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Performance, corporate governance and new regulation (Desempeno, gobierno corporativo y nueva regulacion)

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Abstract. After the adoption of the Corporate Governance Code (Code) in Mexico, many companies increased financial performance and the leveraged during the following five years; we investigated the effect of how those firms improved the corporate governance practices and how was translated into better risk return company. We analyzed how and where better corporate governance practices affects performance and what was the relationship with Transparency, New Regulation and Governance Practices. Also we explored the gaps between transparency and information disclosure of Mexican Firms listed in U.S stock exchange and non U.S listed firms our findings were related to the potential growth of the Mexico Financial Market, Law and Finance.

Palabras clave: desempeño financiero, gobierno corporativo, regulación

Resumen. Después de la adopción del Código de Gobierno Corporativo en México, algunas compañías incrementaron el desempeño financiero y el uso de deuda durante los siguientes cinco anos, nuestra investigación se enfoca en como dichas compañías mejoraron sus prácticas de gobierno corporativo y como estas prácticas se han traducido en un mejor relación de riesgo y rendimiento. En esta investigación exploramos cómo y en dónde mejores prácticas de gobierno corporativo afectan el desempeño y qué relación tiene con la Transparencia, Nuevas Regulaciones y prácticas de Gobierno Corporativo. Con lo anterior también identificamos aquellas compañías que cotizan fuera de México para identificar potenciales diferencias en dichas prácticas.

1. Introduction

In Cosmology, Dark Energy is related to the form of energy or force that tends to increase the universe expansion; it means Dark Energy is helping galaxies to separate each other, in this expansion process, even though the true nature of this Dark Energy process remains unknown. In Business,

Agency Theory study the conflict between management and investors, the conflict is translated into economic damage; several remedies to the conflict can be used like new regulation, economic interest or survival, event tough this problem is caused by the agent opportunism, agent incompetence, agent corruption and inadequate decision process, after decades and several remedies across the globe we still have the economic damage and also we need to explore more deeply the true nature of this conflict, see (Jensen & Meckling, 1976) and (Denis, 2001).

During the last two decades, many regulations changes has experienced toward public companies, financial institutions and lately government; in fact all these changes have been trigged by immense economic damage to the investors, taxpayers and government. However, in the long run, it seems that even with the regulation improvements, increments law enforcement and more regulated financial markets, we have not prevented even controlled the economic damage, the problem persists, we know its results and consequences but we still cannot identify and measure the true nature of the dark energy in business, in fact the problem has been studied from different perspectives and theoretical approaches, see (Strange, Filatotchev, Buck, & Wright, 2009).

Corporate Governance (CG) consist in a set of practices that can be improved inside the organization, mainly can be directly related to the shareholders rights, information and transparency and the responsibility of the board of directors. In the long run and because its nature, CG practices improve every aspect of the company in order to solve the future consumer demand today. We can identify several actions that improves the financial position of the company, such actions can be CEO remuneration, relevant information in time and regular basis, selecting, compensating and replacing key executives, disclose of material risk factors or restrictions in financial leverage, CG practices seems to reduce the Agency Problem inside the firm see, (Aguilera & Cuervo-Cazurra, 2009).

During the last decade Mexico has struggled to increase the number of public companies traded in to the Mexican Stock Exchange (MSE) and part of this effort is related to promote confidence to the investors increasing the financial regulation toward similar trade counterparts, USA and Canada. The MSE has experienced several improvements during the last decade, basically two major overhauls, the first one (see CNBV, 2000) was related to the

application of the “Code of Corporate Governance” CCG in 2001 and the second one (see CNBV, 2005) was a complete new law “Ley de Sociedades Anónimas” with the main objective to improve the level of transparency, information disclosure and investor protection.

The purpose of this paper is to identify how the companies improved financial performance using this new regulation during the last decade. Specifically, how companies with better financial performance are actually using CCG into practice and how this new regulation has affected from a long time perspective. How a company with better financial performance has implemented the CGC? Is there is any relationship between well CG practices and financial performance for a MSE context?

The CGC basically is related with five major domains, 1) corporate governance commitment, 2) Shareholders rights, 3) Transparency, 4) Management, 5)Supervisor. These practices are related in how business is running from inside out and also how the management can minimize moral hazard to the investors see (OECD, 2004). The main purpose of the CG is to improve business performance and at the same time minimize asymmetric information between Agent and the Principal, management is hired by the investors to run and care the short and long term business, to do so management is compensated and motivated to improve business conditions toward investors and shareholders benefits. Administrators, after understanding the business nature, after investing into the appropriate assets solves how to use and accommodate the financial capital provided by the investors see (Fama & Jensen, 1983). Theoretically the process seems to work perfect, but for the MSE sometimes the Agent and the Principal are the same entity or person see (Young, Peng, Ahlstrom, Bruton, & Jiang, 2008).

We assess how new regulation in CG practices can improve financial performance in the long run. During the last three decades many countries around the world had increased controls, practices and the way the investors are protected from the unethical behavior and moral damage mainly derived from the management, we called a conflict between the agent and principal. The initiative means in the long run better corporate practices, transparency and symmetric information between the investors and the management see (Akerlof, 1970). Also for many countries like Mexico, means a strong and robust way to attract external and institutional investors into the local economic opportunities see (Pacheco-López, 2005).

Mexico MSE has trying to increase the number of new IPO's (Initial Public Offers) during the last twenty years without any substantial improvement; also as part of the global trend has been improved dramatically the way the public companies disclose information to the investors. It seems an evident paradox, (the Dark Energy analogy) into the MSE, by one side new regulations and controls to the public companies should increase the number of participants (potential investors) and the other side the number of companies traded into the financial market has declined in the last two decades, we explored for those better financial performance companies how they did change the corporate governance practices. We explored the positive effect of the new regulation and the evident new corporate governance practices. We identified according with the CCG five major domains, corporate governance commitment, shareholders rights, transparency, management and supervision and auditing practices.

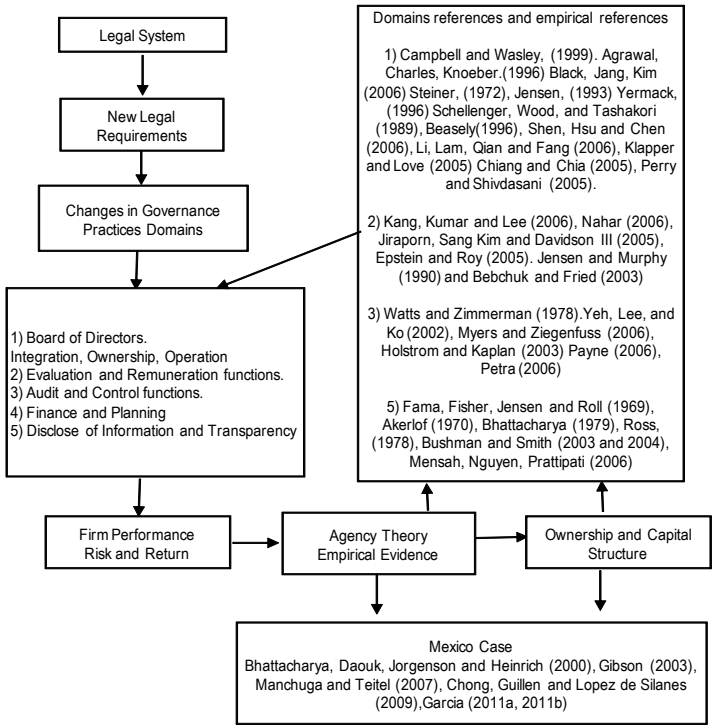
2. Theoretical framework and previous empirical experience.

