos independientes, a menor por ciento de propiedad de los CEOs y a más directores entrecruzados menor es la posibilidad de expropiación de los derechos de los accionistas minoritarios.

Palabras clave: Gobierno corporativo, Derechos de los accionistas minoritarios, Junta de directores, Política de pago, Dividendos, Readquisición de acciones

INTRODUCTION

Two factors may explain why minority investors are discouraged from investing in Latin American (LA) firms. First, controlling families are reluctant to trade companies' shares since this may result in the dilution of their power. Second, the weak legal environment gives rise to the potential for expropriation of minority shareholders' rights. These wealthy families possibly use corporate resources for their own interests while the minority shareholders bear the costs.

For example, in January 2000, a British mobile phone operator bought a minority stake in Iusacell, the Mexican mobile company, excluding small shareholders from the deal. The buyer acquired a 34.5% share directly from the controlling family, rather than offering to buy shares at the same price from minority investors.

Moreover, the LA business culture may enable some shareholders of LA firms to have significant control rights, in excess of their cash-flows rights, through the use of pyramids and by management participation in more than one business. These types of arrangements are known as *grupos económicos* (henceforth grupos) and are the dominant form of large private business organizations throughout the region. Typically controlling shareholders run grupos, not professional managers with little equity ownership.

Given the unique circumstances of LA markets, this paper empirically examines the link between the board of directors and the expropriation of minority shareholders' rights of firms in LA equity markets. Specifically, the paper addresses the following question: Is there a relationship between the board of directors' characteristics and the expropriation of minority shareholders' rights in LA firms?

This paper utilizes data from 97 companies from Brazil, Chile, and Mexico for fiscal years ending from 2000 through 2002 to answer this question. A panel analysis incorporating characteristics of firms' board of directors as well as a proxy for expropriation of minority shareholders' rights was used. The results provide empirical evidence that in Latin America as board size increases, through the inclusion of more independent outside directors, the potential for expropriation of minority shareholders' rights is reduced. Furthermore, the potential for expropriation is lowered as independent outside direc-

tors' tenure increases, as the CEOs' shareholdings decrease, and as more interlocking directors serve on the board.

The paper proceeds as follows. Section 2 discusses the empirical evidence of the relationship between board of directors and expropriation of minority shareholders' rights and frames the research question. Section 3 describes the data sources, sample selection, variables of interest and the descriptive statistics. The methodology utilized to test the hypotheses is presented in Section 4 along with the empirical results. Concluding remarks are presented in Section 6.

BACKGROUND

CORPORATE GOVERNANCE ENVIRONMENT IN LATIN AMERICA

Classic agency theory framework and corporate mechanisms do not apply to the circumstances of LA countries (La Porta, Lopez-De-Silanes, Shleifer & Vishny, 1998). Agency problems do not arise with the separation of owners and managers; instead, agency problems might stem from the misalignment of interests between majority and minority shareholders. Moreover, corporate governance mechanisms differ from those in developed economies: (a) It seems that boards of directors in Latin America are under the influence of controlling shareholders and do not perform their legitimate fiduciary duty to safeguard minority shareholders' interests; (b) ownership structure is concentrated in the hands of the controlling family or families; and (c) formal institutional protection is often lacking, corrupted, or not enforced. Looking at the LA scenario, the internal corporate governance mechanisms (board of directors and ownership structure) provide the opposite point from current research and may not provide the necessary protection as described by theory and suggested by the empirical evidence in developed economies.

BOARDS OF DIRECTORS

Boards of directors are the primary element of corporate governance, especially since they control many of the other mechanisms. The studies that examine the relationship between board characteristics and corporate performance address the effectiveness of the board in performing its monitoring function. The evidence, though mixed,

suggests that boards of directors play an important monitoring role (John & Senbet, 1998). The main empirical issue is proxing (or identifying an adequate proxy to measure) the degree of independence of a firm's board from its CEO. The adopted assumption is that the boards' characteristics (such as composition, size, and CEO duality) of boards are related to the degree of independence.

The degree of board of directors' independence affects the potential for expropriation of minority shareholders' rights. In general, as the degree of boards' independence increases, monitoring plays a more important role, while the opportunity for expropriation by majority shareholders is reduced; and vice versa. Nevertheless, this relationship may not exist in Latin America if incentives are lacking that make directors work on behalf of shareholders, i.e., market for corporate control and compensation.

Outside directors tend to perform diligently their duties, even when they have no financial stake in the company. Generally, outside directors are respected leaders from the business or academic community whose reputations suffer when associated with poorly performing companies (Fama, 1980; Fama & Jensen, 1983a; Weisbach, 1988). The need for monitoring is also expected when top management is composed of members of the controlling family, as in the case of Latin America. Therefore, it is expected that as the number of outside directors increases in LA boards, the possibility of minority shareholders' rights expropriation is reduced, due to the effective monitoring of such members.

Board size also plays a role in effective corporate governance. Researchers propose three main sources for board-size effects (a) increased communication and coordination problems, (b) board's decreased ability to control management, and (c) the cost of poor decision making spread among a larger group of firms (Eisenberg, Sundgren, & Wells, 1998; Yermack, 1996).

In Latin America, presumably little separation of ownership and control exists, invalidating the explanations arising from firms in developed economies. Still, it is expected that as the size of the board of directors increases, the potential for expropriation also increases because communication and coordination problems may exist, as it is a behavioral phenomenon.

In a typical large LA firm, the CEO usually is part of the controlling family; therefore, his/her influence over the board of directors may hamper the board's independence. For example, in Mexico, Babatz Torres (1997) reports CEO duality, where the CEO is also the President of the board, in 85 percent of the firms trading shares at the NYSE in 1996, and in practically every case the same individual is the largest shareholder. Therefore, whenever a firm has a dual leadership and/or the longer the tenure of the CEO, higher expropriation of minority shareholders' rights is expected. At the same time, as the outside director's tenure increases, his/her monitoring role increases and the potential for expropriation of minority shareholders' rights decreases.

Weisbach (1988) presents evidence that CEOs with more share ownership have increased power in the firm. This may provide an incentive to exclude outsiders from a board. A complementary argument, from Jensen and Meckling (1976), is that when owner-managers' shareholdings grow as a fraction of their wealth, their interests become more aligned with the firm's shareholders. Therefore, as the CEO ownership increases the potential for expropriation of minority shareholders' rights might also decrease.

In Latin America, directors usually are well-known businesspeople who serve on more than one board of directors, usually from the same grupo. Their multiple directorships help to establish the necessary links to survive in the less-developed market that surrounds LA businesses. For instance, Husted and Serrano (2002) find that in a sample of the 90 largest Mexican companies, only 16 have no interlocking directors, and these firms tend not to belong to any grupo.

Moreover, in emerging markets given the limited pool of possible individuals that can become outside directors these interlocking directors become more valuable. The expertise of these outside directors increases their value. Since many of the firms in LA are connected directly or indirectly through business grupos, pyramids, and family relationships, it is expected that there is a limited pool of individuals that may serve as directors. Hence, as the number of interlocking directors increases in a board, the expropriation of minority shareholders' rights is expected to decrease.

In sum, the different characteristics of boards of directors indirectly affect the potential for expropriation of minority shareholders' rights.

Such characteristics influence the degree of independence of boards, which in turn, have a direct effect on the expropriation of minority shareholders' rights. Therefore, a negative relationship is expected between the measures of board independence and the expropriation of minority shareholders' rights.

DATA

The sample includes LA companies with shares traded on U.S. exchanges as American Deposit Receipts (ADRs).¹ These foreign companies trade under the regulations of the U.S. Securities Exchange Commission (SEC), which require foreign firms to annually disclose a set of information (Form 20-F) including the composition of the board of directors and financial statements, among other items. The data sources for 20-F forms were *Lexis®-Nexis® Academic Universe*, the individual company's web pages, and the SEC EDGAR service.

Previous research on emerging economies dealing with the expropriation of minority shareholders' rights employs one year data, primarily due to data gathering constraints. However, this study utilizes three years of data, fiscal years ending from 2000 through 2002, resulting in one of the larger LA samples among the existing research.

At the end of 2002 there were 110 LA companies with ADRs listed on U.S. exchanges, with firms from Brazil, Chile, and Mexico accounting for 76 percent of these. The final sample includes 269 observations representing 97 firms divided by countries as follows: Brazil (34), Chile (28), and Mexico (35).

Most data necessary to construct the variables for the analyses is extracted from the Form 20-F, with the exception of some of the relationships among the owners which was obtained from other sources such as the company web pages. Also, the control variable for company size was obtained from *Datastream*.

¹ For robustness, a convenience sample of 14 Mexican companies not trading ADRs was analyzed and t-tests of differences between the (or means differences) found no significant difference between the Mexican ADR firms included in the sample and the non-ADR firms.

DEPENDENT VARIABLE - EXPROPRIATION OF MINORITY SHAREHOLDERS' RIGHTS

Measuring expropriation of minority shareholders' rights can be difficult given its numerous definitions and manifestations. However, emerging markets research suggests that concentrated ownership is correlated with a lack of investor protection (Claessens, Djankov, & Lang, 2000; Denis & McConnell, 2003; La Porta, Lopez-De-Silanes, & Shleifer, 1999; La Porta et al., 1998; Shleifer & Vishny, 1997).

This study utilizes the Herfindahl index (HI) to measure ownership concentration and as a proxy for the expropriation of minority shareholders' rights. This index captures both the inequality of shares among stockholders and the number of shareholders as well as better reflecting the true levels of ownership concentration in any company (Barabanov & McNamara, 2002). The HI is usually calculated as the sum of squares of the shareholdings of the top ultimate share blockholders holding at or above the five percent level.

To calculate the HI, the ultimate ownership of both direct and indirect control and cash-flows rights of each firm in the sample was traced for each of the three years (2000 – 2002) under consideration. To do so, the direct ownership of control rights for all owners with stakes at or above a five percent threshold was determined. Then the ultimate control of these direct owners was traced, using the same threshold of five percent ownership. Form 20-F usually traces the identity of ultimate control owners with at least five percent ownership. Where Form 20-F did not provide the necessary information for determining the ultimate owners, other sources of information were utilized, such as the web pages of the companies.

Once these ultimate owners are identified, control rights are determined for the sample company and categorized into one of the following groups: family-management ownership group, non-affiliated company ownership group, government ownership group, institutional ownership group, individual ownership group, and miscellaneous ownership group, following Lins (2003). Once the ownership group of each firm was classified, the HI index was based on the holdings of the owners in each group. The total HI was calculated across the six ownership groups as the sum of squares of each owner group l 's number of shares as a proportion of total shares outstanding (*EXPROPRIATION*).

INDEPENDENT VARIABLES

Using the traditional classification of directors proposed by Baysinger and Butler (1985), members of a board were classified as inside directors, affiliated outside directors (“gray directors”) or independent outside directors. Outside directors (*OUTSIDERS*) were the independent outside directors, excluding the affiliated outside directors. Once the classification is made, the following alternative measures of board composition are determined for each of the three years under consideration: (a) total number of outside directors to board size (*OUTSIDERS TO SIZE*); (b) percentage of outside directors to inside directors (*OUTSIDERS TO INSIDERS*); and (c) percentage of inside directors to board size (*INSIDERS TO SIZE*). The size variable (*BOARD SIZE*) will represent the total number of active board members reported in the company’s annual Form 20-F for the periods ending 2000 - 2002.

For every outside director and the CEO, the number of years in the position is determined from the biographical description provided in the Form 20-F. Thus, the following two tenure measures are calculated: 1) total years of CEO in that position (*CEO TENURE*), and 2) the aggregate average tenure of outside directors (*OUTSIDERS TENURE*). In addition, for every CEO his/her equity ownership was calculated to determine: 1) percentage of CEO ownership (*CEO OWNERSHIP*).

Finally, the number of interlocking directorates (*INTERLOCKING*) on a board was determined by reading the bibliography or personal description² of each member. An individual serving on the board of another company that is part of the grupo will be considered as having an interlocking directorate.

Control variables are included in the models to account for differences in company size (*COMPANY SIZE*), industry, age (*LN_AGE*), and dual-class shares. A dummy variable (*SHARE DUALITY*) controls whether or not the company issues dual-class shares.

² The bibliographical descriptions sometimes were missing or too vague (*this director serves on several boards of other companies*) without mentioning the specific company of the interlocking directors. Therefore, this measure was constructed taking into account only the directorships among the companies sampled.

DESCRIPTIVE STATISTICS

Table 1 summarizes the descriptive statistics for the 269 observations that comprise the whole sample as well as separated by country (for all years combined). On average, LA companies have nine members on their board of directors, of whom eight are insiders. Note that 40.5 percent of the observations had no outside directors serving on the board, indicating companies dominated and controlled by families. Mexican companies tend to have larger boards, 11 members on average, in comparison with their counterparts in Brazil and Chile, with an average of eight members.

TABLE 1
DESCRIPTIVE STATISTICS, MEANS BY COUNTRY
(STANDARD DEVIATION IN PARENTHESES)

Variable	All	Brazil	Chile	México
EXPROPRIATION	39.08% (26.00)	37.31(25.78)	32.87(23.28)	45.55(26.96)
OUTSIDERS	1.42(1.68)	1.30(1.44)	1.47(1.86)	1.50(1.77)
INSIDERS	8.29(3.52)	7.63(3.06)	6.62(2.22)	10.19(3.86)
BOARD SIZE	9.72(3.62)	8.93(3.56)	8.08(1.53)	11.69(3.9)
CEO TENURE	8.13(8.91)	5.82(6.15)	5.04(3.82)	12.85(11.64)
OUTSIDERS TENURE ^a	2.65(4.5)	1.61(2.02)	2.32(2.69)	3.90(6.59)
CEO OWNERSHIP ^b	7.43%(16.8)	2.15(7.78)	0.857(2.11)	17.48(23.55)
INTERLOCKING	2.06(2.21)	1.60(2.15)	1.89(1.83)	2.62(2.41)
OUTSIDERS TO SIZE	14.40%(16.8)	13.00(13.6)	18.10(21.8)	12.80(14.9)
INSIDERS TO SIZE	85.60%(16.77)	86.95(13.61)	81.89(21.82)	87.17(14.93)
OUTSIDERS TO INSIDERS	27.68%(75.97)	18.19(20.82)	50.74(137.02)	19.70(31.11)
COMPANY SIZE	8.51(1.33)	8.65(1.31)	8.02(1.02)	8.71(1.45)
AGE	3.18(1.15)	27.18(24.34)	64.93(38.24)	32.22(25.24)
GRUPO	0.74	0.72	0.96	0.57
SHARE DUALITY	0.24	0.14	0.07	0.48
BANK	0.15	0.10	0.23	0.12
CONSTRUCTION	0.01			0.03
MANUFACTURING	0.35	0.27	0.36	0.44
SERVICES	0.01	0.03		
TRADE	0.08	0.03	0.14	0.09
TRANSPORTATION	0.30	0.45	0.12	0.29
UTILITIES	0.07	0.09	0.15	
N	269	98	73	98

Note. N= number of companies. ^an = 268; 1 missing value for Chile. ^bn = 266; 2 missing values for Chile, and 1 missing value for Mexico.

The CEOs in the sample have served in their position for eight years in comparison with less than three years (2.68 years) for outside directors. The tenure of CEOs (12.9 years) and outsider board members (3.9 years) from Mexico is longer than those from either Brazil (5.8 and 1.6 years) or Chile (5.0 and 2.3 years) for CEOs and outsiders, respectively.

The CEO is also the Chairman of the board in 19 percent of the observations. This contradicts the profile in the U.S., with Brickley, Coles and Jarell (1997) reporting a combined leadership rate in U.S. companies between 70 and 80 percent. CEOs only own 7 percent of shares on average when considering the whole sample. CEOs with Mexican companies have the largest proportion of ownership with 17 percent. A possible explanation for the low equity ownership is that LA companies are hiring professional CEOs to manage the firms. In fact, in 29 percent of the sampled companies, the CEO was part of the controlling family. However, this is consistent with CEO duality, with Mexican firms also having both a higher proportion of CEO duality and a higher proportion of CEOs from the controlling family. In Mexico, where more CEOs are also the Chairmen of the board and part of the controlling family, it is not surprising to see that they own a larger portion of the firms.

The alternative board composition measures also reflect the reality of inside directors' dominance on the board of directors. On average, there are 14.4 percent of outside directors to total directors; 27.7 percent of outside directors to inside directors, and 85.6 percent of inside directors to total directors. Chile exhibits the highest proportion of outsiders to both insiders and total directors, with 50.1 and 18.1 percent, respectively. This may suggest that Chilean firms may be adopting better corporate governance practices, such as bringing more outside directors to the boards. However, a different story appears upon examination of the annual trend of this variable, which decreases between 2000 and 2002.

Firms included in the sample have a mean expropriation index of 39.1 percent. From the sampled countries, Mexican companies have the highest potential of expropriation of minority shareholders' rights with an index of 45.5 percent, followed by Brazil with 37.3 percent

and Chile with 32.9 percent. These indexes are consistent with prior research in emerging economies (i.e. Lins, 2003).

The majority of the sample has grupo affiliation (74 percent), with Chile (96 percent) the country with the highest proportion of grupo affiliation, followed by Brazil (72 percent) and Mexico (57 percent). The size of the companies in the sample is fairly consistent across the three countries as is their market value. The relatively young age of Brazilian companies may be a reflection of newly formed companies being included in the sample. These new companies are the result of the privatization of cellular telecommunications in Brazil in 1998 that resulted in 12 new companies.

