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The rise of corporate governance in corporate control research☆

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ABSTRACT

This article has two related tasks. First, we review the articles published in this Special Issue on Corporate Control, Mergers, and Acquisitions. These articles provide new evidence on several aspects of corporate control and governance including the value and performance effects of various ownership groups, the impact of internal governance structures, the effects of regulatory changes on specific industries and evidence on bidding strategies in takeovers. This analysis leads us to our second task – to examine the evolution of corporate control research, broadly defined. Our analysis shows a movement in research from mergers and acquisitions to a broader analysis of corporate governance, especially internal governance features. We suggest that there is a trend toward an increase in the relative importance of internal governance compared to discipline from the market from corporate control. This trend reflects an important change over the past several decades in the means through which the market disciplines corporate behavior.

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The editors of the *Journal of Corporate Finance (JCF)* have found the *JCF* special issues to be a particularly effective way to aggregate and disseminate current research on a specific topic. When we announced the *JCF's* Conference and Special Issue on Corporate Control, Mergers, and Acquisitions, we were particularly interested in discovering what was "hot" among researchers and commentators in this area. We purposely made the call for papers very broad and encouraged authors to submit papers that explored both the causes and effects of merger activity and how innovations in financing, ownership or other considerations were affecting control within firms. From the more than 100 papers submitted for consideration in the Special Issue, we selected eight for inclusion in this volume and for presentation at the Conference on Corporate Control, Mergers and Acquisitions held in Atlanta in April 2008 (co-sponsored by the *JCF* and the Leadership Research Consortium of the Terry College of Business at the University of Georgia). We have also included two commentaries from the Conference and a general review paper on bidding strategies. In this article, we summarize the research from the Conference, which we believe represents important contributions to our knowledge of corporate control.

We follow this review with a general analysis of recent research on corporate control. We noted a common theme in the articles submitted and in those eventually accepted for the Conference and Special Issue – an increased emphasis on the role of internal control factors that fall under the broad rubric of corporate governance, rather than focusing primarily on mergers and acquisitions themselves. The increased emphasis on internal control considerations was also noted by participants at the conference. We provide analysis of current research by academic and non-academic journals in the area of corporate control. The analysis shows a movement in academic research on the control of firms from mergers and acquisitions to an analysis of corporate governance, generally referring to internal control mechanisms. Indeed, a simple search on the Social Science Research Network (SSRN) shows

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867 articles submitted in the last year with "corporate governance" in the title, abstract, or keywords. Using this same search, but substituting in the search term "corporate control," yields only 71 papers. Thus, ignoring overlap, corporate governance papers outweigh corporate control papers by more than 12 to 1.

One must, of course, be careful in interpreting the data presented here because corporate control and corporate governance are obviously interrelated. However, while the change may appear merely semantic, these semantic changes may be driven by important underlying factors. Hopefully, finance research is closely related to current important attributes of financial markets. Thus, our analysis of the changes in the focus of control-related research should align with changes in underlying markets. We suggest that the trend we report here reflects an important change in the past several decades in the means through which financial markets discipline corporate behavior.

1. Internal control mechanisms

The role of concentrated ownership of residual claims in a firm has been examined both theoretically and empirically in the context of firm performance, mergers and acquisitions, capital structure and many other corporate events and characteristics. For example, Stulz (1988) and Shleifer and Vishny (1986) theoretically consider the impact of target insider ownership on target returns and suggest that while significant ownership may decrease the probability of a successful takeover, successful bids would offer a higher premium to shareholders. However, active outsider ownership can result in lower premiums perhaps because the active investors have monitored the firm resulting in better performance or because the active investors are more willing to share gains with the bidding firm. Research such as Stulz et al. (1990) and Song and Walkling (1993) confirms the positive relation between managerial ownership and target returns and the negative relation between institutional ownership and target returns for samples of multiple-bidder takeovers in the 1980s.

Bauguess et al. (2009–this issue) update the earlier work and distinguish more carefully between various ownership classes. They find a similar result to that of Stulz et al. and Song and Walkling, reporting the same positive relation between insider (managerial) holdings and target returns and a negative relation between outside blockholdings and target returns. They argue that the results for insiders are related to takeover anticipation (or lack thereof) and the results for non-managerial blockholders suggest that these insiders prefer to see the deal done and are willing to share their gains to make it happen. Robinson (2009–this issue) critiques this paper and suggests an interesting extension. He questions the role of insiders in the search for bidders. That is, if there are multiple possible bidders, how do insiders differentiate between competing bids and what are the determinants of the division of gains in the transaction.

Bethel et al. (2009–this issue) also look at the effects of ownership but in a different way – do institutions buy shares to affect voting after a bid has been announced? In an interesting result, they report that institutions appear to be net buyers of shares of bidding firms around the record date for the merger vote. However, they then use those shares to vote against the merger. As they describe – "institutions vote with their feet by buying shares to gain voting rights. They then vote with their hands against management." This is an intriguing result that warrants further analysis. At a basic level, it suggests that institutions value voting, a reassuring finding for investors. Ryan (2009–this issue) in reviewing the **Bethel, Hu and Wang** article agrees that the paper presents convincing evidence of the existence of a market for control rights. However, he notes an important question for future research, why do the institutions purchase the voting rights if the votes purchased are generally not enough to influence the outcome of the vote?

