

This research review provides an outline of work undertaken for clients or other wise conducted

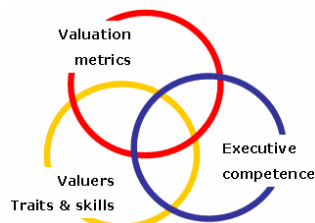
Topic Valuation of Quoted Companies: The influence of executive management competence on the value of quoted companies

"What would be a risky investment for an ignorant speculator may be exceptionally safe for a well informed expert."

- John Maynard Keynes (1910)

Introduction Analysts and economists are constantly debating the concepts of corporate valuation, risk and return related to specific investment opportunities. Equally prevalent is the influence of soft aspects such as executive competence board performance on corporate valuation.

Objective



To determine the level of information symmetry amongst the communities involved and awareness of the confluence of the two factors.

Furthermore, what constitute a "well informed expert"? Valuers remain under pressure brought on by swift and frequent changes in companies and complexities associated with interpretation of tacit and explicit information knowledge.

Findings Although the board (Agent level 1) is primarily responsible for value creation, a competent CEO will most likely preside over a divergent and successful top management team. Incompetence will invariably be punished by stakeholders withdrawing initiating the process of corporate failure. Until collapse is inevitable there could be limited external signs or awareness resulting in substantial information asymmetries reducing recovery response time. The traits and skills of the valuer have a significant influence on the market and published value opinions.



Conclusions

- Priority must be given to measuring executive performance and developing top management teams focussing on Emotional Intelligence and other aspects such as Sensemaking
- Focus on what constitute corporate failure and value destruction rather than what creates value.
- Performance management methods must be flexible and focussing on value metrics, cause-and-effect relationships enabling early warning and not on methodologies and software solutions.

"The fish rots from the head"

- an ancient Chinese saying

Contact us to learn more about the way we work, and how we could assist you in motivating your organisation to a higher level of value awareness.