Corporate Governance in Emerging Markets: What We Can Learn from a Privatisation Context

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Abstract This chapter analyses the changes observed in the corporate governance of companies after privatisation. Specifically, the study focuses on the analysis of how boards change their two main functions – control and provision of resources – when the company is transferred from public to private hands. This serves as a reference to emerging countries that use privatisation as a mechanism for economic development. Regarding the control function, the study shows the key role played by directors appointed before the Chief Executive Officer (CEO) in monitoring managers. This study also establishes the influence of external factors – such as regulation and competition in the sector – on the control function. Regarding the provision of resource role, the results highlight the importance of changing the configuration of the boards after privatisation – in terms of the profile of the directors – in order to acquire the necessary resources in the private stage of the firm. In this respect, the study indicates that directors who are business experts play a greater role after privatisation, and highlights the important presence of support specialists with specific skills at each stage of the company. The study also emphasises the limitations of some variables traditionally associated with the control function – leadership structure (non-duality) and outside directors – and with the provision of resources role – board size.

1 Introduction

Emerging markets have captured the attention of academics and practitioners in the last two decades (Luo 2003). Emerging markets are countries that are restructuring their economies along market-oriented lines and offer a wealth of opportunities in trade, technology transfers, and foreign direct investment (Aghara et al. 2011).

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S. Boubaker and D.K. Nguyen (eds.), *Corporate Governance in Emerging Markets*, CSR, Sustainability, Ethics & Governance, DOI 10.1007/978-3-642-44955-0_9,

These markets present challenges for firms from developed countries, leading to high returns and portfolio risk diversification (Movassaghi et al. 2004).

Recently, the study conducted by Claessens and Yurtoglu (2013), focusing on emerging markets, pointed out the key role played by corporate governance in companies. According to their study, better corporate governance benefits firms through greater access to financing, lower cost of capital, enhanced performance, and more favourable treatment of all stakeholders. The authors identified issues requiring further study, specifically the corporate governance issues of State-Owned Enterprises (SOEs) and how privatisation and corporate governance interact. In this regard, one of the main mechanisms pushing economic development in emerging markets has been the privatisation of SOEs, since this provides much of the capital needed to develop the domestic economy. Investors will put in their funds and technical expertise to improve the quality of the management and output of the privatised organisation (Aghara et al. 2011). Therefore, the importance of analysing privatisation from the perspective of corporate governance in emerging markets is highlighted. Despite this fact, most studies have mainly focused on analysing the effects of privatisation on business performance (Megginson and Sutter 2006).

Research into the central governing mechanism – the board of directors – in a privatisation context has focused primarily on describing changes in the structure and composition of the board after the organisation passes into private hands (Bozec et al. 2004). This line of research has neglected to analyse the key role played by directors. Additionally, studies examining the functions of directors have largely only dealt with the control function, offering a partial view of the functioning of boards. Indeed, there is literature highlighting other board activities that remains almost entirely unexplored (Daily et al. 2003), for example, activities of providing resources (Hillman and Dalziel 2003). The partial view of board functions has hindered a full understanding about how directors perform their functions. Hence, an approach that takes into account all of the board's functions is complex to analyse, but nonetheless of great interest when it comes to understanding how boards operate.

The aim of this chapter is to analyse the changes that take place within a company's corporate governance following privatisation. Specifically, the study focuses on analysing how boards change their two main functions – control and provision of resources – when the company passes from public to private hands. The interest and importance of this study lies in the key role played by boards in the success of the privatisation process and its effect on increasing business performance (Omran 2009).

To conduct the study, multiple case studies were used. The cases examined are not an arbitrary selection but rather aim to include companies from different industries and belonging to strategic Spanish sectors (Endesa, Iberia and Repsol). It uses information from interviews, questionnaires and secondary sources in order to triangulate the information (Yin 1989). Aspects are considered that are both internal and external to the organisation. Internal issues include leadership structure, the size and composition of the board, and the profiles of the board's members.

External factors encompass regulation and competition in the sectors where the companies operate. Focusing on the Spanish context could enrich the debate surrounding corporate governance research that has been dominated by the pattern of investor-management relationships typical of Anglo-Saxon countries. Although there is a growing tendency towards capital markets in Spain these days, historically they have been considered somewhat underdeveloped. This fact, together with the weak market for corporate control, low investor protection and the characteristics of the legal and financial systems could explain the emergence of different types of blockholders as an alternative control mechanism in the Spanish context. By introducing the debate around these issues, this article further clarifies the consequences of privatisation on this corporate governance model.

The results highlight changes in control role and provision of resources role once firms are privatised. Regarding the control function, the study shows that the privatisation of SOEs leads to an increase in the board's control function over top management. The study shows the central role played by directors appointed before the CEO in monitoring managers, and the influence of external factors – such as regulation and competition in the sector – on the control function. Regarding the provision of resources role, the results highlight the importance of changing the configuration of boards after privatisation – in terms of the profile of the directors – in order to acquire the necessary resources in the private stage of the firm. Specifically, companies increase the number of *business experts* as a consequence of privatisation while *support specialists* are equally important in SOEs and privatised companies. However, the resources provided by the support specialists are different in the public and private phases. Whereas communication channels with the government and other public agencies are more important in SOEs, financial and insurance counsel and advice, and access to financial and other resources become more important in privatised firms. This study also emphasises the limitations of variables traditionally associated with the control role and provision of resources role, such as leadership structure (duality/non-duality), size, and composition (in terms of insiders and outsiders) of the board of directors.

In following sections we review the literature, then we present the method and discuss the empirical results. Finally, the study's main conclusions are set out, providing a reference to emerging countries that use privatisation as a mechanism for economic development.

2 Board Roles

The literature often focuses specifically on studying the board of directors, both in academic and professional contexts, because of the board's decisive influence on company outcomes (Pearce and Zahra 1992). Hillman and Dalziel (2003) maintain that boards of directors perform two key functions: (1) monitoring (control), which is related to control over managers and monitoring the firm's performance to safeguard shareholder interests (Fama and Jensen 1983); and (2) provision of resources, which consists of facilitating key resources that may favour the survival and success of a company (Johnson et al. 1996). The next section analyses the control role and provision of resources role in a privatisation context.

2.1 Control Role and Privatisation

Regarding the control function, and according to agency theory, the board of directors and managers have a different role. While managers are concerned with making decisions in the company, the directors are responsible for overseeing these decisions (Fama and Jensen 1983).

