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Financialization and Corporate Behavior: Idiosyncratic Deviations in the Corporate Governance Practices of Shipping Companies

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ABSTRACT

Financialization, as a phenomenon, first emerged in the United States in the 1970s. Subsequently, it spread to other continents and countries, with different rates of intensity, characteristics, and duration, marking a new socio-economic manifestation of the capitalist system. The development of this phenomenon is associated with contemporary economic and institutional market transformations, leading to a reorientation of corporate strategic administration and management choices. This study explains the main reasons underlying the rise and dominance of the phenomenon. It presents findings from international research on the emergence and detection of financialization at the state and company levels. A review of the key literature reveals idiosyncratic deviations in the corporate governance practices of global commercial shipping companies compared to those of other economic sectors. These deviations concern both the companies' governance structures and the degree of ownership concentration in relation to their corporate performance. Therefore, the usefulness of a research study that coherently examines the link between financialization and the various forms and aspects of corporate governance becomes evident, contributing both theoretically and empirically to alternative managerial decision-making options.

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1. Introduction

Corporate governance is understood as the field that seeks to address representation problems arising from conflicting interests within a company, between ownership and control or otherwise among various categories of capital contributors[1] and other stakeholders[2] and its management[3]. It is considered a set of rules (organization, management, control, and safeguarding) for a company, whose implementation helps protect the legal interests of shareholders against management, as well as minority shareholders against the majority shareholder or major shareholders. Ultimately, it contributes to enhancing the company's competitiveness and promoting a more democratic functioning of the Board of Directors and major shareholders, whose aim is to achieve corporate objectives while serving the broader interests of other stakeholders and society as a whole. The most common established rules[4] pertain to the characteristics of the Board of Directors (governance structure concentration, board size, presence of non-executive and independent non-executive members of the Board, interlocking directorates, etc.), the implementation of corporate risk management and assessment systems, and the establishment and operation of an internal audit unit with the participation of a significant number of independent members. The latter ensures that company executives perform their duties in a manner that guarantees the smooth and efficient operation of the company. Additionally, these rules cover the functioning of the audit committee overseeing auditors, the evaluation and compensation committee for executive management through contracts and other related governance mechanisms. Furthermore, other vital rules relate to disclosure obligations regarding a company's ownership structure and governance, the operation of a corporate website, and generally actions aimed at improving communication with shareholders and attracting new investors. They also include disclosure requirements for preparing for regular and extraordinary general meetings.

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[1] Capital contributors are considered to include owners, minority shareholders, bondholders, banks, and other claimants who provide capital, such as pension funds, insurance companies, mutual funds, hedge funds, etc.

[2] Such as suppliers, creditors, consumers, employees, the government, etc.

[3] Such as the entrepreneur, the CEO, the Chairman, dependent directors, external independent directors, executive, non-executive and independent non-executive board members, as well as other corporate insiders.

[4] For a more in-depth and comprehensive analysis, see *Principles of Corporate Governance* of the Organisation for Economic Cooperation and Development (OECD, 2004). Regarding Greek enterprises, see the latest revision of the Hellenic Corporate Governance Code, as amended by the Hellenic Corporate Governance Council (HCGC), which is responsible for the continuous enhancement and improvement of the Greek corporate regulatory framework.

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Incentive contracts for managers help align their interests with those of shareholders in several ways. Sometimes, they increase managers' willingness to enhance productivity and disclose valuable information. At the same time, they serve to limit the exploitation of investor interests and the misuse of residual control rights for personal gain. At the same time, even in a fully competitive product market, there is always the risk of managers appropriating the competitive returns that arise after labor and capital expenses have already been incurred. In essence, incentive contracts merely help mitigate the principal-agent problem without fully resolving it. The various forms of rewards (incentive contracts) or even the imposition of adverse conditions (disincentives) in cases of executive misconduct or poor corporate performance primarily involve base salary, bonuses, stock options, cash compensation, ownership of a limited number of shares, pay and benefit reductions, the threat of dismissal, and more. Therefore, the provision of long-term incentives to executives helps in making more rational managerial decisions aimed at improving corporate performance, generating additional cash flows, and increasing shareholder wealth. However, the decisive factor in the proper allocation of investment capital, the reduction of opportunities for its misappropriation, and the improvement of corporate performance is the overall effectiveness of corporate governance systems and mechanisms.

From the above points, the importance of corporate governance for the management function and for the strategic policies the company will follow is evident. Of particular scientific interest is its role in the financial structure, its impacts on the formation of this structure, and, by extension, the effects on the efficient operation of the company and the overall achievement of expected objectives. Therefore, the article's research question focuses on the relationship between the functioning of corporate governance and the emergence, operation, and development of the financialization phenomenon—namely, the strategic delay of the real productive process in pursuit of short-term financial speculative opportunities, to the benefit of shareholder value. To support the above claims regarding the distinct and decisive scientific (both theoretical and practical) significance of the relationship between corporate governance and financialization, the most fundamental literature on corporate governance and its potential relevance to financialization is examined.

