Foreword

Ordinarily, only the interests of shareholders, debtholders and corporate management are taken into account when analyzing corporate financial decisions, while the interests of the other non-financial stakeholders are neglected. In his study, Gregor Gossy investigates the interesting but under-researched implications of the firm's relationships with its non-financial stakeholders such as customers, employees and suppliers on corporate financial decisions. In particular, he develops a so-called stakeholder rationale for risk management and discusses whether this risk management approach contributes to a better understanding of the motives for and consequences of conservative corporate financial decisions in the areas of capital structure choice, corporate cash holdings and payout policy.

The underlying theory of the firm has a huge impact on corporate finance theory. In the first part of this book, therefore, Gregor Gossy discusses the relevant developments of the new institutional economics and combines them nicely with results of the resource-based view of the firm to get a well-founded stakeholder-oriented theory of the firm. On this basis, he develops his main hypothesis that the degree of conservativeness of a firm's financial policies is positively associated with the extent to which the firm is dependent on value enhancing specific investments of its stakeholders. In the second part of this study, he empirically tests his hypotheses for corporate cash holdings and capital structure decisions on a sample of 593 Austrian and German listed corporations.

Gregor Gossy presents a very ambitious work regarding the content as well as the methodology used. Both researchers and practitioners will profit from the author's ability to integrate two academic fields, strategic management and corporate finance, that have been developed quite separately over the years.

Paul Wentges