The agency conflict, and the underlying problem with the overseeing of management, occurs in both the private sector and SOEs. However, in SOEs, due to their unique agency relationship and their being unable to assert property rights, the problem of monitoring the "agents" deepens (Melle 1999). The main reasons are:

1. The political nature of SOEs, where appointments are not focused on effective management capacity, but rather on allegiance to the political group in government (González-Páramo 1995).
2. The disparity of objectives (Laffont 1995). Generally, the public purpose is translated into a series of objectives in the spheres of political and social welfare. These are different depending on governments and according to their programmes. Consequently, these objectives are often vague, multiple, volatile, and sometimes contradictory (Hernández de Cos 2004).
3. Greater dispersion in the ownership of SOEs. According to agency theory, when the ownership of a company is spread, the incentive for owners to control managers is low. By contrast, when ownership is concentrated, the owners are more interested in control, especially when their wealth is not diversified (Hoskisson and Turk 1990). Private companies also suffer from poor control over agents, especially companies with very large and dispersed ownership structures (Jensen and Meckling 1976). However, in the case of SOEs, the distribution of ownership is always higher because the ultimate shareholders are citizens (Alchian and Demsetz 1972), thereby causing a double agency problem (Cuevas et al. 2007).

Regarding the ownership structure, the active role of the controlling shareholders in corporate governance has been analysed in numerous studies (e.g., Hernández and López de Castro 2000). In this respect, some authors have pointed out that the success of privatisation is linked to the existence of stable shareholders with significant blocks of shares (Boycko et al. 1996; Melle 1999). The success of the privatisation process is also linked to the business knowledge of stable shareholders, as they can improve control over managers (Cuervo 2003).

Overall, privatisation changes the identity of the owners, creating an alignment of ownership rights, greater ownership concentration (Cragg and Dyck 2000) and improved functioning of the control systems (Boycko et al. 1996). Consequently, the new owners will be highly motivated to increase the value of the company (Lioukas et al. 1993) and, thus, they will be more interested in controlling the activities performed by managers.

2.2 Provision of Resources Role and Privatisation

Resource dependence theory posits that organisations constantly require external resources, and the environment, therefore, has an impact on these organisations (Pfeffer and Salancik 1978). The literature shows the key role played by the board of directors as resource providers based on the links that the directors embody between the firm and its environment (Johnson et al. 1996; Zahra and Pearce 1989).

Following Pfeffer and Salancik (1978), and Hillman and Dalziel (2003), the resources provided by directors could be categorised as follows: (1) *counsel and advice* (Jones et al. 2008); (2) *legitimising and bolstering a firm's public image* (Certo et al. 2001; Pfeffer and Salancik 1978); (3) *facilitation of access to resources* (Mizruchi and Stearns 1994); and (4) *building external relationships* (Peterson and Philpot 2009).

These four groups of resources provided by directors help firms cope with uncertainty arising from the environment. Nevertheless, private firms are more sensitive to environmental uncertainty than SOEs (Megginson et al. 1994). Therefore, private firms are expected to develop strategies to cope with uncertainty. In contrast, SOEs count on government support – which guarantees firm survival – although SOEs also require specific resources to respond to political objectives and the general interests of citizens. Additionally, SOEs present certain peculiarities. Firstly, SOEs are rarely diversified (Cragg and Dyck 2000). This means that they usually focus their activity on a unique product or service. Second, SOEs are geographically limited to a national territory (Ocaña and Salas 1983). Furthermore, SOEs are usually oligopolistic or monopolistic (Ocaña and Salas 1983). These peculiarities could affect the need for specific resources in SOEs. For example, it could be expected that SOEs have less need for directors experienced in competitive markets and strategic decision-making.

Privatised firms depend on their own resources to cope with environmental uncertainty and achieve goals that are clearly oriented towards efficiency and productivity (Shleifer and Vishny 1994). Following privatisation, the company and its interests depend on the market flow. This change creates a new scenario in which the company's primary objective is survival (Zahra et al. 2000). According to Zahra and Hansen (2000), privatisation increases the pressure to work hard, conserve resources and develop skills that fulfil market demands.

Bearing this idea in mind, the resources required by privatised companies and SOEs can be understood to be different. This argument points out the necessity of analysing the specific characteristics that a board of directors should possess to provide the resources appropriate to a firm's status (private or public).

3 The Idiosyncrasy of Privatisation in Spanish Corporate Governance

In accordance with the above literature, privatised firms can be expected to exhibit improved control mechanisms over managers' activities, and their board of directors should provide the appropriate resources for the new environmental requirements. Although these issues are to be expected on the basis of agency theory and resource dependence theory, the idiosyncrasy of Spanish corporate governance should be acknowledged. A number of literature reviews, concluding that evidence regarding what drives board effectiveness is mixed, recommend that future studies adopt a more contextually sensitive approach because a difference in national context can, for example, limit the applicability of standard agency theory assumptions of investor risk preferences, managerial behaviours and ultimately the functions of the boards (Yoshikawa and Phan 2005). Hence, Pedersen and Thomsen (1997) argue different national patterns of ownership structures regarding several country-specific variables such as the size and liquidity of the stock market, the concentration of the banking sector, the existence of dual class shares, and the openness of the economy to international capital.

Aguilera (2005, p. 198) suggests that the case of Spain, along with that of Italy, and to some extent France, follows the so-called Latin model characterised by strong state intervention, weak labour participation at a company level, and concentrated firm ownership. These Spanish features are to some extent the legacy of 40 years of dictatorship under Franco when the State (with extensive industry ownership) and a privileged banking system were the main providers of capital to firms, and little competition existed in either capital or product markets. Overall, according to Aguilera (2005), the current Spanish corporate governance scene is composed of newly privatised firms owned by core investors (some of them foreign), a weak market for corporate control, and sporadic use of Anglo-Saxon practices, although certain reforms have been undertaken to increase the transparency and accountability of firms, as well as the efficiency of boards of directors.

4 Research Methodology

4.1 Case Studies

Given the context and complexity of the phenomenon studied, an examination of multiple case studies is the most suitable method to understand the dynamic changes of firms (Yin 1994). A qualitative analysis facilitates the elaboration of an in-depth study.