Our study is based on the relationship between management practices and financial performance over long period of time. New management practices are based with the new CCG practices and mainly according with the OECD standards, see (OECD, 1999), (OECD, 2004) and for Mexico see (CCE, 1999). The new regulation requires to changes five major aspects in how the business is running; mainly these domains can be separated by, corporate governance commitment, shareholders rights, transparency, management and supervision and auditing practices. Figure 1 describes the conceptual framework between law, regulation and firm governance practices effect; we used those domains to link performance and governance practices using different firm cases for this research.

There is strong evidence that the five major domains are positively correlated with financial performance. For example corporate governance commitment and shareholders rights, are related in how the Board of Directors are actually running the business, and how the management care about the minority shareholders interest, to do so, board of directors represent the shareholders interests, in this process better board structure, leadership, independency, responsibility and social awareness are fundamental to improve business performance, according with (Kappler & Love, 2005) those

characteristics are positively correlated with Tobin Q, ROA or Operating Performance. Later, in the same line, but specially to minority shareholders, (Chiang and Chia, 2005) found out additional board characteristics, such board size, ownership structure, CEO and ownership structure and institutional ownership are positively correlated with ROA, ROE and EPS financial performance.

Figure 1. *Theoretical Framework and previous empirical evidence*



Another domain is related in how the business is managed inside out, covering the most important steps in any organization, such strategic planning, operations, customer relations and incentives to the top management, in this process a strong empirical evidence can be found in (Jensen and Murphy, 1990) specially in the incentives part and firm value. Later (Epstein and Roy, 2005) found out more specific operative management process, such customer and strategic planning activities and how are related

with financial performance. The classical relationship about top management compensation and performance are described in several recent empirical studies such (Jiraporn, Kim, Davision, 2005), (Nahar, 2006), (Kang, Kumar, Lee, 2006).

In our study, audit and control function are fundamental to understand the MSE financial resources problem, previous studies such (Machuga, S, & Teitel, K. 2007) and (Chong, Guillen & Lopez de Silanes, 2009) indicated a MSE systemic problematic situation to access new economic resources, part of the problem is related to the number of public companies traded into the MSE, which have been reduced in the last decade, either using stock or bond instruments. Also (Garcia, 2011a, 2011b) found out the increasing use of debt in the last decade and the decreasing average return for the shareholders, both concepts convergence with the level of debt and return with companies with the free trade counterparts countries, United States and Canada.

The audit and control function is important to assure better use of resources to the investors, the function specifically is related to oversee the operative performance and the operative objectives of the company as well the practices and actions that have to be done to assure better risk and return to the investors, this function also oversees the use of debt, investments and correct use of the resources. Previous empirical research can support this line, for example (Myers and Ziegenfuss, 2006) asses the audit process and the internal control mechanism to find out if the company can achieve better responsibility and effectiveness. Also, but using different approach (Petra, 2006) research the rationale behind the corporate governance reforms and the importance to corporate collapses, an expost and exante research.

The last domain is transparency, several researches have indicated the benefits to disclose information on time and adequately, for example (Bushman and Smith, 2003 and 2004) study how the transparency change across different countries and also across different legal systems, Mexico case is not the exception, several changes in terms of transparency has improved to be according with the OECD standards and also with the commercial partners, USA and Canada, the CCG incorporates those improvements. The benefits can be measured as additional productivity and additional tangible economic firm value, as is described in (Bushman and Smith, 2003) at the end, the effect seems to reduce information asymmetries.

According with the theoretical framework based on Figure1 there is positive effect using governance practices and financial performance, according (Machuga, et al., 2007) found out positive quality earnings resulting from new corporate governance practices, they assess the effect of the implementation of the CCG and the financial result using different variables and different financial perspective either operative or assets productivity, the study covered two year timeline. Also another similar study to Mexico is (Chong, et al, 2009) found out positive relationship between firm value and other financial performance variables and corporate governance practices, also using one year short term assess. Both studies concluded positive financial performance in short time range and governance practices, but also they found out one of the major problems into the MSE, is the access to new capital.

Nevertheless, previous study (Garcia, et al 2011) indicate in the long term analysis there is a misconnection between governance practices and financial performance, using ROA, ROE or Capital Structure analysis in a 10 years window period, the results indicated the average performance of the public companies traded into the MSE has steadily declined and using more debt, but also the number of public companies traded into the financial market declined, due to new transparency and regulation, the agency cost for a typical public company raised and finally there is a clear disconnection between regulation, CG practices and how the individual firms are managed.

There are several explanations to the disconnection between regulation, CG practices and how the individual firms are managed, especially in emerging markets, (La Porta. Lopez de Silanes and Shleifer, 1998) found out there is a correlation between the ownership structure and CG practices. Later, (Gibson, 2003) found out a positive relationship between local and limited ownership structure, firm performance and CG practices. Also different explanation previously founded is the potential insider information into the MSE according with (Bhattacharya, Daouk, Jorgenson, Heinrich, 2000).

3. Methodology, financial and qualitative data.

The purpose of this research is to answer how a company with better financial performance uses or adopt new corporate governance practices? We wanted to explore and identify those companies with better financial

performance and finally how kind of actions, strategies or governance practices were implemented inside the company. In other words, we wanted to identify the connection between new regulation (CCG) and new management practices were actually the explanations or cause and effect with better financial performance.

This research is divided in three steps, first the discrimination process, eliminating those companies with poor and lower financial performance out of the study, then having companies with outstanding financial performance we explored the annuals reports to identify those practices or actions related with the CCG, we wanted to link financial performance facts and actions or events in how companies were applied corporate governance practices. Finally, we compared and matched the actual events, actions and governance practices with the five most important domains extracted from the CCG. We started our data analysis with 55 companies and 44 financial quarters resulting in 2624 observations, all financial data was calculated without inflation effect, we used real numbers. Data covered from 1995 to 2005, quarterly data and firm annual reports; our data was extracted from Economatica, Bloomberg, official site MSE, "Infosel Financiero" and "El Financiero" which were the major financial sources of data in Mexico, the universe of companies holds up to the 75% of the MSE in terms of capitalization.

