THE IMPACT ON CONFLICT BETWEEN CONTROLLING AND MINORITY SHAREHOLDERS

THE CASE OF KAKUZI LIMITED

BY

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Declaration

This management research project is my original work and has not been presented for a degree in any other university.

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This management research project has been submitted for examination with my approval as the university supervisor.

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Dedication

Dedicated to the descendants of the great Kipkatah, especially Jemutai, Kiprono and Tainei. May this be a challenge to pursue further education.

Acknowledgements

The pursuit of this degree would not have been possible without the encouragement, support and assistance of many people. I sincerely believe that without their patience, valuable advice and criticism, completion of this project would not have been possible. I am therefore extremely grateful to them.

To my family; for standing by me throughout this period.

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To almighty God for giving me the strength, patience and discipline to pursue my studies.

And lastly to me; the best investment reward I have made in the last two years and the sacrifices I made to make this happen.

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LIST OF ABBREVIATIONS

AAR	Average abnormal Returns
CAR	Cumulative Abnormal Returns
CEO	Chief Executive officer
EBIT	Earnings Before Interest and Tax
EPK	Eastern Produce Kenya
EPZ	Export Processing Zone
PA	Principal Agent
PLC	Public Liability Company
PP	Principal-Principal
ROA	Return on Assets

ABSTRACT

The main agency conflict in concentrated ownership environments occurs between controlling and minority shareholders. This study investigates the impact on share prices when news released on the media indicates that the interests of these groups diverge.

The study is a case study investigating announcements of conflicts that dominated the media in 2007 between shareholder groups in Kakuzi Limited over the decision by the majority shareholders to dispose a prime asset against the will of minority shareholders.

The study was done by identifying announcements of conflicts reported in local dailies and observations of the share prices and market returns few days before and few days after the announcement of conflicts.

The impact of conflict is determined by analyzing the returns on the Kakuzi shocks for any abnormal return using two different methodologies. The first methodology looks for abnormality in returns relative to the NSE index and the second compares return of the Kakuzi stock to that of selected peer companies.

The results strongly support the hypothesis that such news constitutes an evidence of relevant agency costs taking place, leading to a higher perception of risk and reduced share prices. The study finds a negative stock price reaction to the announcement of such conflicts, with cumulative abnormal returns of around 5% for the days surrounding the event date. Overall, the results reinforce the importance of the adoption of good corporate governance practices in order to avoid corporate value destruction due to problems between shareholder groups.

The research line offers a fertile ground for studies and generates practical results for the development of capital markets in emerging economies characterized by concentrated ownership structures. The researcher recommends that since there is need for development of policy to prevent the possibility of shareholder expropriation, more research should be carried out with focus being on the investor to determine the tools at his disposal in the event in the event of expropriation and to enhance the ability of the use of such tools.

CHAPTER ONE: INTRODUCTION

1.1 Background

An agency problem is a conflict arising when people (the agents) entrusted to look after the interests of others (the principals) use the authority or power given to them, directly or indirectly, by the principals for their own benefit instead. It is a pervasive problem and exists in practically every organization whether a business, church, club, or government.

Theorists on corporate governance identified three types of agency problems focusing on: i) conflicts of interests between shareholders and managers (agency costs of equity, Jensen (1986)); ii) conflicts of interests between controlling shareholders and outside minority shareholders (La Porta,Lopez-de-Silanes, and Sheifer (2000)); and iii) conflicts of interests between shareholders and bondholders (agency cost of debt, Jensen and Meckling (1976)).

Agency problems are mitigated in practice in several ways: legal, regulatory, compensation plans, shareholders and stock market analysis. The costs incurred in management of this problem are known as agency costs.

In environments characterized by dispersed ownership structures, it is important to measure the costs of the managers–shareholders relationship. However, these environments are the exception rather than the norm worldwide (La Porta et al. (1999)). In their survey on international corporate governance, Denis and McConnell (2003) point out that, in many emerging economies, in place of the usual manager-shareholder conflict of interests, there is a different kind of agency problem, namely, that between controlling shareholders and minority shareholders.

Nenova (2003) says there is a permanent probability that the majority and controlling shareholders will try to extract private benefits of control. Different shareholders of the same company may also differ in their preferences on how the company should be governed. These differences may stem from different beliefs among the shareholders as to how the company can be made the most profitable. But they could also arise from diverging interests among the shareholders. Shareholders in the same company could have different interests

and if one shareholder can obtain monetary or non-monetary private benefits when the company acts in a certain way, the shareholder can scheme for the alternative even if it reduces the value for other shareholders.

The Kenyan capital market like the other emerging markets is typically characterized by companies with high levels of ownership concentration, so that discretionary decisions are concentrated in the hands of few shareholders. It is, therefore, an emerging market with predominance of firms under family, state, shared, and/or foreign control. Therefore, governance problems exist among Kenyan companies between controlling and minority shareholders and local disputes are bound to happen upon attempts of economic expropriations by controlling shareholders. Silveira and Junior (2008)

Silveira and Junior (2008) argue that disputes and conflicts taking place between two shareholder groups eventually are brought to the public and have associated agency costs. Investors immediately take into account such potential expropriating decisions, reducing share prices of companies involved in these corporate governance problems. They also add that by disputes or conflicts, one should consider public displays of dissatisfactions by minority investors before or after corporate decisions are made by controlling shareholders.

The level of reaction to the announcement differs. Research has been done on stock price reactions to large news around the world. The conclusion shows that reactions vary widely with many developed markets exhibiting large reactions and some emerging markets exhibiting little or no reaction. Possible explanations for the small reaction have been advanced including; the lack of meaningful accounting, insider trading, delayed reaction to news, and poor news quality.

1.1.1 Kakuzi Limited

Kakuzi Limited is a Kenyan-based company engaged in the cultivation, manufacture and marketing of tea. Kakuzi Limited’s wholly owned subsidiaries include Estates Services Limited, Siret Tea Company Limited, and Kaguru (EPZ) Limited. The Company’s parent

company is Camellia Plc.About 60% of its total revenue emanates from horticultural sales while tea contributes 34% of the total.

1.1.2 The Siret Tea Estate Sale

In April 2007, The Directors of Kakuzi Limited announced to its shareholders and the public that Kakuzi was in negotiations which may lead to the sale of the Siret Tea Estate and Factory. The proposed transaction was subject to the obtaining of all necessary regulatory approvals and exemptions, including the approval of the shareholders of Kakuzi at the Annual General Meeting to be held on 22nd May 2007. (Daily Nation, April 13 2007)

However, Minority shareholders rejected the sale of Siret Farm to the Outgrowers Empowerment Project Company claiming that a higher bid of Sh400 million payable within six months had been rejected in favor of EPK Outgrowers' Sh385 million that was to be paid in installments spread over seven years. They accused the directors of planning to “strip Kakuzi of its prime assets leaving them with a shell company that was unlikely to survive the increasing competitive pressure in the global tea market”. (The Standard Newspaper May 1, 2007)

The majority shareholders with a combined stake of 50.7 per cent easily pushed through and the fate of Siret was finally sealed when the President exempted the parties from the provisions of the land control act, hence giving the directors of Kakuzi the authority to sell the tea estate.