In line with Yin's (1994) suggestions, the cases examined are not an arbitrary selection, but rather aim to include different combinations related to two control variables: (1) the industrial sector (in other words, the companies studied should represent a variety of industries); and (2) the companies should belong to strategic Spanish sectors. In addition, the following restriction is applied: the companies selected for study were fully privatised after 1996. The reason for this restriction is related to the fact that the privatisation process in Spain is divided into two different periods (Caixa 1999). The first period includes privatisations that occurred from 1985 to 1996, when the Spanish government was aiming to reform the public sector rather than implement a privatisation policy per se. A second period of privatisation in Spain started after 1996 with the Modernisation Programme of the Public Sector. This programme encouraged the privatisation of efficient SOEs. Meanwhile, others were preparing to make them profitable. This second period witnessed a complete process of privatisation. Following the above-mentioned requirements, three privatised Spanish companies were analysed: Endesa, Iberia and Repsol (see Table 1).

4.2 Data Collection

Contact was made the companies' CEOs by telephone and e-mail. This initial communication invited the CEOs to participate in the study and requested information, such as the composition of the board and top management team, and reports, for the 5 years before and after privatisation.

The sample population was composed of 114 directors (Endesa: 37; Iberia: 35; Repsol: 42) and 114 top managers (Endesa: 54; Iberia: 34; Repsol: 26). After numerous communications with the three companies, 30 interviews were conducted between May 19, 2009, and February 22, 2010, corresponding to 18 directors and 12 top managers (Table 2), giving a response ratio of 15.8 % and 10.5 %, respectively. Among those interviewed were four CEOs and two managing directors.

Interviews and a questionnaire survey were used simultaneously. A questionnaire was constructed with structured questions. This was divided into two columns to enable the interviewees to assess their answers in the pre- and post-privatisation periods. The information for each of the firm's phases was obtained from the directors and top managers, that is, from two different perspectives corresponding to the principal and agents.

To analyse board structure and board composition, the 5 years prior to and after privatisation were considered (10 years). Secondary information sources were used, such as annual reports, company websites, the National Securities Market Commission, databases, Who's Who and various business publications.

4.3 Measures

Leadership structure (duality). Following previous research (Lin 2005), this study assumes that CEO duality exists when a firm's CEO also serves as chairman of the board of directors.

Table 1 Main characteristics of firms analysed

	Endesa	Iberia	Repsol
Sector	Electrical	Airline	Hydrocarbon
Year of complete privatisation	1998	2001	1997
Times of privatisation, percentage sold, and privatisation method	1988:(20.4 %) Public Offering (PO)	1999:(10 %)Direct Sale (DS)	1989:(4.2 %)DS
	1994:(8.7 %)PO	1999:(30 %)DS	1989:(26.4 %)PO
	1997:(25 %)PO	2001:(48.51 %)PO	1989:(2.9 %)DS
	1998:(33 %)PO		1992:(2.1 %)DS
	1998:(8.19 %) Capital Reduction (CR)		1992:(10 %)Bond Issue (BI)
			1993:(13.3 %)PO
			1993:(0.6 %)BI
			1994:(0.1 %)BI
			1995:(19.4 %)PO
			1996:(11 %)PO
			1997:(10 %)PO
Major shareholders	Caixa (5 %); Caja Madrid (5 %); BSCH (3 %); BBVA (3 %)	NEWCO (10 %); Caja Madrid (10 %); BBVA (7.3 %); Logista Aeroportuaria, S.A (6.7 %); Corte Inglés (3 %); Ahorro Corporación S.A (3 %)	Caixa (5 %); BBVA (7 %); PEMEX (5 %)
Company size (year complete privatisation)			
Sales (in millions of euros)	6,836.5	4,581	19,287.2
Employees	19,479	27,523	21,440
Profits (in millions of euros)	1,097.2	29.4	757.9

Source: Authors' own data

Outsider representation. This variable was measured as the percentage of outside directors sitting on the board (Young et al. 2000).

Board members appointed before the CEO's appointment. This variable was measured as the percentage of board members who were appointed before the CEO had taken office (Young et al. 2000).

Board size. The number of directors on the board was taken into account (Linck et al. 2008).

Director profile. Following previous research (Hillman et al. 2000), directors were classified into one of three profiles (business experts, support specialists and community influentials). The type of director included in each category is shown in Table 3. A total of 114 director profiles were analysed.

Ownership structure. To measure ownership structure, the Index of Concentration of Ownership (ICON) was used, specifically considering the percentage of shares held by blockholders, i.e., stakeholders holding more than 5 % of the capital (Tosi and Gómez-Mejía 1989).

Table 2 Interviews

	Endesa	Iberia	Repsol	Total
Directors	7	6	5	18
Managers	7	3	2	12
Total	**14**	**9**	**7**	**30**

Table 3 Type of director

Director category	Types of directors in category
Business experts	Directors and executives in big companies with profit-making aims
Support specialists	Lawyers, bankers, insurance representatives and public relations experts
Community influentials	Political leaders, university faculty and leaders in social organisations

Source: Adapted from Hillman et al. (2000)

Sector regulation. In order to measure this variable, a list was developed of the most important aspects related to regulation (Helland and Sykuta 2004), prices, production, purchasing, investments, location, and diversification policy (see Appendix).

Sector competition. In order to measure this variable, the scale developed by Sarin and Mahajan (2001) was used, made up of four items (see Appendix). Its purpose is to measure the degree of rivalry in the sector.

Control role. Seven statements from the research by Carpenter and Westphal (2001), and Wan and Ong (2005) were used to capture the control role. Control questions asked about the extent to which board oversees the decisions made by top managers, evaluates the performance of top managers, and the degree to which board engages in succession planning for the CEO and top managers. Examples of items are “Board monitors top management decision-making” and “Board formally evaluates the performance of company executives”. The items selected from the scales of the authors mentioned above are shown in Appendix.

Provision of resources role. Questions about the provision of resources role were worded according to the resource classifications in the literature (Hillman and Dalziel 2003; Pfeffer and Salancik 1978), and referred particularly to the specific activities undertaken by the board. Specifically, four types of resources were identified: (1) counsel and advice (on business management, legal, financial, insurance and public relations issues), (2) legitimising and bolstering the firm’s public image, (3) facilitating access to resources (financial and others), and (4) building external relationships (communications channels with the government and other public agencies, and communications channels with firms) (see Appendix).

4.4 Data Analysis and Quality of Findings

Wilcoxon non-parametric tests (Siegel and Castellan 1988) were used to test for statistically-significant differences in control activities and the resources provided by directors before and after privatisation. The open questions enabled the respondents to provide information that they considered relevant in terms of the specific control activities and resources provided by the directors.

