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UA PROFESSOR TO PRESENT PAPER DURING NOBEL PRIZE EVENTS IN STOCKHOLM

FAYETTEVILLE, Ark. – A Sam M. Walton College of Business finance professor is in Sweden to present a paper in conjunction with the events marking the award of this year’s prestigious Nobel prizes.

Tomas Jandik and Craig Rennie, both assistant professors of finance at the Walton College, wrote a paper that was one of six to win the first round of the European Corporate Governance Institute (ECGI) Clinical Paper Competition. The other winning papers came from authors at institutions such as Harvard, Oxford University, the London Business School, and Berlin’s Humboldt University.

Jandik will present the paper Thursday, Dec. 9, in round two of the competition. The winner will be announced later that evening. The top prize is 4,000 Euros (more than $5,300), and submission to the Journal of Financial Economics, the leading academic finance publication.

Jandik, who is Czech, and Rennie, who is Canadian, authored an exhaustive study of a Czech Republic ammunition manufacturer, which has important implications for American businesses, especially those in northwest Arkansas.

The paper, titled “Legal Systems, Ownership Concentration and Corporate Governance at Sellier and Bellot,” is a study of the fall and rise of the Czech Republic’s largest arms
manufacturer, which is also the fifth largest supplier of sporting ammunition sold in the United States. In 1993, Sellier and Bellot (S&B) went public as part of the government’s voucher privatization program. The company nearly went bankrupt until it underwent a dramatic turnaround in 1999 after it came under the control of a single owner.

“S&B is a clear example of what typical Czech companies went through during the last 10 years or so,” Jandik explained. “Many American companies, such as Wal-Mart, go to countries like the Czech Republic and immediately encounter legal and governance challenges similar to those experienced by Sellier and Bellot.”

Rennie says the S&B turnaround experience was a “perfect natural experiment because the fall of communism at the end of the 80s led the state to distribute small numbers of shares to large numbers of people, resulting in an artificially dispersed ownership.

“Prior literature suggests that countries with weak legal protection for minority shareholders, such as the Czech Republic, require concentrated ownership for effective corporate governance,” he continued. “S&B governance was weak during the diffuse ownership period, and only improved after a single owner accumulated a majority of outstanding shares.”

Jandik and Rennie spent more than a year working on the S&B case. Jandik traveled to Prague twice, where he interviewed top S&B managers repeatedly. He stresses the importance of the academic clinical paper as a practical tool for real-world businesses.

“The world is truly becoming global. Look at Arkansas: Ten years ago, hardly any businesses were expanding internationally; these days, business such as Wal-Mart and Tyson are expanding internationally,” Jandik said.

“The idea behind a good clinical paper is that practitioners can look at one or two papers to see how an actual company fared in a given environment. After reading our case, business executives will be able to learn about foreign companies and foreign laws much faster than if they studied large volumes of academic theoretical or empirical journal articles.

“In northwest Arkansas, because of the global nature of the business we’re involved with you need this kind of research to assist practitioners.”


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