1.2 Statement of the Problem

The “agency problem” is now an ingrained part of the vocabulary used when discussing the ownership, management and operation of an organization (Shleifer and Vishny, 1997; Dennis and McConnell, 2003; Gillan, 2006; Tirole, 2006).

Literature generally argues that firms face two types of agency problems: vertical agency problems that exist between owners and managers, and horizontal agency problems that exist

between majority and minority owners (Shliefer and Vishny, 1997, Gilson and Gordon, 2003).

The main agency conflict in concentrated ownership environments occurs between controlling and minority shareholders. Exploitation of minority shareholders can take several forms including higher compensation to majority shareholders, appropriation of corporate assets, and dilution of minority shareholders interests through issuance of stock or dividends.

Most of the empirical studies on corporate governance aim to assess the potential positive impact of the adoption of better governance practices. However less direct evidence exists on the magnitude and extent of the actual costs associated with the agency problem.

Yadav et al (2009), presented empirical evidence on the agency costs which emerge from horizontal (majority versus minority) agency problems. Using a cross-section of 55,970 public and private firms, they documented that agency costs increased as firms moved from a single owner/single manager ownership structure to more complicated ownership structures. In their study they measured the agency costs by two variables; 1) is the difference in asset turnover ratios. Asset turnover ratio is measured as revenues scaled by assets. This ratio captures the efficiency with which a firm's management deploys its assets in terms of revenue generation. By comparing the asset turnover ratios of firms with different ownership and management structures with those of zero agency cost firms (firms that are owned and managed by a single individual), they estimated the economic significance of efficiency losses that can be attributed to agency problems. 2) Unwanted production costs and excessive perks. Such excess expenses impact the company's earnings. They captured the losses by comparing the differences in return on assets (ROA) ratios. The ratio was calculated as the earnings before interest and taxes (EBIT) scaled by assets.

Silveira and Junior (2008) investigated the impact on share prices when news released on the specialized media indicates that the interests of these groups diverge. They analyzed the effect on share price of 24 announcements of conflicts between shareholder groups in Brazil.

Like Yadav et al (2009), Silveira and Junior (2008) this research was guided by the argument by scholars (Gilson rand Gordon, 2003; Burkart, Gromb and Panunzi, 1997, 1998; Laeven and Levine, 2008) who argued that the magnitude of the costs over the adoption of better governance practices is a major concern in corporations. The contribution of this research was to investigate the costs associated with the horizontal agency problem

This research aimed to assess the relevance attributed by investors to the announcement of disputes taking place between two shareholder groups: controllers and minority shareholders. The basic hypothesis is that these announcements, brought to the public by news on newspapers, leads investors to immediately take into account such potential expropriating decisions, reducing share prices of companies involved in these corporate governance problems. This research closely mirrors the study by Silveira and Junior (2008) but its concentration is solely on one listed company at the Nairobi Stock Exchange.

1.3 Objectives of the Study

The objective of the study was to analyze how announcements on shareholder conflicts impact on share prices of Kakuzi limited.

1.4 Importance of the Study

The study may be important to the following audiences:

Investors, Government Agencies, Market Supervisory and Regulatory bodies

The study may highlight the potential damage that conflicts resulting from inadequate governance practices can cause on companies and the economically significant results would reinforce the importance for firms to adopt good governance practices, in order to avoid the destruction of corporate value due to problems between shareholder groups.

Participants in NSE

Brokers would use the study findings to understand how public display of conflicts affects pricing and trading volume of shares and this would assist them while making decisions on when to buy or dispose shares.

Academicians and other Researchers

The research line will offer a fertile ground for studies, besides generating practical results for the development of capital markets in emerging economies characterized by concentrated ownership structures. Other researchers should use the study to further their study in this area by reviewing the empirical literature and establishing study gaps to fill.

CHAPTER TWO: LITERATURE REVIEW

2.1 INTRODUCTION

Instead of traditional principal–agent conflicts espoused in most research dealing with developed economies, principal–principal conflicts have been identified as a major concern of corporate governance in emerging economies. Yi Jiang et al. (2008). Principal–principal conflicts between controlling shareholders and minority shareholders result from concentrated ownership, extensive family ownership and control, business group structures, and weak legal protection of minority shareholders. The following sections of this research will review the theoretical and empirical works related to the agency theory and horizontal agency relationships respectively.

2.2 Theoretical Studies

When human interaction is viewed through the lens of the economist, it is presupposed that all individuals act in accordance with their self-interest. Moreover, individuals are assumed to be cognizant of the self-interest motivations of others and can form unbiased expectations about how these motivations will guide their behavior. Conflicts of interest naturally arise.

These conflicts are apparent when two individuals form an agency relationship, i.e. one individual (principal) engages another individual (agent) to perform some service on his/her behalf. A fundamental feature of this contract is the delegation of some decision-making authority to the agent. Agency theory is an economic framework employed to analyze these contracting relationships. Jensen and Meckling (1976) present the first cohesive treatment of agency theory.

Unless incentives are provided to do otherwise or unless they are constrained in some other manner, agents will take actions that are in their self-interest. These actions are not necessarily consistent with the principal's interests. Accordingly, a principal will expend resources in two ways to limit the agent's diverging behavior: (1) structure the contract so as to give the agent appropriate incentives to take actions that are consistent with the principal's interests and (2) monitor the agent's behavior over the contract's life. On the other hand,

agents may also find it most favorable to use resources to guarantee they will not take actions detrimental to the principal's interests (i.e. bonding costs). These expenditures by principal and/or agent are the costs of the agency relationship.

It is not easy to structure a contract so that the interests of both the principal and agent are perfectly aligned. Both parties incur monitoring costs and bonding costs. Even so, there will be some divergence between the agent's actions and the principal's interests. The reduction in the principal's welfare arising from this divergence is an additional cost of an agency relationship (i.e. residual loss). Therefore, Jensen and Meckling (1976) define agency costs as the sum of: (1) the principal's monitoring expenditures; (2) the agent's bonding expenditures; and (3) the residual loss. Barnea et al. (1985) divide agency theory into two parts according to the type of contractual relationship examined – the economic theory of agency and the financial theory of agency.