The discrimination process was basically to construct a second universe of companies with outstanding and excellent financial performance record over the period of analysis. This first step by itself involved those companies with better financial performance before and after the implementation of the CCG; we used the following formulas in order to define for our research better financial performance:

Return on Equity (ROE) = return on equity.
Return on Assets (ROA) = return on assets.
Increase in Revenues (IS) = %Change in revenues.
Increase in Operative Income (MGN) = % Change in Operative income.
Net Income (NI) = % Change in Net Income before extraordinary items.
Income to Sales (NI / S) = ratio in % between net income and net sales.
Debt to Assets (DR) = ratio between total debt and total assets.
Debt to Equity (DER): ratio % total assets and book value of equity.

For each performance variable and company we used one Hypothesis and compared the previous financial performance results prior to the new regulation with post regulation results, the statistical tool that we used at this point was the T Test mean and variance sample comparison, we tested 440 null hypothesis. Previous researches used similar formulas usually in a short term period analysis; we opted to use these same variables in two period windows, the pre code CCG or exante period and the post code.

The pre code CCG included quarterly and annual financial data from 1995 to 2000. The implementation of the CCG was in 2000, we opted to use long term perspective analysis, the post code CCG range was from 2001 to 2005. During this step we separated the local companies from the non local companies, we defined the non local companies to those companies which regulation, CG practices and stocks were not only traded in the MSE. Table 1 describes the universe of companies we started our research.

Table 1. *Universe of companies, sectors, local and foreign companies*

Sector/Company	LC*/ FSC**	Sector/Company	LC*/ FSC**	Sector/Company	LC*/ FSC**
Commercial		**Building**		**Manufacture**	
Alsea	LC	Ara	LC	Bachoco	LC / FSC
Benavides	LC	Cemex	LC / FSC	Bafar	LC
Collado	LC	Ceramic	LC / FSC	Bimbo	LC
Comerci	LC	Cmoctez	LC	Femsa	LC / FSC
Coppel	LC	GCC	LC	GCorvi	LC
Elektra	LC	GEO	LC	Geupec	LC
Fragua	LC	GMD	LC / FSC	Gmodelo	LC
Gigante	LC	Hogar	LC	Gmodern	LC
Liverpool	LC	Lamosa	LC	Gruma	LC
Marti	LC	**Mining**		Herdez	LC
GPH	LC	Autlan	LC	Hilasal	LC
Saba	LC	GMexico	LC	Kimberly	LC
Soriana	LC	Peñoles	LC	KOF	LC / FSC
Walmart	LC	**Others**		Maseca	LC
Communications		Alfa	LC / FSC	Vitro	LC / FSC
Cintra	LC	CIE	LC	**Services**	
Telmex	LC / FSC	Desc	LC / FSC	CMR	LC
Televisa	LC / FSC	Gcarso	LC	Posadas	LC
TV Azteca	LC / FSC	Gissa	LC	Realtur	LC
		Gsanborn	LC		
		Imsa	LC / FSC		

Sectory/Industry	Companies	LC*	FCS*
Retail	14	14	
Communications	4	1	3
Building and Construction	9	6	3
Manufacture	15	11	4
Others	7	4	3
Mining	3	3	
Services	3	3	
Total Companies	55	42	13

* Local Company ** Foreign Stock Company

The null hypotheses are described below; we assess the hypotheses at two levels, the overall level which includes the 55 companies or MSE system perspective and firm level, which assess the individual performance for each company using a set of eight financial ratios. The null hypothesis states in other words there is the same financial performance from 1995 to 2005, it means that there was no effect, nor change or either different financial performance before and after the 2000, testing the MSE as whole or using individual firms.

The Null Hypothesis for the 55 companies:
There is no difference between exante Mean and variance for H1 (ROE), H2 (ROA), H3 (% Sales), H4 (MGN), H5 (NI), H6, (NI / S) H7 (DR), H8 (DER) and expost Mean and variance for H1 (ROE), H2 (ROA), H3 (% Sales), H4 (MGN), H5 (NI), H6, (NI / S) H7 (DR), H8 (DER).

Using the eight performance variables from the first step we compared both periods the pre and post code CCG using T Test method comparing means and variances and identify if they were significantly different, during 1995 there was a economic recession in Mexico that last almost 4 quarters, the negative effect was for the entire population, the rest of time period analysis remains without significant economic changes. Because the data was affected homogenously to the entire population and also the time frame study includes almost 44 quarters we opted not Winsorize the data. The overall performance variables descriptive statistical data are in Table 2.

Initially we started the study with 55 companies, then after the statistical T Test we had the following results for each variable tested. The null hypothesis for each variable was there is no difference between means and variances, comparing pre code and postcode results; we used Alfa 5%. The T Test help us to identify if there was a significant change performance before and after the regulation, but the test didn't asses the direction of the data positive or negative effect, only the difference, for example it means if a company performs pre code ROA mean 10% and post code 5%, there is a difference between pre and post code, but not better performance.

Table 2. *Performance variables descriptive statistics*

	1	2	3	4	5	6	7	8
Exante Mean (Precode)	11.1%	4.6%	12.2%	14.3%	75.2%	10.1%	43.2%	87.8%
Expost Mean (Postcode)	7.2%	3.2%	6.7%	11.9%	60.9%	13.4%	50.5%	125.4%
Variance EXANTE	0.01	0.00	0.01	0.00	1.64	0.01	0.00	0.05
Variance EXPOST	0.00	0.00	0.00	0.00	1.39	0.07	0.00	0.01
N Exante	1384	1384	1335	1384	1335	1376	1384	1384
N Expost	1240	1240	1240	1240	1240	1240	1240	1240
T Test Critical Value	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02
T Test Stat (Paired Sample)	1.50	1.76	2.02	4.71	0.39	0.53	8.69	8.00
P Value	0.14	0.09	0.05	0.00	0.70	0.60	0.00	0.00
Standard Error	0.00	0.00	0.00	0.00	0.05	0.01	0.00	0.01
Observations	2624	2624	2575	2624	2575	2616	2624	2624
Mean	10%	4%	10%	13%	68%	12%	47%	106%
Median	9%	4%	5%	13%	5%	10%	47%	103%
Std Dev	19%	6%	26%	6%	480%	31%	10%	53%
Min	-117%	-36%	-37%	-6%	-1594%	-138%	18%	-295%
Max	142%	29%	142%	37%	4072%	812%	73%	391%

1- H1 Return on Equity,
2- H2 Return on Assets,
3- H3 % Increase Sales,
4- H4 Gross Marging.
5- H5 Net Income Margin.
6- H6 % Increase Net Income,
7- H7 Debt/Assets Ratio,
8- H8 Debt/Equity Ratio

We excluded in our research the entire financial and banking sector due to major overhaul during the same pre code period and also major regulations changes. All the data was compiled from 1995 to 2005. We select only those companies with financial information available for the period of analysis; finally we started the first step with only 55 public companies, we identify the universe in 6 major economic sectors, retail 14, communications 4, construction 9, manufacture 15, others 7, mining 3 and services 3, our global Hypothesis by variable results are below.

