Abstract

The main goal of the dissertation thesis is to create a list of criteria for good corporate governance which are tested empirically for the German market. The research questions are first whether firms with better corporate governance are able to generate higher shareholder value and second which aspects of corporate governance play a more or less important role in explaining the relationship between the quality of corporate governance and shareholder value. The foundations of this investigation lie in modern theories of the firm comprising the property rights approach, agency theory, and the transaction cost economics. All of these theoretical approaches can be applied to the problem of corporate governance in modern corporations characterized by a dispersed ownership structure. They emphasize the necessity of monitoring and incentive schemes as well as the role of voluntary disclosure. These aspects establish at the same time the basis for the underlying criteria for good corporate governance, which have been developed by taking recommendations for German corporations such as in the GCGC into consideration.

This study belongs to the stream of empirical research on corporate governance, which attempts to measure the quality of firm-level corporate governance for German corporations. While the main research questions are related to recent studies, the results differ. Investigating the relationship between firm-level corporate governance and shareholder value, the assumed positive impact of corporate governance on shareholder value cannot be confirmed. Instead, it appears to be necessary to differentiate between the internal (ICGS) and external (disclosure) dimensions of corporate governance. In fact, ICGS has a positive and significant explanation power of Tobin's q, the selected proxy for shareholder value, as opposed to the overall corporate governance score. Disclosure, on the other hand, reduces information asymmetry of investors and thus their cost of equity capital measured by beta according to the CAPM.