EMPIRICAL ANALYSIS

We first employed univariate analysis to determine whether the means of the dependent and independent variables are equal across countries. The analysis indicated that board characteristics differ among the Chilean, Brazilian and Mexican firms.³ Thus, additional analysis was undertaken to determine if indeed the differing board of directors' characteristics leads to expropriation of shareholder rights. To do so, panel analysis was utilized since it allows for the consideration of both the cross-sectional and time-series effects in the sample, and helps in identifying the sources of possibly mingled effects.

To measure the relationship between the potential for expropriation of minority shareholders' rights and each the characteristics of the board of directors and the firm's ownership structure, the following specific model was estimated:

$$Expropriation_i = \alpha_0 + \sum_{k=1}^m \alpha_1 Board_{ki} + \sum_{j=1}^n \alpha_2 Control_{ji} + e_i \quad (2)$$

where

- Expropriation* = Ownership concentration measure of company i,
- Board* = Characteristics of company i's board of directors
- Control* = Control variables j for company i

³ Results of the ANOVA and Scheffé analyses are available from the authors.

Table 2 presents the results of estimating the model and, in general, the results show that as board size increases, through the inclusion of more independent outside directors, the potential for expropriation of minority shareholders' rights is reduced. The potential for expropriation is decreased further as the tenure of independent outside directors increases, as the CEOs' shareholdings decrease, and as more interlocking directors serve on the board.

TABLE 2
PANEL RESULTS – RANDOM-EFFECTS FULL FEASIBLE GLS ESTIMATION

Dependent Variable = EXPROPRIATION	Coef.	Standard Error	P> z
Constant	0.32 ***	0.03	0.00
Board of Directors Characteristics			
OUTSIDERS TO SIZE	0.76 ***	0.15	0.00
LN BOARD SIZE	0.03 **	0.01	0.01
OUTSIDERS TO SIZE * LN BOARD SIZE	-0.41 ***	0.07	0.00
LN CEO TENURE	0.002	0.004	0.59
LN OUTSIDERS TENURE	-0.01 **	0.005	0.03
CEO OWNERSHIP	0.39 ***	0.03	0.00
INTERLOCKING	-0.03 ***	0.002	0.00
Control variables			
COMPANY SIZE	0.04 ***	0.003	0.00
GRUPO	-0.11 ***	0.02	0.00
SHARE DUALITY	-0.01	0.01	0.24
LN_AGE	-0.01 **	0.004	0.02
CONSTRUCTION	-0.31 ***	0.01	0.00
MANUFACTURING	-0.13 ***	0.01	0.00
SERVICES	-0.11 ***	0.02	0.00
TRADE	-0.01	0.02	0.48
TRANSPORTATION	-0.24 ***	0.01	0.00
UTILITIES	-0.18 ***	0.03	0.00

N = 95 companies; 264 observations. Prob > $\chi^2 = 0.0000$. ***, ** and * denote significance at 1%, 5% and 10% level, respectively.

We theorized that as the number of independent outside directors on a board is reduced, there is an increased potential for the expropriation of minority shareholders' rights. However, the mere inclusion of

independent outside directors on a board does not appear to lower the potential for expropriation of minority shareholders' rights since the coefficient of the variable *OUTSIDERS TO SIZE* is positive and statistically significant. Thus, the traditional monitoring role of outside directors seems to be either not present or ineffective in LA companies.

Next we posit that a larger board size leads to increased potential for expropriation of minority shareholders' rights. The positive and statistically significant coefficient of the variable *LN_BOARD SIZE* indicates that larger boards increase the potential for expropriation. This finding supports the argument that there is less communication and more coordination problems arising as more people make decisions (Eisenberg et al., 1998; Yermack, 1996). These problems lead to an ineffective monitoring and control of management and board of directors, since bigger groups are more difficult to manage. Moreover, CEOs tend to prefer larger boards due to the less candid discussion of managerial performance (Jensen, 1993).

To further explore the positive relationship between the mix of outside directors to total board size to the potential for expropriation of minority shareholders' rights an interaction term (*OUTSIDERS TO SIZE * LN_BOARD SIZE*) is included. The interaction term is statistically significant and negative. In other words, when the number of directors serving on a board grows because of the inclusion of additional outside directors, there is a decrease in the expropriation of minority shareholders' rights. This interaction term suggests that LA companies are increasing their boards' size to accommodate the outside directors without sacrificing seats allocated to family members. In addition, these outside directors perform their monitoring duty more effectively as they find other outside directors in the same board. The mere inclusion of an outside director into a small board may not improve the minority shareholders' situation. However, inclusion of several outside directors may provide a safer environment for the minority shareholders.

The incentives that make outside directors work on behalf of minority shareholders, such as the market for corporate control or compensation, are lacking in Latin America. However, these individuals desire to safeguard their reputations. LA companies may be including respected leaders from the business or academic community

that will diligently perform their duty even if they have no financial stake in the company to avoid harming their reputation associating with poorly performing companies (Fama, 1980; Fama & Jensen, 1983a; Weisbach, 1988).

The coefficient for *LN CEO TENURE* was positive but not statistically significant. Gibson (2003) found, in emerging markets, no link between CEO turnover and performance in the presence of large domestic shareholders. Thus, in emerging markets such as Latin America, the CEO actions or tenure may not affect other aspects of the firm, such as performance or corporate governance, as occurs in developed economies. Furthermore, although the CEO can gain power the longer he/she is in the position, it may be mitigated by the controlling power of the family and other inside directors.

The negative and statistically significant coefficient of *LN OUTSIDERS TENURE* that supports a negative relationship between the independent outside directors' tenure and the potential for expropriation of minority shareholders' rights, was expected and is consistent with previous results on the monitoring role of outside directors ((Mishra & Nielsen, 2000). The longer an outside director serves on a board of directors, the lower the potential for expropriation of minority shareholders' rights.

The coefficient of the *CEO OWNERSHIP* variable is positive and statistically significant, indicating a higher potential for expropriation of minority shareholders' rights. Thus, CEOs' shareholdings appear to reduce the level of monitoring that may negatively affect minority shareholders, without the presence of other internal corporate governance mechanisms. This finding supports the classic agency theory argument that when managers' shareholdings grow as a fraction of personal wealth, their interest becomes more aligned with the majority shareholder-owner (Jensen & Meckling, 1976; Weisbach, 1988). Thus, as LA CEOs shareholdings increase, their objectives more closely match those of the controlling family, and minority shareholders may lose an important monitoring device for good corporate governance. This supports the findings of Gibson (2003) who showed that minority investors in emerging markets controlled by a large shareholder, i.e. family, should be aware that managers may favor the large shareholder at the expense of the minority shareholders.

Finally, we expect that the lower the number of interlocking directorates on a board of directors, the higher the potential for expropriation of minority shareholders' rights. The negative and statistically significant coefficient of *INTERLOCKING* shows the anticipated relationship between the number of interlocking directorates on a board of directors and the potential for expropriation of minority shareholders' rights. Therefore, including interlocking directors on LA boards may reduce the potential for expropriation of minority shareholders' rights. The rationale for this finding rests on the same argument that CEOs benefit when they serve as outside directors in other firms. In emerging markets, interlocking directors, whether or not they are also the CEOs, become more effective in their monitoring role as they serve in other boards, thus decreasing the potential for expropriation of the minority shareholders' rights. Interlocking directors internalize efficiencies from the diverse firms they serve.

Minority shareholders may consider these findings to be robust across all industries relative to financial institutions, with the exception of trade. The coefficients of the company size (positive), grupo affiliation (negative), and age (negative) are also statistically significant suggesting that minority shareholders should exercise caution when investing in younger and/or bigger companies and/or affiliated with a grupo. Finally, it appears that the use of dual-class shares may not lead to more expropriation of minority shareholders' rights as reported by Nenova (2003).

CONCLUSIONS

The distinctive characteristics of LA markets provide a unique scenario to expand research on corporate governance. First, the misalignment of interests between majority and minority shareholders is the root of agency problems, not the divergence between goals and objectives of management and owners. Second, corporate governance mechanisms to alleviate agency problems are inefficient or non-existent. Third, weak legal environment enhances the potential of agency problems, especially the expropriation of minority shareholders' rights. Therefore, the purpose of this work is to empirically examine the link between the characteristics of firms' boards of direc-

tors and the expropriation of minority shareholders' rights of firms represented in LA equity markets. We find empirical support for this relationship. It appears that as the number of directors serving on a boards increase through the inclusion of additional independent outside directors, the potential for expropriation of minority shareholders' rights is decreased. Also, increases in the tenure of independent outside directors, decreases in CEOs' shareholdings and more interlocking directors on a board all serve to reduce the potential for expropriation of minority shareholders' rights.

As in all studies, this research has its limitations. The narrow sample period (although larger than others looking at Latin America) is one of the weak points of the analysis. Observations spanning over only three years may not be representative of the relationship between corporate governance structure and expropriation of minority shareholders' rights, hindering the general applicability of the results. The use of only three countries may also be considered as a similar shortcoming. Nevertheless, the present work sheds light into an unexplored area in finance.

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Cause Related Marketing and its Effects on Employees

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■ ABSTRACT

Research is lacking concerning the perspectives professional accountants and the administrative staffs working for a global firm strongly involved in social causes have concerning cause-related (CRM). This paper discusses internal customers' (employees) feelings towards cause-related marketing activities sponsored by their employer at an important accounting firm located in Puerto Rico. The results show that internal customers strongly favor the firms' involvement in cause-related activities and that such activities not only increases the public perception of the firm, but in addition, the way the firm is perceived as an employer, by both the business and non-business communities. The main driving force supporting internal customers responses appear to be an increased awareness of worthy causes throughout our society, as well as employees urge in making significant contributions to their surrounding environment or community of which they are also part of.

Keywords: cause-related marketing, social responsibility, internal customers, brand equity, customer skepticism.

■ RESUMEN

Lo que motivó el trabajo presentado en las páginas que siguen fue la ausencia de investigaciones relativas a las perspectivas de contadores profesionales y el grupo administrativo que labora en firmas globales sobre la involucración de su empleador en causas de naturaleza comunitaria -social. En su contenido pueden conocerse dichas perspectivas para el caso de una importante firma de contabilidad pública localizada en Puerto Rico. Entre los hallazgos destacables encontramos que los clientes internos (empleados) favorecen la involucración de su empleador en dichas actividades dado que la misma apoya favorablemente la imagen pública de la organización. Los participantes en el estudio indicaron que ellos, como grupo interno, sienten

orgullo en trabajar para una institución que aporta al bienestar de su comunidad. Esta respuesta parece estar motivada por la creciente concienciación de la sociedad de la existencia de causas que vale respaldar al igual que el deseo de los grupos internos de las corporaciones, y otras entidades privadas, en contribuir al bienestar de la comunidad a la que pertenecen.

Palabras clave: cause-related marketing, social responsibility, internal customers, customer's skepticism, brand-equity

INTRODUCTION & BACKGROUND

In his book *Social Responsibilities of the Businessman*, Howard R. Bowen, the father of Corporate Social Responsibility (CSR), “set forth an initial definition of the social responsibility of the businessmen: According to Bowen, ‘CSR refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of society’...” (Carroll, 1999). In his “seminal work”, Bowen expresses five basic reasons for a manager to engage in what “the public expects from a company beyond profit seeking goals”: (1) managers have an ethical duty to consider the broad social impacts of their decisions; (2) businesses are reservoirs of skill and energy for improving civic life; (3) corporations must use power in keeping with a broad social contract, or lose their legitimacy; (4) it is in the enlightened self interest of business to improve society; and (5) voluntary action may head off negative public attitudes and undesirable regulations (Carroll, 1999).

Of course, the social responsibility perspective has its critics, such as Milton Friedman. According to Friedman, these are the expectations of businesses and managers: business is most responsible when it efficiently makes money and not when it diverts its energy on social projects. In a free enterprise, the manager is an employee of the firm, therefore he or she is directly responsible to the owners of the business. A manager's sole objective should be financial return in order to make as much profit for the stockholders as possible. Thus, spending on social projects diverts business profits to other causes stockholders may not even favor. Engaging organizational resources for the social

good, according to Friedman, ends up incrementing the costs of doing business. Hence, when a business becomes socially responsible, costs must be passed directly to consumers, or absorbed by stockholders through smaller profit returns (Friedman, 1970). However, Peter Drucker "...took upon himself to propose a 'new meaning' of CRS (Corporate Social Responsibility) with the idea that profitability and responsibility were compatible notions and that business ought 'to convert' its social responsibilities into business opportunities" (Carroll, 1999). Keith Davis coincides with Drucker when he concludes that "Society wants business as well as all other major institutions to assume significant social responsibility. Social responsibility has become the hallmark of a matured, global civilization.... The business which vacillates or chooses not to enter the arena of social responsibility may be found that it gradually will sink into customer and public disfavor" (Keith Davis, 1973). Davis cites economist Paul Samuelson as saying: "a large corporation these days not only may engage in social responsibility, it had damn well better try to do so" (Keith Davis, 1973). But, in their study Xueming Luo and C.B. Bhattacharya (2006) warns "that firms are not always able to benefit from CRS actions...When firms are not innovative...CRS actually decreases their market returns...Managers should understand that a misalignment of CRS with internal factors can be detrimental and can lead to decrease market value....'doing good' has complicated implications...customer satisfaction plays an important mediating role in the relationship between CSR and firm market value (i.e., stock-based firm performance)...."

It seems obvious that both, advocates and critics of the social responsibility of business, have long lists of arguments for their perspectives. Since this paper deals with one of the issues associated with social responsibility within the business context, i.e., cause-related marketing (CRM), it might be appropriate to initially suggest that companies, in order to successfully develop a brand image as one that does care for a cause, its contributions must be consistent and believable. Sporadic "payoffs" will not do the trick (Simic Brønn and Bellu Vroni, 2001).

Varadarajan and Menon (1988), the firsts to write an academic article on the concept of cause-related marketing (CRM), defined it

as “... the process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives”. Varadarajan and Menon also argue that “CRM can be view as a manifestation of the alignment of corporate philanthropy and enlightened business interest”. “It is a marketing program that strives to achieve two objectives - improve corporate performance and help worthy causes – by linking fund raising for the benefit of a cause to the purchase of the firm’s product and/or service”. However, Hoek and Gendall (2008) seem to suggest that “Unlike sponsorship, which is a not always linked directly to sales or other behavior, donations depend on the carrier brand’s sales; consequently, both the cause and the commercial partner have an incentive to maximize sales of the carrier brand.”

Corporate social responsibility (CSR), nonetheless, resembles marketing more closely than altruism, due to the fact that in the former both parties involved benefit from the exchange (Simcic Brønn and BelliuVrioni, 2001). Hence, CSR, most probably, should be integrated as part of the company’s mission as well as communicated to the stakeholders adequately. Customers that are aware of CSR and its benefits are less likely to be skeptical about the honesty of the organization in sponsoring social causes (Simcic Brønn & Belliu Vrioni, 2001). In order to support the argument concerning the positive relationship between companies that adopt corporate social responsibility as part of its mission and their results, the authors of this article include some examples that are briefly described below:

CENTEX HOMES

This company is considered as the only builder to rank among the top 10 on Professional Builder’s “Giant 400” list each year since its inception in 1968. It has also been honored with the No. 1 ranking for three consecutive years on Fortune magazine’s list of “America’s Most Admired Companies” in the engineering and construction category. Already committed to environmental responsibility, Centex Homes desired a venue to more publicly position itself as committed to envi-

ronmental stewardship. The Point Group (firm dedicated to identifying and developing CRM opportunities) identified and recommended Centex Homes a national cause-related marketing relationship with The Nature Conservancy, a nonprofit organization dedicated to the preservation of habitat and native lands. To date, Centex Homes is the only homebuilder to maintain a CRM relationship with The Nature Conservancy for which it donates approximately \$35 for every house it end up selling. In return, The Nature Conservancy developed multiple direct marketing programs stating Centex's support. This relationship resulted in donations of \$600,000 and \$700,000 for the first two years of the program. Both organizations have agreed to extend their relationship for an additional three years. In support of its commitment to The Nature Conservancy, Centex was bestowed with the highly prestigious Conservation Leadership Award. This award recognizes efforts developed and implemented by corporations that have shown leadership in, and dedication to conserving natural resources. In addition, independent customer survey results show positive customer response in excess of 96 percent for the Centex Homes program. Building upon this cause-related marketing initiative, Centex Homes has been able to demonstrate the importance of land, home and people within its organization in a very positive way (Jones, 2003).

McDONALDS AUSTRALIA

In Australia, McDonalds sponsors an event, called the McHappy Day, which takes place in a specific day selected by the local company every year. During this specific event, several McDonalds restaurants are staffed by celebrities, and for each hamburger sold that day, \$1 ends-up being donated to the Ronald McDonald House and other children's charities. The results are used by McDonalds in their public relations campaigns to nullify any negative publicity generated against the company, as well as to present McDonalds, as a useful member of the surrounding community (Ping, 1993).

BENEFITS AND SKEPTICISM: TWO PERSPECTIVES ON CAUSE RELATED MARKETING (CRM)

BENEFITS

According to Steven Van Yoder, “nothing builds brand loyalty among today’s increasingly hard to please consumers like a company’s proven commitment to a worthy cause.” Thus, “CRM can become a cornerstone...” in an entity’s marketing plan. CRM activities should highlight an entity’s reputation within its target market and can positively differentiate an entity from competitors and provide an edge that delivers other tangible benefits, including: increased sales, visibility, customer loyalty, enhanced company image, and positive media coverage. For Van Yoder, CRM is a way to merge an entity’s profit center with its “passion center” and build a business that mirrors its personal values, beliefs and integrity. If the cause resonates with the target market, “the activities will generate tremendous goodwill, and media attention can be its side effect...” (Van Yoder, 2003).