Wruck and Wu (2009–this issue) move beyond the takeover environment and further confirm the importance of the association of ownership structure with firm performance. They show that the creation of blockholders through private placements of stock can positively affect firms, especially if those blockholders establish a new relationship with the firm: private placements that involve a new relationship with the acquirer result in positive abnormal returns at the announcement, placements without new relationships are "non-events." While researchers have found that private placements are generally associated with negative industry-adjusted profitability (see, e.g., Hertzel et al., 2002), Wruck and Wu report that new-relationship private placements demonstrate sronger industry-adjusted profitability than those that do not establish new relationships. Thus, they argue that these private placements seem to create value by the way of active monitoring and governance by the new investors.

Internal structures of the firm will also play a role in corporate governance. Rose (2009–this issue) considers the role of staggered boards in governance, further delineating the research that has suggested that staggered boards have a negative impact on firm value. Rose suggests that the impact of staggered boards should vary across firms. In particular, he suggests that staggered boards of firms that are already takeover-resistant due to factors such as high insider ownership will have little impact on firm value. In contrast, if the firm has higher outside ownership concentration, leading to higher probability of takeover, staggered boards, lowering that probability, are more likely to have a negative impact on firm value. His empirical results confirm these relations, affirming the importance of looking at firms in totality rather than focusing on any single firm characteristic. Ryan (2009–this issue) agrees with Rose's use of outside blockholders as a proxy for the probability of a hostile takeover. In addition, **Ryan** points out that outside blockholders act as monitors and further research on the relation between blockholders and M&A activity will increase our understanding on the workings of internal governance.

Overall, Bauguess et al. (2009–this issue), Robinson (2009–this issue), Wruck and Wu (2009–this issue), and Rose (2009–this issue) extend the literature on various internal control factors, examining the impact of ownership structure and board structure on firm value and performance. These internal factors may interact with or perhaps substitute for the market for corporate control as a monitoring device for management. We return to this trade-off in Section 3 with our analysis of recent research suggesting that internal corporate governance mechanisms have moved to the forefront in monitoring management teams.

2. External control mechanisms

Offenberg's (2009–this issue) article returns our focus to how the outside market responds to managerial actions. He integrates Mitchell and Lehn's (1990) "Bad Bidder" research with the work of Moeller et al. (2004). Mitchell and Lehn find evidence that bidders who made bad acquisitions, as measured by abnormal returns at the announcement of an acquisition, were likely to become targets themselves. Moeller, et al., find that negative bidder returns on average are driven primarily by bad acquisitions made by very large firms. Offenberg investigates whether these very large firms who one might suspect are too big to be acquired are also subject to the discipline of acquisition markets. As Robinson notes in his commentary, we can "take comfort from the findings" that large bad bidders are also more likely to become targets and their CEOs are more likely to be replaced. While Robinson suggests further clarifications in the analysis, the results are consistent with corporate control markets serving as effective external disciplinarians on firm behavior.

Drawing upon Swedish bankruptcy law, Eckbo and Thorburn (2009–this issue) consider whether creditors impact bankruptcy-driven auctions. They explore how a creditor, who becomes the *de facto* residual claimant in a bankrupt firm, influences the bidding for that firm. Though not allowed to participate directly in the transaction, the creditor bank can form a coalition with a bidder by providing financing for the acquisition. As hypothesized, they report that the bank-bidder coalition is more likely to overbid for a firm when the bank is most likely to benefit from that overbidding. Since overbidding could lead to allocative inefficiency if a higher-valued private bid is pre-empted, **Eckbo and Thorburn** explore post-bankruptcy performance of the auctioned firms. They find that post performance of auctioned firms is independent of overbidding incentives or whether the bank finances the winning bid.

Akdoğu (2009–this issue) and Becher (2009–this issue) also examine the importance of outside markets by looking at the impact of regulatory changes on specific industries. While many discussions of corporate control and governance focus on how mismanagement of a firm's resources can lead to disciplinary takeovers, these studies assess how fundamental industry changes can result in significant restructuring.

Akdoğu studies merger activity in the telecommunications industry following the passage of the Telecom Act of 1996. Commentators at the time had suggested that telecommunications firms must either "merge or die." In a comprehensive industry analysis, **Akdoğu** determines the impact of mergers on rival telecommunications firms. She reports that rivals of the acquirer experience significantly negative returns at merger announcements and argues that the negative returns reflect the need for rivals to also merge to remain competitive. Thus, acquisitions are a means of corporate restructuring in a changing environment, giving the acquirer a competitive edge and making these acquisitions costly for their non-merging competitors.