The Economic Theory

The economic theory of agency examines the relationship between a single principal who provides capital and an agent (manager) whose efforts are required to produce some good or service. The principal receives a claim on the firm's end-of-period value. Agents are compensated for their efforts by a wage.

The Financial theory

The financial theory of agency examines contractual relationships that arise in financial markets. Three classic agency problems are examined in the finance literature: (1) partial ownership of the firm by an owner-manager; (2) debt financing with limited liability; and (3) information asymmetry. A corporation is considered to be a nexus for a set of contracting relationships (Jensen and Meckling, 1976). Not surprisingly, conflicts arise among the various contracting parties (manager, shareholder, bondholders, etc.). Jensen (1986) argues that there are agency costs associated with free cash flow. Free cash flow is discretionary cash available to managers in excess of funds required to invest in all positive net present value projects. If there are funds remaining after investing in all positive

net present value projects, managers have incentives to misuse free cash flow by investing in projects that will increase their own utility at the expense of shareholders (Mann and Sicherman, 1991).

Conflicts also arise between stockholders and bondholders when debt financing is combined with limited liability. As explained in an analogy between a call option and equity in a levered firm. (Black and Scholes, 1973; Galai and Masulis, 1976). The asymmetric information problem manifests itself when a firm's management seeks to finance an investment project by selling securities (Myers and Majluf, 1984). Managers may possess some private information about the firm's investment project that cannot be credibly conveyed (without cost) to the market due to a moral hazard problem.

In developed economies, because ownership and control are often separated and legal mechanisms protect owners' interests, the governance conflicts that receive the lion's share of attention are the principal–agent (PA) conflicts between owners (principals) and managers (agents) (Jensen and Meckling, 1976). However, in emerging economies, there is a prevalence of concentrated firm ownership (Dharwadkar et al., 2000). Concentrated ownership, combined with an absence of effective external governance mechanisms, results in more frequent conflicts between controlling shareholders and minority shareholders (Morck et al., 2005). This has led to the development of a new perspective on corporate governance, which focuses on the conflicts between different sets of principals in the firm. This has come to be known as the principal–principal (PP) model of corporate governance, which centers on conflicts between the controlling and minority shareholders in a firm (Dharwadkar et al., 2000).

2.3 Empirical studies

PP conflicts are characterized by concentrated ownership and control, poor institutional protection of minority shareholders, and indicators of weak governance such as fewer publicly traded firms (La Porta et al., 1997), lower firm valuations (Claessens et al., 2002; La Porta et al., 2002; Lins, 2003), lower levels of dividends payout (La Porta et al., 2000), less

information contained in stock prices (Morck et al., 2000), inefficient strategy (Filatotchev et al., 2003; Wurgler, 2000), less investment in innovation (Morck et al., 2005), and, in many cases, expropriation of minority shareholders (Claessens et al., 2000; Faccio et al., 2001; Johnson et al., 2000; Mitton, 2002).

The nature of principal–principal conflicts

In developed countries, the primary agency conflicts – PA conflicts – occur between dispersed shareholders and professional managers. Accordingly, there are several governance mechanisms that may help align the interests of shareholders and managers. These include *internal* mechanisms such as boards of directors, concentrated ownership, executive compensation packages, and *external* governance mechanisms such as product market competition, the managerial labour market, and threat of takeover (Demsetz and Lehn, 1985; Fama and Jensen, 1983). The optimal combination of mechanisms adopted can be considered as a 'package' or an 'ensemble' where a particular mechanism's effectiveness depends on the effectiveness of others (Davis and Useem, 2002; Rediker and Seth, 1995). For example, if a board of directors is relatively ineffective, a takeover bid may be necessary to dislodge an entrenched CEO. Thus, governance mechanisms operate interdependently with overall effectiveness depending on the particular combination (Jensen, 1993).

The institutional setting in emerging economies calls for a different bundle of governance mechanisms since the corporate governance conflicts often occur between two categories of principals – controlling shareholders and minority shareholder. This redrawing of the battle lines changes the dynamics of corporate governance in PP conflicts. For example, controlling shareholders can decide who is on the board of directors. This effectively nullifies a board's ability to oversee controlling shareholders.

In developed economies, concentrated ownership is widely promoted as a possible means of addressing traditional PA conflicts (Demsetz and Lehn, 1985; Grossman and Hart, 1986).

But in emerging economies, since concentrated ownership is a root cause of PP conflicts, increasing ownership concentration cannot be a remedy and may, in fact, it make things worse (Faccio et al., 2001). This pitting of controlling shareholders against minority shareholders often results in the expropriation of the value from minority shareholders (Shleiferand Vishny, 1997). Expropriation may be accomplished by: (1) putting less-than-qualified family members, friends, and cronies in key positions (Faccio et al., 2001); (2) purchasing supplies and materials at above-market prices or selling products and services at below-market prices to organizations owned by, or associated with, controlling shareholders (Chang and Hong, 2000; Khanna and Rivkin, 2001); and (3) engaging in strategies which advance personal, family, or political agendas at the expense of firm performance such as excessive diversification (Backman, 1999).

The Prevalence of Dominant Ownership

As mentioned in the previous section, dominant ownership is common among publicly traded corporations in emerging economies and it is a root cause of PP conflicts. There are two reasons why dominant ownership is more prevalent in emerging economies. First, at the 'threshold' stage from founder to professional management (Daily and Dalton, 1992), giving up dominant ownership requires that the founders divulge sensitive information to outside investors. This has serious implications for building organizational knowledge and capabilities (Zahra and Filatotchev, 2004). Founder-managed firms may be reluctant to share strategically vital information with outsiders. This makes crossing the threshold from dominant to dispersed ownership more difficult in emerging economies.

Second, emerging economy firms may rely more heavily on dominant ownership for corporate governance reasons (Gedajlovic et al., 2004). In emerging economies, product markets, labour markets, takeover markets and other external factors are corrupted or ineffective and thus less effective in governing top managers (Djankov and Murrell, 2002; Groves et al., 1995; La Porta et al., 1998) and as a result, more emphasis is placed on internal control mechanisms (Peng and Heath, 1996).

The primary internal governance mechanism in developed economies is the board of directors (Fama and Jensen, 1983). However, boards of directors in emerging economies are less likely to play a strong monitoring and control role (Peng, 2004; Peng et al., 2003; Young et al., 2001). This means that firms in emerging economies are forced to rely on dominant ownership to keep potential managerial opportunism in check (Dharwadkar et al., 2000). The result is that dominant ownership is the norm even in the largest corporations in emerging economies (La Porta et al., 1999). Not only is concentrated ownership more likely to occur, but controlling shareholders are likely to be *dominant* owners – holding more than 50 per cent of firm equity (Dharwadkar et al., 2000). In contrast, researchers working on US or UK samples often use a cut-off of 5 per cent equity to indicate the presence of 'blockholders', who exercise 'owner control' (Dharwadkar et al., 2000, p. 659).