Cause Related Marketing (CRM) can enhance financial, human, and social capital for both the corporation and the nonprofit organization if it is done correctly. It provides a way for businesses to tie corporate strategy with social responsibility, whereas nonprofits receive economic resources, managerial advice, technological and communications support and volunteers. The proven commitment to a worthy cause builds brand loyalty among today’s increasingly hard to please customers. CRM activities should highlight the firm’s reputation within the target market (Simcic Brønn & Belliu Vrioni, 2001).

Besides the above benefits, linkages with a non-profit can generate positive media coverage, build a reputation of compassion and caring for a company, enhance its integrity, enhance employees’ motivation and productivity, and create public preferences (Duncan and Moriarty, 1997). A favorable reputation may enable firms to charge premium prices, enhance their access to capital markets and attract better applicants and investors. Empirical evidence suggests that the greater a firm’s contribution to social welfare, the better its reputation (Fombrun and Shanley, 1990). Reputation, closely related to brand awareness, aids in brand differentiation and ultimately helps a firm gain (through a good reputation) or lose (through a damaged reputation) competitive advantage (Kay, 1993).

SKEPTICISM

“Skeptics are described as those who doubt what others are saying or doing but may be convinced by evidence or proof. Skepticism.... is a cognitive response which varies depending on the context and the content of the communication” (Mohr, Eroglu, and Ellen, 1998).

Today’s marketplace is characterized by homogenous products and services. To combat this homogeneity, many companies are resorting to the use of CRM as a communications tool. The point is to attract consumers wanting to make a difference in society through their purchasing. However, consumers are looking closely at companies who make claims regarding their involvement in social issues. There is a level of consumer skepticism that often makes consumers doubt what a firm is saying. This skepticism can lead consumers to reject claims made in CRM campaigns; it can affect their purchasing behavior, and could even lead to stronger actions (Simcic Brønn & Belliu Vrioni, 2001).

The expected changes in company’s image because of CRM campaigns appears to depend a great deal upon how customers perceive the reasons for a firm’s involvement in cause-related programs and the amount of help given to the cause through the firm’s involvement (Webb and Mohr, 1998). Mohr, et. al., suggest that consumers with a high level of skepticism towards an entity’s intentions will be less likely to respond positively to advertising campaigns as opposed to consumers with a low level of skepticism (Mohr, Eroglu, and Ellen, 1998).

Organizations that develop a long term commitment to a cause, though, can overcome customer skepticism towards CRM. If customers view the firm as being committed to a non-profit organization, and not just a “contributor for brand image,” then they will believe that the organization truly cares about their role as a socially responsible firm. Thus, CSR must be integrated as part of the company’s mission as well as communicated to the stakeholders. Customers that are aware of CSR and its benefits are less likely to be skeptical (Simcic Brønn & Belliu Vrioni, 2001).

In today’s competitive marketplace, however, altruistic intentions alone can no longer justify charitable giving. Sophisticated customers and stakeholders are looking at the behavior of the firm: are they

donating just to gain good will, or are they truly concerned about particular issues? Hoek and Gendell (2008) suggest, that “although strong brand-cause congruency may enhance consumers’ attitudes to the brand and cause, our research suggests it does little to affect consumers’ choice behavior...”

For their part, Simcic Brønn & Belliu Vrioni (2001) suggest that firms regard their current contributions not as outright donations, but as investments that are intended to benefit them as well as the recipients of such donations. Firms must search for partners with similar agendas and whose goals can be better served by partnering with their business.

SOME PUBLIC OPINIONS ON CAUSE RELATED MARKETING

In 2008, a total of 1,071 adults living in the United States responded to an online survey known as the Cone Cause Evolution Study. Cone, in association with the Fuqua School of Business of Duke University, wanted to know whether or not corporate alignment with a social cause can impact actual consumer choice of brands and, thus, drive sales. One of its most interesting findings is that it “revealed that consumers continue to have high philanthropic expectations for companies struggling amid the current economic crisis. More than half (52 percent) of Americans feel companies should maintain their level of financial support of causes as well as financial support to nonprofit organizations...” (Cone, 2008). Other findings of the Cone study include:

- 85% of Americans say they have a more positive image of a product or company when it supports a cause they care about (results remains unchanged since 1993)
- 85% of respondents felt it is acceptable for companies to involve a cause in their marketing (compared to 66% in 1993)
- 79% of respondents said they would likely switch from one brand to another, when price and quality are about equal, if the other brand was associated with a good cause (compared to 66% in 1993)
- 38% of respondents had bought a product associated with a cause in the last 12 months (compared to 20% in 1993).

Another study dealing with the public's view of firms involved with cause-related marketing activities was conducted in Asia by Chéron (2008). He interviewed a total of 417 students from Sophia University in Japan and 312 residents in Singapore thru an online survey. To the question regarding as to "why do you think companies organize charity donation campaigns...?", respondents answered, as follows:

- "rewards sought for the firm itself"
- "rewards sought for firm, but partly for others"
- "rewards sought for others, but partly for the firm itself"
- "rewards sought solely for others"

In terms of the managerial implications of his research, Chéron suggests that "long term commitment to charity is needed by organizations in order to manage cause-related marketing better...."

A 2001 New Zealand (NZ) survey conducted by a group of marketing students at Victoria University (overseen by AC Nielsen and sponsored by Ford and Flannery Marketing consultants) looked at actual buying behavior of customers. They found out, among other things, that support for a 'cause' did influence consumer's buying behavior. People were not only prepared to change brands, but they also actually did so. Of the total of total of 324 participants who were interviewed within the Wellington region (5.4% error rate), 41.7% responded that they had actually purchased a product or service from a company because of cause-related marketing practices held by such companies, and 84% of participants in the survey agreed that cause-related marketing did change their image of a brand. Of those products or services people had previously bought given a company's support of a particular cause, 3 out of 4 of the highest rated brands were those identified as supporting a local (NZ) cause, and such support had prevailed over a significant period of time (Kay, J. 2003).

As previously shown, even with the above positive responses from the public, there is still a level of skepticism among the public towards CRM, as the Chéron study seems to suggest. Two possible reasons for the public's skepticism towards the sponsorship of CRM by a company are: first, that some private organizations have not answered the following questions before engaging in such programs and activities:

What do we want from the partnership? (credibility, enhanced reputation, brand loyalty, etc.). What are the program objectives? How will the program be evaluated? (e.g., assigning firm employees to track the sales or promotions). And, the second reason for the skepticism comes from customer's distrust and cynicism toward advertising, which is a component of the marketing mix used in CRM campaigns (Rebollo, 2007). The fact is that some research results seem to suggest that total corporate philanthropy increases in small but significant ways following negative media. Stakeholders might interpret CRM incursions by firms having negative media exposure as part of the organization efforts to swindle their way out of difficult situation (Werbel and Wortman, 2000).

CRM AND THE INTERNAL CUSTOMER

When involved with social programs and community related activities, employees of an organization stand as one of those customers (Rafiq and Ahmed, 2000) that need support from employers because they could face skeptics of their contributions. Involvement in cause-related marketing activities is generally, considered a personal connection or sort of a bridging experience for an individual, and it is often conceptualized as of personal relevance (Grau and Garretson, 2007). It seems reasonable to expect that internal customers feel duly involved when they give their time and money to CRM activities since both require personal sacrifices. Otherwise, other possibilities are available for both or each resource(s). Jill Ford, from Forward Thinking, a research firm from New Zealand, thinks that CRM activities are a win-win situation for all parties involved. According to Ford and her group, some of the advantages of engaging in corporate volunteerism are the following:

CORPORATE VOLUNTEERISM: WIN/WIN FOR EVERYONE

Community Organizations	Employees	Corporations
Benefit from:	Benefit from:	Benefit from:
<ul style="list-style-type: none"> • Knowledge of employee volunteers • Professional skills of employee volunteers 	<ul style="list-style-type: none"> • Psychic rewards • New experiences and people • Increased teamwork with colleagues • Improved management and technical skills • Pride in company 	<ul style="list-style-type: none"> • Strengthened workforce • Increased employee morale and loyalty • Increased employee job satisfaction • Enhanced reputation • Potential for increased sales
Employees' experience		
<ul style="list-style-type: none"> • Resources (equipment, training, people power) • Matching grants 		

Source - "Source: Promoting Public Causes, Inc.TM, www.publiccauses.com" (Please see: http://www.sponsorshipinfo.co.nz/SITE_Default/SITE_crm_and_sponsorship/Cause_marketing_.asp for full source. Retrieved December, 29, 2008)

This article discusses this latter group perspective toward CRM. The authors wanted to know if internal customers (employees) are interested in committing themselves with social and community problems as part of their professional agenda, and whether or not they see appropriate having their employer engaged in such activities. Research is lacking concerning the perspectives of professional accountants and the administrative staff working for a global firm strongly involved in social causes.

Specifically, the authors wanted to obtain opinions from professional accountants and administrative staff toward engaging in behavior (their participation in CRM activities) that asked to provide their talents, time, and efforts without being paid for. Will they be motivated to do so? Will they be willing to cooperate? The authors also wanted the opinions of these internal customers toward their employer involvement in cause-related activities. Do they endorse such involvement? To look for answers to the questions above the authors conducted a descriptive survey among a group of professional accountants and administrative staff working for a major accounting firm in San Juan, Puerto Rico.

METHODOLOGY

All 100 professional and administrative staff of one of the “big four” accounting firms located in Puerto Rico, involved in cause related marketing activities for the last 17 years, were surveyed for their views toward their organization and their own participation in a number of activities that help non-profit institutions. This population was contacted by internal emails, thanks to the fact that one of the authors was a staff member of the organization. Attached to the electronic message was the survey instrument (questionnaire). It included 9 dichotomous (yes or no) and 4 open-ended questions and was tested for construct validation prior to its final design. Participants of the validation process, understood, and were able to answer all questions included without difficulty, thus allowing the authors to proceed with the questionnaire as designed. Besides the validation process, the Kuder-Richardson Formula 20 (KR-20), which measures internal consistency reliability for questions with dichotomous choices, as those included in the questionnaire employed for the survey, was also calculated using SPSS computer software. The KR-20 coefficient obtained was .875 for the nine items that hold yes or no as answers. This result shows that the items included in the questionnaire, employed to measure internal customer’s opinion toward cause-related activities sponsored by their employer, are correlated, and thus measured the construct employed. As per the message, it explained the purpose of the research and asked for cooperation in filling the survey questionnaire. Members of the population were contacted twice during a four weeks period in order to encourage participation in the study. Responses of those who finally participated in the research were tabulated using SPSS computer software. The organization itself granted permission for the survey.

FINDINGS

SAMPLE PROFILE

Out of a total of 100 questionnaires sent, 39 (39 % response rate) were received through emails. As Table 1 shows, 62% of respondents were males, while 38% of respondents females. Most of those who

participated in this study worked for the auditing department (77%), while 15% of respondents did it for the tax area, and 8% of participants worked in administrative duties. Close to 80% of respondents indicated they have been involved with cause-related activities of their employer through the donation of time, money, or both.

TABLE 1- GENDER OF RESPONDENTS

Gender	Number of Respondents by Gender	Percentages of Respondents by Gender
Males	24	62%
Females	15	38%
Totals	39	100%

RESPONDENT’S AWARENESS OF THEIR EMPLOYERS INVOLVEMENT IN CRM PROGRAMS AND ACTIVITIES

A total of 36 (92%) respondents were aware of the firm sponsored cause-related marketing activities. This high percentage speaks favorably about the firm efforts in communicating to its internal customers the firm’s involvement with its community. But being aware of the employers involvement with the community in worthy causes, might not mean that the internal customers themselves are also interested in participating or are directly involved with their employee in assisting those in need. The next paragraphs provide perspectives to this issue.

TYPE OF INTERNAL CUSTOMER’S INVOLVEMENT WITH SPONSORED ORGANIZATIONS

Table 2 shows that 79% of those responding the survey are active participants by donating part of their money, time, or both, to serve in community organizations sponsored by their employer. This implies that approximately a total if 86% of those who said they were aware of their employer involvement in worthy causes, are also participants in those activities. Awareness, though, does not necessarily lead to behavior. Close to 14% of those aware of their employer participation in CRM activities decided not to participate in such activities sponsored by their employer.

TABLE 2: TYPE OF INVOLVEMENT IN CRM ACTIVITIES BY INTERNAL CUSTOMERS OF THE ACCOUNTING FIRM

Type of involvement	Number of internal customers involved	Percentages of internal customers involved
Donates time and money	19	48%
Donates money	10	26%
Donates time/service	2	5%
Not involved	8	21%
Total	39	100%

TYPE OF ORGANIZATION/ACTIVITIES SPONSORED BY INTERNAL CUSTOMERS

Close to 74% of survey participants give money to United Way¹. The accounting firm matches the money donated to United Way by its internal customers at the end of each year. Impact day is an activity held by the firm in which employees provide a one day professional service to a charitable institution while receiving their regular pay from the accounting firm. Other activities include visiting/or handling gifts to orphan children, particularly during Christmas time.

INTERNAL CUSTOMERS EXPECT MORE CRM ACTIVITIES FROM EMPLOYER

Table 3 shows that 79% of those surveyed expressed that their employer should do more than what it actually does in terms of CRM activities. As Jill Ford, from Forward Thinking, writes, “CRM activities are a win-win situation for all parties involved not only because it increase employee morale, loyalty and job satisfaction, but also because it enhance the firm’s reputation, and potentially helps to increase sales...” (Ford, Jill, 2009).

¹ United Way is a private non-profit organization that financially supports 146 Puerto Rican community based institutions. Money for its support of these institutions comes from individual donations collected and matched by employers, corporate contributions, and other sources. www.fondosunidos.org, retrieved September 22, 2009.

TABLE 3: INTERNAL CUSTOMER’S OPINION CONCERNING SPONSORING OF CRM

Should there be more of CRM activities by employer?	Number of internal customers responding yes/no	Percentage of internal customers responding yes/no
Yes	31	79%
No	8	21%
Totals	39	100%

BRAND EQUITY ISSUES

Brand equity deals with feelings, images, and perceptions held by markets toward brands (markets considered in this case are both external and internal). Since brand equity implies adding brand value, chances of increasing both purchase intentions and purchase behavior improve. Thus, management must deal with brand equity as they deal with other assets within their organizations: doing their best to gain additional equity, every instance and through each effort (Kotler and Keller, 2009). Let’s look at the areas within brand equity that were included in this research.

As Table 4 shows, 90% of those who responded to our survey think that sponsoring cause-related activities is a positive tactic since it helps to improve the public image of the firm as a socially responsible entity. This finding follows Grau and Garretson as well as Ford’s perspectives on the significance for internal customers of employer’s engaging in cause-related activities.

TABLE 4: CAUSE RELATED ACTIVITIES: ITS IMPACT ON THE BRAND

Views of respondents toward employer’s sponsorship of cause-related activities	Number of respondents as per their views regarding employer’s sponsoring of cause-related activities	Percentage of respondents as per their views regarding employer’s sponsoring of cause-related activities
Perceived as a socially responsible organization	35	90%
A form of publicity that creates goodwill for the firm	2	5%
Does not improve public image	2	5%
Totals	39	100%

Following Ford's thinking that engaging in cause-related activities is a win-win situation for all parties involved; 80% internal customers who responded to the survey stated they would recommend their firm as an employment option based of its involvement in these activities.

CONCLUSIONS

The findings discussed in this article are not to be generalized to other organizations employing highly trained professionals such as public accountants (CPAs), lawyers, engineers, and the like. However, it is probably reasonable to assume that a number of these professionals are willing to participate in cause-related activities through their talents, money, time, and efforts, since findings of our research and the literature available leads to this assumption. The fact seems to be, as per our findings, that an organization that is involved in community related activities is perceived by internal customers as a socially responsible institution. If such perception prevails throughout a firm engaged in cause-related activities, then, according to Ford, we can expect improvement in internal customer's morale and loyalty towards its employer, thus impacting internal brand equity. As our findings showed, 80% of the internal customers who responded to our survey feel comfortable working for an organization that appears to care about issues affecting their communities. Hopefully, an internal customer feeling comfortable with his or her organization might not only remain longer with his/her employer, but most probably will be more productive, and, hence, more willing to pay attention to customer service, thus satisfying the expectations of its external clients more positively. In highly competitive world markets, retaining the best talent available is a must.

Of course, such improvement will not only be felt inside the organization. The Cone Study reveals that most of its respondents are having positive images and are willing to switch to brands belonging to those organizations associated with a "good cause". Thus, as Kotler and Keller suggest, by getting involved in good causes, management will be doing what is expected of them: "doing their best to gain additional equity...."

Management, though, should not forget the fact that skepticism toward the honesty of those giving a hand in cause-related activities might be present. Particularly, internal customers, faced with skepticism from third parties as well as among themselves, 10% of those responding to our survey showed such feelings. They might feel that participation in cause-related activities will not be adequately acknowledged, or will only mean benefits for their employer, and, thus, getting involved, in terms of time consumed and efforts expected, is a worthless endeavor. So, dealing with skepticism should then be part of the strategic issues taken into consideration by private donors, such as corporations, when formally engaging in helping causes. As Chéron suggests, companies should have a purpose and objectives before engaging in cause-related activities because of still prevailing public's mistrust toward the good intentions, particularly, of institutional donors involved in such behavior. But, as Chéron indicates, with strategic planning, companies might help themselves by anticipating probable negative "side-effects" of advertising campaigns that are part of cause-related activities as well as of any other issue that might bring difficulties to the company.