Becher (2009–this issue) takes a different approach and looks at the banking industry contemporaneously with the passage of the Riegle Neal Act of 1994 that deregulated interstate banking. He reports positive shareholder returns around the passage of the Act for firms that later made interstate acquisitions. This finding picks up the theme of **Akdoğu** that industry dynamics are a key consideration in understanding acquisition activity. In addition, his finding that abnormal returns are observed at the passage of the Act suggests that bidder returns may be attenuated by anticipation and that possibility should be accounted for in empirical analyses.

Eckbo (2009–this issue) reviews the empirical evidence on bid premiums in takeovers and explores in-depth factors expected to influence the bidding process. The evidence is relevant in examining the rationality of the market for corporate control as well as for our understanding of factors that affect bidding strategies. He examines the evidence on determinants of initial bids, responses to bids and bid rejection, the existence and response to a potential winner's curse, effects of toeholds, bidding for distressed firms, and the impact of defensive devices. In general, he argues that the evidence is consistent with rational strategic behavior in bidding.

3. Corporate control vs. corporate governance

Our observation of trends in the finance literature leads us to suggest that the relative focus of corporate control research in the past several decades has changed, from concentration on M&A and the market for corporate control to an analysis of governance. If research follows what "matters" to the markets, this shift is evidence of a change in the relative importance of corporate control (which we define as M&A and takeover activities) as opposed to corporate governance (internal control) mechanisms. Our argument is perhaps best described using the terminology of Jensen (1993, p. 850) in his American Finance Association Presidential address. Jensen argues that there are four major control forces operating on and monitoring managerial decision making: capital markets, the regulatory system, product and factor markets and internal governance. Our analysis here considers whether there has been a relative increase in the importance in research of Jensen's fourth category, internal governance, relative to the first, capital markets. The terminology is not quite reflective of our discussion, however, because the category of capital markets has generally included not only the market for corporate control but also factors such as the effect of capital structure. In addition, there is an endogenous relation among these four control forces (see Mulherin (2005) for a theoretical discussion and Wintoki et al. (2008) for an empirical discussion of the research implications of this endogeneity). The increasing recognition of endogenity by many researchers means that research in the control arena generally incorporates an analysis of the interactions among the various control forces. For example, Rose (2009–this issue) offers an excellent example of the analysis of the interaction between several control mechanisms.

3.1. Overview

In preparing this special issue, we noticed that the focus of recent research in corporate control has moved toward analysis of the determinants and effects of internal corporate governance. Anecdotal evidence that first led us to examine this movement was that the *JCF* had almost twice as many papers submitted for consideration for our special issue on corporate governance in 2006 (see Gillan, 2006) than were submitted to this issue on corporate control and mergers and acquisitions. But even in the current special issue, we note that the papers both submitted and accepted for the conference focused very much on the internal workings of the firm and how control mechanisms such as ownership and board structure influence firm performance.

Of course, the definitions of control, corporate control, market for corporate control, governance, and internal governance are not consistent among writers. Jensen and Ruback (1983) define corporate control as the "rights to determine the management of corporate resources," and Manne (1965) conjectures that these rights are a valuable asset. Manne also coined the term, "market for corporate control." Research in the market for corporate control, which has provided much evidence on the magnitude and determinants of bidder and target returns in takeovers, also includes work on a wide variety of topics including proxy contests, recapitalizations, CEO turnover, the effects of M&A, bankruptcy, private placements, and anti-takeover devices. Corporate governance is, according to La Porta et al. (2000), "a set of mechanisms through which outside investors protect themselves against expropriation by [managers and controlling shareholders]." Shleifer and Vishny (1997) state more generally that, "[corporate governance] deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment." Gillan (2006), in his review of corporate governance (in the *Journal of Corporate Finance*'s Special Issue on Corporate Governance), defines governance several ways including, "the system of laws, rules, and factors that control operations at a company." Gillan includes boards of directors, managerial incentives (including compensation and replacement) and bylaw and charter provisions as internal governance mechanisms; he identifies regulation, capital markets, labor markets, and the market for corporate control as external governance factors. Note that none of these definitions aligns directly with our starting categories provided by Jensen's AFA address.

Thus, we must add caveats to our analysis. Ambiguities in definitions and other complications limit the interpretation of our results. Meanings of terms change as people broaden their view of the elements of corporate governance, and terms are used differently by different researchers. For example, the evolution in terminology is observable in Holmstrom and Kaplan (2001), discussing merger activity of the 1980s and 1990s, in which the authors use the term "corporate control" only once and "corporate governance" thirty times. In fact, corporate governance is used to describe several, if not all, of the Jensen control factors including capital markets and internal governance. Our results, however, are consistent with Holmstrom and Kaplan, who argue that market-based corporate governance replaced the discipline of hostile takeovers and leveraged buyouts after the 1980s. This is in contrast to Jensen (1993), who discusses how the market for corporate control replaced internal governance in the 1980s as a device to discipline management. The market-based governance of Holmstrom and Kaplan includes factors such as incentive compensation, activist boards of directors and activist shareholders, factors that we would suggest are internal corporate governance mechanisms.