At the firm level we calculated same performance variables and we used the same statistical test to compare the performance before and after the CCG, we consolidated the information by industry, local and foreign, and firm level in Table 3.

Table 3. *Firm level statistical test p-values mean paired samples (Alfa 5%*)*

Sector/Industry	LC / FSC**	ROE	ROA	% Sales	MGN	NI	(NI / S)	DR	DER
Commercial									
Alsea	LC	0.01	0.01	0.00	0.00	0.46	0.09	0.07	0.09
Benavides	LC	0.01	0.00	0.06	0.00	0.56	0.00	0.00	0.01
Collado	LC	0.89	0.36	0.10	0.42	0.57	0.54	0.00	0.00
Comerci	LC	0.25	0.77	0.30	0.10	0.58	0.74	0.00	0.00
Coppel	LC	0.25	0.77	0.30	0.10	0.58	0.74	0.00	0.00
Elektra	LC	0.27	0.00	0.09	0.00	0.25	0.00	0.01	0.10
Fragua	LC	0.00	0.00	0.85	0.00	0.16	0.00	0.00	0.00
Gigante	LC	0.00	0.00	0.99	0.67	0.06	0.00	0.00	0.00
Liverpool	LC	0.02	0.27	0.24	0.00	0.43	0.42	0.00	0.00
Marti	LC	0.56	0.06	0.92	0.00	0.05	0.47	0.00	0.00
GPH	LC	0.00	0.00	0.13	0.00	0.14	0.00	0.00	0.00
Saba	LC	0.00	0.00	0.00	0.21	0.28	0.00	0.87	0.73
Soriana	LC	0.00	0.00	0.01	0.01	0.04	0.00	0.00	0.00
Walmart	LC	0.13	0.65	0.25	0.00	0.00	0.00	0.00	0.00
Communications									
Cintra	LC	0.00	0.00	0.01	0.00	0.09	0.00	0.00	0.00
Telmex	LC / FSC	0.00	0.00	0.01	0.00	0.05	0.33	0.00	0.00
Televisa	LC / FSC	0.00	0.17	0.11	0.00	0.26	0.01	0.00	0.00
TV Azteca	LC / FSC	0.36	0.67	0.06	0.00	0.87	0.90	0.03	0.08
Services	LC / FSC								
CMR	LC	0.00	0.00	0.00	0.00	0.63	0.00	0.00	0.00
Posadas	LC	0.64	0.27	0.00	0.00	0.98	0.14	0.00	0.00
Realtur	LC	0.47	0.50	0.59	0.64	0.14	0.44	0.40	0.01
Construction									
Ara	LC	0.15	0.70	0.00	0.00	0.78	0.46	0.00	0.01
Cemex	LC / FSC	0.01	0.00	0.07	0.00	0.65	0.00	0.01	0.01
Ceramic	LC / FSC	0.51	0.34	0.18	0.23	0.15	0.36	0.00	0.00
Cmoctez	LC	0.11	0.17	0.00	0.08	0.00	0.61	0.00	0.01
GCC	LC	0.00	0.39	0.00	0.43	0.35	0.16	0.00	0.00
GEO	LC	0.00	0.00	0.02	0.96	0.35	0.01	0.00	0.00
GMD	LC / FSC	0.11	0.21	0.00	0.00	0.05	0.25	0.00	0.01
Hogar	LC	0.10	0.06	0.26	0.12	0.17	0.17	0.00	0.00
Lamosa	LC	0.89	0.39	0.72	0.88	0.08	0.33	0.00	0.00
Mining									
Autlan	LC	0.10	0.45	0.55	0.03	0.89	0.01	0.00	0.00
GMexico	LC	0.44	0.14	0.10	0.16	0.71	0.01	0.00	0.00
Peñoles	LC	0.03	0.02	0.40	0.00	0.94	0.00	0.00	0.00
Manufacture	LC / FSC								
Bachoco	LC / FSC	0.06	0.05	0.03	0.06	0.53	0.04	0.69	0.93
Bafar	LC	0.04	0.02	0.00	0.02	0.02	0.59	0.01	0.25
Bimbo	LC	0.06	0.56	0.50	0.06	0.71	0.99	0.00	0.00
Femsa	LC / FSC	0.99	0.60	0.09	0.00	0.72	0.22	0.05	0.03
GCorvi	LC	0.00	0.00	0.00	0.00	0.26	0.00	0.00	0.00
Geupec	LC	0.10	0.62	0.00	0.02	0.26	0.17	0.00	0.00
Gmodelo	LC	0.00	0.70	0.94	0.00	0.82	0.01	0.00	0.00
Gmodern	LC	0.12	0.54	0.68	0.00	0.80	0.08	0.30	0.37
Gruma	LC	0.02	0.14	0.33	0.47	0.49	0.01	0.81	0.66
Herdez	LC	0.27	0.35	0.62	0.62	0.89	0.16	0.00	0.00
Hilasal	LC	0.00	0.00	0.00	0.00	0.46	0.00	0.00	0.00
Kimberly	LC	0.16	0.02	0.27	0.01	0.31	0.00	0.00	0.00
KOF	LC / FSC	0.01	0.02	0.34	0.00	0.34	0.00	0.59	0.31
Maseca	LC	0.00	0.03	0.53	0.00	0.21	0.00	0.06	0.05
Vitro	LC / FSC	0.26	0.69	0.67	0.00	0.29	0.25	0.00	0.00
Others	LC / FCS								
Alfa	LC / FSC	0.15	0.13	0.36	0.00	0.43	0.03	0.00	0.00
CIE	LC	0.00	0.00	0.00	0.00	0.05	0.00	0.08	0.09
Desc	LC / FSC	0.00	0.00	0.00	0.00	0.21	0.00	0.00	0.00
Gcarso	LC	0.01	0.01	0.04	0.00	0.35	0.00	0.06	0.09
Gissa	LC	0.00	0.00	0.02	0.00	0.01	0.00	0.00	0.00
Gsanborn	LC	0.02	0.10	0.01	0.04	0.42	0.95	0.20	0.20

* Values are statistical significant at < .05

** LC Local Companies, FSC Foreign Stock Companies

Table 3. *cont.*

	Statistical Significance H0 Rejected							
	ROE	ROA	% Sales	MGN	NI	(NI / S)	DR	DER
Rejected H0	29	25	22	38	7	30	43	42
Not Rejected H0	26	30	33	17	48	25	12	13
Total	55	55	55	55	55	55	55	55

The second step required several assumptions to identify those companies with outstanding performance, the companies must had the following requisites, positive performance compared pre and post code, exante and expost comparison, also we selected those companies where 5 variables out of 8 improve (minimum 5 rejected null hypothesis discrimination step one) during the pre and post period of study, and also we included those companies with the best performance inside the industry for the entire period of study, to do this last requirement we took the 10 years average industry ratio (variables by industry) and then selected the company with the best performance during the period of analysis, see Table 4.