Management should be aware of the fact that skeptics would be around when corporations and other private entities get involved in socially related activities. But, that by itself should not be a deterrent when deciding on pursuing such behavior. Many people are in need of help and are thankful when a hand is given. Business professionals in particular are always welcome in the non-for-profit community because of their expertise with managerial issues, financial capabilities, and strategic perspectives, areas where, most probably, charity organizations lack talents. Lack of management talent in these organizations will inevitably represent inadequate use of funds and distrust from those donors that make it possible for it to exist. So, besides being a helping hand, business professionals with strategic expertise might mean a difference when stability, growth, or even existence of a non-for-profit organization is at stake. For those giving a hand, it could mean personal growth, feeling proud, and their contribution to the reinforcement of brand equity of the institutions they represent.

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Motivos de fusiones y grupos económicos: El caso Davivienda – Bansuperior – Bancafé

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RESUMEN

El artículo propone una agrupación de los motivos de fusiones por corrientes teóricas y determina la aplicabilidad de los mismos en el caso de la fusión Davivienda – Bansuperior – Bancafé. El marco teórico recopila 17 tipologías de motivos de fusiones y es guiado por tres corrientes teóricas: economías de escala y alcance, costos de transacción y enfoque basado en recursos y capacidades. El método utilizado fue el estudio de caso, cuya información fue obtenida de diversas fuentes secundarias y entrevistas a profundidad realizadas a altos directivos. Se utilizó la escala de Likert para la clasificación de actitudes. En el caso fueron comprobados algunos motivos reseñados en la literatura. También se encontró que un motivo para la fusión horizontal de una empresa, que pertenece a un grupo empresarial, es la obtención de beneficios para las demás empresas del grupo, a través del ahorro en costos de transacción derivado de los enlaces verticales, que se generan entre las demás empresas pertenecientes al grupo y la empresa fusionada. El peso específico de los motivos verticales en una fusión eminentemente horizontal, exige una futura investigación.

Palabras clave: Bancos, tipologías de motivos, fusión horizontal, costos de transacción

ABSTRACT

The article studies the motives for mergers. It groups them according to their theoretical roots and shows their usefulness in the case of the merger of Colombian banks Davivienda - Bansuperior - Bancafé. The theoretical frame compiles 17 typologies of motives for merger grouped into three blocks: scale and scope economies, transaction costs and resource based approach. We used the case study method. We obtained data from interviews with Davivienda executives and secondary sources. We used the Likert scale to capture the attitudes of the respondents. We found in the case the majority of motives studied in the literature. One new motive was identified. Particularly one motive for a horizontal merger of Davivienda was the transaction costs economizing by other firms of the economic group to which belongs Davivienda. The specific weight of the transaction costs vertical motives in an essentially horizontal merger deserves further research.

Key words: Banks, typologies of motives for merger, horizontal merger, transaction costs

INTRODUCCIÓN

Después de una subasta pública de acciones realizada el 12 de octubre de 2006, con el fin de adjudicar el 99,06% del Granbanco – Bancafé, y con ello, privatizar uno de los más grandes bancos del país; Davivienda, banco perteneciente al Grupo Bolívar, uno de los principales grupos financieros del país, le ganó la puja al Grupo Aval, segundo conglomerado financiero del país, ofreciendo 2.21 billones de pesos por el banco estatal (La República, 2006c; Revista Dinero, 2007). Así, Davivienda se convirtió en el tercer banco más grande del país, después de Bancolombia (primero) y Banco de Bogotá (segundo). La fusión Davivienda - Granbanco - Bancafé fue una estrategia para competir con los nuevos integrantes del sector bancario, entre los que figuran gigantes como el HSBC y el General Electric Money. Cabe resaltar que la fusión con Bansuperior, que precedió a la de Granbanco - Bancafé, le permitió a Davivienda adquirir experiencia en fusiones y evitar errores cometidos en el pasado. Bansuperior poseía la franquicia de la tarjeta de crédito Dinners para Colombia, con unas utilidades de aproximadamente 30.000 millones 51 anuales y alrededor de 1.000 personas empleadas. Davivienda advirtió oportunamente que obtenía, en menor tiempo y a menores costos, acceso a un activo que incluía cerca de un millón de clientes adicionales, que habían sido conseguidos tras cuarenta años y recibían un trato similar al de socios.

La fusión de Davivienda con Banco Superior (2005) y Bancafé (2006) avivó el interés por las fusiones y adquisiciones en el país, y, en especial, por los motivos de esta estrategia empresarial. El tema de los motivos de las fusiones está insuficientemente explorado en la literatura internacional y mucho menos en la colombiana. Se sabe que las fusiones y adquisiciones, en la mayoría de los casos, fracasan en el cumplimiento de sus objetivos iniciales declarados (McCann y Gilkey, 1990). Este hecho indica que nuestra comprensión de los motivos de las fusiones requiere mayor profundidad. Efectivamente, en la literatura, no existe un consenso acerca de los motivos de las fusiones. Se encuentran numerosas tipologías que varían en la gama de motivos identificados, en el grado de detalle de su descripción y en los enfoques teóricos. Ninguna tipología establece una diferen-

ciación entre los motivos de tipo horizontal y los de tipo vertical para una fusión. Tampoco proveen pruebas de su aplicabilidad.

El objetivo del presente trabajo es explorar las tipologías existentes de motivos de fusiones y evaluar su aplicabilidad para el caso de la reciente fusión de Davivienda – Bansuperior (2005) – Bancafé (2006). La fusión mencionada reviste importancia por varias razones. En un primer momento, es un caso representativo del sistema financiero colombiano, cuyos bancos, por lo general, no actúan solos sino que forman parte de grupos económicos. En un segundo momento, a pesar de haber sido una operación que reconfiguró el sistema financiero colombiano porque transformó a Davivienda en el primer banco hipotecario y de consumo y en el segundo banco comercial del país, existe aún escasa información sobre la transacción. En un tercer momento, se trata de una fusión que involucra un banco estatal que estaba en proceso de privatización.

Aunque los motivos de las fusiones son un tema de debate constante en el ámbito científico internacional, en la literatura colombiana no se encontraron estudios que trataran la problemática de los motivos de las fusiones ni el caso de Davivienda. Por tal razón, este trabajo pretende contribuir a la literatura internacional y colombiana sobre los motivos de las fusiones.

El documento tiene carácter descriptivo y analítico, que combina las técnicas de estudio documental y de estudio de caso. En cuanto sigue, el trabajo se divide en 3 secciones. La primera, presenta el resumen de la literatura sobre las fusiones. La segunda sección describe el caso de Davivienda. La tercera, presenta la discusión de los hallazgos. La cuarta, concluye.

LITERATURA

El tema de las fusiones se aborda, en la literatura, desde tres perspectivas: la teoría económica clásica, concretamente, la organización industrial; la teoría de los costos de transacción, y el direccionamiento estratégico. Según la teoría económica clásica, las fusiones buscan lograr economías de escala y economías de alcance (Besanko, Dranove, Shanley, 1996). Un proceso de producción exhibe economías de escala cuando el costo promedio por unidad de producción cae,

mientras el volumen de producción se incrementa. Existen economías de alcance siempre que una firma ahorra al incrementar la variedad de los bienes que produce.

Besanko, Dranove, & Shanley (1996, p. 174) definen economías de escala como el declive del costo promedio (costo por unidad de producción) al sobrepasar un rango de producción. De modo que: "...para que el costo promedio (CP) decline con el incremento de la producción, el costo marginal (CM) o costo de la última unidad producida, debe ser menor que el costo promedio total". Entonces cuando el costo marginal es menor al costo promedio, existen economías de escala. Si sucede lo contrario, es decir, que el costo marginal es mayor que el costo promedio se dice que hay retornos decrecientes de escala. También puede suceder que el costo promedio sea igual al costo marginal, caso en el cual se tendrían retornos constantes a escala, es decir que, aun cuando aumente la producción sobre un rango, los retornos serán los mismos.

Los teóricos de los costos de transacción explican las fusiones por el deseo de ahorrar los costos de transacción que se dan en una relación vertical, o simbiótica (Jones, 2008). La fusión (integración) vertical permite a la firma coordinar diversos factores de producción sin la intervención del mecanismo de precios (Besanko, Dranove, y Shanley, 1996, p. 93; Coase, 1937; Williamson, 1996, p. 41). Coase (1937) describió la firma como el sistema de relaciones que existen cuando la dirección de los recursos depende de una sola persona: el empresario. Su tamaño se define en relación con el número de transacciones que realice; se expande si adquiere transacciones adicionales, y se reduce mientras menor sea el número de dichas transacciones organizadas por el empresario bajo una misma firma. Algunos costos de transacción son: el tiempo y expensas que se gastan en la negociación, escritura y puesta en marcha de los contratos, los perjuicios del comportamiento oportunista que puede presentarse por una o ambas partes y los costos de intentar prevenirlo (Besanko, Dranove, & Shanley, 1996, p. 93).

La dirección estratégica explica las fusiones dentro del enfoque de recursos, como la lucha de las organizaciones por el control de los recursos a fin de minimizar su dependencia del entorno (Daft, 2000, pp. 99, 527; Wernerfelt, 1997, pp. 122-127). De manera concreta, las empresas buscan, a través de las fusiones, incrementar la cuota de

mercado (Besanko, Dranove, y Shanley, 1996, p. 206) y el poder de mercado (Tirole, 2002, p. 284). Entender una fusión desde el direccionamiento estratégico debe incluir la comprensión del papel que jugará la fusión o adquisición en el futuro de la empresa, el análisis y entendimiento de la posición actual de la compañía y la deseada y por último, requiere que se planee deliberadamente el proceso estratégico y se desarrolle con miras a alcanzar el objetivo deseado.

Existen numerosas tipologías de fusiones. Un estudio realizado por Depamphilis (2005) da cuenta de nueve motivos. La sinergia operativa es el primero y consiste en mejorar la eficiencia de las operaciones a través de economías de escala y alcance. El segundo es la sinergia financiera, que se refiere a la reducción en el costo de capital como resultado de flujos de caja más estables, economías financieras de escala, o mejores oportunidades de inversión con los fondos disponibles. La diversificación es el tercero; ocurre cuando se compran firmas fuera de la línea de negocios primaria de la compañía en productos o mercados con altos niveles de crecimiento; puede darse con nuevos productos en los mercados actuales, nuevos productos y nuevos mercados o los productos actuales en nuevos mercados. El cuarto motivo señalado por Depamphilis (2005) es el realineamiento estratégico, en el que la fusión surge como un mecanismo para un ajuste rápido a los cambios en el entorno externo, como pueden ser los casos de una desregulación o innovación tecnológica. La arrogancia es el quinto motivo y se presenta como una explicación para adquisiciones que tienen la tendencia de pagar demasiado, debido a un excesivo optimismo del valor de la sinergia potencial de un negocio o la excesiva confianza en las habilidades de la administración para manejar la adquisición.

Otro motivo es la subvaloración de recursos, que considera que el valor de mercado de un negocio es menor que el valor de reemplazo de sus recursos. La mala administración o teoría de la agencia figura también como un motivo que se presenta cuando existen diferencias entre lo que quieren los gerentes y lo que quieren los accionistas. Los bajos precios de las acciones de una firma constituyen un factor de presión para que los gerentes tomen medidas orientadas a subir el precio de la acción o para que se conviertan en el objetivo de un adquirente. El poder de mercado es el octavo

motivo, y considera que las firmas se fusionan para tener más control sobre la fijación de precios. Conviene, no obstante, destacar que el soporte empírico para esta noción es limitado. El noveno y último motivo lo ofrece la teoría administrativa, según la cual los gerentes adquieren compañías para incrementar el tamaño del adquirente y su propia remuneración. Los motivos de una actividad de fusión o adquisición para compañías en expansión, suelen ser el deseo de alcanzar economías de escala y alcance, penetrar nuevos mercados, acceder a diseños nuevos, tecnología, procesos de producción y sinergias benéficas para ambas firmas. En contraste, para compañías en declive, la fusión puede ser motivada por el deseo de resucitar la firma y prevenir así un deterioro futuro (Vermeulen y Barkema, 2001, citado por Donnelly, Morris, & Donnelly, 2005). Las “teorías gerenciales” argumentan que las fusiones se ven motivadas cuando el crecimiento de la firma es el objetivo principal de los gerentes de turno más que la rentabilidad de la misma, dado que les otorga mayor estatus y remuneración (Vermeulen y Barkema, 2001; Seth et al., 2000 pp. 2-3, citados por Donnelly, Morris, & Donnelly, 2005). En el estudio de caso sobre las fusiones en un país en desarrollo como es Malasia, Shanmugam y Nair (2004) encontraron que éstas obedecen a factores como la globalización, la liberalización y el desarrollo de la tecnología de la información, los cuales contribuyen a la necesidad de sistemas financieros más competitivos y fuertes. Un factor igualmente ponderable lo constituyen las crisis económicas; de hecho, la crisis financiera asiática de 1997 ocasionó una ola de fusiones bancarias en Malasia, reduciendo el número de bancos de 54 a 10 más fuertes (Shanmugam & Nair, 2004). Gaughan (2002) considera que la obtención de sinergias es el motivo más importante para realizar una fusión. La sinergia es la habilidad para lograr que una combinación corporativa resulte más rentable que la suma de las firmas involucradas. Las sinergias pueden ser operativas y financieras. Las primeras permiten incrementar los ingresos y reducir costos; las segundas disminuyen el costo de capital (Gaughan, 2002, pp. 111-161). El incremento en los ingresos se puede obtener de la creación de un producto o servicio más fuerte. La reducción en costos puede ser el resultado de economías de escala y alcance (Gaughan, 2002, pp. 118-119). Las sinergias financieras se obtienen con la disminución en

los costos de capital de la firma adquiriente o de los socios en conjunto. Una firma más grande disfruta de mejor acceso a los mercados financieros, pues se considera que implica menor riesgo y comporta ciertas ventajas que permiten un menor costo de capital (Gaughan, 2002, pp. 121-123).

Las fusiones permiten crecer y expandirse a un ritmo más rápido y con menores riesgos, acceder a recursos claves, apoderarse de una porción de mercado, aprovechar una ventana de oportunidad, construir ventajas competitivas, expandirse geográficamente e incrementar utilidades. La diversificación es la expansión de una compañía fuera de su categoría de industria actual, a través de la obtención de posiciones privilegiadas en una industria, la entrada en una más rentable, la reducción del riesgo y la volatilidad de las ventas (Gaughan, 2002, pp. 123-129). Este autor incluye el poder de mercado y la integración vertical dentro de una categoría que denomina *motivos económicos*. El poder de mercado es la habilidad de fijar y mantener un precio por encima del costo marginal. Los motivos personales de los directivos, como la hipótesis de la arrogancia, también pesan a la hora de la fusión. La hipótesis de la arrogancia es un motivo personal basado en los sentimientos como la arrogancia u orgullo de los gerentes. Este motivo se evidencia cuando el precio de la acción de la firma adquiriente cae y el de la adquirida aumenta, como resultado del exceso de prima pagada (Roll, R, 1986 citado por Gaughan, 2002, p. 147). La compensación ejecutiva, por su parte, describe la situación en que la pretensión de mejores compensaciones y beneficios puede motivar a los gerentes a realizar una fusión que expanda la compañía. Sin embargo, es necesario anotar que sólo las buenas operaciones lo permiten (Gaughan, 2002, pp. 150-151). Por último, se encuentran los motivos tributarios y otros, entre los que se incluyen la introducción de mejoras en la administración, investigación y distribución. La importancia de los motivos tributarios, que se refieren al ahorro en impuestos que se logra con una fusión, ha sido debatida constantemente; ello no ha impedido, sin embargo, que se la continúe citando como un motivo (Gaughan, 2002, pp. 154-158). En cuanto al propósito de mejorar la administración, éste tiene que ver con la creencia en las habilidades de administración superiores de la firma adquiriente, que se supone permitirán incrementar el

valor de la firma adquirida. Tiene mayor validez cuando una compañía grande compra una pequeña que posee gran potencial (Gaughan, 2002, p.151). La motivación de mejorar la investigación y el desarrollo, posibilita el crecimiento a largo plazo de las empresas, sobre todo de aquellas que dependen en mayor grado de estos aspectos, como las farmacéuticas (Gaughan, 2002, pp. 151-152). Finalmente, el motivo de mejorar la distribución opera cuando la fusión se realiza para acceder directamente a los consumidores, maniobra que posibilita el desarrollo de canales más rentables (Gaughan, 2002, pp. 153-154). Un estudio realizado sobre fusiones de bancos italianos entre 1985 y 1996, mostró que éstas se realizaban en atención a incrementar el alcance de los servicios del banco activo (Focarelli, Panetta, & Salleo, 2002, pp.12-19). En este punto se estaría hablando de economías de alcance.

Mascareñas (2000) estudia los motivos de fusiones desde el punto de vista económico y procura determinar si logran su objetivo de maximizar el valor de la empresa. La sinergia se logra cuando el valor de mercado de las empresas combinadas es mayor que la suma de sus valores independientes. En las fusiones se paga una prima, dado que el valor de una firma que va a fusionarse aumenta. La sinergia esperada debe superar el valor conjunto de la prima pagada más los costos de hacer la transacción (Mascareñas, 2000, pp. 2-3). Los motivos que se reseñan a continuación son los que Mascareñas (2000) considera que producen sinergias. La integración horizontal permite obtener sinergias operativas, a través del aumento de los ingresos o la reducción de los costos (Mascareñas, 2000, p. 5). El aumento de los ingresos se obtiene por la creación de un nuevo producto o servicio, gracias al intercambio de oportunidades de marketing, reputación e imagen de marca (Mascareñas, 2000, p. 6). La reducción en costos es la consecuencia del aumento en el volumen de producción y de la especialización del personal. En las fusiones bancarias se generan economías de alcance al expandir sus productos o servicios con los mismos costos (Mascareñas, 2000, pp. 6-7). El poder de mercado es la posibilidad de establecer y mantener un precio superior al de la competencia. Puede obtenerse a través de la diferenciación de productos, la colocación de barreras de entrada y la ampliación de la cuota de mercado. Las fusiones horizontales generan mayor concentración del sector, obligando a crear leyes antimonopolio (Mascareñas, 2000, pp. 7-8).