3.2. Empirical analysis

To gather further data on this perceived trend, we conduct a simple analysis of the terminology used in the academic literature and the popular press over the past 27 years, from 1980 to 2007, to determine if there are shifts in the type of research and press

Table 1
Word associations with "corporate control"

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Corporate control	Merger	Dual-class	Voting	Family	Proxy	Regulation	Bankruptcy	Governance
Panel A. Scholarly articles in ABI Inform									
1980–1983	22	32%	0%	9%	14%	0%	18%	0%	5%
1984–1987	54	59%	0%	17%	2%	9%	26%	0%	6%
1988–1991	101	66%	1%	12%	9%	5%	8%	0%	5%
1992–1995	118	48%	0%	6%	6%	3%	7%	2%	18%
1996–1999	93	39%	1%	5%	5%	3%	8%	0%	31%
2000–2003	69	42%	3%	7%	9%	1%	9%	3%	35%
2004–2007	120	40%	3%	8%	6%	4%	13%	3%	48%
Panel B. Magazine articles from LexisNexis									
1980–1983	7	43%	0%	0%	0%	29%	29%	0%	43%
1984–1987	15	67%	13%	33%	53%	40%	20%	0%	7%
1988–1991	18	89%	0%	28%	22%	17%	28%	0%	6%
1992–1995	36	69%	3%	36%	36%	36%	33%	17%	25%
1996–1999	65	68%	5%	31%	45%	20%	42%	17%	49%
2000–2003	82	59%	2%	48%	46%	30%	41%	23%	54%
2004–2007	115	52%	4%	28%	33%	28%	42%	12%	47%

This table presents terms commonly associated with corporate control and the frequency with which those terms appear in scholarly articles in the ABI Inform database (Panel A) and in magazine stories in LexisNexis (Panel B) in conjunction with the term "corporate control". Column (2) presents the number of times that "corporate control" appears in the citation or abstract of scholarly articles in Panel A and in the headline or lead paragraphs of magazine articles in Panel B. Columns (3)–(10) present the percentage of the articles in Column (2) that include the term in each column heading. The search term(s) are merger, acquisition, or takeover in Column (3); dual-class in Column (4); vote or voting in Column (5); family or block in Column (6); proxy in Column (7); regulation in Column (8); bankruptcy or bankrupt in Column (9); and governance in Column (10). In Panel A, we examine the citation and abstract for the terms in Columns (3)–(10), and in Panel B, we search the entire document for the terms in Column (3)–(10).

coverage on the two interrelated topics of corporate governance and corporate control. Our general observation is a trend of downplaying the term “corporate control” in these publications and more emphasis on the term “corporate governance”. It is important to note that in our analysis we rely solely on terminology in abstracts, keywords, and lead paragraphs of academic journal articles and magazine stories. Thus, if we identify an article as a “governance article”, it may be that the article has very little to do with governance even though the authors use the term in the keywords. Further, our searches would classify an article as a corporate governance article even if in the abstract the authors wrote, “In opposition to the findings of the *corporate governance* literature, we find that…”.

In Table 1, we show the frequency with which terms related to corporate control appear in both academic literature (scholarly articles from ABI Inform) and in popular press (magazine stories from LexisNexis). In Panel A of Table 1, we search the citation and abstract of scholarly articles in the ABI Inform database for the term “corporate control” and from these articles we search for several key words related to corporate control in the citation and abstract. We find that the terms most frequently associated with corporate control are those relating to takeovers; 32% (1980–1983) to 66% (1988–1991) of all corporate control papers mention takeovers in the citation or abstract. Dual-class share structures and bankruptcy are the terms least frequently associated with corporate control, never reaching more than 3% of the total corporate control articles of a given four-year period. However, the term “governance” is almost monotonically increasing in its usage in corporate control articles, from a low of 5% in 1980–1983 to a high of 48% in 2004–2007.

Panel B of Table 1 relates the frequency of terms used in magazine stories mentioning corporate control in the headline or lead paragraph in LexisNexis. Once again, takeovers are the most frequently used term in association with corporate control, appearing in no less than 43%, and a maximum of 89%, of all stories in any four-year period. We observe an increasing trend of mentioning regulation in corporate control stories. Regulation is mentioned in 20% of stories in 1984–1987 and in more than 40% of stories from 1996 to 2007. Also, as in the scholarly articles, the term “governance” is used in increasing frequency: governance is mentioned in less than 10% of the stories from 1984 to 1991 to more than 45% of the stories from 1996 to 2007.

Table 2 more specifically addresses the relative frequency of corporate control versus corporate governance articles in six widely circulated and referenced academic journals (*Journal of Finance, Journal of Financial Economics, Review of Financial Studies, Journal of Business, Journal of Financial and Quantitative Analysis, and Financial Management*) and in all scholarly journals from ABI Inform, major world publications (which includes academic journals) from LexisNexis, and popular press magazine stories from LexisNexis. For each media type, we report the absolute number of articles that contain “corporate control” in the citation and abstract for the ABI Inform searches and in the headline or lead paragraphs of the LexisNexis searches; this number is then scaled by the number of articles that contain the term “corporate governance.” Unlike Table 1, we do not require the governance articles to also be control articles.