Shleifer and Vishny (1997) point out that the fundamental issue of corporate governance is how financiers can ensure that they receive a good return on their invested capital, given that managers may either misappropriate the financiers' funds or waste them on pet projects. They also explain and analyze the reasons that allow managers the discretion to serve their own self-interests. For example, they mention the financiers' inability to fully understand, manage and effectively allocate the residual control and decision-making rights in cases that are not

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adequately anticipated by the complete contract[5]. This, in turn, allows managers to allocate funds at their discretion. They also argue that external courts are rarely involved in corporate cases related to the so-called business judgment rule. This serves as a deterrent for financiers, as they may find it difficult to seek justice if they believe their interests have been harmed. Particularly, in governance systems with dispersed shareholding[6] and, consequently, low ownership concentration, it becomes nearly impossible for financiers to exercise their right to oversee management or the founder. This is due to a lack of information and incentives, as well as the high cost of legal protection. However, U.S. courts, which play a more extensive role in corporate matters than courts elsewhere, help prevent the direct expropriation of investors' funds. However, instances of indirect expropriation are not absent, such as through corporate charitable contributions (Masulis and Reza, 2023).

Bruslerie and Crapsky (2008) demonstrate that a recurring process of explicit or implicit negotiation between shareholders and managers, through effective stock option plans, enhances managers' willingness and productivity. Additionally, it enables more effective shareholder oversight of managerial actions. It encourages managers to disclose confidential information (particularly in conditions of high information asymmetry), thereby generating additional cash flows for the company. Two key variables —namely, the percentage of the company's equity in issued capital granted to managers in the form of stock options and the discount on the exercise price of these options —play a primary role in guiding both parties toward a mutually beneficial contract. The optimal combination of these factors could lead to an optimal balance between shareholders and managers.

Lin et al. (2012), assuming that compensation contracts and the provision of incentive instruments to managers create both benefits and costs to shareholder wealth[7], demonstrate that the company's capital structure plays a decisive role in the optimal design of these contracts and incentives. More specifically, the study suggests that the higher a company's leverage, the more shareholders should intensify their provision of incentives—stock options and cash compensation — to managers to maximize their wealth. To substantiate these findings, they relied on an empirical study of a sample of S&P index companies during the period 1992–2006.

Crocker and Slemrod (2005) optimized the compensation contract for tax managers—holders of private confidential information—when they are involved in arrangements aimed at minimizing

[5] For a more extensive analysis of cases involving contract breaches due to residual control rights in public administration services and activities, see Hart et al. (1997).

[6] Systems characterized by multiple ownership and a prominent role for the secondary stock trading market are those of the U.S. and the U.K., according to John and Senbet (1998).

[7] A benefit, as managers gain additional incentives to increase shareholder wealth; however, a cost, as the higher the benefits provided to managers, the more the value of existing shareholders' stake in corporate profits decreases (dilution effect).

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the company's tax burden. Specifically, this study contributes to characterizing the adaptability of the optimal contract in cases where tax authorities detect illegal tax evasion, ensuring that it offsets the impact of alternative penalty enforcement policies.

Finally, among shareholders and the tax manager, penalties appear to be more effective when imposed on the tax manager, as they intensify the conflict between the tax manager and shareholders.

The study by Aboody and Kasznik (2008) demonstrates that the design of top management executives' compensation structures, through the granting of a limited number of stock options, is directly related to shareholders' payment preferences, depending on the prevailing tax framework. Of course, aligning the interests of the two parties by using dividends as a form of payment, in a reduction in dividends taxation, assumes that the stock options received by the managers be protected by dividends. Then, we could say that their self-interests align more closely with those of shareholders regarding dividends as a form of payment, provided that dividend taxation is favorable, especially compared with the prevailing tax system for long-term capital gains. The above conclusion is mainly verified in businesses with higher levels of ownership concentration and stronger shareholder rights, as well as when the cost of financial reporting is reduced.

