

Foreign Institutional Ownership, Political Ties, and Corporate Governance Change in Emerging Economies

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We examine how politically connected firms respond to foreign investors' demand in adopting shareholder-oriented corporate governance practices, focusing on firms' appointment of independent directors and filing of financial restatements in Taiwan between 2002 and 2005. We found the facilitating role of political ties in promoting governance change. We further disentangle the underlining mechanisms by examining the boundary conditions under which these effects are more or less pronounced, focusing on the incentive structure within the firm.