For both of the ABI Inform searches (columns 2 and 3), we find that the relative number of corporate control versus corporate governance articles peaks in the 1988 to 1991 period. In this period for the six journal search, the frequency of corporate control articles is more than seven times that of corporate governance articles. Both ABI Inform searches show a precipitous drop in the relative frequency beginning in the period 1992 to 1995, reaching a low of less than 20% after 2000. This shift from control to governance also holds for the LexisNexis searches of major world publications and magazine articles (columns 4 and 5). Control and governance articles are approximately equally represented in the periods ranging from 1980 to 1987. Governance articles dominate control articles thereafter with the relative number of control articles to governance from both major world publication and magazine stories being less than 5% starting in the 2000–2003 period. Thus, overall we find a dramatic decline in the importance of corporate control articles relative corporate governance articles over the three decades examined.

Table 2
The relative use of corporate control versus corporate governance

(1)	(2)		(3)		(4)		(5)	
	JF, JFE, RFS, JB, JFQA, and FM		All scholarly journals		Major world publications		Magazine stories	
	Corp. control	/ Corp. gov.	Corp. control	/ Corp. gov.	Corp. control	/ Corp. gov.	Corp. control	/ Corp. gov.
1980–1983	5	250%	22	56%	9	100%	7	117%
1984–1987	3	300%	54	169%	37	195%	15	88%
1988–1991	23	767%	101	215%	53	40%	18	53%
1992–1995	20	91%	118	31%	44	4%	36	22%
1996–1999	14	39%	93	16%	54	2%	65	13%
2000–2003	6	14%	69	5%	126	4%	82	3%
2004–2007	13	19%	120	4%	92	3%	115	4%

This table presents the frequency of the term “corporate control” in the popular press and academic articles relative to the term “corporate governance.” In Columns (2) and (3), we search for these terms in the abstract and citation function of ABI Inform. In Column (2), we search in the following academic journals: *Journal of Finance, Journal of Financial Economics, Review of Financial Studies, Journal of Business, Journal of Financial and Qualitative Analysis, and Financial Management.*[**] In Column (3), we search all scholarly articles. In Columns (4) and (5), we search for these terms in the headline and leading paragraphs of LexisNexis' major world publications and magazine articles, respectively. The first half of Columns (2)–(5) show the frequency with which the term “corporate control” appears. The second half of these columns shows this frequency scaled by the frequency with which the term “corporate governance” appears.

Table 3
The ten most highly cited “corporate control” and “corporate governance” papers per decade