Table 4. *Companies mean performance variables*

Company	ROE	ROA	% Sales	MGN	NI	(NI / S)	DR	DER
ALSEA	14%	9%	22%	11%	33%	10%	33%	51%
TELMEX*	24%	12%	4%	35%	19%	21%	45%	103%
POSADAS	7%	4%	7%	21%	29%	12%	56%	129%
CMOCTEZ	18%	15%	23%	43%	34%	31%	14%	17%
GMEXICO	12%	3%	25%	25%	338%	16%	46%	101%
GSANBORNS	14%	6%	30%	14%	586%	8%	58%	144%
BACHOCO*	14%	11%	10%	12%	55%	12%	21%	27%
KOF*	17%	8%	19%	15%	28%	8%	52%	113%

Means including Pre and Post period * FSC Foreign Stock Company

After we identified those companies with better financial performance then the third step involved identify the five major CCG domains into the real world implementation, we used annuals reports from the public companies from 2001 to 2005 and track down every domain during five year window. The CCG most important domains were 1) corporate governance commitment, 2) shareholders rights, 3) transparency, 4) management and 5) supervisory board matters and auditing, all domains were based on the Figure 1 the theoretical and previous research.

New regulation related to the adoption and practice of the CCG required to answer a questionnaire where it is included also the five major domains previously discussed, we reviewed also the questions and the answers, but we identified deficiencies such, closed answers like yes or not, limited open wide explanations, very limited information about how really the company addressed the governance inside the firm, we opted to not include this questionnaire in our research. We reviewed the annual reports and updated news related with each case; also we included the additional information disclosed by the firm related to activities and board decisions in a traditional form. We found out a wide open and un-systemic ways to disclosed qualitative information related to the governance practices inside the firm.

For example one company can disclosed a detailed information about the corporate practices and internal controls, such strategic planning activities, capital structure policies, compensation and internal controls after the CGC regulations, but in the opposite direction we also found out companies with weak and very vague information about specific actions, objectives and activities devoted to improve governance practices inside the firm. We analyzed the information available to the investors, regarding governance practices and all relevant information that can really translate into better corporate governance practices, we graded the companies in three levels, company with grade A did inform a complete disclosed information from the board members with specific details related to the five major domains and complete transparency, also we track down all annual reports and the consistency of the governance practices year to year. Firms graded with the Level B informed about the activities in general forms and the improvements from previous annual reports. Companies graded with Level C informed about the compromise of the company to respect the new regulation and transparency issues, but not additional information, just one or two vague paragraphs from the annual report. Previous studies related with corporate governance compliance are related with same similar questionnaires, direct questions or direct interviews. Every firm we have reviewed informed about the compromise of the company to be in Law and according with the new regulation, all answered the questionnaire required by Law, but that doesn't mean they were actually informed to the investors into the clear and transparent way about corporate governance practices inside the firm.

4. Results and discussions.

Basically, the MSE as a system, we can concluded the capital structure for the public companies traded into the MSE has been change during the pre code and post code regulation process, this means 43 out of 55 companies are using more debt. Also in the performance aspect, the returns as a business or shareholder (ROA or ROE) 25 and 29 respectively out of 55 were deteriorated during the time period of analysis. Moreover, the operative margin (MGN) 38 out of 55 companies declined for the same period. The MSE as whole has been reducing the profitability and increasing financial risk, this was not the expected results from improvements in corporate governance practices.

According with the results, all variables deteriorated after the 2001 new CCG adoption; we divided performance into two major components, the profitability and the capital structure, the profitability part showed lower returns in terms of assets and shareholders also in terms of change % in sales and net income, but also in terms of use more debt and less equity, the capital structure part. Table 6 describe same data by sector, we included the GDP for the same period in order to understand the overall context, in this case the previous pre code GDP was 3.5% compared with the 1.9% for the post code performance, statistically there was no significant difference between both periods, the P-value was .1826. In the overall results we concluded the public companies in Mexico were using substantially more debt and decreased in performance related to assets or equity. For the CCG domains 1, 3, 4 and 5 were not according with the economic results, we expected more transparency, detailed governance commitment, better management practices and major overall supervision, none of these domains as a system improved.

After the performance filter, we selected from 55 companies only 8 companies and three of them were traded outside the MSE, specifically in the US stock market. Table 7 represent the statistical data for each company and the results pre and post regulation, in the overall 2 out 8 were from the manufacture, one for retail, communications, services, construction, mining and others. In general terms for the entire period, ROA and ROE for all the companies selected were double digits except for only one, also for the entire period all companies perform net margin, (net profits / revenues) above 8%.

We assessed the best financial performers from the MSE and we expected the best CGC practices.

We analyzed the annual reports, board reports, news, most important events and available investor information for the eight selected companies, during post code period, we discovered several gaps that are not included in the regulation framework and CCG practices. First, although there is a written report with questions covered the five domains, the answers are closed or limited answers like yes or no and very limited information explained for the discrepancies with the governance practices, the main issue was there is not specific format or report to inform about the specific discrepancies. Moreover, there was no way to track down any specific activity in the past, related to improve corporate governance practices, for example the Audit Compensation Committee, disclosed actions and plans to improve some specific problems inside the firm into the near future, then one year or years later we never heard again about the implementation and improvements made in the past. There was no way to identify the historic improvements made by corporate governance practices implemented.

We also found companies with full disclosure information about governance practices, for example in very descriptive form; we discovered how the board was structured, how was operated and the responsibilities in detail. Although those concepts are included in corporate governance questionnaire we discovered documents with a full in detail information about corporate governance practices, actions and specific improvements. Also in the same line we found out, for example the company debt policy and capital structure, compensation policies and strategic planning actions to be implemented inside the firm, But even with the entire full disclosure there was not specific format, structure or specific way to inform the details about the actions and governance practices improvements in the past and the impact for the future, the gap in all these examples were a wide open diversity to inform and disclose information and how governance practices were performed inside the firm. This problem seems to be very common in all around the world in different corporate governance regulation and law changes.

Our research based on the eight most profitable companies and all qualitative information related to governance practices, we discovered with grade A just two companies out of eight had a complete and full disclosure of

the activities, objectives, planning and reports related to governance practices. We found out several important conditions in all the reports disclosed to the investors, first they disclosed the activities, planning and compromises resulted from previous specific board committees and also the potential solutions in several important business areas, such compensation, planning, financial and budget control and capital structure. They disclosed information with specific activities by area and executives in charge.

By definition all the companies must complained with the law, including CGC code, regulation, transparency and information disclosure, but not all companies really disclosed how to protect the investors and governance practices, in full detail, two out eight disclosed in a semi complete way, with the grade B, and finally four out eight disclosed in a very limited way or not disclosed information. The way was simple, the questionnaire (as part of the change regulation) able the public companies to fulfill that gap. See Table 5. It's describes the event or the action implemented inside the firm that was available to the investors as a part of the transparency process, the numbers represent the number of events, news and activities during the post code period and classified by domain, from 2001 to 2005, as you can analyze the information available to the investor in the overall perspective was very limited.

