

Award to bright ideas on finance

CORPORATE FINANCE / The paper ‘The Internal Governance of Firms’ has been honoured with the Jaime Fernández de Araoz Award, sponsored by Cunef and Universia. Prince Philip handed the prize to Viral Acharya, one of the three authors of the paper.

“In the current financial crisis it is necessary to restore personal and social values such as honesty and fair play”, said the Crown Prince of Spain during the awards ceremony of the III Jaime Fernández de Araoz Corporate Finance Award who went to Professor Viral Acharya, co-author along with the also Indian Professor Raghuram Rajan and the American Stewart Myers of the paper The Internal Governance of Firms. As well as the Prince, the ceremony, which took place at Mutua Madrileña Auditorium, was attended by Mr. Miguel Sebastián, Spanish Minister of Industry and Ms. Esperanza Aguirre, President of the Community of Madrid.

The third edition of this award, sponsored by the Finance University College (Cunef) and the university platform of Santander, Universia, has gone to a “theoretic paper which proposes a novel analysis framework of incentives to value creation by firms top management”, said Luis de Guindos, former Secretary of State, partner in charge of Financial Services for PricewaterhouseCoopers Spain and president of the jury of this award.

Internal Control

This control cannot be replaced by external audits. On the contrary, it is complementary and “could explain the success of some companies with dispersed shareholders and weak boards in which external governance and control mechanisms could be of little effectiveness”, said the award jury that also highlighted the explanations laid out in the paper about such issues as the positive relation between investment and cashflow and the investment policies inertia.

The Jaime Fernández de Araoz Award was established in 2005 with the aim to contribute to the development of economic and corporate finance through the recognition of a research paper applied to this field. It is biannual and carries a cash prize of Euros 10.000 plus a sculpture of the renowned Canary born Martín Chirino. In its last edition 34 papers from 16 countries were submitted, doubling the previous one and adding a more international nature. The award has achieved international reputation in the academic research on corporate finance.

According to experts, the global effects of this economic crisis need global solutions, and so the paper The Internal Governance of Firms highlights the importance of a good internal control in firms.

The award pays a tribute to Jaime Fernández de Araoz Gómez-Acebo, graduated in Economics and Business by Cunef. He devoted his career to investment banking until his death in 2003.

Award-winners with a international profile

- *Viral Acharya is a Professor of Finance at Stern School of Business, New York University, and he previously taught at London Business School.*
- *Stewart Myer is a Professor of Finance at MIT Sloan School of Business and co-author of the book 'Principles of corporate finance'.*
- *Raghuram Rajan is Professor of Finance at the Booth School of Business, University of Chicago. He was IMF Research Director in 2003-2007.*