Corporate control papers	# of cites	Corporate governance papers	# of cites
Panel A. 1981 to 1989			
Jensen, M., and R. Ruback, 1983. The Market for Corporate Control: The Scientific Evidence. *Journal of Financial Economics* 11, 5–50.	645	Dodd, P. and J. Warner, 1983. On Corporate Governance: A Study Of Proxy Contests. *Journal of Financial Economics* 11, 401–438.	253
Shleifer, A. and R. Vishny 1986. Large Shareholders and Corporate Control. *Journal of Political Economy* 94, 461–488.	500	Williamson, O., 1988. Corporate Finance and Corporate Governance. *Journal of Finance* 43, 567–591.	174
Stulz, R., 1988. Managerial Control Of Voting-Rights, Financing Policies and the Market for Corporate Control. *Journal of Financial Economics* 20, 25–54.	313	Harris, M. and A. Raviv, 1988. Corporate Governance, Voting Rights and Majority Rules. *Journal of Financial Economics* 20, 203–235.	104
Jarrell, G., J. Brickley, and J. Netter, 1988. The Market for Corporate Control: The Empirical Evidence Since 1980. *Journal of Economic Perspectives*, 2, 49–68.	242	*No other citations for corporate governance articles for this period (See* Table 2*, Column 2)*	
Grossman, S. and O. Hart, 1988. One Share One Vote and The Market for Corporate-Control. *Journal of Financial Economics* 20, 175–202.	167		
Morck, R, A. Shleifer, and R. Vishny, 1989. Alternative Mechanisms for Corporate Control. *American Economic Review* 79, 842–852.	132		
Harris, M., and A. Raviv, 1988. Corporate Control Contests and Capital Structure. *Journal of Financial Economics* 20, 55–86.	107		
Dann, L. and H. Deangelo, 1988. Corporate Financial Policy and Corporate Control: A Study Of Defensive Adjustments In Asset and Ownership Structure. *Journal of Financial Economics* 20, 87–127.	81		
Dann, L. and H. Deangelo, 1983. Standstill Agreements, Privately Negotiated Stock Repurchases, and The Market for Corporate Control. *Journal of Financial Economics* 11, 275–300.	63		
Williamson, O., 1983. Organization Form, Residual Claimants, and Corporate Control. *Journal of Law & Economics* 26, 351–366.	53		
Panel B. 1990 to 1999			
La Porta, R., F. Lopez-De-Silanes, A. Shleifer, and R. Vishny, 1998. Law and Finance. *Journal of Political Economy* 106, 1113–1155.	901	Shleifer, A. and R. Vishny, 1997. A Survey of Corporate Governance. *Journal of Finance* 52, 737–783.	603
Harris, M. and A. Raviv, 1991. The Theory of Capital Structure. *Journal Of Finance* 46, 297–355.	281	Yermack, D., 1996. Higher Market Valuation of Companies with a Small Board of Directors. *Journal of Financial Economics* 40, 185–211.	263
Berger, A. and L. Mester, 1997. Inside the Black Box: What Explains Differences in the Efficiencies of Financial Institutions? *Journal of Banking & Finance* 21, 895–947.	168	Himmelberg, C., R. Hubbard, and D. Palia, 1999. Understanding the Determinants of Managerial Ownership and the Link Between Ownership and Performance. *Journal of Financial Economics* 53, 353–384.	157
Comment, R. and G. Jarrell, 1995. Corporate Focus and Stock Returns. *Journal of Financial Economics* 37, 67–87.	162	Core, J., R. Holthausen, and D. Larcker, 1999. Corporate Governance, Chief Executive Officer Compensation, and Firm Performance. *Journal of Financial Economics* 51, 371–406.	130
Byrd, J. and K. Hickman, 1992. Do Outside Directors Monitor Managers? Evidence From Tender Offer Bids. *Journal of Financial Economics* 32, 195–221.	158	Black, B. and R. Gilson, 1998. Venture Capital and the Structure of Capital Markets: Banks Versus Stock Markets. *Journal of Financial Economics* 47, 243–277.	123
Brickley, J., J. Coles, and R. Terry, 1994. Outside Directors and the Adoption of Poison Pills. *Journal of Financial Economics* 35, 371–390.	136	Aggarwal, R. and A. Samwick, 1999. The Other Side of the Trade-Off: The Impact of Risk on Executive Compensation. *Journal of Political Economy* 107, 65–105.	100
Mackinlay, A., 1997. Event Studies in Economics and Finance. *Journal of Economic Literature* 35, 13–39.	132	Yermack, D., 1997. Good Timing: CEO Stock Option Awards and Company News Announcements. *Journal of Finance* 52. 449–476.	93
Holmstrom, B. and J. Tirole, 1993. Market Liquidity and Performance Monitoring. *Journal of Political Economy* 101, 678–709.	128	Kaplan, S. and B. Minton, 1994. Appointments of Outsiders to Japanese Boards Determinants and Implications for Managers. *Journal of Financial Economics* 36, 225–258.	93
Agrawal, A. and C. Knoeber, 1996. Firm Performance and Mechanisms to Control Agency Problems Between Managers and Shareholders. *Journal of Financial and Quantitative Analysis* 31, 377–397.	126	Kang, J. and A. Shivdasani, 1995. Firm Performance, Corporate Governance, and Top Executive Turnover in Japan. *Journal of Financial Economics* 38, 29–58.	89
Black, B. and R. Gilson, 1998. Venture Capital and the Structure of Capital Markets: Banks Versus Stock Markets. *Journal of Financial Economics* 47, 243–277.	123	Wahal, S., 1996. Pension Fund Activism and Firm Performance. *Journal of Financial and Quantitative Analysis* 31, 1–23.	82
Panel C. 2000 to 2008			
Andrade, G., M. Mitchell, and E. Stafford, 2001. New Evidence and Perspectives on Mergers. *Journal of Economic Perspectives* 15, 103–120.	133	La Porta, R., F. Lopez-De-Silanes, A. Shleifer, and R. Vishny, 2000. Investor Protection and Corporate Governance. *Journal of Financial Economics* 58, 3–27.	246
Demsetz, H. and B. Villalonga, 2001. Ownership Structure and Corporate Performance. *Journal of Corporate Finance* 7, 209–233.	74	Megginson, W. And J. Netter, 2001. From State to Market: A Survey of Empirical Studies on Privatization. *Journal of Economic Literature* 39, 321–389.	229
Schwert, G., 2000. Hostility in Takeovers: In The Eyes of the Beholder? *Journal of Finance* 55, 2599–2640.	71	Gompers, P., J. Ishii, and A. Metrick, 2003. Corporate Governance and Equity Prices. *Quarterly Journal of Economics* 118, 107–155.	180
Nenova, T., 2003. The Value of Corporate Voting Rights and Control: A Cross-Country Analysis. *Journal of Financial Economics* 68, 325–351.	67	Claessens, S. and S. Djankov, J. Fan, and L. Lang, 2002. Disentangling the Incentive and Entrenchment Effects of Large Shareholdings. *Journal of Finance* 57, 2741–2771.	119
Daines, R. and M. Klausner, 2001. Do IPO Charters Maximize Firm Value? Antitakeover Protection in IPOs. *Journal of Law Economics & Organization* 17, 83–120.	46	Johnson, S. P. Boone, A. Breach, and E. Friedman, 2000. Corporate Governance in the Asian Financial Crisis. *Journal of Financial Economics* 58, 141–186.	119