From our research, it emerges that researchers primarily focus on cognitive approaches in the study of corporate governance and its corporate systems. This includes an emphasis on investors legal protection (Shleifer and Vishny, 1997), in terms of the impact of corporate social activity on financing distortions and investment decisions (Masulis and Reza, 2023), in terms of the optimal balance between shareholders and managers in relation to managers' stock options (Bruslerie and Crapsky, 2008), in terms of the crucial role of corporates capital structure in the optimal design of compensation contracts and the provision of incentive instruments to managers (Lin et al., 2012), in terms of the arrangement of matters related to optimizing the contract for compensating tax managers—holders of private confidential information—aimed at minimizing corporate tax burdens (Crocker and Slemrod, 2005), in terms of the granting of stock options to shareholders and company executives, depending on the prevailing tax framework (Aboody and Kasznik, 2008), in terms of the cases of contract violations due to the reduction of control rights over public administration services and activities (Hart et al., 1997) and regarding the examination of corporate governance mechanisms to address issues arising from the separation of ownership and control (John and Senbet, 1998). However, across the aforementioned cognitive fields of international research, it appears that research focuses on isolated, specialized aspects of corporate governance without delving into the relationships among its various manifestations and their interactions with financialization (an existing research gap).

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It should also be noted from experience that the characteristics and manner of corporate governance are linked to more effective management of corporate capital and its more efficient utilization. Furthermore, the way corporate governance manifests itself is related to the emergence and intensity of the financialization phenomenon, depending on variations in the practices followed, both in the secondary and shipping sectors. In the next chapter, we will analyze how transformative financial processes in the international environment and markets influence the emergence and intensity of financialization, leading to a reorientation of corporate behavior. The present study aims to highlight the observed gap, which may be due to the difficulty of defining and the complexity of the factors influencing the emergence and development of financialization. By bringing this perspective into future research, the study aspires to contribute to the literature by providing a valuable scientific tool for analyzing the relationship between corporate governance and financialization, with a timeless interpretative capacity. Finally, the usefulness and contribution of scientific studies that seek to address interrelated issues of managerial practice, which concern both the economy and society, are evident. The development of the present research includes: Abstract, (1.) Introduction, (2.) A methodological approach to the relationship between financialization and corporate governance, divided into three sub-sections, viz. (2.1.) Reasons for the increasing intensity of financialization and corporate behavior (covering all sectors of the economy), (2.2.) Idiosyncratic deviations in the corporate governance practices adopted by shipping companies, (2.3.) Structural changes and proposal for presenting the relationship (mechanism) of interaction between financialization and corporate governance, (3.) Conclusions and References.

2. A methodological approach to the relationship between financialization and corporate governance

The theoretical and empirical examination of the field includes the following sections:

2.1 Reasons for the increasing intensity of financialization and corporate behavior

In an active financial market with deregulated institutions, the threat of a large company becoming a subsidiary of an even larger corporation is always present. As a result, the company's stakeholders—primarily major shareholders and executives—are called upon to align their actions to prevent a potential acquisition. To prevent this, and given that institutional investors now play a crucial role in the stock trading circuit, the company must strengthen its market presence by increasing the market value of its shares. However, for the stock price to rise, shareholders must be satisfied with the return on their investment. Alternatively, the company

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should either pay higher dividends or compensate them through share buybacks[8]. Similarly, managers also expect an increase in their compensation through stock options (purchase or sale rights) granted by the company, which serve as an incentive to align their interests with those of the shareholders. However, the share buyback that follows increases the stock market value of shares[9] in a way similar to the distribution of higher dividends to shareholders. From the above, the mechanism by which the phenomenon of financialization intensifies becomes apparent: an increase in financial payments, or, in other words, how the wave of mergers and acquisitions influences and reorients corporate behavior. It is evident that the allocation of profits based on the aforementioned financialization mechanism has mitigated the principal-agent problem and brought the interests of majority shareholders and corporate executives closer together. Meanwhile, the use of the rate of return on the stock market value of the share has become the most appropriate measure for assessing a company's success and sustainability.

Another channel explaining the surge of financialization stems from the explosive growth of financial markets in the 1970s. This growth was a response by American manufacturing companies to the pressure exerted by rising Japanese giants, as well as to various internal challenges related to inefficiencies in their organization and management. These were companies that had already expanded significantly and held a leading market position. Thus, the decline in internal growth and profitability of companies due to prevailing market conditions, combined with the opportunistic and self-serving approach that managers often adopted in utilizing corporate resources, and the pressure of an unstable macroeconomic environment, led companies to shift their investments from real productive activities to modern financial market products. This shift aimed at achieving higher profits, primarily within a short-term managerial horizon. The increased accumulation of reserve capital during that period, particularly in the late 1980s, was also a key factor in the expansion and dominance of financial markets. These funds, given the decline of the real productive sector, were channeled into financial markets, which promised higher returns over a shorter period. As a result, corporate and institutional capital was directed toward financial investments. In contrast, managers with specialized knowledge in financial investment management and risk assessment became essential drivers of the success of economic units. However, as noted by Vieira et al. (2024), the compensation received by top executives is

[8] Grullon and Michaely (2002) also found that, in the U.S. market since the mid-1980s, there has been an increasing trend of cash payments to shareholders through share repurchases rather than dividend payments. The replacement of dividend payments with share repurchases, as these two mechanisms largely function as substitutes, is largely attributed to the more favorable taxation of capital gains compared to ordinary income. This tax advantage provided a strong incentive for companies to capitalize on this benefit. Based on the above conclusions, they suggest jointly considering share repurchases and dividend payments when referring to corporate payouts made from company profits as a return of capital to shareholders. This is because any reduction in dividend payments was, on average, offset by an increase in payment through share repurchases.