Family Ownership

In emerging economies, controlling ownership is often in the hands of a family (Chen, 2001; Claessens et al., 2000; La Porta et al., 1999). Family control may reduce agency costs by helping to align ownership with control (Fama and Jensen, 1983; Jensen and Meckling, 1976). Family business scholars identify a number of underlying dimensions that assist family firms (Habbershon and Williams, 1999) and reduce monitoring costs (Lubatkin et al., 2005).

On the other hand, family control may increase the likelihood of expropriation of non-family minority shareholders and can harm performance (Bloom and Van Reenen, 2006). Family owners may expropriate firm resources and appoint unqualified family members to key posts (Carney, 1998; Claessens et al., 2000). Sibling rivalry, generational envy, non-merit-based compensation, and 'irrational' strategic decisions can destroy firm value in family businesses (Gomez-Mejia et al., 2001).

The net advantage or disadvantage of family control also depends upon the size and complexity of the organization. As Gedajlovic et al. (2004, p. 905) put it, '[Family managed firms] are more likely to be born, grow, and thrive when the environment they face is characterized by low levels of munificence and complexity, but high levels of dynamism'.

As the environment becomes more munificent or complex, the organization requires more formal and systematic control systems, and this is where family-managed firms run into problems (Gedajlovic et al., 2004). The high costs of enforcing arm's-length contracts means that even large and complex firms often are staffed with family members (Backman, 1999). While this may solve some problems, it also creates new problems such as parents' altruism – defined in the family business literature by Schulze et al. (2003) as parents' inability to discipline under-performing adult children who serve in management positions in their firm. This is especially true for countries where the traditional culture places a high value on family ties (Bruton et al.2003).

Business Groups

Another ubiquitous feature of corporate life in emerging economies is business groups (Ghemawat and Khanna, 1998; Peng and Delios, 2006). A business group is 'a collection of legally independent firms that are bound by economic (such as ownership, financial and commercial) and social (such as family, kinship and friendship) ties' (Yiu et al., 2005, pp. 183-206).

Large family businesses often are organized around business groups, with different affiliated companies being run by various family members or branches (Biggart and Hamilton, 1992; Wilkinson, 1996). While business groups exist throughout the world, they are relatively more prevalent in emerging economies (Peng et al., 2005; Yiu et al., 2005). While there are benefits to business groups, they can have certain disadvantages: they tend to be large cumbersome organizations that carry coordination and administration costs (Bae et al., 2002;

Claessens et al., 2002; Ferris et al., 2003; Joh, 2003). Poor performance of business groups are in part due to problems in coordinating and allocating resources between the affiliated members (Isobe et al., 2006; Mursitama, 2006). More importantly for corporate governance reasons, the low transparency of such sprawling, loosely-affiliated business groups makes it difficult for minority shareholders to determine where control resides. It also makes it hard to identify and challenge unfair intra-group transactions (Chang, 2003). Since such networks provide significant opportunity for collusion or other unethical transactions (Hoskisson et al., 2000; Woodruff, 1999).

In short, business group affiliation provides a means by which controlling shareholders can expand control and thus increases the likelihood of expropriation of minority shareholders, which causes PP conflicts. Khanna and Rivkin (2001, p. 51).

In business groups, minority shareholders from a member firm are more likely to experience expropriation when the control rights of the controlling shareholders are greater than the cash flow rights – a practice referred to as 'pyramiding' (Bertrand et al., 2002; Claessens et al., 2002). In extreme cases, 'the controlling shareholders can extract high returns from projects that [actually yield] negative returns to the corporation' (Faccio et al., 2001, p. 54).

2.4 Organizational consequences of horizontal conflicts

The organizational consequences of PP conflicts include and inefficient capital allocation and lower standards of living (Morck et al., 2005; Wurgler, 2000), less than optimal strategic decisions and minority shareholder expropriation (Claessens et al., 2002; Lins, 2003; Morck et al., 2005; Wright, 1999). This section focuses on the impact on individual firms. These effects are principally twofold – increase in costs, along with compromise on organizational strategy and competitiveness.

Organizational Strategy and Competitiveness

While expropriation of minority shareholders arguably is unjust in its own right, PP conflicts also affect organizational performance and competitiveness by corrupting firm strategy (Filatotchev et al., 2001; Lins, 2003). Examples of actions that harm competitiveness include: (1) placing unqualified family members, friends, and cronies in key positions while overlooking better qualified candidates (Faccio et al., 2001); (2) purchasing supplies and materials at above-market prices or selling products and services at below-market prices to organizations owned by, or associated with, controlling shareholders (Chang and Hong, 2000; Khanna and Rivkin, 2001); (3) engaging in strategies which advance personal, family, or political agendas at the expense of firm performance such as excessive diversification (Backman, 1999); and (4) lower expenditure for innovation (Chen and Huang, 2006; Morck et al., 2005). Such actions are more likely to happen in emerging economies where legal and regulatory institutions are less developed.

Furthermore, PP conflicts are likely to increase the cost of capital, as firms with PP conflicts must pay higher dividends to attract investors (Bae et al., 2002; Ferris et al., 2003; Gomes, 2000; Lins, 2003). This partially explains why minority shareholders are willing to tolerate the risk of expropriation in exchange for higher dividends. These higher dividends can be thought of as a form of payoff that results in higher costs of capital and lower firm valuations (Faccio et al., 2001; Lins, 2003).

In summary, PP conflicts may undermine firm competitiveness and discourage investor participation. This, in turn, increases the cost of capital through higher dividends and lower prices for equity offerings.

Costs of Principal–Principal Conflicts

The potential substitution of internal and external governance mechanisms suggests that concentrated ownership substitutes for poor external governance mechanisms in emerging

economies to reduce traditional principal–agent monitoring conflicts. However, controlling shareholders differ from minority shareholders in terms of their monitoring role and their ability for expropriation. There are three reasons why monitoring costs may actually be higher in emerging economy firms with PP conflicts. First, institutional structures are ambiguous (North, 1990; Peng, 2003). This makes the monitoring costs higher as it is more difficult to specify and measure the terms of contracts (Hill, 1995; Williamson, 1985). Second, since the agents (top managers) are also (or represent) the controlling shareholders, they are able to circumvent many of the traditional monitoring mechanisms, such as boards of directors (Dharwadkar et al., 2000). Finally, ownership concentration decreases the liquidity of stock markets, which results in less information content in share prices, reducing the monitoring capacity of capital markets (Holmstrom and Tirole, 1993; Morck et al., 2005). As such, for minority shareholders, the only viable recourse is to 'vote with their feet' by selling shares.In addition, to attract minority shareholders, controlling shareholders may need to incur bonding costs as a type of implicit guarantee against expropriation.

