

III Edition Jaime Fernández de Araoz Award. Study of corporate finance given a boost.

Expansión, 24 November 2008

Corporate finance scholars and researchers have until 2 March to present their papers for the Jaime Fernandez de Araoz Award.

Research into corporate finance in Spain is plentiful in both quality and quantity, as proved by its publication in the best international journals. Further stimulus for progress in this area is provided by the Jaime Fernandez de Araoz Award, which is calling for papers for its third edition - a particularly significant edition given the current financial and economic climate, comments Luis de Giundos, president of the Award Jury and former State Secretary for Economic Affairs. This edition is being sponsored by CUNEF (University College of Financial Studies) and Universia, two prestigious organisations that are benchmarks of academic and university excellence.

The significance of the Award, created in 2005 and held biannually to recognise and stimulate the development of knowledge in the area of corporate finance, has been highlighted by the Prince of Asturias on the two occasions that he has presented the Award to its winners as “a push for excellence in the financial sector”. Alejandro Fernandez de Araoz Gomez-Acebo added that “the Award was created with the aim of doing its bit to facilitate the coming together of researchers, regulators, politicians and businesspeople to try to identify some of the key areas for making better businesses in a better Spain. Corporate finance scholars have a great deal to contribute to this”.

The first edition, sponsored by Citigroup and the Spanish Institute of Financial Analysts and assisted by the Ramon Areces Foundation, gave the award to Arturo Bris and Christos Cabolis for their work ‘The value of protecting the investor: evidence based on international mergers’. The second edition in 2007, sponsored by Banco Santander and Universia and assisted by Mutua Madrileña, gave the award to Vicente Cuñat and Maria Guadalupe who impressed the Jury with their work ‘Globalisation and the provision of incentives within the company: the effect of international competition’.

For its winners, the Award is “recognition of our work, but it is also important because it disseminates knowledge, recognising research which has applications for companies”. So says Cuñat, who now lectures in the London School of Economics and who will be part of the Jury for the third edition.

He believes that many papers submitted to this edition will deal with the current economic crisis, but warns “there is a tendency to simplify things and react in the wrong directions. We must be careful not to lose sight of rigour when analysing this crisis, and I think one thing that the academic community is doing well is to study the crisis and its effects without falling into trivialisations”.

Revision of contracts

Cuñat and Guadalupe's research paper concluded that increased competition leads to salary schemes being more closely linked to results, more so than during times of lesser competition. This thesis is still valid, but Cuñat comments "in the light of the current crisis, we should be looking at if a particular type of incentive in excessively incentive-oriented contracts actually turns out to be unfavourable. I think if you look at the merchant banking sector middle management echelons, it seems that this kind of contract brought out an excessive appetite for taking risks. But in terms of the current crisis, what is required is follow-up and assessment of whether this kind of salary scheme should be reconsidered".

Key Dates

- The closing deadline for submitting papers is 2 March 2009.
- The Jury will name the winner in May 2009 and the award ceremony will take place in June.
- Along with the Award, the winner will receive 10,000 euros and a sculpture by Martin Chirino.
- The Jury will assess the work based on its quality, its applied approach and the originality of the areas it studies.
- Papers must be written in Spanish or English and must have a title.
- All the information about the Award can be found on www.premiojfa.org