Las integración vertical facilita un mayor acercamiento al consumidor final o la fuente de materia prima porque permite reducir los costos de transacción, de comunicación y coordinación (Mascareñas, 2000, p. 9). Es, además, posible obtener una mejoría en los rendimientos a través de la fusión, con la eliminación de una gestión ineficiente (Mascareñas, 2000, pp. 10-11). En ocasiones, existen ventajas fiscales que no han sido aprovechadas y que podrían reducir el pago de impuestos. La carga fiscal de las compañías unidas es menor que la que tendrían que pagar por separado. No obstante, para la ponderación precisa de este aspecto, se debe tener en cuenta la legislación de cada país (Mascareñas, 2000, pp. 11-12). Hay asimismo un conjunto de motivos que son criticados por el autor por considerar que crean valor para los directivos, si bien no siempre para los accionistas. Se trata de los siguientes: La fusión como *diversificación del riesgo*, que describe la situación en la cual se crean conglomerados que reducen el riesgo económico de la empresa sin crear el valor para los accionistas (Mascareñas, 2000, pp. 15-17). Otra situación descrita es cuando los directivos de grandes empresas quieren extender su control a un mayor número de empleados, aumentar el volumen de ventas y los activos de la empresa. En este caso, los directivos persiguen sus objetivos personales antes que los de los accionistas (Mascareñas, 2000, pp. 18-19). El orgullo arrogante de los directivos los lleva a considerar el mercado como ineficiente y a adquirir empresas para cumplir sus objetivos personales. La fusión crea riqueza en relación con los beneficios por acción y otorga mayores facilidades crediticias, capacidad de endeudamiento y liquidez (Mascareñas, 2000, pp. 21-24).

En algunos casos, la fusión permite alcanzar la tasa deseada de crecimiento a un costo menor que el del crecimiento interno (Mascareñas, 2000, p. 24). En otros, la fusión permite adquirir activos importantes a muy bajo costo, situación que se presenta cuando se tiene acceso a información privilegiada acerca del valor de la compañía, en este caso sub valorada por el mercado, y de la administración ineficiente de sus activos (Mascareñas, 2000, pp. 24-25). Las fusiones permiten crecer y aumentar el valor del grupo, siendo más costoso para un adquirente hostil adquirir el control de la empresa (Mascareñas, 2000, p. 26). El movimiento defensivo se da cuando una compañía adquiere a un competidor para reducir la competencia (Mascareñas,

2000, p. 26). La búsqueda del protagonismo también motiva a los directivos a realizar una fusión (Mascareñas, 2000, pp. 27-28).

Fröhlich & Kavan (2000) ofrecen un análisis de los motivos de fusiones y adquisiciones bancarias realizadas en el período de 1996-1997 en EE.UU., en el cual identifican cuatro motivos principales. El primero de ellos es crear economías de escala que se obtiene gracias a la combinación de las dos organizaciones. El segundo es la expansión geográfica de mercados que permite disminuir el riesgo total y aumentar las ventas. El tercero es la economía de alcance que puede surgir al incrementar la cantidad de productos ofrecidos. El cuarto es obtener poder de mercado.

Para Ballarín, Canals & Fernández (1994), existen cuatro motivos que explican las fusiones y adquisiciones. El primero es la búsqueda de sinergias que pueden orientarse a tres propósitos: la reducción de ineficiencias (se producen cuando la empresa tiene productividad o rendimientos inferiores a otra empresa del mismo sector con características similares), la obtención de sinergias operativas (alcanzar economías de escala, alcance y poder de mercado), y de sinergias financieras (reducción del costo de capital, desarrollo de un mercado de capitales interno de la empresa o menor costo de las emisiones de deuda) (Ballarín, Canals, & Fernández, 1994, pp.11-18). El segundo motivo es la diversificación que permite reducir la dependencia del mercado de capital mediante la creación de uno interno, incrementar la capacidad de negociación con las entidades financieras, disminuyendo los costos financieros, adquirir activos intangibles y aprovechar la fuerza de la marca propia en otros negocios (Ballarín, Canals, & Fernández, 1994, p. 47). El tercer motivo hace referencia a problemas de la agencia y guarda la relación con la finalidad de disciplinar a la gerencia. Los problemas de la agencia se refieren al desequilibrio entre la voluntad de los accionistas y de los directivos (Ballarín, Canals, & Fernández, 1994, pp. 39 - 55). Sin embargo, algunos autores argumentan que se trata de un motivo que no es válido, pues la competencia en el mercado final se encarga de disciplinar a los gerentes (Jensen y Meckling, 1976; Alchian y Woodward, 1987, 1988, citados por Ballarín, Canals & Fernández, 1994, p. 51). El cuarto y último motivo, denominado exceso de recursos generados, tiene lugar cuando los directivos prefieren retener las utilidades, en lugar de

repartirlas en dividendos, con el fin de reducir su dependencia del mercado externo e incrementar su poder (Jensen, 1986, citado por Ballarín, Canals, & Fernández, 1994, p. 52). Entonces, los accionistas realizan una fusión o adquisición por la necesidad de disciplinar la actuación de los equipos directivos y al mismo tiempo motivar la eficiencia de la firma, a través del incremento del endeudamiento de la empresa (Grossman y Hart, 1980, citado por Ballarín, Canals, & Fernández, 1994, p. 52). Ballarín, Canals, & Fernández (1994, p. 54) aclaran que varios autores están en desacuerdo con el último motivo, porque consideran que las fusiones son proyectos atractivos para invertir los excedentes, y que no siempre los directivos buscan poder. La acumulación responsable de recursos a largo plazo puede ser benéfica, cuando se destinan para desarrollo de nuevas tecnologías o adquisición de empresas.

El estudio de Schein y otros (1990, p.10) plantea que, paralelamente con los motivos explícitos, existen motivos tácitos que pueden incluir necesidades de poder personal, crecimiento y expansión de la identidad, destrucción o sometimiento de otras organizaciones, y necesidad de reducir el poder del sindicato.

McCann & Gilkey (1990) realizan una categorización que incluye ocho motivos. El primero es la “caja ociosa”. Ocurre cuando las empresas no encuentran otro uso para sus ganancias. El segundo motivo es la reducción de riesgos y la diversificación, por medio de la adquisición de empresas en otro sector económico (McCann & Gilkey, 1990, pp. 25-26). El tercer motivo es fortalecerse frente a la competencia. En este caso la organización reacciona a un factor externo en vez de adoptar una actitud proactiva de largo plazo (McCann & Gilkey, 1990, pp. 26-27). El cuarto motivo es la percepción de activos infrautilizados o infravalorados, que se observa principalmente en las adquisiciones hostiles. El quinto motivo es el logro de las sinergias. Por ejemplo, los activos sub utilizados pueden tener un mejor uso después de la fusión; un equipo de ventas puede vender los productos de ambas empresas; la capacidad de la planta de una empresa puede ser utilizada para fabricar productos de otra empresa; a veces es posible usar las innovaciones tecnológicas de una empresa para mejorar los productos de otra; se obtienen sinergias de recursos humanos, al administrar talentos en lugar de robarlos (McCann & Gilkey, 1990, pp.

28-29). Los beneficios legales y fiscales son el sexto motivo para una fusión. No obstante, McCann & Gilkey (1990, p. 29) consideran que el actual seguimiento de los organismos gubernamentales hacen difícil obtener estos beneficios. Como séptimo motivo figura el acceso a nuevas tecnologías y procesos (McCann & Gilkey, 1990, p. 30). El último motivo son las consideraciones egocéntricas que, aunque siempre operan tácitamente en las fusiones, nunca se hacen explícitas.

Para Pfeffer (1972) las fusiones se realizan con el objeto de absorber la interdependencia simbiótica o la interdependencia competitiva. La fusión se realiza para diversificarse, su motivo será evadir las interdependencias existentes, al reducirlas por medio de la diversificación de las actividades de la organización.

Felton (1971, pp. 229-230) considera que los motivos de las fusiones se enmarcan en las ventajas privadas que se obtienen del crecimiento externo de la firma sobre el interno. Entre tales ventajas figura la posesión de recursos valiosos de una empresa existente, como el *good will*.

En su estudio de motivos de fusiones, Trautwein (1990) analiza la solidez empírica y teórica de los siete motivos de fusiones más comunes en la literatura. La teoría de la eficiencia, que incluye varios tipos de sinergias, es criticada por contradecir la lógica del mercado de capitales (Kitching, 1967; Porter, 1987, citados por Trautwein, 1990, p.288). Las sinergias operativas y gerenciales no motivan las fusiones (Kitching, 1967; Porter, 1987, citado por Trautwein, p. 288). Las fusiones y adquisiciones son un mecanismo disciplinante del control corporativo para los gerentes que no maximizan el valor de los accionistas. Con la fusión, el control interno ineficiente de los accionistas es reemplazado por un control externo eficiente basado en la competencia con otros grupos de gerentes. Según la teoría del monopolio, las fusiones se realizan para obtener poder de mercado y bloquear la entrada de competidores. Trautwein (1990, p. 288) comparte este motivo y considera que este motivo generalmente es enmascarado como búsqueda de eficiencia o expansión del mercado objetivo. El autor no encuentra soporte empírico para la teoría del invasor, según la cual la organización adquiriente paga una prima por controlar las acciones de la compañía adquirida (Trautwein, 1990, p. 291 – 292). El autor apoya la teoría de la valuación que se

refiere a las ganancias netas que resultan de la información privada (Trautwein, 1990, p. 288 - 289). También existe la evidencia a favor de la teoría de la construcción del imperio (Trautwein, 1990, 289-290). La teoría del proceso entiende las fusiones como decisiones estratégicas incomprensibles racionalmente, pues son el resultado de procesos guiados por información limitada, rutinas organizacionales y poder político. Aunque no encuentra la evidencia a favor de esta teoría, Trautwein (1990, p.289-290) explica que en algunos estudios de caso, los asuntos políticos, estructurales o diferencias culturales ejercen una gran influencia. La teoría de la perturbación explica las fusiones como el resultado de perturbaciones económicas que alteran las expectativas individuales e incrementan la incertidumbre (Gort, 1969, citado por Trautwein, 1990, pp. 292-293). Para Trautwein (1990, pp. 292-293), no puede generalizarse la relación entre las crisis económicas y las olas de fusiones, puesto que no siempre se relacionan. Por ejemplo, las crisis suelen ser sectoriales y las olas no siempre lo son. El autor encuentra la evidencia a favor de la teoría de la interdependencia organizacional debido a un entorno incierto e inestable en el cual las organizaciones necesitan reducir la incertidumbre (Green & Cromley, 1982).

Finalmente, el resumen de la literatura sería incompleto sin mencionar las publicaciones colombianas. En lo que respecta al ámbito nacional, los estudios académicos no se centran en el análisis de las motivaciones de las fusiones. El informe de la ANIF (2006) estudia la consolidación bancaria desde 1990 – 2006 en la configuración del sistema financiero. La crisis financiera de 1998-1999, ocasionó 89 liquidaciones en todo el sector financiero. A partir del 2003 se viene gestando un proceso de recuperación a partir de fusiones bancarias. En este sentido, el trasfondo histórico de las fusiones es una mayor consolidación bancaria que crea las entidades más grandes y diversificadas, pero sin serias amenazas a la estructura competitiva del sector bancario. Así, las fusiones han logrado explotar diferentes sinergias y han diversificado la cartera de los bancos. Por otra parte, el estudio de Urdaneta (2008) examina el cambio del modelo de administración de los bancos de inversión colombianos, y el estudio de Berggrun (2006) analiza la fusión de Bancolombia, Conavi y Corfinsura desde el punto de vista de la creación de valor para los accionistas.

TABLA 1. RELACIÓN DE MOTIVOS ENCONTRADOS EN LA LITERATURA Y AGRUPACIÓN POR AUTORES Y TEORÍAS.

TEORÍA ECONÓMICA CLÁSICA

1. SINERGIAS

Sinergia operativa: mejora de eficiencia a través de economías de escala y alcance	Depamphilis (2005)
Sinergia financiera	Depamphilis (2005)
Motivos para compañías en expansión	Donnelly, Morris, & Donnelly (2005)
Sinergias benéficas para ambas firmas	Donnelly, Morris, & Donnelly (2005)
Sinergias operativas: economías de escala y alcance	Gaughan (2002)
Sinergias Financieras: disminución de costo de capital	Gaughan (2002)
Integración horizontal y sinergia operativa	Mascareñas (2000)
Aumento de ingresos	Mascareñas (2000)
Menores costos de financiación: sinergia financiera	Mascareñas (2000)
Reducción de costos	Mascareñas (2000)
Búsqueda de sinergias	Ballarín, Canals, & Fernández (1994)
Reducción de ineficiencias	Ballarín, Canals, & Fernández (1994)
Operativas	Ballarín, Canals, & Fernández (1994)
Financieras	Ballarín, Canals, & Fernández (1994)
Sinergias	McCann & Gilkey (1990)
En mercados	McCann & Gilkey (1990)
Finanzas	McCann & Gilkey (1990)
Operaciones	McCann & Gilkey (1990)
Recursos humanos	McCann & Gilkey (1990)
Sinergias	Trautwein (1990)
Sinergias financieras	Trautwein (1990)
Sinergias operacionales	Trautwein (1990)
Sinergias gerenciales o control corporativo	Trautwein (1990)
Absorber interdependencia simbiótica: las dos empresas se benefician	Pfeffer (1972)

2. CRECIMIENTO

Motivos para compañías en expansión	Donnelly, Morris, & Donnelly (2005)
Deseo de alcanzar economías de escala y alcance	Donnelly, Morris, & Donnelly (2005)
Crecimiento	Gaughan (2002)
Mejorar los canales de distribución	Gaughan (2002)
Incrementar el alcance de los servicios del banco activo economías de alcance	Focarelli, Panetta, & Salleo (2002)
Crecimiento	Mascareñas (2000)
Economías de escala	Fröhlich & Kavan (2000)
Economías de alcance	Fröhlich & Kavan (2000)
Expansión geográfica	Fröhlich & Kavan (2000)
Motivos internos	Green & Cromley (1982)
Necesidad de continuar con la expansión corporativa a menores costos	Green & Cromley (1982)
Motivos internos	Green & Cromley (1982)
Economías de escala	Green & Cromley (1982)
Expansión: entrar en áreas nuevas con la posición preferencial del competidor establecido sin intensificar la competencia	Butters & Lintner (1951)

TEORÍA DE COSTOS DE TRANSACCIÓN

3. INTEGRACIÓN VERTICAL

Integración vertical	Gaughan (2002)
Economías de integración vertical	Mascareñas (2000)
Integración vertical para:	Besanko Dranove, & Shanley (1996)
Deshacer efectos del poder de mercado	Besanko Dranove, & Shanley (1996)
Fijar precios	Besanko Dranove, & Shanley (1996)
Excluir el acceso a mercados de productos o insumos	Besanko Dranove, & Shanley (1996)
Evitar la exclusión del acceso a mercados de productos o insumos	Besanko Dranove, & Shanley (1996)
Adquirir información y otros recursos intangibles	Besanko Dranove, & Shanley (1996)

DIRECCIONAMIENTO ESTRATÉGICO

4. PODER DE MERCADO

Poder de mercado	Depamphilis (2005)
Motivos para compañías en expansión	Donnelly, Morris, & Donnelly (2005)
Penetrar nuevos mercados	Donnelly, Morris, & Donnelly (2005)
Poder de mercado	Gaughan (2002)
Poder de mercado	Mascareñas (2000)
Diferenciación en productos	Mascareñas (2000)
Barrieras de entrada	Mascareñas (2000)
Cuota de mercado	Mascareñas (2000)
Poder de mercado	Frohlich & Kavan (2000)
Poder de mercado	Trautwein (1990)
Bloquear la entrada de competidores	Trautwein (1990)
Motivos internos	Green & Cromley (1982)
Búsqueda de poder de monopolio	Green & Cromley (1982)

5. BENEFICIOS INMEDIATOS

Efecto sobre los beneficios por acción	Mascareñas (2000)
Incremento inmediato de los rendimientos	Felton (1971)
Alcanzar un incremento instantáneo de las ganancias por acción de una compañía	Mead (1969)

6. VALUACIÓN

Arrogancia: sobrevaluación	Depamphilis (2005)
Hipótesis de la arrogancia	Gaughan (2002)
Motivaciones de los directivos	Mascareñas (2000)
Hipótesis de la arrogancia de rol	Mascareñas (2000)
Valuación	Trautwein (1990)

7. PROCESO

Influencias de procesos	Trautwein (1990)
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8. UTILIZACIÓN DE FONDOS EXCEDENTES

Empleo de fondos excedentes	Mascareñas (2000)
Exceso de recursos generados	Ballarín, Canals, & Fernández (1994)
"Caja ociosa" o exceso de recursos generados	McCann & Gilkey (1990)

9. BENEFICIOS LEGALES Y FISCALES

Motivos tributarios	Gaughan (2002)
Ventajas fiscales no aprovechadas	Mascareñas (2000)
Compensación de pérdidas	Mascareñas (2000)
Concesiones fiscales	Mascareñas (2000)
Revalorización de activos depreciables	Mascareñas (2000)
Ahorros fiscales por ciclos complementarios	Mascareñas (2000)
Beneficios legales y fiscales	McCann & Gilkey (1990)
Institucionales	Schein, y otros (1990)
Legales	Schein, y otros (1990)
Motivos externos	Green & Cromley (1982)
Factores institucionales	Green & Cromley (1982)
Posibilidad de ahorro en impuestos	Green & Cromley (1982)
Eludir actividades antimonopolio	Green & Cromley (1982)
Evadir la persecución antimonopolio	Green & Cromley (1982)
Ventajas en impuestos	Felton (1971)
Ahorro en impuestos	Felton (1971)
	Butters & Lintner (1951)