The analysis was performed using the Atlas/ti software package for qualitative analysis. Atlas/ti is a powerful tool for coding and interpreting textual data (Muhr 2006). The central themes of this research – the control and provision of resources – served as the initial coding categories (referred to as families in Atlas/ti). Sub-categories (referred to as codes in Atlas/ti), which were formulated according to the research framework proposed, were subsumed under these families. Additionally, following the recommendations of Yin (1994), some of the significant interviews responses are reproduced.

As in previous research (Plakoyiannaki et al. 2008), and to ensure the quality of the case study findings, the researchers followed numerous practices recommended in the literature to increase the validity and reliability of the case study evidence, such as the theory to structure the list of interview topics (Eisenhardt 1989), and data and between-method triangulation to capture phenomena investigated from different perspectives (Yin 1989). Data triangulation is based on the collection and comparison of data from multiple respondents (e.g., directors and top managers) in the organisation (Denzin 1989). In a similar vein, between-method triangulation relied on the use of multiple methods, such as interviews, questionnaires and secondary sources, to examine the role of the directors in control activities and providing resources (Denzin 1989).

5 Findings

Below are the main results of the change in board roles as a result of privatisation. They are divided into two sections: firstly control role and secondly the provision of resources role.

5.1 Privatisation and Change in the Control Function of the Board

Regarding the public stage of the firm, one of the aspects highlighted is the difficulty for directors to perform their control role. This difficulty is largely due to the ambiguity of objectives. In this regard, the interviews show the influence of public authorities in setting goals and making decisions. The more important the decisions, the greater the influence exerted by the government. This influence reached its peak when there was a change of government. One of the managers interviewed said that "*... when there was a change of government, the company was like the new toy that came to power ...*". This lack of clarity and stability in the objectives of the company made it difficult or even impossible to control and monitor their achievement. A director of Repsol said "... *it is very difficult to control the performance of top managers without having previously established a clear business objective* ...". He added, "... *the government was focused on the degree of achievement of policy objectives rather than business objectives* ...".

The results clearly show the passive attitude of boards in the evaluation and control of top managers in the firm's public stage.

One important aspect that is highlighted after privatisation is the emergence of blockholders in the ownership of the companies analysed.

Table 4 shows the results of the ICON in the pre- and post-privatisation phases for each of the companies. Before privatisation, it was above 41 % in all three companies, due to the high stakes held by the State. After privatisation, although it declines, the ICON continues to display high values: 10.01 %, 39.36 %, and 21.60 % of Endesa, Iberia and Repsol respectively, due to the presence of blockholders. In this regard, despite the emergence of major shareholders in the three companies, there are some aspects which are noteworthy. Firstly, in Iberia the percentage of capital held by blockholders is significantly higher than in the other two companies, reaching almost 40 %. Moreover, the profile of these blockholders in Iberia is more heterogeneous than in the other case studies. Specifically, the ownership of this airline included financial institutions (Caja Madrid and BBVA), airlines (British Airways and American Airlines), and a distribution company (Logista). However, in both Endesa and Repsol, the blockholders' profile is more homogeneous, largely financial institutions: in Endesa, Caja Madrid and La Caixa, and in Repsol, Caixa and BBVA – plus PEMEX.

The new ownership structures of the firms show that privatisation replaced the public sector ownership position with a dual ownership structure. On the one hand, most of the equity of privatised firms was in the hands of institutional or industrial investors, comprising the hardcore. These hardcore groups are generally well-known entities. They purchased the shares but had to agree that they would not transfer the stock. This was a state-mandate stipulation intended to guarantee a certain stability in the composition of the firm's capital. On the other hand, the involvement of minority shareholders was encouraged in the newly privatised firms. This is consistent with the government objective of promoting popular capitalism. In fact, security market law reforms were approved in 1998 to stimulate activity in the Spanish stock market (historically small and geographically segmented) and help to develop a small investor culture (Aguilera 2005, p. 206).

Although the concentration of capital declined in firms following privatisation, the average percentage in the hands of important shareholders remained high. The main shareholders were financial institutions and different types of shareholders – industrial shareholders, financial institutions and non-financial institutions. In this regard, the profile of the shareholders could determine the way in which companies were managed. For example, in the case of Iberia, the experience and knowledge of the air industry brought by British Airways and American Airlines helped to introduce changes in the way the company was managed right before the whole firm was privatised. In fact, the role of these shareholders was critical to consolidate

Table 4 Stakes held by blockholders (ICON)

	Endesa (%)		Iberia (%)		Repsol (%)	
	Before	After	Before	After	Before	After
ICON	63.49	10.01	93.04	39.36	41.68	21.60

Source: Authors' own data

the market position of Iberia in the air industry, which had been highly deregulated and competitive right before the firm's privatisation.

Another of the changes arising from privatisation was related to business objectives. Once privatised, the companies' objectives clearly focused on business growth, international expansion, improving market share, and reducing costs. For example, in Endesa, in 1999 (1 year after privatisation), 53 % of the company's electrical market was outside Spanish territory (Annual Report, 1999). In Iberia, these measures led the company to obtain a net profit of 159.8 million euros in 2002, triple that of the previous year. This meant a 12 % return on equity (Annual Report, 2002). Finally, Repsol's results show the efforts made to reduce the operating costs of exploration and production by almost 10 %.

Analysis of the information provided by the questionnaires showed an increase in the boards' control over managers' activities. For example, after privatisation, greater attention was paid to the formal evaluation of management performance, supervision of managers' strategic decision-making and the succession planning of directors. However, although all three companies showed a significant increase in the board's control activity, it was more intense in Iberia (Wilcoxon p-value = .042) compared to Endesa (Wilcoxon p-value = .083) and Repsol (Wilcoxon p-value = .080).

After analysing the increase in board control as a result of privatisation, it seems appropriate to analyse the behaviour of factors that can influence the board's control role. These can be divided into internal and external factors. Among the internal factors are: (1) leadership structure (duality/non-duality) (Lin 2005), (2) board composition (Lehn et al. 2009), and (3) the time directors are appointed (Young et al. 2000). Among the external factors, literature identifies the key role played by sector regulation (Cuervo 1997; Vickers and Yarrow 1991) and sector competition (Cuervo 1998).

5.1.1 Internal Factors

Regarding leadership structure, analysis of the cases reveals two distinct behaviours. In Iberia and Repsol, on the one hand, the positions of chairman and CEO are held by the same person, both in the pre- and in the post-privatisation period. In Endesa, on the other hand, a situation of non-duality was observed when the company passed into private hands (Table 5).