Yadav et al (2009) in their research documented that agency costs increase as firms move from a single owner/single manager ownership structure to more complicated ownership structures. Within each ownership structure, the agency costs are significantly higher when firms are not managed by owners. They also found that agency costs are lower in firms with shared control of ownership and where control is contestable.

They argued that the fundamental feature of close corporation ownership structures is that shareholders are typically few in number, are knowledgeable about firm operations, and are involved in management. It is possible that a controlling shareholder will extract private benefits of control by forcing decisions which expropriate minority shareholder wealth (Grossman and Hart, 1980; Dyck and Zingales, 2004; Gilson and Gordon, 2003).

Silveira and Junior (2008 investigated the impact on share prices when news released on the specialized media indicate that the interests of these groups diverge. Specifically, they analyzed 24 announcements of conflicts between shareholder groups in Brazil using two different event study methodologies.

The results supported their hypothesis that such news constituted a proxy for relevant agency costs taking place, leading to a higher perception of risk and reduced share prices. They found a strong negative stock price reaction to the announcement of such conflicts, with cumulative abnormal returns of around 12% for the 15 days surrounding the event date. Besides, the negative impact did not seem to be transitory, since there is no post-event positive drift.

Silveira and Junior (2008) further found striking results in support of their hypothesis that announcements of complains by minority investors against policies and decisions made by controlling shareholders would increase the perception of the so-called "governance risk factor" on such companies, therefore resulting in value depreciation.

Their research generally provided relevant evidence for investors and policy regulators about the potential damage that conflicts resulting from inadequate governance practices can cause on companies. It also pointed out the relevance of media for promoting better corporate governance practices, since these relevant announcements would not be made public without an independent and specialized coverage (making other controlling shareholders fearful of their own possible wealth loss in case of not making decisions in the best interest of all shareholders).

Borrowing from the extensive research on horizontal agency costs and their associated costs, this research proposes to encapsulate related concepts so as to study the effects of adverse announcements on the share price of a listed company in the Nairobi stock exchange.

2.5 Local Studies

Most of the research discussed above was done in other countries. Relatively few empirical studies have been done in Kenya on the aspects of ownership structure, firm performance and more so with regard to expropriation. A study by Thuku (2000) focused on ownership structure and bank financial performance in Kenya. Olteria (2000) also focused on ownership structure but not banks but all firms listed at the NSE. Onyango (2004) to maintain the focus on what the previous two had done buy looking at ownership structure and the value of

firms. Medline (2004) found no relationship between ownership structure and governance practices of firms listed in the NSE. Weche (2005) did a comparison between the performance of privatized and public firms.

These empirical studies have restricted their scope to determination of the different ratios of the owners and relating that to firm value and firm performance; however, none has gone the way that this study does in understanding the impacts of the relations in the ownership structures to firm value and performance. Rather than focus on the different ownership structure, this study fills the gap in empirical literature on what the conflicts between the owners in the different structure have on firm value.

CHAPTER THREE: METHODOLOGY AND DATA ANALYSIS

3.0 INTRODUCTION

This chapter presents the research methodology employed in this study. It includes the research design, population and sampling criteria, the research model and the event study methodologies used.

3.1 Research Design

A desk research design was used in the study. The research depended on secondary data to determine and define the causal relationship of the share price (dependent variable) to the independent variable (the announcement of conflicts between the majority and minority shareholders).

3.2 Data collection

The research involved identifying all announcements that were made pre, during and post the sale of Siret Tea Company. The search was performed by search tools in the following newspapers; The Daily Nation, The Standard, Business Daily' and their websites, looking for events published in 2007 using three main keywords:

- Majority/minority shareholders
- Conflict/controversial sale
- Kakuzi/Siret sale

Data for the share, as well as the NSE index points was collected in the electronic database. Closing prices were considered to calculate daily stock returns. Stock prices were obtained with adjustments for proceeds, including dividends.

3.3 Data Analysis

During the selection of the events to be analyzed, the research took into account any announcement that could be clearly regarded as a dispute or explicit conflict between the two shareholders groups. It focused on events that were clearly considered public complaints by minority investors against proposals or decisions by controlling shareholders since the aim is to investigate if the mere announcement of conflicts provokes abnormal changes in share prices.

Since the correct event date is obviously extremely important, the search for the announcements in chronological order was made with special care, in order to avoid the analysis of news previously announced to the public in other reports.

The study estimated abnormal returns by applying two different event study methodologies: the well known one presented by Campbell, Lo, and Mackinlay (1997), and an alternative method presented by Cooper, Dimitrov, and Rau (2001).

3.3.1 Event study using Campbell et al. (1997) methodology

Based on Campbell et al. (1997) methodology, one can calculate the expected stock returns computing market-adjusted abnormal returns relative to the NSE index. The event date is

defined as the day D=0. The abnormal returns are calculated for two event windows: i) on the event day (D=0 to D+1); ii) over two days surrounding the event day (D-2 to D+2).

In order to calculate the event window expected return, the study estimated betas and the parameters of the market model by running simple linear regressions for three months estimation window before the 15 days of the first event window. The figure below describes the timeline that was adopted:

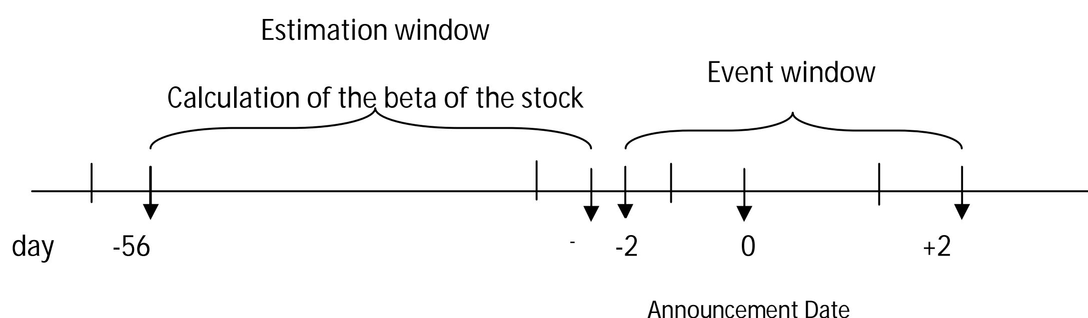

Chart 1 – Timeline adopted for estimation and event windows.