10. ACCESO A NUEVAS TECNOLOGÍAS Y PROCESOS

Motivos para compañías en expansión	Donnelly, Morris, & Donnelly (2005)
Acceder a diseños nuevos, tecnología, procesos de producción	Donnelly, Morris, & Donnelly (2005)
Desarrollo de las tecnologías de la información	Shanmugam & Nair (2004)
Mejorar la investigación y desarrollo	Gaughan (2002)
Acceso a nuevas tecnologías y procesos	McCann & Gilkey (1990)
Tecnológicos	Schein, y otros (1990)

11. REQUERIMIENTOS DE RECURSOS

Combinación de recursos complementarios	Mascareñas (2000)
Teoría de la interdependencia organizacional: incertidumbre, aumentar control sobre el entorno y reducir interdependencia de recursos	Green & Cromley (1982)
Absorber interdependencia competitiva o comensalista: misma industria, una firma se beneficia y la otra no se ve afectada, intercambio de recursos	Pfeffer (1972)
Posesión de recursos valiosos	Felton (1971)
Posibilidad de obtención de establecimientos, productos, plantas, organización productiva y recursos a un menor costo	Butters & Lintner (1951)

12. EGOCENTRISMO Y RAZONES PSICOLÓGICAS

teoría administrativa: incrementar el tamaño del adquirente y su propia remuneración	Depamphilis (2005)
Motivos para compañías en declive	Donnelly, Morris, & Donnelly (2005)
"teorías gerenciales": los directivos están interesados en que la firma crezca, para obtener mayor estatus y remuneración	Donnelly, Morris, & Donnelly (2005)
Compensación ejecutiva	Gaughan (2002)
Protagonismo de los directivos	Mascareñas (2000)
Motivaciones egocéntricas o psicológicas	McCann & Gilkey (1990)
Construcción del imperio gerencial	Irautwein (1990)
Psicológicos	Schein, y otros (1990)
Necesidad de poder personal	Schein, y otros (1990)
Crecimiento y expansión de la identidad	Schein, y otros (1990)
Destrucción o sometimiento de otras organizaciones	Schein, y otros (1990)

13. INCERTIDUMBRE AMBIENTAL

Realineamiento estratégico	Depamphilis (2005)
Crisis económicas	Shanmugam & Nair (2004)
Globalización	Shanmugam & Nair (2004)
Liberalización	Shanmugam & Nair (2004)
Económicos	Schein, y otros (1990)
Perturbaciones macroeconómicas	Irautwein (1990)
Motivos externos	Green & Cromley (1982)
Economía en crecimiento	Green & Cromley (1982)

14. PROBLEMAS DE LA AGENCIA

Mala administración o teoría de la agencia	Depamphilis (2005)
Mejorar la administración	Gaughan (2002)
Eliminación de una gestión ineficiente	Mascareñas (2000)
Problemas de la agencia (disciplinar a la gerencia)	Ballarín, Canals, & Fernández (1994)
Motivos internos	Green & Cromley (1982)
Discrepancias acerca del valor de la firma entre propietarios y externos	Green & Cromley (1982)

15. REACCIÓN COMPETITIVA

Movimiento defensivo: reducir competencia	Mascareñas (2000)
Crecer para evitar un ataque hostil	Mascareñas (2000)
Reacción competitiva	McCann & Gilkey (1990)

16. ACTIVOS INFRAUTILIZADOS O INFRAVALORADOS

Subvaloración de recursos	Depamphilis (2005)
Ganancias	Mascareñas (2000)
Percepción de activos infrautilizados o infravalorados	McCann & Gilkey (1990)

17. COMPAÑÍA EN DECLIVE (BANCAFÉ)

Motivos para compañías en declive	Donnelly, Morris, & Donnelly (2005)
Deseo de resucitar la firma para prevenir un deterioro futuro	Donnelly, Morris, & Donnelly (2005)
Razones personales	Mascareñas (2000)
Creencia generalizada de los inversionistas sobre el deterioro del valor de la compañía en el futuro próximo	Butters & Lintner (1951)
Decisión del propietario de una compañía de retirarse del negocio	Butters & Lintner (1951)
Psicológicos	Schein, y otros (1990)
Necesidad de minar a sindicatos u otros grupos	Schein, y otros (1990)

18. INVASORES

Actividades invasoras	Trautwein (1990)
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19. DIVERSIFICACIÓN

Diversificación	Depamphilis (2005)
Diversificación	Gaughan (2002)
Diversificación del riesgo	Mascarenas (2000)
Diversificación	Ballarín, Canals, & Fernández (1994)
Reducción de riesgos y diversificación	McCann & Gilkey (1990)
Evadir interdependencias existentes por medio de la diversificación de las actividades de la organización	Pfeffer (1972)
Diversificación para reducir riesgos	Felton (1971)

Fuente: Elaborado por los autores con base en el resumen de la literatura

METODOLOGÍA

El trabajo es de tipo descriptivo y analítico que utiliza la técnica de investigación documental y el estudio de caso.

Después de revisar los motivos de fusiones descritos en la literatura, se realizó una agrupación de los mismos en diecinueve motivos básicos que sintetizan los motivos estudiados. Los motivos, a su vez, fueron clasificados de acuerdo a las teorías propuestas en principio (ver Tabla 1). En primer lugar, se encuentran los motivos que se relacionan con la teoría económica clásica, puesto que permiten disminuir costos de producción, a través de economías de escala y alcance. Entre estos motivos se sitúan los que tienen que ver con sinergias –motivo más nombrado en la literatura– y crecimiento o expansión. El precio de un bien o servicio que sale al mercado, no sólo depende de los costos de producción asociados a él, sino de la suma de éstos con los costos de transacción. En este aspecto, las fusiones pueden realizarse, en segundo lugar, para disminuir los costos de transacción.

Por último, las consideraciones estratégicas incluyen aquellos motivos relacionados con las directrices estratégicas que se plantea la empresa. Estos motivos fueron agrupados en: búsqueda de poder de mercado, obtención de beneficios inmediatos, valuación de la firma objetivo, influencias de procesos administrativos, utilización de fondos excedentes, beneficios legales y fiscales, acceso a nuevas tecnologías y procesos, requerimientos de recursos, egocentrismo y razones psicológicas, incertidumbre ambiental, problemas de la agencia, reacción competitiva, activos infrautilizados o infravalorados, compañía en declive, actividades invasoras y diversificación.

La agrupación de los motivos según el enfoque teórico permitió eliminar la duplicación de algunos motivos y reducir el número total de motivos. Esto, en su turno, permitió dar un orden lógico a la guía de la entrevista que fue diseñada.

El estudio de caso permite investigar un fenómeno contemporáneo en su contexto real (Yin, 2003, pp.13-14). Para este estudio de caso se siguieron los componentes básicos para su diseño propuestos por Yin (2003, p. 21), que incluye (a) preguntas de estudio, (b) proposiciones de estudio, (c) unidades de análisis, (d) conexión lógica

de los datos con las proposiciones y (e) criterio de interpretación de hallazgos. Este método ofrece explicaciones causales, que permiten comprender las relaciones complejas que la experiencia transmite (Stake, 1998, p. 42).

Las entrevistas fueron concedidas por el vicepresidente jurídico de Davivienda; el director de la Regional Bogotá de Promociones y Cobranzas Beta S.A., compañía que forma parte de las Sociedades Bolívar, y el director financiero y administrativo de Promociones y Cobranzas Beta S.A., encargado de dirigir un comité en la fusión de Davivienda – Bansuperior. Los tres empleados fueron testigos y participantes en el proceso de la fusión.

Cada motivo de la fusión fue discutido con los entrevistados y evaluado por ellos, en una escala de Likert. Esto permitió, a los investigadores, registrar el peso de cada motivo en la decisión de la fusión, como lo percibieron los entrevistados (Malhotra y Peterson, 2006, pp. 264-265; Glaister y Buckley, 1996, p. 312). También se realizaron preguntas abiertas que pretendían ahondar en los motivos y el comportamiento de los actores durante y después de la fusión.

Finalmente, se realizó el análisis cualitativo y cuantitativo de la información recolectada. Se estimó el Alpha de Cronbach con SPSS, para el formato de entrevista de escala de Likert, con el fin de analizar la confiabilidad y consistencia interna de la prueba (Ledesma, Molina, y Varelo, 2002, p. 143; Gliem, J., y Gliem, R., 2003, pp. 82-87). El resultado que arrojó la prueba para los 35 ítems, fue un Alpha de Cronbach de 0,787, valor que permite aceptar la prueba.

DAVIVIENDA – BANSUPERIOR - BANCAFE

La Corporación Colombiana de Ahorro y Vivienda Davivienda, fundada en 1972, pertenece a uno de los grupos empresariales más grandes del país: el Grupo Empresarial Bolívar. Es una entidad de intermediación y servicios financieros, creada para promover el ahorro y la financiación de vivienda.

Bansuperior es un banco privado, creado para proveer servicios financieros, especializado en la tarjeta de crédito Dineros. Bancafé es un banco estatal, establecido en 1978 con el fin de proveer servicios financieros para promover el desarrollo del sector cafetero.

ESTUDIO DE CASO DAVIVIENDA – BANSUPERIOR – BANCAFÉ

Los motivos de la fusión con Bansuperior en septiembre de 2005, fueron la búsqueda de posicionamiento, acceso a mayor cuota de mercado, capacidades y recursos. Bansuperior poseía la franquicia de la tarjeta de crédito Diners para Colombia. Davivienda advirtió que obtenía, en menor tiempo y a menores costos, el acceso a un millón de usuarios de la tarjeta Diners. Bansuperior se encontraba en un buen momento antes de la fusión. La tarjeta de crédito Diners estaba posicionada como un producto diferenciado que se destacaba por la superioridad en el servicio al cliente. Davivienda incorporó en su totalidad y sin modificaciones el concepto de negocios de Diners. Sin embargo, el impacto de la fusión fue significativo y generó problemas a la hora de la integración de los sistemas de información. Como consecuencia, algunos clientes no se adaptaron al cambio y cancelaron sus tarjetas Diners.

Junto con Banco Superior, el Grupo Bolívar adquirió Ediciones Gama y Cobranzas Beta. Ediciones Gama era la encargada de editar y publicar la revista Diners, vehículo de comunicación con los usuarios de la tarjeta y un instrumento de su diferenciación. Cobranzas Beta, una de las empresas de cobranzas más grande del país, se convirtió, para Davivienda, en un importante proveedor de servicios por cuanto el mayor activo de un banco es su cartera de créditos, mientras su pasivo lo constituyen los depósitos de los clientes. Con la fusión, el número de los clientes de Cobranzas Beta pasó de 1 millón a 7 millones, y el número de empleados, de 150 a 700.

No obstante, Davivienda no aprovechó todos los conocimientos de Bansuperior, situación que le valió de experiencia para su siguiente fusión, un año más tarde, el 12 de Octubre de 2006, cuando Davivienda ganó la subasta pública del 99,06% de las acciones del banco estatal Bancafé, por 2 .21 billones de pesos (La República, 2006c; Revista Dinero, 2007). Para esta nueva fusión, Davivienda contaba con la experiencia y se disponía a adquirir los conocimientos relacionados con créditos a microempresas, banca comercial en general y créditos para entidades oficiales. La fortaleza de Davivienda era la banca de consumo. Los empleados de Davivienda no estaban acostumbrados a prestar grandes cantidades de dinero a entidades

oficiales bajo la promesa de futuros ingresos tributarios o de lotería. Tampoco sabían evaluar el riesgo de los préstamos comerciales que desembolsan grandes cantidades de dinero a un solo cliente.

La experiencia de Bancafé en la banca corporativa, cafetera e internacional, sumada a la tradición de Davivienda en banca personal, se percibía por los estrategas de Davivienda como una fuente de sinergias. Efectivamente, se obtuvieron las sinergias financieras que se reflejan en las calificaciones de riesgo otorgadas a Davivienda tras la fusión, entre las que se encuentran las de Duff & Phelps Colombia y BRC Investor Services, quienes calificaron al nuevo banco con el más alto nivel, AAA (triple A) para deuda de largo plazo y nivel alto (DP1+ y BRC 1+) para deuda a corto plazo (BRC Investor Services S.A., 22 de Febrero de 2008).

Otros tipos de sinergias, como las operativas, gerenciales y de recursos humanos, tuvieron lugar de distintas formas. La ampliación del portafolio de productos con servicios complementarios, generó economías de escala y sinergias operativas puesto que el nuevo banco puede ofrecer una mayor cantidad de productos y servicios a sus clientes antiguos y nuevos.

Las sinergias gerenciales y en recursos humanos, se lograron a través del traslado de *know – how* de los trabajadores y gerentes de Bancafé, que debían transmitir toda su experiencia y conocimientos a Davivienda a menores costos y con menor probabilidad de error.

Por otra parte, el incremento en el volumen de operaciones (de dos y medio millones de clientes pasó a cuatro millones), permitió aprovechar el personal de manera más intensiva, automatizar sus operaciones, profundizar la división del trabajo y ahorrar en costos de insumos, lo que al final se traduce en una reducción de los costos de operación. Actualmente, algunos insumos de oficina son menos costosos, dado que se solicitan en mayores cantidades.

Los estrategas de Davivienda no esperaban aprender una nueva tecnología de información de los bancos adquiridos. Previsiblemente, la integración de los sistemas de información acarrió las fricciones en diversos aspectos de las operaciones. El sistema de información de Davivienda es nuevo, mientras que el sistema Bankvision de Bancafé era costoso, inseguro y desactualizado. Esta situación no se presentó en la fusión con Bansuperior, cuyo sistema de información

era actualizado. Sin embargo, la integración de las plataformas de Davivienda y Bansuperior también presentó algunos traumatismos que van a demorar 2 – 3 años en solucionarse, según los entrevistados.

Uno de los motivos de Davivienda era lograr economías de escala y una mayor división del trabajo. Después de la fusión, 2 personas hacen lo que antes hacían 3, por lo cual se reducen costos y se incrementa la eficiencia. Si bien los clientes de Bancafé pasaron a Davivienda, solo los empleados clave del personal de Bancafé fueron invitados a unirse al nuevo banco. Lo anterior se debió a una mayor carga laboral y a la automatización de distintas operaciones que, en su turno, se hizo posible gracias al aumento del volumen de las operaciones en Davivienda post fusión.

Los artífices de la fusión no tenían en mente aprender las nuevas tecnologías de Bancafé ni de Bansuperior. Bancafé tenía un sindicato que obstaculizaba la automatización de las operaciones. Algunas actividades como contar dinero y enviar cheques entre otras, se realizaban de manera manual, lo que generaba mayores costos de operación. De aquí, el brusco cambio al que se vieron sometidos los empleados de Bancafé, siendo obligados a entender y usar un nuevo sistema, al tiempo, que asumir varias tareas, es decir, mayor cantidad de trabajo.

Los entrevistados estaban de acuerdo en que Davivienda tuvo como motivos estratégicos, la búsqueda de poder de mercado en sus tres formas: diferenciación en producto, barreras a la entrada y ampliación de cuota de mercado. La búsqueda del poder de mercado fue prioridad, para Davivienda, debido a la tendencia de reducción del número de bancos colombianos y al aumento de rivalidad entre ellos. Por medio de las fusiones y quiebras, en los últimos 10 años, el número de bancos en Colombia se redujo de más de 30 a 16. Para enfrentar la rivalidad y disuadir a los nuevos entrantes, entre ellos, grandes bancos extranjeros como HSBC y General Electric Money, Davivienda optó por aumentar su poder de mercado a través de la fusión.

Uno de los objetivos de Davivienda fue lograr sinergias operativas basadas en economías de alcance. Bancafé, cuya fortaleza era el crédito comercial, y Bansuperior, cuya fortaleza fue la franquicia Diners, eran competidores directos de Davivienda, especializada en

el crédito de consumo e hipotecario. Después de la fusión, Bancafé y Bansuperior se convirtieron en un complemento estratégico. Concretamente, si antes de la fusión, un cliente de Davivienda tenía en promedio 2.5 productos con el Banco, después de la fusión, se espera, este indicador crezca a 7 productos por cliente en promedio

Davivienda no tenía una intención estratégica definida en cuanto al uso de la marca de Bancafé. Uno de los entrevistados expresó que Davivienda estaba interesada en conservar y utilizar esta marca que tiene reconocimiento en el mercado nacional y en el exterior, particularmente en Miami y Panamá. Pero otros entrevistados señalaron que tal motivación no existía y que la marca de Bancafé estaba ya deteriorada debido a su bajo nivel de servicio al cliente, lentitud en su capacidad de respuesta y tecnología de información atrasada, por lo cual no significaba un interés para Davivienda

La expectativa de Davivienda de mejorar su posicionamiento estratégico se justificó porque su precio por acción repuntó inmediatamente se conoció la noticia de la adquisición de Bancafé, y, posteriormente, mejoraron las utilidades de Davivienda.

Por el contrario, el motivo de información privilegiada fue rechazado, dado que, en Colombia, el principio de igualdad de información prima en estas operaciones, y se garantiza por medio del pliego exactamente igual para todos los participantes que entrarán a la venta.

Los motivos estratégicos fueron vistos por todos los entrevistados como los de mayor peso para los estrategas de Davivienda. Los motivos estratégicos se desprenden del mapa estratégico fijado en 2004 por el Banco, en el cual se esbozan objetivos primordiales que pueden obtenerse con una fusión, como es la creación de valor para el accionista, a través de mayor eficiencia, menores riesgos por la diversificación y mayores rentabilidades con base en una mayor presencia en el mercado.