The second factor analysis is related to the composition of the board. In this respect, there was a decrease, following privatisation, in the percentage of outside directors in Endesa and Iberia. However, this decrease was greater in Iberia (from

Table 5 Duality, board composition and directors appointed before CEO (before and after privatisation)

	Duality		Board composition (% outsiders)		Directors appointed before CEO (%)	
	Before	After	Before	After	Before	After
Endesa	Yes	No	88	86	6	0
Iberia	Yes	Yes	92	85	22	58
Repsol	Yes	Yes	78	93	7	18

Source: Authors' own data

92 % to 85 %) than in Endesa (from 88 % to 86 %). In contrast, after privatisation, Repsol saw a significant increase in the presence of non-executive directors from 78 % to 93 % (Table 5).

This latter variable is related to the time directors are appointed. The data reflect an increase in the presence of directors appointed before the CEO in two of the companies after privatisation. However, this increase occurs with greater intensity in the company that, in turn, has a greater intensity of board control: Iberia. Thus, whereas in Iberia this metric value shoots up from 22 % to 58 % after privatisation, in Repsol, moderate changes were found, from 7 % to 18 % (Table 5).

To sum up, with regard to internal factors, two considerations can be highlighted. Firstly, the data do not suggest a clear relationship between leadership structure and the presence of outside directors, and the board's control role. Secondly, there seems to be some influence from the presence of directors appointed before the CEO and greater board control after privatisation.

5.1.2 External Factors

Related to regulation, the behaviour of the electrical and hydrocarbon sectors – which Endesa and Repsol respectively own – has been similar. Both sectors underwent major deregulation once the companies were privatised.

For the electrical sector, the adoption of Act 54/1997, which entered into force in 1998, established the legislative framework for the liberalised Spanish electrical system. In that year, power was no longer considered a state-owned service. The results of the Wilcoxon test (p-value = .043) show evidence of the decline in the level of regulation in the sector, indicating significant differences when comparing the period before and after privatisation.

Meanwhile, Act 34/1998 in the hydrocarbon sector also meant a drastic change in the level of regulation in certain areas, such as opening up the market for liquid fuels, the elimination of the price-cap system, and the liberalisation of the natural gas sector. The Wilcoxon test results support the decline in the level of global regulation after Repsol was privatised (p-value = .039).

The airline industry, however, follows a different pattern. The market was already highly liberalised before the privatisation of Iberia. Specifically, liberalisation measures were implemented during the years 1987–1997 (Button 2001), with biggest change being in 1993. The Wilcoxon test supports these arguments showing the absence of significant differences in both periods (p-value = .285). Although the year 1993 marked a turning point in the airline industry deregulation process, after the privatisation of Iberia (in 2001), some deregulatory measures also occurred, although they were more minor.

Analysis of the results shows that, after privatisation, in the three sectors there was a decrease in the level of regulation (not significant in the airline industry) and a higher level of board control. Given these data, it could be stated that firms tend to raise the level of board control when the deregulation of the sector decreases, since both variables (board control and regulation) follow an opposite pattern. This relationship clearly arises for two of the three cases, Endesa and Repsol. By way of an example, average values in the level of regulation went from 3.36 to 2.22, and from 4.04 to 1.69, comparing the pre-and post-privatisation situation in the electrical and hydrocarbon sectors, respectively. However, the case of Iberia impedes any clear conclusions regarding the level of regulation, because although it decreases after privatisation, there were no significant changes (from an average value of 3.05–2.33).

Finally, regarding the role of competition in the board control function, data analysis showed, as in the case of regulation, two distinct patterns: on the one hand, the electrical and the hydrocarbons sectors and, on the other hand, the airline industry. In the case of the electrical sector, drastic changes were seen in the level of competition after the privatisation of Endesa. The company's market share in Spain fell from 54 % in 1995 to 42.6 % in 2003 (Annual Report, 1995, 2003). Meanwhile, regarding the hydrocarbon market, and according to the Ministry of Industry (1995), 86 % of the fuel market in Spain was owned by three companies – Repsol, 54 %, Cepsa, 25 %, and British Petroleum (BP), 7 %. Three years after the privatisation of Repsol (in 2000), the market share of the three major oil companies fell by 11 %, placing it at 75 % (Repsol 43 %, Cepsa 22 %, and BP 10 %). Increased competition in both sectors is reflected by the results of the Wilcoxon test, showing a p-value = .042 for Endesa and Repsol.

However, in the case of Iberia, the level of competition in the airline industry did not experience significant changes once the company was privatised. The liberalisation measures were implemented before the privatisation of Iberia, over a 10-year period (1987–1997). The lack of significant differences in the degree of competition in the airline sector in both periods was corroborated by the results of the Wilcoxon test (p-value = .285).

All the information taken together, the three sectors – electricity, airline and hydrocarbons – showed an increase in the level of competition (although not significant for the airline sector). Thus, both the level of competition in sectors and the control exercised by boards intensified after privatisation. This is clearly reflected in the data collected from the questionnaires. For example, in the electricity sector, competition rose from an average value of 1.78–4.03 after privatisation. In the case of the hydrocarbon sector, these values were 1.82 and 4.55 in the public and private stages of the company, respectively. However, as with regulation, once again the case of Iberia does not help to clarify this relationship, because it is placed in an environment in which competition does not undergo any major variations (the average value goes from 3.69 to 4.83).

5.2 *Privatisation and Change in the Provision of Resources Function of the Board*

According to resource dependence theory, two factors determine the capacity of boards of directors as resource providers: size and composition (Johnson et al. 1996).

Data for the size and composition of the boards of directors are summarised in Table 6. Regarding size, the results show a tendency to maintain the same number of members in the board once the company is privatised. Therefore, there is no clear relationship between the number of directors and the public and private phases of the firms.

Regarding board composition, as mentioned previously, the results do not show a clear relationship between the presence of outsiders and the public and private phases of the firms.

Additionally, the data show that changes occurred in the director profiles pre- and post-privatisation (Table 6). The following section provides an in-depth analysis of the changes in director profiles and the resources provided by each director type before and after privatisation.

5.2.1 Business Experts

The aggregated data showed a clear tendency towards an increase in the number of business experts after privatisation (from 32 % to 55 %).

Analysis of the questionnaire responses and the interviews reveals the utility of the counsel and advice provided by business experts after privatisation (Table 7, item 1). These results were supported with a Wilcoxon non-parametric test (Siegel and Castellan 1988), which showed statistically significant differences (p-value = .004) between scores for advice and counsel provided by board members about business management and internal firm operations before and after privatisation.