Table 5. *Corporate governance domains*

Company / Domains	Corporate governance domains					Grade
	1	2	3	4	5	
ALSEA	1	1	5	1	1	A
TELMEX	9	1	0	9	7	A
POSADAS	3	0	0	4	3	C
CMOCTEZ	0	0	1	0	0	C
GMEXICO	1	0	0	2	0	C
GSANBORNS	0	0	1	0	0	C
BACHOCO	1	0	1	0	0	B
KOF	0	2	4	0	1	B

1) Corporate Governance Commitment,
2) Shareholders Rights,
3) Transparency,
4) Management,
5) Supervisor

This pattern is not related to specific industry, neither the company experience to inform to the investors, particular sector or specific economic condition the pattern seems to have relationship with the financial culture and ownership structure of the entire MSE. In other words, there was a clear new regulation with specific changes in how to improve corporate governance all around the five domains described and supported theoretically, but in order to facilitate the implementation and operate this new regulation to the public companies the new regulation was to fulfill a questionnaire where 95% of the answers were yes or no. Law changes seems to be according with the OECD standards, but the implementation process able to public companies to really being transparent and inform properly to the investors.

5. Future agenda and final conclusions.

The purpose of this research was to understand more the relationship between financial performance, new regulation and governance practices. We wanted to explore how companies with outstanding financial performance actually applies good corporate governance practices Table 4 and Table 5, how the MSE as whole has benefited from this new regulations trend around the globe Table 3, and finally understand how CG as part of new regulation was adopted by the best financially companies from the MSE Table 5.

Specifically, we wanted to know how firms with outstanding financial performance apply day by day governance practices. How these companies disclosed information regarding the new CGC regulation, also explored if there was any relationship between the best financial performers from the MSE and the best governance practices implemented in the real world.

We can concluded that Mexico authorities has implemented in Law the best governance practices around the OECD members, also we promoted that the only way to improve economic growth is to regulated how MSE operate and promote investment. We believed that all new regulation and economic liberalization experienced in Mexico are part of the globalization process, after this research, we suggest that all the changes in law were correct and good for the country, but we certainly promote more control on the implementation of law, more standardize form to disclose information and transparency. The law is correct, the problem is the implementation.

Several facts we have to mention before we opt to describe our future agenda, first it seems that opportunistic behavior from management, agent principal relationship conflict, moral damage and all directly or lateral problems has not been controlled during the last two decades, even with all new wave of regulations, law changes and financial controls. More over it seems that the problem was moved from public companies to financial institutions or sector and in some parts of the world even government agencies.

We discovered a paradox during our research; new corporate governance practices should improve performance in the long run, for any company, period. With this in mind, we also discovered how the MSE has been struggle to improve the number of public companies into the system improving regulation and facilitate law and normative to the investors in order to create a more friendly legal environment and more clear and transparent information, the main purpose is to minimize the effect described in the previous paragraph. This trend is not only for Mexico, this trend is part of the globalization process that the financial system as a whole has been change and evolved in the last twenty years. The problems and all potential solutions are far away to be solved; more over the problems are now more complicated and more virulent (government level) than never before.

We believed that part of the solution is related between the regulation and law changes and how the information is disclosed. Our research let us to pinpoint how a abnormal good performance company can be either, with outstanding governance practices with a full descriptions of activities and at the same time a outstanding performance company with poor and limited information in how they manage and control the resources of the investors. Law enforcement, financial cultural level and ownership structure are part of the solution.

We also pinpoint at this level, the MSE as a whole and with the available information, we cannot conclude if there was a relationship between corporate governance practices and performance, we can conclude there was a new regulation, with all the intentions to improve the investor position and with the purpose to minimize the opportunistic behavior of the management, as we found out in others countries. But at the same time, we were able to describe a series of discrepancies in how the information was disclosed to the investors.

We promote several changes not the law, but to the way the information was disclosed, for example, we can opt to standardize all the information in terms of governance practices and how is disclosed to the investors, this apply to all five domains of corporate governance practices described in this research. Second, we can also promote the governance index for all the companies traded in the MSE as a part of information disclosure. Third, is important to control the level of debt and the performance of the firm with specific measures and standards, that allows the managers and investors to understand the consequences if are not controlled, also a specific way to measure (financial ratios in a systematic way) and how are disclosed is very important. Our last comment is related to the questionnaire, we believed that can be improve in how the answers are addressed and also how the information must be disclose.

Table 6. *Descriptive statistics by industry*

Variables *	1	2	3	4	5	6	7	8	1	2	3	4	5	6	7	8
	Commercial								Communications							
Exante Mean	18%	6%	21%	5%	106%	4%	42%	51%	9%	4%	4%	19%	71%	29%	50%	147%
Expost Mean	11%	6%	10%	7%	36%	5%	48%	109%	12%	4%	5%	17%	74%	64%	63%	222%
Variance Exante	0.06	0.00	0.13	0.00	4.03	0.00	0.00	0.74	0.01	0.00	0.03	0.00	6.54	0.14	0.00	0.12
Variance Expost	0.00	0.00	0.00	0.00	0.22	0.00	0.00	0.01	0.07	0.00	0.02	0.00	4.86	2.92	0.00	0.17
N Exante	306	306	306	306	306	306	306	306	130	130	118	130	118	126	130	130
N Expost	280	280	280	280	280	280	280	280	120	120	120	120	120	120	120	120
All Observations	586	586	586	586	586	586	586	586	250	250	238	250	238	246	250	250
Mean	16%	0.06	18%	6%	70%	4%	45%	78%	10%	0.04	4%	18%	62%	43%	57%	192%
Median	12%	0.07	11%	7%	14%	5%	47%	93%	9%	0.04	1%	19%	-4%	26%	58%	171%
Std Dev	26%	0.04	38%	4%	351%	5%	10%	92%	33%	0.07	28%	8%	439%	126%	9%	80%
Min	-23%	-0.1	-19%	-2%	-609%	-10%	29%	-295%	-51%	-0.1	-37%	-1%	-1091%	-46%	43%	104%
Max	142%	0.1	142%	11%	1524%	13%	64%	272%	125%	0.3	84%	33%	1793%	812%	72%	391%
	Mining								Manufacture							
Exante Mean	10%	3%	18%	18%	174%	15%	34%	56%	13%	6%	7%	13%	57%	9%	37%	71%
Expost Mean	5%	1%	14%	10%	138%	2%	53%	120%	8%	4%	5%	11%	47%	6%	45%	102%
Variance Exante	0.00	0.00	0.13	0.01	27.12	0.01	0.01	0.08	0.00	0.00	0.00	0.00	1.40	0.00	0.00	0.01
Variance Expost	0.02	0.00	0.08	0.01	16.50	0.02	0.00	0.09	0.00	0.00	0.00	0.00	1.25	0.00	0.00	0.01
N Exante	72	72	72	72	72	72	72	72	394	394	380	394	380	390	394	394
N Expost	60	60	60	60	60	60	60	60	340	340	340	340	340	340	340	340
All Observations	132	132	132	132	132	132	132	132	734	734	720	734	720	730	734	734
Mean	8%	0.02	16%	15%	158%	9%	42%	85%	11%	0.05	6%	12%	50%	7%	41%	86%
Median	8%	0.01	3%	13%	11%	11%	44%	81%	10%	0.05	5%	12%	11%	7%	42%	84%
Std Dev	12%	0.04	39%	12%	694%	14%	13%	46%	9%	0.04	13%	3%	227%	5%	8%	31%
Min	-26%	-0.1	-30%	-6%	-661%	-29%	23%	30%	-16%	0.0	-17%	5%	-368%	-6%	26%	41%
Max	30%	0.2	134%	37%	3876%	33%	62%	172%	35%	0.2	43%	18%	1041%	22%	55%	155%