Los entrevistados asignaron un peso moderado al motivo de la reducción del riesgo. Parece que, para Davivienda, el aumento de la cantidad de los clientes en la banca de consumo permitía diversificar el riesgo, pero este motivo no era comparable, por su peso, con los motivos del posicionamiento y la competitividad.

El motivo de reducir la incertidumbre ambiental desempeñó un papel importante en la decisión de la fusión. En Colombia se cree

que los grandes bancos internacionales, como General Electric o HSBC, van a reforzar su presencia en el país, por lo cual un mayor control de los recursos a través de la fusión emerge como una estrategia atractiva. El motivo de incertidumbre ambiental fue aceptado por los entrevistados, y al respecto, es importante añadir que en Colombia, las oleadas de fusiones han sucedido a crisis financieras. La crisis financiera de 1998-1999, ocasionó 89 liquidaciones en todo el sector financiero, y a partir del 2003, se viene gestando un proceso de recuperación a partir de fusiones bancarias, según el informe de Junio de 2006 de la Asociación Nacional de Instituciones Financieras (ANIF, 2006).

Para Davivienda, el motivo de exceso de recursos en la caja no fue visto como válido por los entrevistados porque Davivienda no tenía el dinero para hacer la adquisición y tuvo que recurrir a nuevos aportes de los socios y a préstamos internacionales (US\$240 millones de la Corporación Financiera Internacional, entidad adscrita al Banco Mundial) para cubrir el monto total.

Los beneficios legales y fiscales, no tuvieron ningún peso en la decisión de Davivienda.

En cuanto a los motivos inspirados en el enfoque de recursos y capacidades, su peso fue importante a la hora de tomar la decisión sobre realizar la fusión. Davivienda aspiraba a obtener el acceso a los recursos físicos, a los clientes y a las capacidades humanas, aunque, ciertamente no a las tecnologías de Bansuperior y mucho menos de Bancafé. Sus aspiraciones se realizaron dado que Davivienda se convirtió en la tercera institución financiera más grande en Colombia con activos por US\$8.06 billones, depósitos por US\$6.02 billones y una cartera de US\$4.9 billones a diciembre 31 de 2006. Tras la fusión, Davivienda dispone de 540 oficinas, alrededor de 4 millones de clientes y 1200 cajeros automáticos. De estos recursos, Bancafé aportó 237 oficinas, un millón y medio de clientes y 431 cajeros automáticos.

Davivienda vivió un interesante proceso e aprendizaje en cuanto a la adquisición de las capacidades humanas. Este motivo figura como poco relevante en el episodio de la fusión con Bansuperior. En esta ocasión, los dirigentes de Davivienda creían que era suficiente invitar a algunos gerentes de Bansuperior a unirse a Davivienda para

garantizar el aprendizaje de ciertos elementos que los empleados de Bansuperior podían enseñar a los de Davivienda. La realidad resultó ser más compleja. Como rápidamente se dio cuenta Davivienda, además del conocimiento explícito, existe el tácito, el cual es difícil de transmitir. El servicio al cliente, que representaba la fortaleza de Bansuperior, resultó ser la primera víctima. La gerencia de Davivienda tuvo que revertir su política y buscar a ex empleados de Bansuperior para invitarlos a Davivienda, pero el daño a la imagen de la tarjeta Diners ya había sido causado. A la luz de lo ocurrido, la gerencia de Davivienda cambió su política, y, en el episodio de Bancafé, amplió su oferta de empleos para los ex funcionarios de Bancafé, por un lado, y aplicó el método de las mejores prácticas, por el otro. La fórmula de las mejores prácticas consiste en la evaluación de los procedimientos de cada empresa por separado y la posterior elección del más eficaz entre ellos, el cual sería utilizado en Davivienda post fusión.

Los entrevistados fueron unánimes en conceder un peso importante a los motivos de minimizar los costos de transacción. Se trata de los roles que juegan, dentro del grupo Bolívar, la Aseguradora Bolívar, la Capitalizadora Bolívar, las compañías de cobranzas Beta y Libertador y la compañía de software Soft Bolívar. La aseguradora Bolívar vende los seguros de crédito a los clientes de Davivienda. Cuando Davivienda, como consecuencia de la fusión, aumenta el número de sus clientes, automáticamente se aumenta el número de los seguros que vende la Aseguradora Bolívar.

La Capitalizadora Bolívar vende sus servicios (títulos de capitalización) a través de las oficinas de Davivienda; de manera que si existe un mayor número de oficinas y el acceso a un mayor número de los clientes, la Capitalizadora ahorra los costos de transacción.

Incluso Soft Bolívar que desarrolla y vende sistemas de información para el manejo de recursos humanos y para la integración de los procesos de negocios de pequeñas y medianas empresas, resultó beneficiado con la fusión de Davivienda porque, ahora, pueden ofrecer sus servicios a clientes corporativos y a todos los cafeteros que pasaron a ser clientes de Davivienda.

Cobranzas Libertador que, encontrándose en el grupo Bolívar, vendía servicios jurídicos a Davivienda, ahora se beneficia con la fusión porque amplió, sin costo, el número de sus clientes.

Davivienda se beneficia con la adquisición de Cobranzas Beta, que se especializa en el cobro de créditos de consumo, hipotecarios y de vehículos, porque los servicios que Davivienda antes tenía que contratar con terceros, ahora se encuentran dentro del mismo grupo Bolívar, lo que permite reducir costos de transacción.

La empresa Soluciones Bolívar también se beneficia de la fusión, puesto que los servicios de plataformas tecnológicas para implementación de SAP y automatización de procesos de negocios, tienen en los nuevos clientes empresariales, compradores potenciales.

Cabe resaltar que, a lo largo del proceso de fusión, e incluso en la post-fusión, han sido evidenciados problemas de compatibilidad de las culturas organizacionales entre las organizaciones fusionadas. Dos años después de la fusión, todavía se habla de rojos, azules y del color café para diferenciar a los que provienen de Davivienda, Bansuperior y Bancafé respectivamente.

Los motivos egocéntricos de construcción del imperio por el gerente no fueron validados por los entrevistados. El gestor de la fusión fue el presidente de Davivienda, quien tuvo en cuenta el plan estratégico, vigente desde el año 2004, para llevar a cabo esta operación. No existieron diferencias marcadas en los objetivos que persiguen los accionistas y los directivos, lo cual se confirma con el apoyo de los accionistas mayoritarios del grupo Bolívar para la operación de la fusión.

DISCUSIÓN Y CONCLUSIONES

El análisis de los motivos (Tabla 1) muestra que los autores dan diferentes nombres a los mismos motivos. El grado de detalle es variado. Para formular sus tipologías de motivos, unos autores se basan en los estudios de caso, otros, en las muestras empíricas. Los autores reseñados no son explícitos en cuanto a los fundamentos teóricos sobre las que construyen sus tipologías.

En el caso de Davivienda, los motivos más contundentes de la fusión fueron las sinergias (presente en 8 tipologías), el crecimiento o expansión (presente en 7 tipologías), el ahorro en costos de transacción a través de la integración vertical (presente en 3 tipologías), el poder de mercado (presente en 7 tipologías), los beneficios

inmediatos (presente en 3 tipologías), procesos organizacionales (presente en 1 tipología), beneficios legales y fiscales (presente en 7 tipologías), acceso a recursos y capacidades (presente en 5 tipologías), egocentrismo y razones psicológicas (presente en 7 tipologías), incertidumbre ambiental (presente en 5 tipologías) y reacción competitiva (presente en 2 tipologías). Los motivos menos contundentes fueron: la valuación (presente en 4 tipologías), problemas de la agencia (presente en 5 tipologías) y los activos infrautilizados o infravalorados (presente en 3 tipologías). Los motivos que no se encontraron fueron la utilización de fondos excedentes (presente en 3 tipologías) y el acceso a nuevas tecnologías y procesos (presente en 5 tipologías).

En general, las tipologías de motivos estudiadas pueden ser verificadas en el caso de estudio. El motivo más importante de esta fusión fue la reacción a la competencia, debido a la creciente globalización y liberalización del sector bancario colombiano.

El caso Davivienda – Bansuperior – Bancafé sugiere que la fusión tiene un carácter exclusivamente horizontal o vertical, sólo si las organizaciones involucradas actúan de manera independiente. Si una de las organizaciones involucradas pertenece a un grupo económico o posee relaciones de alianza patrimonial con otras organizaciones, la fusión deja de ser exclusivamente horizontal o vertical y se transforma en vertical y horizontal al mismo tiempo. La fusión Davivienda – Bansuperior – Bancafé es, en un principio, horizontal. A pesar de esto, los arquitectos de la fusión esperaban reducir los costos de transacción en las relaciones entre Davivienda, por un lado, y sus proveedores y clientes, por el otro, es decir, tenían en mente los motivos verticales. Efectivamente, se constató que, a través de Davivienda, otras empresas del Grupo Bolívar se beneficiaron de la fusión realizada por el banco. Por lo tanto, las demás empresas del Grupo Bolívar, pudieron obtener ventajas de la fusión, sin la necesidad de realizar una fusión o adquisición vertical directamente, sino como consecuencia de la fusión horizontal de una empresa parte del grupo, en este caso Davivienda.

Las empresas del Grupo Bolívar (tercer conglomerado financiero de Colombia) que obtuvieron beneficios de la fusión, creando enlaces verticales a través de enlaces horizontales, fueron: Seguros Bolí-

var, Capitalizadora Bolívar, Empresas de Cobranzas Beta y el Libertador, Soft Bolívar, Soluciones Bolívar y Confinanciera. Estos enlaces verticales se reflejaron en el mayor volumen de operaciones que empezaron a generar estas empresas tras la fusión. En consecuencia, una fusión horizontal de una empresa, que pertenece a un grupo empresarial, permite obtener beneficios a las demás empresas del grupo a través de la disminución de los costos de transacción entre las demás empresas pertenecientes al grupo y la empresa fusionada.

El aporte de este trabajo consiste en evidenciar que entre los motivos de una fusión se mezclan las consideraciones de tipo horizontal y vertical. Esta confluencia de motivos horizontales y verticales no fue estudiada en la literatura. Es un hallazgo novedoso, pues representa una nueva perspectiva en el estudio de las fusiones, dado que existe una confusión teórica de los autores, cuando no identifican el enfoque teórico al que pertenece cada motivo, lo cual puede deberse a la indeterminación de los motivos de carácter vertical y aquellos de carácter horizontal.

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The Closed-End Funds Puzzle: A Survey Review

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■ ABSTRACT

The main objective of this paper is to explore the most salient research aimed at explaining the closed-end fund puzzle from both the traditional and behavioral finance perspectives. It provides a better understanding of closed-end fund behavior and motivates further research of closed-end funds, market efficiency, asset pricing and the traditional and behavioral finance paradigms. So far, none of the possible explanations from either traditional finance or behavioral finance have been able to fully account for the occurrence of the puzzle. It continues to be an important issue in the long standing debate between traditional finance and behavioral finance.

Keywords: closed-end funds, closed-end fund puzzle, traditional finance, behavioral finance

■ RESUMEN

El objetivo principal de esta investigación es explorar la literatura más importante dirigida a explicar el enigma de los fondos mutuos cerrados o de capital fijo desde las perspectivas tradicionales y del comportamiento de las finanzas. Proporciona una mejor comprensión del comportamiento del fondo de capital fijo y motiva la investigación adicional de los mismos, de la eficiencia del mercado, de la valoración de activos y de los paradigmas tradicionales y del comportamiento de las finanzas. Hasta ahora, ninguna de las explicaciones posibles de finanzas tradicionales o de finanzas del comportamiento han podido explicar completamente la ocurrencia del enigma. Continúa siendo una discusión importante en el debate entre las finanzas tradicionales y las finanzas del comportamiento.

Palabras clave: fondos mutuos de capital fijo o cerrados, finanzas tradicionales, finanzas del comportamiento

INTRODUCTION

A closed-end fund (CEF) is an investment company that holds or bundles other publicly traded securities. They operate in a way similar to any business corporation, but their corporate business consists largely of investing funds in the securities of other corporations and managing these investment holdings for income and profit. In contrast to an open-end mutual fund that issues and redeems shares directly with investors at net asset value (NAV), a CEF is usually listed on a national exchange, where its shares are purchased and sold in transactions with other investors, not with the fund itself. This means that CEF capitalization is fixed, or closed, and the market value of the shares of a fund is a function of market supply and demand. Therefore, an important characteristic that makes closed-end funds unique is that they provide contemporaneous and observable market-based prices and rates of return for the fund's stocks which can then be compared with the underlying asset portfolios.

Closed-end funds specialize in either stocks or fixed income securities, and usually follow consistently the stated objective, such as current income or capital appreciation. Funds can also be highly specialized, investing in a specific type of security or in a particular region or country like the closed-end country funds. They can also issue major securities such as preferred stock or debentures, and borrow money to leverage their investment positions (Closed-end fund Association, 2009). As of October 2009, the Closed-end Fund Association (CEFA) has 673 funds registered where 64% are bond funds (exempt and taxable), 29% equity funds and 7% global funds.

It has been observed over the years, that CEF shares typically sell at prices that are found not to be equal to the per share market value of the assets the funds hold. This observation is considered a puzzle or anomaly because it seems to challenge the traditional finance paradigm in the sense that two assets, which appear to offer a claim to the same risk-return distribution, the fund's underlying assets and the fund's shares, are trading at different prices at the same time, which appears to contradict the no-arbitrage implication of an efficient market. Also, the fact that the act of bundling the assets (creation of

the fund itself) could add or subtract value (selling at discounts or premiums), goes against Modigliani and Miller's (MM) proposition of value additivity, which states that the value of the whole (group or bundle of assets) should equal the sum of the values of its parts, under perfect market conditions (Dimson and Minio-Koserski, 1999).

Possible explanations of the closed-end fund puzzle look into several factors taken from the efficient market hypothesis of the traditional finance paradigm and the investor sentiment hypothesis from behavioral finance. Research has provided mixed results. So far, the puzzle continues to intrigue financial researchers who have not been able to provide explanations that can account for all the pieces of the so-called CEF puzzle.

The main objective of this paper is to explore the most salient research aimed at explaining the closed-end fund puzzle from both the traditional and behavioral finance perspectives. From traditional finance explanations it will look into the miscalculation of the NAV, agency problems, tax timing issues, market segmentation, and dividend yield among others. From behavioral finance it will look into the investor sentiment hypothesis. This paper will provide a better understanding of closed-end fund behavior and motivate further research of closed-end funds, market efficiency, asset pricing and the traditional and behavioral finance paradigms.

DESCRIBING THE CLOSED-END FUND PUZZLE

The closed-end fund puzzle consists of the empirical finding that closed-end fund shares sell at prices that are not equal to the per share market value of the assets the fund holds. Although some funds sell at premia, discounts of 10% to 20% have been the norm (Rosenfeldt and Tuttle, 1973).

Lee, Shleifer and Thaler's (1991) describe the closed-end fund puzzle as consisting of four parts, which are called the closed-end fund puzzle life cycle. The four parts of the cycle are:

1. Closed-end funds start at a premium of almost 10%. The premium usually is derived from start-up costs and underwriting costs which are removed from the proceeds, reducing the NAV

compared to the stock price. It has been observed that investors are willing to pay a premium for new funds when existing ones trade at a discount.

2. Within 120 days of beginning trading, the fund moves to an average discount of 10%. Thereafter discounts become the norm. Those that sell at a premium are usually funds specializing in investments in foreign countries.
3. Discounts are subject to wide variations over time and across funds. The fluctuations appear to be mean reverting and highly correlated.
4. When merger, liquidation, or conversion to open-end fund terminates a closed-end fund, prices tend to converge to reported NAVs and discounts shrink. Positive returns to shareholders are seen to accrue when discounts narrow around termination announcement. A small discount persists until final termination.

The existence of the closed-end fund puzzle raises empirical questions for both, proponents of market efficiency and the traditional finance paradigm and for proponents of behavioral finance, namely why do discounts/premiums occur, what determines them, and if a satisfactory explanation for the existence of closed-end discounts can be provided by traditional finance, behavioral finance or both.

TRADITIONAL FINANCE EXPLANATIONS FOR THE CLOSED-END FUNDS PUZZLE

When anomalies or puzzles concerning financial markets start to emerge, traditional finance proponents look into the market efficiency framework and consider typical market frictions like taxes, expenses, and liquidity, among others. Specifically for closed-end funds, the various possible hypotheses that attempt to explain the discount of CEF include the miscalculation of the NAV, agency problems, tax timing issues, market segmentation, and dividend yield.

MISCALCULATION OF NET ASSET VALUE

The miscalculation of the closed-end fund's net asset value addresses the issue that possibly, the NAV could be overestimated mainly

due to the accumulation of unrealized capital gains and the existence of illiquid assets in the fund's portfolio.

Malkiel (1977, 1995) studies the funds' unrealized appreciation and their investments in restricted or illiquid stock. He argues that funds with high unrealized capital appreciation should sell at discounts from NAV because the holder of such a fund would be assuming a potential tax liability. He also hypothesizes that the use of restricted or letter stock could make funds highly illiquid since the restrictions usually indicate the funds must hold the restricted shares for a long period of time, and could imply that their market prices might not be a fair indication of their value upon liquidation. He finds a positive relationship between discounts and unrealized appreciation and restricted stocks.

Datar (2001) studies the impact of liquidity on CEF discounts. He suggests that illiquid assets in the fund may be priced at discounts to the fundamental value in order to provide higher expected returns. Size, turnover rate, and volume of trade are used as proxies for liquidity and funds are segregated by objective, bond funds versus equity funds. He concludes that funds with higher liquidity measured by proxies of trading activity, have higher premiums or lower discounts than funds with lower liquidity, and although with a difference in magnitude, his findings are consistent for both bond and equity funds samples. The results are also statistically significant for all proxies including size, turnover ratio, and trading volume.

