Abstract:

The main agency conflict in concentrated ownership environments occurs between controlling and minority shareholders. This study investigates the impact on share prices when news released on the media indicates that the interests of these groups diverge. The study is a case study investigating announcements of conflicts that dominated the media in 2007 between shareholder groups in Kakuzi Limited over the decision by the majority shareholders to dispose a prime asset against the will of minority shareholders. The study was done by identifying announcements of conflicts reported in local dailies and observations of the share prices and market returns few days before and few days after the announcement of conflicts. The impact of conflict is determined by analyzing the returns on the Kakuzi shocks for any abnormal return using two different methodologies. The first methodology looks for abnormality in returns relative to the NSE index and the second compares return of the Kakuzi stock to that of selected peer companies.