3.3.2 Event study using Cooper et al. (2001) methodology

The methodology employed by Cooper et al. (2001) is based on a comparison between the returns of the firms of the sample with the returns of selected peer companies not affected by the announcements. Therefore, it will compute abnormal returns relative to a matched control group of firms selected based on three main attributes: industry, market capitalization, and operational profitability.

The abnormal return for each firm is then calculated as the difference between its returns during the event window and the returns earned by its matched control firm. Based on Cooper et al. (2001, p. 2377) and Brown and Warner (1985), the aggregated abnormal

returns, cumulative abnormal returns (CAR) for a D-5 to D+10 window, and parametric t-statistics to measure whether the CAR is significantly different from zero are calculated as follows:

$$AR_t = \frac{\sum_{i=1}^{N} R_{it} - \sum_{j=1}^{N} R_{jt}}{N}; \quad CAR = \sum_{t=-5}^{10} \sum_{i=1}^{N} \frac{AR_{it}}{N}; \text{ and, } \quad t = \sum_{t=l}^{k} AR_t \Big/ \sqrt{\sigma^2_{est_window} \times M}$$

Where R_{it} and R_{jt} are the return on the sample firm i and its corresponding matched firm j from the non affected control group for day t. N is the number of firms. $\sigma^2_{holdout}$ Is the variance of the abnormal return computed over the estimation window and M is the number of days from t=l to k (we use an estimation period of 56 days, with l = D-15 and k = D-71).

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

The Share price of Kakuzi Limited was studied over five different event windows. The study was to determine the changes in share price two days before and two days after the announcement of conflict. The Share price was also compared with that of selected peer companies during the event window. The period of study is spread over the year 2007 when several announcements of conflicts were reported on the media.

4.2 Descriptive statistics

Table 1 provides some descriptive statistics, grouping the sample peer firms showing their attributes with respect to the NSE sector and their market capitalization which is quite close to that of the company under investigation.

Company	Sector	Average Market CAP
REA VIPINGO	AGRICULTURAL	1,355,000
CAR AND GENERAL	COMMERCIAL & SERVICES	831,966.64
CROWN BERGER	INDUSTRIAL AND ALLIED	1,073,646.75
UNGA GROUP	INDUSTRIAL AND ALLIED	990,524
WILLIAMSON TEA	AIMS	709,266

Table 1: Sample peer firms used for comparison in the study

An extensive search was carried out using the internet to identify the days in which major announcements of conflicts were reported in the media. Five specific events were arrived at where there was adequate coverage and reporting of conflicts. These conflicts days are identified and summarized in the following table.

Date	Description of Conflict
13th April	Controversy over advert in all dailies on sale of Siret
30th April	Article in Neswpapers showing possiblity of expropriation in sale
9th May	Rejoinder by Majority sharholders to expropriation accusation
22nd May	Stormy AGM where minority shareholders walked out
5th Nov	President assents to the sale of Siret

Table 2: Summary of the identifiable conflicts

4.3 Event study results

To determine the impact of conflict on share price, the study used two event study methodologies. Using Campbell's methodology, a study was done on the share price of Kakuzi limited in two different scenarios. The first scenario determined the share prices Average abnormal return (AAR) and Cumulative abnormal return (CAR) on the specific date of announcement of conflict. The second scenario was on a widened window of two days before and two days after the announcement of conflict. The actual data and computation of the returns on the stock over this period are summarized as table 3 in the following page.

The second methodology by Cooper et al. compared the return on the kakuzi stock with that of five selected peer companies. The objective was to determine any abnormality in return in the stocks. It would be expected that the return of the stock under normal conditions would be in tandem with that of selected peer companies. However if the conflicts between the shareholders have a negative impact on the share price, then the return on that stock would be negative to those of the selected peers.

1st Controversy	Kakuzi share Price	Days return on Kakuzi stock	NSE index	Market Return	Expected Return	Abnormal
1	41.00	2%	5227.81	0.0200	0.0154	0.460%
2	40.00	-2%	5218.64	0.0000	0.0004	-2.040%
3	41.25	3%	5228.75	0.0000	0.0004	2.960%
4	40.00	-3%	5242.88	0.0000	0.0004	-3.040%
5	39.00	-3%	5228.88	0.0000	0.0004	-3.040%
2nd Controversy						
1	40.00	-1%	5148.07	-0.0100	-0.0072	-0.280%
2	40.00	0%	5148.07	0.0000	0.0004	-0.040%
3	38.00	-5%	5141.46	0.0000	0.0004	-5.040%
4	38.00	0%	5169.53	0.0100	0.0079	-0.790%
5	38.00	0%	5116.02	-0.0100	-0.0072	0.720%
3rd controversy						
1	38.00	0%	5191.12	0.0000	0.0004	-0.040%
2	38.25	1%	5101.43	-0.0200	-0.0147	2.470%
3	34.50	-10%	5067.74	-1%	-0.0072	-9.280%
4	35.00	1%	5071.73	0.0000	0.0004	0.960%
5	35.00	0%	5114.17	0.0100	0.0079	-0.790%
4th controversy						
1	37.00	-3%	5191.53	0.0000	0.0004	-3.040%
2	37.00	0%	5191.53	0.0000	0.0004	-0.040%
3	38.00	3%	5154.41	-0.0100	-0.0072	3.720%
4	35.00	-8%	5108.69	-0.0100	-0.0072	-7.280%
5	35.00	0%	5132.74	0.0000	0.0004	-0.040%

Table 3: Calculations of Kakuzi stock return over the different event windows

	ACTUAL RETURNS FOR FIRM UNDER STUDY AND SELECTED PEER FIRMS GROUPED ACCORDING TO DIFFERENT EVENT WINDOWS										
KAKUZI	-2%	3%	-3%	-3%	0%		1%	-1%	-5%	0%	0%
REA VIPINGO	-3%	1%	-1%	-6%	6%		0%	0%	1%	1%	-2%
CAR & GENERAL	-7%	0%	9%	-5%	0%		0%	0%	0%	0%	0%
CROWN BERGER	-1%	-1%	0%	-3%	0%		0%	-6%	-1%	-1%	-6%
UNGA	2%	-4%	9%	5%	-4%		1%	1%	0%	-1%	0%
WILLIAMSON TEA	-1%	0%	0%	0%	0%		-7%	8%	-6%	0%	0%
	ABNORMAL RETURNS FOR FIRM UNDER STUDY B ASED ON FIRMS RETURN WITH SELECTED PEER FIRMS										
	1%	2%	-2%	3%	-6%		1%	-1%	-6%	-1%	2%
	5%	3%	-12%	2%	0%		1%	-1%	-5%	0%	0%
	-1%	4%	-3%	0%	0%		1%	5%	-4%	1%	6%
	-4%	7%	-12%	-8%	4%		0%	-2%	-5%	1%	0%
	-1%	3%	-3%	-3%	0%		8%	-9%	1%	0%	0%
	0%	4%	-6%	-1%	0%		2%	-2%	-4%	0%	2%
CUMULATIVE ABNORMAL RETURN					-3%						-2%
AVERAGE ABNORMAL RETURN					-1%						0%