On the other hand, Lee et al. (1991) examine the composition of closed-end funds portfolios and show that restricted holdings could not explain the discount since most of the funds they examine did not invest in restricted stock and were still selling at a discount.

Chan, Jain and Xia (2008) study illiquidity in segmented markets. Evidence from U.S.-traded single-country closed-end funds shows a strong negative association between the fund premium and the share market illiquidity, and the relation is stronger for funds investing in segmented markets. Their results suggest that market illiquidity plays a significant role in explaining both time series and cross-sectional variation in closed-end country fund premia.

Cherkes, Sagi, and Stanton (2009) reexamine the importance of liquidity in closed-end funds. Rather than focusing on possible mispricing, they develop a model in which the discount is determined

by investors' tradeoff between fees paid and liquidity benefits that accrue through holding the closed-end fund, rather than holding the underlying assets directly.

The research on the miscalculation of NAV as a possible explanation of CEF discount, although having some positive results could not fully account for the CEF puzzle.

AGENCY COSTS

The agency costs hypothesis addresses the theory that discounts could reflect excessive management fees or poor management performance. Management fees are considered deadweight costs imposed on the shareholders of CEF while the managerial performance hypothesis posits that funds could be experiencing costs that are larger than the value provided by the manager's expertise. Also to be considered are agency problems that might arise with the existence of conflict of interests between agents and principals.

Malkiel (1995) studies the structure of closed-end funds discounts. He considers unrealized appreciation, payout policy, and turnover, expense ratio, fund size, percent of insider ownership, and the preceding five year returns. In his analysis of insider ownership, Malkiel posits that large insider ownership might lead to large discounts, since investors of funds selling at large discounts would receive windfall gains if the funds are immediately liquidated at net asset value. Finally, a high expense ratio should lead to large discounts since management fees could be considered a deadweight loss and discounts could represent the capitalized value of these fees. Malkiel finds that restricted stock, turnover ratio and unrealized appreciation could explain the discounts, but not insider ownership, payout, or expenses.

Barclay, Holderness, and Pontiff (1993) research the agency problem by looking at the relationship between discounts and block ownership. They find that there is a stable and significant cross-sectional relationship between discounts and the concentration of ownership. The greater the managerial stock ownership in the closed-end fund, the larger the discounts to NAV.

Chay and Trzcinka (1999) find that discounts and premiums of CEF reflect the market's assessment of anticipated future performance.

Their evidence suggest that stock fund premium as a market-based variable, contains information about future investment performance.

Ferguson and Leistikow (2004), and Berk and Stanton (2007), also attribute discounts to market's assessment of anticipated future performance in terms of managerial ability, while Ross (2004) posits that managerial fees could explain the discount.

Arora, Ju, and Ou-Yang (2003) show that under certain conditions, closed-end funds will be issued at a premium and, with certainty, will fall into discount. They use a model with an agency conflict and a market friction. The conflict involves the manager not wanting to return money even if he runs out of good investment opportunities because his compensation is proportional to the total assets under management. The market friction is a fund policy restriction on the manager's trading strategies so that he may have to make suboptimal non-informational trades.

TAXES

Malkiel (1995) argues that funds with high unrealized capital appreciation should sell at discounts from NAV because the holder of such a fund would be assuming a potential tax liability that depends on the holding period of the investor. He finds a positive relationship between discounts unrealized capital appreciation.

Brickley, Manaster, and Schallheim (1991) suggest that CEF discounts are partly driven by the fact that, as a result of holding shares in a closed-end fund, investors lose valuable tax-trading opportunities associated with the movements of the individual portfolio constituents. They find that discounts are positively correlated with the average variance of the constituent assets in the fund.

Another interesting factor about taxes occurs when U.S. funds are compared to British funds. Dimson and Minio Korzerski (1999) acknowledge that British closed-end funds are not allowed to distribute any capital gains, and shareholders are not liable for any capital gains tax, unless they sell their holdings in the fund. Yet British funds behave very much like U.S. funds suggesting that the discount cannot be explained by tax factors that are specific to a single country.

MARKET SEGMENTATION

Closed-end funds exhibit various forms of segmentation, specifically, U.S. or domestic funds can invest in either stock or bonds, and the country funds are usually treated as another different segment subject to other influences such as exchange rates, market integration, and influences from both the country where the underlying asset originates and the country where the fund's shares are sold.

Woan and Kline (2003) investigate whether municipal closed-end bond funds behave differently from other types of funds. In their study, they use expense ratio, turnover ratio, historical performance, diversification, unrealized capital gain, fund size, variance of the securities in the fund portfolio, average maturity, exposure to market risk, and leverage. They conclude that municipal bond funds did not behave differently from other types of funds, specifically equity and non-municipal bond funds.

Datar (2001), studying the impact of liquidity on discounts of closed-end funds, observes that bond and equity funds exhibit different discounts on average. He posits that the average trading costs for equity assets are likely to be different from bond assets because these costs relate to different types of assets that are traded in different trading structures. He argues that the main distinction between the two groups of funds is in respect to the portfolio assets and differential liquidity of the underlying portfolio assets that may result in different average discounts or premiums across different types of funds. Datar results provide evidence that discounts could be found in equity funds more frequently than in bond funds.

The segmentation hypothesis as applied to closed-end country funds looks into the impact of having the shares of the closed-end country funds traded in one market, while underlying assets belong and are traded in the markets of a different country.

Country funds, invest exclusively in foreign securities. The existence of restrictions on direct foreign investment was suggested as a possible explanation for their trading, at certain times, at a premium. Bonser-Neal, Brauer, Neal, and Wheatley (1990) test whether a relationship exists between announcements of changes in investment restrictions and changes in the ratio of price to NAV. They find that four out of five

country funds experience a significant decrease in the ratios following the announcement of a liberalization of investment restrictions.

Another factor that could be used to explain premiums and discounts on country funds is the extent of “integration” between country funds and the market where they trade. Chang, Eun, and Kolodny (1995) investigate the possibility that closed-end country funds provide international diversification. They show that funds exhibit significant exposure to the U.S. market and behave more like U.S. securities than do their underlying assets.

Levy-Yeyati and Ubide (2000) analyze the behavior of country funds during periods of crisis like the Mexican and East Asian crisis and find that discounts (premiums) tend to decrease (increase). They conclude that international investors were less sensitive to changes in the country’s local markets than domestic investors. The behavior of international investors can help to contain the crisis in the local market, but also tends to amplify the contagion to non-crisis countries.

The segmentation hypothesis, although fairly consistent so far, cannot really explain CEF discounts. It has been mainly directed at contrasting the level of discounts occurring in the different segments of closed-end funds, namely U.S. versus country funds, and bond versus equity funds.

DIVIDEND YIELD HYPOTHESIS

The dividend yield preference hypothesis is introduced by Lee and Moore (2003). They state that closed-end bond funds are primarily held by individual investors. They hypothesize that short-term individual investors who seek a high current yield, prefer closed-end bond funds to their equity counterparts because (1) closed-end bond funds are less volatile in price than equity funds; (2) closed-end bond funds pay monthly dividends, while equity funds pay annual dividends. They conclude that individual investors who seek a high current yield look to closed-end bond funds as a monthly income vehicle. In addition, closed-end funds allow individual investors with a short investment horizon to easily get in and out of the funds. As a result, closed-end bond funds are an ideal investment vehicle to those investors who switch from one fund to another, looking for a high current yield.

For these reasons they hypothesize that a high dividend yield is the primary factor that drives the demand for closed-end bond funds. Their results show a very strong negative relationship between dividend yield and discounts even in the presence of the other explanatory variables.

OTHER EXPLANATIONS

Grullon and Wang (2001) use a multi-asset trading model to examine the closed-end fund discount. Their model shows that the discount can arise if the quality of private information in the underlying assets is better than in the fund. Their model also indicates that a discount or premium can arise if the excessive volatility of the fund dominates the fund's diversification benefit.

Pontiff (1997) compares the volatility of closed-end funds returns to that of their underlying portfolio returns. He demonstrates that closed-end funds are more volatile than was implied by efficient financial markets, being an average of 64% more volatile than its assets, and only 15% of the volatility could be explained by market risk, small firm risk, book-to-market risk, or risk associated with the discounts of other closed-end funds. His results seem to provide some evidence of the disparity between the behavior of closed-end fund shares and that of their underlying assets.

Pontiff (1996) finds that the discount or premium in CEF can arise for funds with portfolios difficult to replicate, funds that pay smaller dividends, funds with lower market values, and when the interest rates are high.

Pontiff (1995) shows that fund premia has an economically strong ability to predict returns, which is related to premium mean reversion.

Russel (2005) and Russel and Malhotra (2008) revisit traditional closed-end fund explanations like expense ratio, turnover, fund's family, age and assets. Although they find prices of closed-end funds are affected by the expense ratio of the fund, size of fund, and fund family membership, they conclude that none of the theories individually or collectively can explain the CEF discount.

BEHAVIORAL FINANCE THEORY AND EXPLANATIONS FOR THE CLOSED-END FUNDS PUZZLE

Behavioral finance explanations to the closed-end fund puzzle center on the existence of noise traders whose presence can create an additional risk for rational investors. Research in this area tries to determine if this risk, noise trader risk, is priced and could be a plausible explanation for the discounts. It also argues that a difference in clientele between closed-end funds and their underlying assets could be a significant aspect in explaining CEF discounts.

Barberis, Shleifer, and Vishny (1998) derive a model with two kinds of investors, rational traders who invest based on fundamentals, have unbiased expectations, and form rational expectations about asset returns, and noise traders who base their investment decisions on some irrational factors and make systematic forecasting errors. Their expectations about asset returns are subject to the influence of sentiment, causing overestimation and underestimation of expected returns as their sentiment shifts over time.

Lee, et al. (1991) associate the investor sentiment with the closed-end funds puzzle. They propose that there is a higher concentration of noise traders in the ownership of closed-end funds than in the ownership of funds' underlying assets. When these noise traders become pessimistic about the future, they tend to drive down the price of the closed-end fund below NAV, so rational investors do not buy the funds at discount prices because of the risks they bear even when buying a closed-end fund at discount.

In order to prove the investor sentiment theory, Lee et al. (1991), construct a value-weighted index of discounts for annual as well as monthly data. They find a strong correlation between the discounts of individual funds. They also find evidence that discounts on closed-end funds narrow when small stocks do well, the correlation being stronger the smaller the stock. They conclude that closed-end funds are a measure of the sentiment of individual investors.

Swaminathan (1996) studies the time series relationship between closed-end funds discounts and time varying expected excess returns on small firms, and the implications for the economic behavior of individual investors. He argues that the results obtained by Lee et al. (1991)

suggesting a common variation between small firm and closed-end fund prices do not explain if that variation is due to economic fundamentals or investor sentiment. Swaminathan finds that closed-end fund discount is the only variable that forecasts future excess returns on small firms. The forecasting power of discount is robust even in the presence of other variables like the dividend yield, default spread, and term spread. He also finds that discounts could explain CEF excess returns. The tests performed also indicate that the information in discounts is related to expectations of future earnings growth and future inflation and that the relationship between discounts and small firm expected returns occurs due to a positive covariance between discounts and small firm factor risk premium. He concludes that the results obtained are consistent with the investor sentiment hypothesis.

Further research on the existence of investor sentiment and noise trader hypothesis has yielded mixed results. Bodurtha, Kim, and Lee (1995) test the noise-trader hypothesis for country funds and provide evidence suggesting that the mean-reverting sentiment is an important component of the price of country funds. Their findings suggest that international equity prices are affected by local risk. They show that country fund premium movements reflect a U.S.-specific risk, which may be interpreted as U.S. market sentiment.

On the other hand, Elton, Gruber and Busse (1998), testing Lee et al. (1991) proposition that discounts are a measure of investor sentiment, find that the change in discount of CEF used as a proxy for investor sentiment did not enter the return-generating process of a sample of utility stocks, passive and active open-ended mutual fund stock portfolios, or an individual sample of 586 NYSE stocks. They conclude that their findings do not support small investor sentiment as a priced factor in any of their samples.

Brown (1999) studies the relationship of volatility, sentiment and noise trading. He argues that if noise traders affect prices, the noisy signal could be sentiment, and the risk they cause is volatility, so sentiment should be correlated to volatility. Using a direct measure of investor sentiment taken from the American Association of Individual Investors Sentiment Survey, he finds that unusual levels of individual investor's sentiment are associated with greater volatility in CEF. His results seem to provide support for the investor sentiment theory.

Abraham, Elan and Marcus (1993) study investor sentiment in a sample of closed-end funds bonds. To measure the systematic risk of fund discounts or premia, they estimate a regression equation, which relates changes in the discounts on stock and bond funds to the returns on the NYSE index. While comparing bonds and stocks, they report two findings that they believe are at odds with the sentiment hypothesis. First, despite the fact that bond funds hold assets whose values are far less subject to waves of optimism or pessimism than stock funds, discounts on bond funds exhibit systematic risk which is essentially as large as that of stock funds for their sample period from 1985-1990. They believe this is inconsistent with the notion that discounts are driven by the changes in pessimism and optimism of noise traders. Second, despite the roughly comparable level of systematic risk in the discounts of stock and bond funds, bond funds on average do not trade at discounts. They conclude that at the least, their results suggest that the closed-end puzzle still had some missing pieces.

Simpson and Ramchander (2002) use a novel approach to re-examine the sentiment hypothesis for the First Australia country-closed end fund. They employ measures of consumer sentiment data for the U.S. from the University of Michigan's well known Survey of Consumers and corresponding data for Australia from the University of Melbourne's consumer survey. These measures are used to capture the differential investor sentiment. Their study finds that, after controlling for foreign and domestic stock market movements, as well as the exchange rate, changes in the ratio of domestic to foreign consumer sentiment, as measured by like indexes, are statistically significant in explaining the change in the premia on the First Australia closed-end equity fund. They argue that their results are consistent with the investor sentiment theory.

Halkos and Krintas (2006) using factor analysis find that discounts/premia are related to a sentiment factor in Greek closed-end funds. The sentiment factor consists of the change in number of equity mutual funds shares outstanding, the change in inflows/outflows in equity mutual funds, the change in total assets equity mutual funds and the monthly change of the Athens Stock Exchange General Index, which is called the behavioral factor. On the other hand Doukas and Milonas (2004) using out of sample change in discount/premium

of Greek CEF did not find any evidence that sentiment entered the return generating process of different passive and active portfolios constructed from indices in the Athens Stock Exchange, industrial stocks and other corporations stocks.

Fujiwara (2006) finds evidence of investor sentiment in Japanese CEF. He finds a correlation between the changes in the discount rates and the small capital stock index.

Flynn (2003) argues that discounts of CEF vary over time because of changes in differential sentiment which measures how much actively managed portfolios returns will exceed those of passively managed portfolios. Investors allocate their funds based on their perceptions of managers' ability to beat the market. He develops a differential sentiment index that incorporates management fees, dividend payments and expected managerial return. The index is positively correlated with aggregate capital flows into actively managed open-end mutual funds and negatively correlated with capital flow into passively managed exchange traded index funds.

Lin, Raman, and Yung (2008) study real estate closed-end funds. They confirm the significance of investor sentiment on REIT returns. When investors are optimistic (pessimistic), REIT returns become higher (lower). Their results are robust when conventional control variables are considered.

CONCLUSIONS

This paper provides an overview of the most salient research aimed at explaining one of the finance puzzles that continues to intrigue researchers, the closed-end fund puzzle. It looked into the traditional finance explanations namely miscalculation of net asset value, agency costs, taxes, market segmentation, the dividend yield hypothesis, and from behavioral finance it looked into the investor sentiment hypothesis. The miscalculation of net asset value addresses the issue that NAV could be overestimated mainly due to the accumulation of unrealized capital gains and the existence of illiquid assets in the fund's portfolio. The agency costs explanation addresses the theory that discounts could reflect excessive management fees or poor management performance. Taxes, as a possible explanation of

the discount, looks into the theory that funds with high unrealized capital appreciation should sell at discounts from NAV because the holder of such a fund would be assuming a potential tax liability. The market segmentation theory aims at finding differences in the behavior of closed-end fund segments like bond, equity, and country funds. The dividend yield hypothesis looks into short term individual investors who seek a high current yield from bond closed-end funds and thus drive the demand for such funds. The investor sentiment hypothesis looks into the concentration of noise traders in the ownership of closed-end funds and how their sentiment influences the pricing of the funds. So far, none of these hypotheses have been able to fully account for the occurrence of the puzzle. It continues to be an important issue in the long standing debate between traditional finance and behavioral finance.

Taking into consideration the literature so far presented, future closed-end fund research could be directed toward the selection of adequate proxies for the multivariate models. For example there seems to be some discrepancy in how to measure funds expenses (Woan, 2003), and also as to whether to use dividend yield or dividend payout ratio to measure the effect of dividends in the discount (Lee and Moore, 2003). From a behavioral finance standpoint, flow of funds is considered a proxy for investor sentiment (Frazzini and Lamont, 2005), CEF IPO activity is also used as a sentiment measure (Qiu and Welch, 2004), while others are looking into sentiment measures provided by consumer and investor confidence surveys like the ones carried out by the University of Michigan (<http://www.umich.edu>). It would be interesting to do a comparative analysis of the different proxies and see how they behave for closed-end fund segments and other assets.

Besides trying to explain the closed-end fund puzzle, further research could look into the return generating process of closed-end funds. It has been extensively researched for open-ended mutual funds but not so for closed-end funds.

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