In line with these arguments, one of the chairmen interviewed said that, "... *the counsel and advice provided by directors who are experts in business became more important after privatisation. Their training and background provide a better definition of business management and so they improve the position of the firm in the market*".

The evidence obtained through the documentation analysed shows a greater need for the counsel and advice of this type of director in business management in all three case studies. For example, the Endesa results show a clear increase in

Table 6 Composition of the board of directors before and after privatisation

	Endesa		Iberia		Repsol		*Mean*	
	Before	After	Before	After	Before	After	Before	After
Size of the board	13.3	14.6	12.8	11.8	14.6	14.2	**13.6**	**13.5**
Inside directors (%)	12	14	8	15	22	7	**14**	**12**
Outside directors (%)	88	86	92	85	78	93	**86**	**88**
Business experts (%)	21	48	28	58	46	60	**32**	**55**
Support specialists (%)	22	23	10	8	13	5	**15**	**12**
Community influentials (%)	57	29	62	34	42	34	**54**	**32**

Source: Authors' own data

Table 7 Resources provided by the board of directors before and after privatisation

			Before	After	Wilcox. Test
Item 1	(1)	Counsel and advice on business management (decision-making, competitive environments and so on)	2.92 (1.093)	4.59 (.507)	p = .004
Item 2	(2)	Counsel and advice on legal issues	3.73 (.724)	4.06 (.827)	p = .317
Item 3	(2)	Counsel and advice on specific issues (financial, insurance, etc.)	2.69 (.788)	4.29 (.772)	p = .005
Item 4	(2)	Counsel and advice on public relations issues	3.31 (.679)	3.82 (.809)	p = .102
Item 5	(1) (2) (3)	Contribute to prestige and reputation of the firm	2.92 (.845)	4.53 (.624)	p = .003
Item 6	(1) (2) (3)	Contribute to legitimising the firm	3.23 (.652)	4.18 (.809)	p = .013
Item 7	(1) (2) (3)	Contribute to improving the image of the firm	2.88 (.653)	4.29 (.772)	p = .002
Item 8	(2)	Facilitate access to financial resources	1.88 (.588)	3.53 (1.125)	p = .002
Item 9	(2)	Facilitate access to other resources (other than financial ones)	2.38 (.637)	4.00 (1.225)	p = .003
Item 10	(2)	Provide communications channels with the government and other public agencies	4.81 (.567)	2.71 (.772)	p = .002
Item 11	(1)	Provide communications channels with other firms	2.81 (.801)	4.29 (1.047)	p = .004
Item 12	(3)	Provide communications channels with non-business organisations (associations, foundations)	3.50 (.510)	3.94 (.966)	p = .785
Item 13	(3)	Provide communications channels with other social groups	3.46 (.859)	4.06 (.748)	p = .129

Notes: (1) Business experts; (2) Support specialists; (3) Community influentials.

business experts after privatisation (from 21 % to 48 %). An increase in business experts could be a logical consequence of the new business orientation taken by the firm once its ownership goes into private hands.

Iberia shows a similar evolution in business experts, comparing Iberia and Endesa. The presence of business experts doubles once the company becomes private (from 28 % to 58 %). In 2000, Iberia initiated a new management plan, which was in force until 2003. This plan mainly focused on consolidating the company in the market and improving financial and operating profitability ratios to achieve better shareholder value. Iberia increased its European and worldwide air routes.

As for Repsol, the number of business experts also increased after privatisation from a minimum value of 33 % before privatisation to a minimum value of 54 % after privatisation. As it did for Endesa and Iberia, the privatisation of Repsol meant a change in the company's business management. After privatisation, the company adopted an unprecedented strategy of international expansion. Repsol's strategic priority was to initiate the firm's expansion in Latin America as a worldwide energy company. Therefore, the entry of private shareholders promoted the internationalisation of the company – specifically in Latin-America–, greater diversification in its activities, and an increase of petroleum production and oil exploration. In 1999, when the company acquired Yacimientos Petrolíferos Fiscales, Repsol became the largest private energy company in Spain and Latin America.

In short, in the three companies analysed, a business reorientation occurred after privatisation and greater attention was paid to customers and markets, and to recruiting directors with a knowledge of business management and decision-making.

In addition to counsel and advice in business management, another resource provided by business experts consists of facilitating communication channels with other companies (Hillman et al. 2000). The data collected show that after privatisation, the board of directors in these case studies allowed for more effective communication channels of this kind. The results were also supported by a Wilcoxon test (see Table 7, item 11), which indicates significant differences (p-value = .004). In this respect, one director stated that this type of communication channel improves market analysis, not only in the sector in which the firm is operating, but also in other sectors. Sometimes the communication channels were made into strategic alliances, facilitating the firm's international expansion. Examples of such developments include the business partnership in 2003 between Iberia and British Airways, which led to the companies' later merger, the agreements between BP and Repsol regarding the acquisition of assets in Trinidad and Tobago in 2000, and the agreements reached between Endesa and Morgan Stanley Dean Witter, the global financial services company, in 2000.

Finally, another resource provided by business experts consists of helping to improve the firm's image and reputation. Analysis of the questionnaire responses (see Table 7, items 5, 6 and 7) and the interviews showed the importance of this resource after privatisation.

In brief, according to the information gathered in the interviews and questionnaires, the resources provided by this type of director becomes increasingly relevant after privatisation because it is then that firms make important decisions regarding investment, diversification and alliances with the objective of expanding their business nationally and internationally.

5.2.2 Support Specialists

The aggregated results regarding support specialists show that the presence of this type of director decreases from an average of 15–12 % before and after privatisation, respectively. The individual data only show relevant differences at Repsol, whereas the ratio remains almost constant at Endesa and Iberia.

Advice provided by support specialists on matters such as finance and insurance significantly increases after privatisation. A Wilcoxon test supports these differences, showing a p-value of .005 (Table 7, item 3). In this connection, certain top managers and directors highlight the importance of these resources after privatisation and note that firms tend to invest more after privatisation. This leads to an increased presence of specialists to improve profitability.

Additionally, the results show a significant increase in the role played by support specialists when they facilitate access to resources, (e.g., financial resources) after privatisation. Wilcoxon tests show significant differences in access to financial (p-value = .002) (Table 7, item 8) and other resources (p-value = .003) (Table 7, item 9). These differences reveal that when a firm is state-owned, resources – mainly financial resources- are provided by the government directly or indirectly. However, when a firm is privatised, it must generate its own resources.