Table 3 (*continued*)

Corporate control papers	# of cites	Corporate governance papers	# of cites
Panel C. 2000 to 2008			
Barth, J., G. Caprio, and R. Levine, 2004. Bank Regulation and Supervision: What Works Best? *Journal of Financial Intermediation* 13, 205–248.	39	Faccio, M. and L. Lang, 2002. The Ultimate Ownership of Western European Corporations. *Journal of Financial Economics* 65, 365–395.	115
Allen, F., A. Bernardo, and I. Welch, 2000. A Theory of Dividends Based on Tax Clienteles. *Journal of Finance* 55, 2499–2536.	38	Leuz, C., D. Nanda, and P. Wysocki, 2003. Earnings Management and Investor Protection: An International Comparison. *Journal of Financial Economics* 69, 505–527.	114
Hartzell, J. and L. Starks, 2003. Institutional Investors and Executive Compensation. *Journal of Finance* 58, 2351–2374.	36	Djankov, S. and P. Murrell, 2002. Enterprise Restructuring in Transition: A Quantitative Survey. *Journal of Economic Literature* 40, 739–792.	102
Gorton, G. and F. Schmid, 2000. Universal Banking and the Performance of German Firms. *Journal of Financial Economics* 58, 29–80.	35	Dyck, A. and L. Zingales, 2004. Private Benefits of Control: An International Comparison. *Journal of Finance* 59, 537–600.	101
La Porta, R., F. Lopez-De-Silanes, and A. Shleifer, 2006. What Works in Securities Laws? *Journal of Finance* 61, 1–32.	34	Doidge, C., A. Karolyi, and R. Stulz, 2004. Why Are Foreign Firms Listed in the Us Worth More? *Journal of Financial Economics* 71, 205–238.	68

This table presents the ten most highly cited “corporate control” and “corporate governance” papers in ISI's Web of Science citation database from 1981 to October of 2008. These search terms must appear in the Topic of each paper. Panel A contains papers published from 1981 to 1989, Panel B contains papers published from 1990 to 1999, and Panel C contains papers published from 2000 to October of 2008.

In Table 3, we report the ten most cited corporate control and corporate governance articles in ISI's Web of Science citation database by decade from 1981 through October of 2008. The articles are identified as having the term “corporate control” or “corporate governance” in the topic of each paper. Kim et al. (2006) present a similar list of economics papers with the most citations in their article “What Has Mattered to Economics Since 1970.” We have separated the papers into three panels, with Panel A covering the 1980s, Panel B covering the 1990s and Panel C covering 2000 to October 2008. We use Table 1of Kim, et al., as a guide to journals and add the *Journal of Economic Literature*, *Journal of Financial Intermediation*, *Journal of Corporate Finance*, and *Journal of Banking and Finance* to their list.

As in Kim, et al., we believe the lists are instructive in that they illustrate the focus of much of the control and governance research during this period and help to answer the question of “what matters.” For example, in the 1980s, the articles in the control category are primarily focused on takeovers and anti-takeover devices. In contrast, there are only three corporate governance articles reported for this period, two focus on voting rights and proxy contests, while Williamson (1988) examines debt and equity as alternative governance structures. In the 1990s, the corporate control papers include titles such as “Law and Finance” (La Porta et al., 1998) and the “Theory of Capital Structure,” (Harris and Raviv, 1991) which arguably have less to do with the takeover market and more with control mechanisms in general. However, papers such as Comment and Jarrell's (1995) “Corporate Focus and Stock Returns,” and Byrd and Hickman's (1992) “Do Outside Directors Monitor Managers: Evidence from Tender Offer Bids” fall in the more general takeover literature. The corporate governance papers in the 1990s seem to highlight the role of significant stockholders, board structure and executive compensation.

After 2000, many of the corporate control papers again have a “governance” flavor, such as “Institutional Investors and Executive Compensation,” (Hartzell and Starks, 2003) and “Ownership Structure and Corporate Performance” (Demsetz and Villalonga, 2001). However, papers such as “New Evidence and Perspectives on Mergers,” (Andrade et al., 2001) and “Hostility in Takeovers: In The Eyes of the Beholder?” (Schwert, 2000) satisfy the more traditional definition of corporate control.

While it is difficult to determine a metric by which to compare the “corporate control” vs. “corporate governance” lists, we do note a change in the relative number of citations. The top 10 corporate control articles from the 1980s have 2303 citations as compared to 531 for the three corporate governance articles. While perhaps not a fair comparison given the disproportionate number of articles, the same trend is confirmed in the 1990s. The top 10 corporate control articles have 2315 citations to 1733 for the corporate governance articles. However, in the 2000s, the trend reverses. The corporate control articles have only 573 total citations, relative to 1393 for the corporate governance articles. Thus, this relatively crude measure again emphasizes the change in relative importance of corporate governance.