* 1- H1 Return on Equity, 2- H2 Return on Assets, 3- H3 % Increase Sales, 4- H4 Gross Marging. 5- H5 Net Income Margin, 6- H6 % Increase Net Income, 7- H7- Debt/Assets Ratio, 8- H8 Debt/Equity Ratio.

Table 6. *cont.*

Variables *	1	2	3	4	5	6	7	8	1	2	3	4	5	6	7	8	
	Services								Construction								
Exante Mean	0%	2%	7%	17%	-17%	1%	39%	94%	13%	3%	10%	14%	10%	3%	52%	90%	
Expost Mean	3%	1%	2%	12%	2%	5%	40%	77%	8%	5%	10%	17%	68%	10%	52%	126%	
Variance Exante	0.15	0.01	0.00	0.00	10.27	0.27	0.02	0.34	0.04	0.00	0.02	0.00	7.13	0.10	0.00	0.12	
Variance Expost	0.00	0.00	0.00	0.00	7.36	0.01	0.00	0.00	0.00	0.00	0.01	0.00	8.60	0.00	0.00	0.01	
N Exante	67	67	63	67	63	67	67	67	215	215	207	215	207	215	215	215	
N Expost	60	60	60	60	60	60	60	60	200	200	200	200	200	200	200	200	
All Observations	127	127	123	127	123	127	127	127	415	415	407	415	407	415	415	415	
Mean	3%	0.02	5%	14%	-8%	5%	38%	81%	11%	0.04	11%	16%	33%	6%	51%	104%	
Median	5%	0.03	3%	14%	-9%	7%	39%	73%	10%	0.05	7%	18%	7%	11%	50%	109%	
Std Dev	22%	0.08	10%	6%	353%	31%	12%	40%	21%	0.08	26%	7%	467%	31%	12%	50%	
Min	-117%	-0.4	-9%	2%	-1572%	-138%	18%	30%	-33%	-0.3	-28%	-6%	-1290%	-96%	32%	3%	
Max	35%	0.2	28%	26%	792%	50%	58%	178%	72%	0.3	107%	24%	2262%	125%	73%	188%	
	Others								All Sectors								**GDP
Exante Mean	15%	8%	17%	14%	126%	10%	49%	105%	11%	5%	12%	14%	75%	10%	43%	88%	3.5%
Expost Mean	3%	2%	1%	8%	59%	2%	53%	122%	7%	3%	7%	12%	61%	13%	50%	125%	1.9%
Variance Exante	0.01	0.00	0.02	0.00	24.72	0.00	0.00	0.03	0.04	0.00	0.05	0.00	11.60	0.07	0.01	0.20	0.05
Variance Expost	0.00	0.00	0.01	0.00	3.81	0.00	0.00	0.03	0.01	0.00	0.02	0.00	6.08	0.42	0.00	0.05	0.02
N Exante	200	200	189	200	189	200	200	200	1384	1384	1335	1384	1335	1376	1384	1384	23
N Expost	180	180	180	180	180	180	180	180	1240	1240	1240	1240	1240	1240	1240	1240	20
All Observations	380	380	369	380	369	380	380	380	2624	2624	2575	2624	2575	2616	2624	2624	43
Mean	9%	0.05	10%	12%	112%	6%	51%	113%	10%	0.04	10%	13%	68%	12%	47%	106%	2.8%
Median	10%	0.05	6%	12%	8%	6%	51%	109%	9%	0.04	5%	13%	5%	10%	47%	103%	3.2%
Std Dev	12%	0.06	25%	4%	829%	8%	7%	31%	19%	0.06	26%	6%	480%	31%	10%	53%	4.1%
Min	-23%	-0.1	-27%	2%	-1594%	-13%	37%	61%	-117%	-0.4	-37%	-6%	-1594%	-138%	18%	-295%	-9.2%
Max	0.346	0.175	0.88	0.18	40.72	0.227	0.643	1.88	1.42	0.287	1.422	0.37	40.72	8.12	0.73	3.91	8.4%

* 1- H1 Return on Equity, 2- H2 Return on Assets, 3- H3 % Increase Sales, 4- H4 Gross Marging. 5- H5 Net Income Margin, 6- H6 % Increase Net Income, 7- H7- Debt/Assets Ratio, 8- H8 Debt/Equity Ratio.

** Gross Domestic Product

Table 7. *Selected companies statistical results*

	ROE	ROA	%Sales	MGM	NI	NI/S	DR	DER	ROE	ROA	%Sales	MGM	NI	NI/S	DR	DER
	ALSEA								POSADAS							
Exante Mean	18%	11%	51%	14%	20%	15%	36%	58%	9%	5%	10%	24%	31%	16%	53%	118%
Expost Mean	12%	8%	11%	10%	38%	8%	32%	48%	6%	3%	3%	17%	27%	7%	59%	142%
Variance EXANTE	0.00	0.00	0.02	0.00	0.07	0.01	0.00	0.02	0.07	0.01	0.01	0.00	24.08	0.09	0.00	0.10
Variance EXPOST	0.00	0.00	0.01	0.00	0.98	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.82	0.00	0.00	0.01
N Exante	8	8	8	8	8	8	8	8	24	24	24	24	24	24	24	24
N Expost	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
T Critical Value @ 5%	2.06	2.06	2.06	2.06	2.06	2.06	2.06	2.06	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02
T Test	3.27	3.07	7.31	5.48	0.74	1.93	2.04	1.90	0.48	1.13	3.04	6.59	0.03	1.51	4.27	3.57
P Value	0.01	0.01	0.00	0.00	0.46	0.09	0.07	0.09	0.64	0.27	0.00	0.00	0.98	0.14	0.00	0.00
Standard Error	0.02	0.01	0.05	0.01	0.24	0.04	0.02	0.05	0.06	0.02	0.02	0.01	1.02	0.06	0.01	0.07
Obs	28	28	28	28	28	28	28	28	44	44	44	44	44	44	44	44
Mean	14%	9%	22%	11%	33%	10%	33%	51%	7%	4%	7%	21%	29%	12%	56%	129%
Median	14%	9%	17%	11%	30%	8%	32%	48%	7%	3%	7%	20%	-12%	8%	57%	135%
Std Dev	5%	3%	21%	2%	85%	7%	5%	12%	20%	7%	9%	5%	364%	23%	5%	27%
Min	3%	2%	1%	7%	-73%	1%	27%	36%	-96%	-31%	-5%	13%	-1505%	-94%	45%	81%
Max	26%	14%	83%	15%	349%	32%	46%	85%	52%	21%	25%	33%	1157%	61%	68%	209%

