STOCK EXCHANGE LISTING AND PERFORMANCE OF FRENCH SMES: WHAT IS THE IMPACT OF SHAREHOLDING STRUCTURE?

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SUMMARY

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Principal topic

Stock exchange listing offers some advantages (reputation, fluidity of capital, managers' control, external growth, etc) and is subject to constraints, particularly in terms of cost and transparency. We seek to know if listing contributes to the creation of value in the SMEs, taking into account their specificities. Moreover, we wish to explain this value or lack of it by some strategic and governance variables such as the shareholding structure.

The basic theory of the paper is related to the governance theory. It stipulates that the financial market is a mechanism which governs the strategic behavior of the managers and reduces their managerial latitude. SMEs are not free of the agency problem. Some authors link that to owner opportunism, auto control, altruism with the family members, non-economic motivations... That's why it seems to be important to study which kind of shareholding (familial, managerial or controlled) is better in the context of listing. Three theses are in confrontation: convergence of interest, entrenchment and neutrality.

Method

In order to answer our questions, we use a longitudinal study, over seven years (three years before listing, the year of listing, and three years afterwards). The study related to a sample of 65 listed SMEs with 455 observations (pool data). It was carried out in two stages. The first one concerns the dynamic performance we use a method which describes explicitly the temporal dynamics. It is a question of measuring the rates of performance increase by company regarding especially to time and listing variables. The second model attempts to explain the mechanisms through which the stock exchange listing influence performance by using strategic, organizational and governance variables of which shareholder is a component.

Results/implications

The evidence suggests performance of SMEs is negatively affected after the IPOs and shareholders structure has no impact on the performance of listed SMEs.

The interest of this work is academic and managerial. It tries to answer important questions that SMEs should consider before their IPO. This kind of study is rare in SME’s case. In that sense, it presents a contribution in research in SMEs through an original methodology.

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