In Table 4, we examine the frequency with which the terms “corporate control” and “corporate governance” appear in scholarly articles in ABI Inform in which any of the terms merger, acquisition, or takeover appear in the article abstract or citation. Table 4 shows the absolute number of merger articles and merger articles with governance or control in the abstract or citation. Corporate control appears most frequently – 67 times – in M&A articles in the 1988–1991 period; governance appears most frequently – 145 times – in the 2004–2007 period; both terms are at a minimum in the 1980–1983 period. The table also shows the relative frequency of governance to control M&A articles. This relation is the lowest (there are relatively more control articles) in the 1980–1983 period when there were no M&A/governance articles and seven M&A/control articles. The next lowest relative frequency is in the 1988–1991 period when M&A/governance articles (13) are only 19% of the number of M&A/control articles (67), after this period there is a monotonic increase in the relative number of M&A/governance articles. By the 2004–2007 period M&A/governance articles outnumber M&A/control articles by three to one.

Overall, our analysis is consistent with our hypothesized trend that finance research and the popular press have increasingly focused on corporate governance mechanisms that do not necessarily include takeovers or mergers. Empirical analyses have looked increasingly at the effects of internal mechanisms such as ownership blocks and board structure to control and monitor firm decision-making. Some would argue that the rise of the internal governance has occurred because it is more efficient than an active corporate control (including hostile) takeover market. Others would argue that the takeover market has been constrained

Table 4
The use of "corporate control" and "corporate governance" in M&A abstracts

(1)	(2)	(3)	(4)	(5)
	Corporate control	Corporate governance	Governance/control	Number of articles on M&A
1980–1983	7	0	0%	1138
1984–1987	32	10	31%	1684
1988–1991	67	13	19%	2522
1992–1995	57	38	67%	2606
1996–1999	36	53	147%	2877
2000–2003	29	52	179%	3293
2004–2007	48	145	302%	3848

This table presents the absolute and relative use of the terms corporate governance and corporate control in articles in which any of the terms merger, acquisition, or takeover appear in the abstract or citation. All terms examined must appear in the abstract or citation of ABI Inform's database of scholarly articles. Columns (2) and (3) show the frequency that "corporate control" and "corporate governance", respectively, appear in merger article abstracts. Column (4) shows the relative relation of these terms as we scale the frequency in Column (3) by the frequency in Column (2). Column (5) reports the gross number of M&A articles.

by antitakeover provisions, legislative restrictions and judicial decisions, resulting in the development of effective internal governance mechanisms.

3.3. Data availability

Given that empirical research requires data, an important consideration in what research is published must be data availability.[1] The Investor Responsibility Research Center (IRRC) began their analysis of governance and shareholder rights issues in 1972. IRRC shareholder proposal data coverage starts in 1986 and board data coverage starts in 1996. ISS Corporate Services developed the first industry-based governance index in June 2002 and an international governance index in 2004. Execucomp compensation data is available back to 1992. The Corporate Library began providing board data in 2000. The Security and Exchange Commission's EDGAR system, making all public filings readily accessible, started in 1994 with mandatory participation by filing companies beginning in 1996.

These data sources and others have improved the access to corporate governance information significantly over the past decade or more. While we cannot determine the impact of improved data availability in our analysis here, one can argue that the supply of these data reflects a demand to know more about internal firm workings and the greater reliance on internal governance in corporate control. In contrast to data on internal firm characteristics, the data required for research on external control mechanisms such as mergers and acquisitions were available much earlier, though generally in formats that required time-consuming hand collection. See, for example, Jensen and Ruback (1983) and Jarrell et al. (1988) for reviews of significant literature on corporate control in the 1980s.

4. Concluding comments

The articles published in this Special Issue on Corporate Control, Mergers, and Acquisitions provide new perspectives on corporate governance and control. They demonstrate the importance of ownership by insiders, institutions and related investors on the value and performance of firms. They report significant responses to factors impacting industry dynamics. They analyze bidding strategies in the context of bankruptcies and acquisitions in general. They analyze the interrelations between various control mechanisms and emphasize the importance of recognizing control characteristics of the firm as an integrated whole. Overall, they present important perspectives on factors that are relevant to the current market for corporate control.

Our analysis of recent literature shows a movement in academic research on the control of firms from mergers and acquisitions to a broader analysis of corporate governance, especially internal governance mechanisms. If the focus of finance research follows important structures, issues and innovations in financial markets, then our analysis of changes in the control literature helps us to understand the dynamics of corporate control and corporate governance mechanisms. Based on our brief analysis, we suggest that internal governance is increasingly important relative to the discipline of the more traditional market for corporate control tied to mergers and acquisitions. This trend reflects an important change in the past several decades in the means through which financial markets discipline the behavior of corporate managers.

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