Table 7. *cont.*

	ROE	ROA	%Sales	MGM	NI	NI/S	DR	DER	ROE	ROA	%Sales	MGM	NI	NI/S	DR	DER
					GMEXICO								BACHOCO			
Exante Mean	13%	4%	37%	28%	391%	22%	36%	63%	16%	12%	14%	14%	40%	14%	21%	27%
Expost Mean	10%	2%	12%	21%	275%	9%	58%	146%	12%	9%	5%	11%	73%	10%	21%	27%
Variance EXANTE	0.01	0.00	0.41	0.02	165.94	0.01	0.01	0.14	0.01	0.00	0.04	0.00	1.26	0.00	0.00	0.01
Variance EXPOST	0.03	0.00	0.11	0.03	47.33	0.02	0.00	0.12	0.00	0.00	0.01	0.00	4.36	0.00	0.00	0.00
N Exante	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24
N Expost	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
T Critical Value @ 5%	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02
T Test	0.78	1.50	1.68	1.42	0.38	2.96	7.87	7.52	1.90	2.02	2.27	1.97	0.63	2.08	0.40	0.09
P Value	0.44	0.14	0.10	0.16	0.71	0.01	0.00	0.00	0.06	0.05	0.03	0.06	0.53	0.04	0.69	0.93
Standard Error	0.04	0.01	0.15	0.05	3.05	0.04	0.03	0.11	0.02	0.02	0.04	0.02	0.52	0.02	0.01	0.02
Obs	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44
Mean	12%	3%	25%	25%	338%	16%	46%	101%	14%	11%	10%	12%	55%	12%	21%	27%
Median	10%	1%	-1%	19%	30%	17%	50%	102%	15%	12%	7%	13%	14%	14%	22%	28%
Std Dev	12%	4%	53%	16%	1049%	15%	15%	55%	7%	6%	16%	6%	162%	6%	5%	8%
Min	-8%	-3%	-27%	-2%	-544%	-9%	24%	32%	-10%	-7%	-10%	-1%	-178%	-8%	11%	12%
Max	39%	18%	182%	53%	6112%	47%	65%	189%	27%	20%	59%	22%	634%	21%	32%	46%
					TELMEX								CMOCTEZ			
Exante Mean	18%	11%	1%	37%	40%	23%	33%	57%	16%	14%	38%	40%	69%	30%	12%	14%
Expost Mean	32%	12%	6%	34%	-2%	19%	61%	158%	19%	16%	11%	45%	6%	31%	17%	20%
Variance EXANTE	0.01	0.00	0.01	0.00	2.60	0.00	0.02	0.22	0.01	0.00	0.05	0.01	0.53	0.01	0.00	0.01
Variance EXPOST	0.01	0.00	0.01	0.00	0.03	0.00	0.00	0.08	0.00	0.00	0.00	0.00	0.04	0.00	0.00	0.00
N Exante	24	24	20	24	20	24	24	24	20	20	16	20	16	20	20	20
N Expost	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
T Critical Value @ 5%	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.03	2.02	2.03	2.02	2.02	2.02
T Test	4.74	1.41	1.65	3.81	1.15	2.90	10.32	8.72	1.65	1.41	4.68	1.81	3.33	0.51	3.02	2.75
P Value	0.00	0.17	0.11	0.00	0.26	0.01	0.00	0.00	0.11	0.17	0.00	0.08	0.00	0.61	0.00	0.01
Standard Error	0.03	0.01	0.03	0.01	0.36	0.01	0.03	0.12	0.02	0.02	0.06	0.03	0.19	0.02	0.02	0.02
Obs	44	44	40	44	40	44	44	44	40	40	36	40	36	40	40	40
Mean	24%	12%	4%	35%	19%	21%	45%	103%	18%	15%	23%	43%	34%	31%	14%	17%
Median	22%	11%	1%	36%	1%	21%	51%	105%	19%	17%	16%	45%	20%	33%	13%	14%
Std Dev	12%	3%	9%	3%	115%	6%	17%	64%	6%	5%	20%	8%	59%	7%	5%	8%
Min	-2%	-2%	-17%	29%	-30%	-4%	20%	25%	4%	3%	3%	21%	-30%	14%	6%	6%
Max	54%	17%	28%	40%	720%	33%	68%	217%	29%	23%	88%	52%	251%	41%	25%	33%
					GSANBORNS								KOF			
Exante Mean	10%	5%	84%	12%	1208%	8%	56%	133%	14%	7%	15%	11%	20%	6%	52%	108%
Expost Mean	17%	7%	-3%	15%	213%	8%	59%	153%	21%	10%	25%	20%	37%	11%	53%	118%
Variance EXANTE	0.00	0.00	0.97	0.00	1688.1	0.00	0.01	0.18	0.00	0.00	0.07	0.00	0.23	0.00	0.00	0.02
Variance EXPOST	0.01	0.00	0.07	0.00	37.68	0.00	0.01	0.21	0.01	0.00	0.16	0.00	0.47	0.00	0.01	0.16
N Exante	16	16	12	16	12	16	16	16	24	24	24	24	24	24	24	24
N Expost	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
T Critical Value @ 5%	2.03	2.03	2.04	2.03	2.04	2.03	2.03	2.03	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02
T Test	2.54	1.71	3.01	2.25	0.83	0.06	1.32	1.31	2.61	2.40	0.97	7.75	0.97	5.67	0.55	1.03
P Value	0.02	0.10	0.01	0.04	0.42	0.95	0.20	0.20	0.01	0.02	0.34	0.00	0.34	0.00	0.59	0.31
Standard Error	0.02	0.01	0.29	0.01	11.94	0.01	0.03	0.15	0.02	0.01	0.10	0.01	0.18	0.01	0.02	0.09
Obs	36	36	32	36	32	36	36	36	44	44	44	44	44	44	44	44
Mean	14%	6%	30%	14%	586%	8%	58%	144%	17%	8%	19%	15%	28%	8%	52%	113%
Median	16%	6%	9%	15%	33%	9%	58%	138%	15%	7%	7%	15%	21%	7%	52%	110%
Std Dev	8%	3%	75%	3%	2542%	4%	8%	45%	8%	5%	33%	6%	58%	4%	6%	29%
Min	-3%	-1%	-69%	4%	-118%	-1%	36%	56%	2%	1%	-13%	5%	-53%	2%	43%	77%
Max	25%	12%	292%	17%	14252%	18%	71%	243%	39%	21%	143%	25%	191%	19%	67%	203%

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