Data also show an increase in counsel and advice provided on legal issues after privatisation, though the differences found before and after privatisation were not significant (Table 7, item 2). This fact is corroborated by a Wilcoxon non-parametric test, which supports the null hypothesis of similarity between average scores before and after privatisation (p-value = .317). This outcome reveals that specialists in legal issues are important both in public and private companies.

However, public-relations advice and counsel do not undergo significant changes in the corresponding public and private phases. The Wilcoxon test showed a p-value of .102 (Table 7, item 4).

Additionally, privatisation seems to imply a decrease in the number of communication channels with the government and other public agencies (Table 7, item 10). These results are corroborated by a Wilcoxon non-parametric test that did not support the null hypothesis of similarity between average scores before and after privatisation (p-value = .002). In the words of one director, "… *When the company was state-owned, the board was composed of a large number of directors linked to the government …, so it allowed the government to ensure its influence and control over the decisions made by the board of directors*".

Finally, similar to business experts, support specialists contribute to legitimising the firm and improving its image and reputation. These results corroborate the increase of this type of resource (see Table 7, item 5, 6 and 7).

Thus, the resources provided by the support specialists are different in the public and private phases. Whereas communication channels with the government and other public agencies are more important in SOEs, financial and insurance counsel and advice, and access to financial and other resources become more important in privatised firms.

5.2.3 Community Influentials

Finally, analysis of the cases presented here reveals changes in this director profile. This fact may be due to the changes within this director profile.

The percentages in relation to the last category mentioned are clearly higher during the period in which the company depends on the state. In this connection and following an in-depth longitudinal analysis, there are two important aspects to consider. The first aspect is the large number of politicians included on the boards before privatisation. The second aspect is the increasing number of directors linked to the academic world and representatives of social organisations after privatisation. At Endesa, the number of community influential directors decreased after privatisation from 57 % when the firm was state-owned to 29 %. The same tendency appears in the other cases studied: privatisation meant a decrease in community influentials on the boards of Iberia (reducing them by half) and Repsol (from 42 % to 34 %). Nonetheless, once a firm is privatised, the number of politicians decreases significantly. This leads to a general reduction of board members who are community influentials.

The communication channels with non-business organisations (institutions, foundations, and others) provided by this type of director do not seem to undergo significant changes pre- and post-privatisation (Table 7, item 12). This result is supported by a Wilcoxon test (p-value = .785) and ties in with the interview responses, in which one managing director stated, "... *This kind of communication channel offered by directors is very important not only for SOEs but also for private firms. For SOEs, because of political reasons and general public interest, whereas for privatised companies, communication channels are more aimed at improving the public image of the firm* ...". Additionally, the communication channels with other social groups (Table 7, item 13) offered by this type of director do not undergo any relevant changes after privatisation (Wilcoxon test, p-value = .129). Moreover, of particular note are the high scores of the resources obtained pre- and post-privatisation.

Finally, the results of the interviews and questionnaires show that privatisation involves using the reputation and prestige of the directors to legitimise the firm. These results are corroborated by a Wilcoxon test that does not support the null hypothesis of similarity between average scores before and after privatisation. Table 7 (items 5, 6 and 7) shows the results of the Wilcoxon non-parametric test for each of the three items related to this resource (prestige and reputation; legitimacy; image of the firm).

Generally, the findings related to the legitimacy, reputation and image of the firm reveal that regardless of the director profile, privatisation requires that the directors contribute to legitimising the firm and improving its image. In the words of one company chairman, "... *Regardless of the profile of directors, when the firm*

Table 8 Summary of main findings

Observed changes after privatisation
Presence of blockholders
Company objectives: Business growth, international expansion, improve market share
Relationship between **directors appointed before CEO** and board control
Certain effects from **regulation and competition** of the sector on board control
Greater need for resources provided by "Business Experts": Advice and counsel on business management; Communications channels with other firms
Differences in the need for resources provided by "Support Specialists" before and after privatisation: Before → Communications channels with the government and other public agencies After → Advice and counsel on financial and insurance issues; Access to resources (financial and others)
Lower presence of "Community Influentials"
Higher need for contributions from directors **to improving the image of the firm**

Source: Authors' own data

includes a new top manager or a director, it is because there is certainty about their professional reputation and positive public image . . ., this is vital for its influence on the image and reputation of the firm . . .".

Table 8 summarises the main findings of this study.

6 Conclusions

Case studies conducted in the Spanish context allow for certain conclusions to be reached regarding changes in the control and provision of resources roles once companies are privatised. The findings can act as a reflection and reference for emerging countries that use the privatisation of SOEs as a mechanism for economic development.

The study shows that the privatisation of SOEs causes an increase in the board's control over top managers as a result of the new ownership. In-depth analysis of the cases identifies certain factors that help to explain changes in the control activities of boards. Of particular note are the ownership structure and internal factors, such as board composition. In addition, external factors are considered, such as regulation and competition in the sector in which the companies operate.

Regarding the ownership structure, the key role played by blockholders in the increase in control is shown. In addition to ownership concentration, it is worth noting the importance of considering the profile and heterogeneity of these blockholders. The analysis of case studies highlights the positive influence of blockholder profile heterogeneity on the board's control activity. In this respect, whereas Endesa and Repsol blockholders are mainly financial institutions – except PEMEX in Repsol–, Iberia's situation is different. In the capital of the airline there are also institutional – financial and non-financial – and industrial blockholders

(British Airways and American Airlines) directly related to the activity of Iberia. One possible explanation for these results may be due to the knowledge that industrial blockholders have of the sector. The cases analysed seem to adhere to the characteristics of corporate governance in the Continental European and more specifically the so-called Latin model regarding the presence of major shareholders (i.e., financial institutions, family groups and other companies), which usually act as a core that holds a sufficiently high proportion of a company's shares to exercise a high degree of control over the company (Fernández and Arrondo 2005). From 1996 to 2003, the Spanish government actively promoted the maintenance of stable investors – mainly banks – as part of the privatisation efforts (Tribo et al. 2007).

Regarding internal factors, the composition of the board is highlighted. In this respect, the results show the key role played by the CEO's lack of involvement in the appointment of directors and its influence on monitoring managerial behaviour. It is noted how directors appointed before the mandate of the current CEO are best placed to monitor and evaluate the top management team.

The study also emphasised two aspects relevant to board composition. Firstly, the results do not appear support the traditional variables considered by agency theory, which were associated with the greater capacity of boards to develop the control role. No relationship is found between the existence of a shared leadership structure (non-duality) and the increased presence of outside directors, and greater board control. Secondly, the results show a tendency of firms after privatisation to have a greater presence of directors appointed before the CEO (i.e., independent directors) when there is duality. That is, it appears that companies try to compensate for the concentration of power that causes duality with a greater number of independent directors in order to ensure control over the top management team.