	ACTUAL RETURNS FOR FIRM UNDER STUDY AND SELECTED PEER FIRMS GROUPED ACCORDING TO DIFFERENT EVENT WINDOWS										
KAKUZI	1%	-10%	0%	0%		0%	3%	0%	-8%	0%	4%
REA VIPINGO	1%	-2%	-3%	0%		4%	-2%	2%	-2%	-1%	0%
CAR & GENERAL	0%	0%	1%	0%		8%	6%	7%	-1%	6%	-3%
CROWN BERGER	8%	-4%	-1%	5%		1%	2%	0%	0%	3%	8%
UNGA	-2%	2%	-2%	2%		-3%	2%	-2%	-1%	-1%	0%
WILLIAMSON TEA	0%	0%	0%	0%		0%	0%	0%	0%	0%	0%
	ABNORMAL RETURNS FOR FIRM UNDER STUDY B ASED ON FIRMS RETURN WITH SELECTED PEER FIRMS										
	0%	-8%	3%	0%		-4%	5%	-2%	-6%	1%	4%
	1%	-10%	-1%	0%		-8%	-3%	-7%	-7%	-6%	7%
	-7%	-6%	1%	-5%		-1%	1%	0%	-8%	-3%	-4%
	3%	-12%	2%	-2%		3%	1%	2%	-7%	1%	4%
	1%	-10%	0%	0%		0%	3%	0%	-8%	0%	4%
	0%	-9%	1%	-1%		-2%	1%	-1%	-7%	-1%	3%
CUMULATIVE ABNORMAL RETURN					-9%						-5%
AVERAGE ABNORMAL RETURN					-2%						-1%

Table 4: Calculations of CAR and AAR using Coopers Methodology

4.4 Discussion on Findings

For comparison sake, the AAR's and CAR's of the firm based on the two event study methodologies previously presented: one computing market-adjusted abnormal returns relative to the NSE index, and an alternative method comparing returns of the sample firms with returns of selected peer companies not affected by the announcements, are summarized in the table 5 below.

Event Window	Campbell methodology on event date		Campbell methodology on - 2 to 2 days		Cooper methodology	
	AAR	**CAR**	**CAR**	**AAR**	**CAR**	**AAR**
1	-0.04%	-0.08%	-0.94%	-4.70%	-3.00%	-1.00%
2	-3.00%	-6.00%	-1.10%	-5.43%	-2.00%	0.00%
3	-4.16%	-8.32%	-1.34%	-6.68%	-9.00%	-2.00%
4	-1.78%	-3.56%	-1.34%	-6.68%	-5.00%	-1.00%

Table 5: Summary of AAR and CAR calculations using the different methodologies

According to the table, the negative impact of the announcement of disputes between controlling and minority shareholders is noticeable across all event windows surrounding the event date, independently of the methodology employed. Specifically, the results by applying the market model show that firms lose on average an abnormal return of about 3% of their value on the event date. All results are statistically significant at 1% level. The estimation of CARs through the alternative "non affected control group" methodology provides even stronger results in terms of magnitude and statistical significance. In this case, the results point to a loss of over 4% of share price for all firms on the event window.

The results show the following relevant observations: i) the evolution of share prices has a pattern similar to the predictions of the market efficiency hypothesis, with an a share price drop on the announcement date ii) in line with other previous event studies, share prices start their downward course a few days before the public announcement, indicating that some rumors about the problems between shareholders groups could spread before the public

announcement, prompting share sales by insiders and/or by previously informed outside investors.

Another interesting finding is the economical significance of the results. The firms lose of an average 3% of their value. With the reference to this case the amount based on market capitalization is approximately Kshs. 25,000,000.00. Another calculation can be made by multiplying each the firm's market value one month before the event took place with the firm's respective CARs. In this case, the calculation results in a net value destruction of over Kshs. 38,000,000.00. Overall, the results strikingly support the research hypothesis of a substantial negative market reaction to announcements about clashes between controlling and minority shareholders.

CHAPTER FIVE : SUMMARY AND CONCLUSIONS

5.1 Introduction

In emerging markets and concentrated ownership environments the expropriation of shareholders is a possibility. However when the media actively play the role of exposing such potential expropriation activities, it is expected that the minority shareholders will react thus resulting in los of firm value. The study looked at announcements of conflicts between majority and minority shareholders of Kakuzi limited with the aim of determining whether there was any impact of the conflict on share price since adequate attention was given to the conflicts by the media. In this chapter the findings on the study are summarized and discussed in relation to the objective of the study. Also included are the conclusions, limitations and recommendations for further research

5.2 Summary

It was considered necessary for the study to analyze the stocks return of Kakuzi limited to form the basis of seeking information to achieve the study objective. Event windows associated with announcement of conflicts were identified and the return on the stock during the event window was compared; i) to the expected return computed from the market index and ii) to the return of selected peer companies. These returns were used to determine the impact of the shareholder conflicts.

With respect to the study objective, it was established that in general, the announcement of conflicts had a negative impact on share price. In one instance the impact was as high as a 4% lose of value.

5.3 Conclusions

Most of the empirical studies on corporate governance aim to assess the potential positive impact of the adoption of better governance practices. This study tries to measure the impact

of the announcement of bad corporate governance news, specifically, how market reacts when conflicts between controlling and minority shareholders become public. These conflicts are usual in environments characterized by concentrated ownership structures.

The results concur with the hypothesis that announcements of complains by minority investors against policies and decisions made by controlling shareholders increase the perception of the so-called “governance risk factor” on such companies, therefore resulting in value depreciation. By using two different event study methodologies (market model and comparison with a matched peer group of companies not affected by the news), it was found that the firm lost up to 3% on of their value at the event date. These results are statistically significant at 1% level.

In sum, the research provides relevant evidence for investors and policy regulators about the potential damage that conflicts resulting from inadequate governance practices can cause on companies. It also point out the relevance of the media for promoting better corporate governance practices, since these relevant announcements would not be made public without an independent and specialized coverage (prompting other controlling shareholders to be fearful of their own possible wealth loss in case of not making decisions in the best interest of all shareholders). Finally, the economically significant results reinforce the importance for firms to adopt good governance practices, in order to avoid the destruction of corporate value due to problems between shareholder groups.