Finally, with regard to external factors, the level of regulation and competition in the sector is seen to exert some influence on the degree of control exercised by boards of directors. A joint assessment of these factors points to the following conclusion. The change of ownership seems to trigger increased levels of control in all companies. However, it appears that the characteristics of the sector can mitigate or enhance the board's overseeing of management. For example, looking at the case of Iberia, there has been little change in regulation and market competition. This has been accompanied by a major increase in the level of control exercised by the board. On the contrary, in the case of Endesa and Repsol, large variations in the levels of regulation and market competition are accompanied by smaller increases in control. This highlights the need to take these two variables into consideration in order to better understand the changing control role of boards in privatisation processes.

The data analysis performed in this study reflects on how firms modify the structure and composition of their boards of directors to obtain the resources they need.

In short, the findings show the limitations of traditional variables, such as the size and composition (in terms of insiders and outsiders) of the board of directors. These variables have been traditionally used in resource dependence theory to identify the ability of the board to provide the organisation with resources.

Furthermore in-depth study is needed to examine the specific role played by each director as a resource provider that analyses not only the variety of director profiles but also the specific resources provided in different contexts.

The data show that companies increase the number of business experts as a consequence of privatisation. One possible explanation for this increase lies in the differences that characterise SOEs and privatised companies as perceived from a business management standpoint. In general, directors at SOEs do not have complete freedom of action in relation to strategic activities (Cragg and Dyck 1999) as they are constrained by bureaucratic control. Additionally, they have less freedom to influence recruitment, choice of suppliers, the price of products or services, financing or company expansion (Cragg and Dyck 2000). Moreover, action taken within SOEs is politically and geographically restricted. In contrast, a privatised company can expand the scope of its activity and geographical markets. Such companies evolve from an orientation towards production and agents' interests to being oriented towards the market and customers (Cuervo 1997). Communication channels between firms, provided by business experts, are more relevant after privatisation. These changes explain the large increase in this director profile once a company goes into private hands.

Support specialists are equally important in SOEs and privatised companies, although the aggregate results do not support the theoretical assumption about the maintenance of this type of director. A detailed analysis of individual cases reveals that the specialisation of the directors and the resources they provide change. In this regard, whereas financial and insurance advice and counsel, and access to resources – financial and other – are more important in privatised firms, communication channels with the government and other public agencies are more important in SOEs.

Results also show a clear decrease in the third director profile – community influentials – after privatisation. The reason may be that political representatives play a crucial role in this group. When companies are state-owned, political leaders are clearly relevant. However, after privatisation they are no longer necessary. Therefore, the tendency may be to reduce the size of this particular group. Nonetheless, there is an increase in the number of board members who are leaders of social organisations and university representatives. Additionally, the communication channels provided by community influentials with non-business organisations (institutions, foundations) and other social groups are equally important in the public and private phases of a firm. Moreover, the contribution made by this director profile to a firm's legitimacy and public image increases in relevance once the firm is privatised.

6.1 Practical Implications for Emerging Markets

Although the results of this research should be interpreted with caution because of the sample selection bias (low response rate ratio) and the idiosyncrasy of Spain and its industries, the functioning of the board of directors in the context of privatisation could provide a reference to emerging countries that are also involved in privatisation processes.

Firstly, it highlights the importance of considering, after privatisation, the profile and heterogeneity of new shareholders and their influence on the performance of the board's control role. In this regard, a link is found here between greater blockholder heterogeneity and increased control activities of the board. At the same time, a relationship is also revealed between the presence of blockholders related to the activity of the privatised firm and greater board control. Secondly, the importance of having independent directors in order to properly monitor the behaviour of the top management team should be noted. Along these lines, it seems that it is more important to have directors appointed before the CEO than it is to have shared leadership (non-duality) or an increased presence of outside directors. Thirdly, it is also important to consider the influence of market functioning (levels of regulation and competition), as this can have an effect on board functions. And finally, this study points to the importance of changing the configuration of the boards after privatisation in terms of the profile of directors, in order to acquire the necessary resources in the private stage of the firm. In this respect, after privatisation, companies should incorporate into their boards a higher number of business experts with knowledge and skills in business management and the ability to establish links with other businesses. The important presence of support specialists with specific capabilities in both periods of the company is also to be stressed. This could be because certain resources provided by these directors are more relevant than others depending on the stage of the firm (pre- and post-privatisation). For example, whereas government ties are more important in the public stage, access to resources and knowledge in financial matters become relevant after privatisation.

Appendix (Survey Items)

Control Role

To what extent does the board ...?
(the response scale ranged from "minimally" 1, until "very much so" 5)

1.	Delegate strategic decision-making to top managers
2.	Monitor top managers in decision-making
3.	Formally evaluate the performance of top managers
4.	Constructively criticise the strategic decisions made by managers
5.	Request information from the top managers about the company
6.	Engage in succession planning for the CEO
7.	Engage in succession planning for top managers besides the CEO

Provision of Resources Role

To what extent does the board ...?
(the response scale ranged from "minimally" 1, until "very much so" 5)

1.	Provide counsel and advice on business management (decision-making, competitive environments, and so on)
2.	Provide counsel and advice on legal issues
3.	Provide counsel and advice on specific issues (financial, insurance, etc.)
4.	Provide counsel and advice on public relations issues
5.	Contribute to the prestige and reputation of the firm
6.	Contribute to legitimising the firm
7.	Contribute to improving the image of the firm
8.	Facilitate access to financial resources
9.	Facilitate access to other resources (other than financial ones)
10.	Provide communications channels with the government and other public agencies
11.	Provide communications channels with other firms
12.	Provide communications channels with non-business organisations (associations, foundations)
13.	Provide communications channels with other social groups

Sector Competition

To what extent do you agree with these statements ...?
(the response scale ranged from "strongly disagree" 1, until "strongly agree" 5)

1.	Competitive pressures have led to firms in this industry spending a great deal of money on marketing
2.	Firms in this industry aggressively fight to hold onto their share of the market
3.	Competition in this industry is intense
4.	Firms in this industry follow a philosophy of peaceful coexistence

Sector Regulation

Indicate the level of sector regulation on each of the issues below:
(the response scale ranged from "minimally" 1, until "very much so" 5)

1.	Prices
2.	Production
3.	Purchasing

(continued)

4.	Investments
5.	Location
6.	Diversification

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