5.3 Limitations

The findings of this study should be interpreted with the following limitations in mind. First, due to limitations on the number of observations, the study could not empirically assess whether some corporate attributes (such as the identity of controlling shareholders or industry) or event characteristics (like the type of conflict announced) influenced the level of market reaction. In other words, the study could not answer questions such as: what type of conflict between controlling and minority shareholders does the market perceive as more relevant.

Second, the study was limited to only Kakuzi limited since not much announcements of conflict information could be found on other companies of the NSE. The findings may not necessarily be a representation of the likelihood of impact with respect to other firms in the market.

5.4 Suggestions for further research

Academically, this research line offers a fertile ground for studies, besides generating practical results for the development of capital markets in emerging economies characterized by concentrated ownership structures like Kenya. The researcher recommends that since there is need for development of policy to prevent the possibility of shareholder expropriation, an intensive study surveying the minority shareholders with the aim of understanding their reaction to the disposal of an asset against their will and determine the tools at their disposal in the case of such events.

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APPENDIX

Appendix 1 Workings for parameters

Date	Kakuzi Share Price	Return On Share Price	NSE Index	Return on Index	AR on index.	Actual return	Index Return
04-Jan-2007	41.00	5%	5811.6	2%	-3%	41.00	2%
05-Jan-2007	41.50	1%	5895.7	1%	0%	41.50	1%
08-Jan-2007	45.00	8%	5962.5	1%	-7%	45.00	8%
09-Jan-2007	45.00	0%	6026.5	1%	1%	45.00	0%
10-Jan-2007	45.00	0%	6085.6	1%	1%	45.00	0%
11-Jan-2007	45.00	0%	6117.4	1%	1%	45.00	0%
12-Jan-2007	45.00	0%	6161.5	1%	1%	45.00	0%
15-Jan-2007	46.00	2%	6125.3	-1%	-3%	46.00	2%
16-Jan-2007	45.25	-2%	6066.7	-1%	1%	45.25	-2%
17-Jan-2007	45.00	-1%	6041.4	0%	1%	45.00	-1%
18-Jan-2007	44.25	-2%	6030.8	0%	2%	44.25	-2%
19-Jan-2007	44.00	-1%	6025.4	0%	1%	44.00	-1%
22-Jan-2007	45.75	4%	6027.2	0%	-4%	45.75	4%
23-Jan-2007	46.75	2%	6060.2	1%	-1%	46.75	2%
24-Jan-2007	44.25	-5%	6016.5	-1%	4%	44.25	-5%
25-Jan-2007	44.00	-1%	6010.2	0%	1%	44.00	-1%
26-Jan-2007	44.00	0%	5961.6	-1%	-1%	44.00	0%
29-Jan-2007	42.00	-5%	5949.7	0%	5%	42.00	-5%
30-Jan-2007	44.00	5%	5870.7	-1%	-6%	44.00	5%
31-Jan-2007	42.75	-3%	5774.3	-2%	1%	42.75	-3%
01-Feb-2007	43.25	1%	5739.1	-1%	-2%	43.25	1%
02-Feb-2007	41.00	-5%	5663.7	-1%	4%	41.00	-5%
05-Feb-2007	40.75	-1%	5633.6	-1%	0%	40.75	-1%
06-Feb-2007	40.75	0%	5628.9	0%	0%	40.75	0%
07-Feb-2007	38.50	-6%	5650	0%	6%	38.50	-6%
08-Feb-2007	37.50	-3%	5710.2	1%	4%	37.50	-3%
09-Feb-2007	41.00	9%	5817	2%	-7%	41.00	9%
12-Feb-2007	43.50	6%	5895.2	1%	-5%	43.50	6%
13-Feb-2007	42.50	-2%	5884.3	0%	2%	42.50	-2%
14-Feb-2007	42.50	0%	5867	0%	0%	42.50	0%
15-Feb-2007	42.75	1%	5773.3	-2%	-3%	42.75	1%
16-Feb-2007	43.00	1%	5798.8	0%	-1%	43.00	1%
19-Feb-2007	43.00	0%	5766.5	-1%	-1%	43.00	0%
20-Feb-2007	41.25	-4%	5771.4	0%	4%	41.25	-4%
21-Feb-2007	42.00	2%	5816.8	1%	-1%	42.00	2%
23-Feb-2007	42.00	0%	5732.7	-1%	-1%	42.00	0%
26-Feb-2007	40.00	-5%	5665.8	-1%	4%	40.00	-5%
27-Feb-2007	39.00	-3%	5334.2	-6%	-3%	39.00	-3%
28-Feb-2007	39.25	1%	5387.3	1%	0%	39.25	1%
01-Mar-2007	39.00	-1%	5237.7	-3%	-2%	39.00	-1%

02-Mar-2007	35.50	-9%	5245.6	0%	9%	35.50	-9%
05-Mar-2007	38.50	8%	5292.1	1%	-7%	38.50	8%
06-Mar-2007	39.00	1%	5252.5	-1%	-2%	39.00	1%
07-Mar-2007	39.00	0%	5254.5	0%	0%	39.00	0%
08-Mar-2007	39.00	0%	5256.5	0%	0%	39.00	0%
09-Mar-2007	41.00	5%	5269	0%	-5%	41.00	5%
12-Mar-2007	41.00	0%	5239	-1%	-1%	41.00	0%
14-Mar-2007	41.25	1%	5241.3	0%	-1%	41.25	1%
15-Mar-2007	39.75	-4%	5200.8	-1%	3%	39.75	-4%
16-Mar-2007	39.00	-2%	5171.1	-1%	1%	39.00	-2%
20-Mar-2007	39.00	0%	4961.9	-4%	-4%	39.00	0%
21-Mar-2007	39.00	0%	4809.1	-3%	-3%	39.00	0%
22-Mar-2007	39.00	0%	4637.3	-4%	-4%	39.00	0%
26-Mar-2007	35.25	-10%	4489.8	-3%	7%	35.25	-10%
27-Mar-2007	36.00	2%	4614.4	3%	1%	36.00	2%
28-Mar-2007	35.00	-3%	4791.2	4%	7%	35.00	-3%
30-Mar-2007	37.00	6%	5133.7	7%	1%	37.00	6%

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.3848
R Square	0.1481
Adjusted R Square	0.1326
Standard Error	0.0352
Observations	57

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0.0118	0.0118	9.5578	0.0031
Residual	55	0.0682	0.0012		
Total	56	0.08			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	0.0004	0.0047	0.0757	0.9399	-0.009	0.0098	-0.009	0.009756
X Variable 1	0.752	0.2432	3.0916	0.0031	0.2645	1.2395	0.2645	1.239484