[9] This is due to the reduction in the supply of shares, which consequently leads to an increase in their price. In other words, the company's shares become scarcer, making them more expensive.

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excessive, playing a decisive role in the growing inequality of wealth distribution. Consequently, the current income redistribution model requires reassessment on a global scale. Referring now to the level of nations, we could say that it is no coincidence that the U.S. capital movement balance has been in surplus in recent decades. At the same time, its balance of payments deficit is primarily financed by foreign central banks, which purchase U.S. payment promises. Undoubtedly, the structure of the financial system in advanced nations results in the transfer of wealth to them from poorer and weaker countries, thereby draining a portion of their economic power.

In international arthrography, there is a significant number of articles that either analyze and explain the key factors that contributed to the emergence and development of the financialization phenomenon or examine, across different time periods and geographic regions[10] the extent to which this phenomenon exists (through corporate financial statements or overall macroeconomic indicators). Subsequently, we will focus on some of the most important of these articles.

Aglietta and Breton (2001), through a model they developed, argued that in a non-passive market where expectations are more adaptive—specifically, in an active financial market for corporate control—companies, primarily through the increased influence of majority shareholders and management, resort either to distributing higher dividends or to increased share buyback rates. This strategy aims to boost return on equity and, consequently, to prevent their acquisition. At the same time, this particular corporate governance mechanism inevitably leads to a reduction in internal growth, or, in other words, a decline in capital accumulation within companies. Ultimately, in their effort to maintain capital at profit-maximizing levels, companies are forced to increase their debt, which, in turn, raises their cost of bank borrowing. Notably, the increase in financial expenses leads to an even greater rise in financial payments, further intensifying financialization. Indeed, when a company's leverage ratio becomes excessively high—meaning its foreign capital expands significantly—it becomes a riskier investment for a lender to place his money. Consequently, to compensate for the increased risk he is taking on, the lender will expect a higher return. However, for the company, the downgrade of its creditworthiness increases the financial expenses it must repay to the bank, leading to a further rise in principal and interest payments. Therefore, the company must continuously adjust its corporate management strategy in line with prevailing market conditions and its specific characteristics to ensure the most appropriate course of action. For a detailed diagrammatic presentation of the detection of financialization through the accounting circuit, see Thanos and Karafolas (2024, 2026).

[10] As noted by Kumar and Gupta (2023), who conducted a bibliometric analysis of the literature on financialization, utilizing data from Scopus and Google Scholar, the majority of studies have focused on developed economies, with the United States being the most frequently examined country.

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Lazonick and O'Sullivan (2000) linked the explosive rise of the U.S. stock market and economy to the reorientation of corporate strategy in favor of shareholder value maximization, primarily from the 1980s onward—i.e. the transition from "retain and reinvest" to "downsize and distribute". They also point out that the principle of shareholder value maximization has gained traction in European and Japanese corporate governance systems. As a result, the U.S. stock market boom was not accompanied by increased available capital for productive investments in the industry.

Tori and Onaran (2020), after analyzing the balance sheets of publicly listed NFCs in fourteen Western European countries for the period 1995–2005, confirm that NFC investments in recent decades have been negatively affected by increased levels of external financing, dividend payments to shareholders, and the substitution of investments in fixed assets with financial activities.

Auvray and Rabinovich (2019), after studying an average of more than 2,000 active and inactive NFCs listed on U.S. stock exchanges for the period 1995–2011, found that interest expenses, dividend payments, and share buybacks replaced NFC investments. They also highlight the need to investigate the relationship between financialization and the offshoring nexus as a possible explanation for the persistence of this trend over the past 30 years. Finally, according to the same authors, financialization is particularly evident among the most prominent companies operating in offshoring high- and low-non-core non-energy sectors.

Davis (2018), who studied all publicly listed NFCs in the U.S. from 1971 to 2003 with non-negative sales or total assets and at least five years of observation, found that the shareholder value orientation during the examined period hindered the allocation of capital for fixed investments. Furthermore, as she points out, increasing firm-level instability discourages managers from committing capital to long-term, irreversible investment projects, thereby restricting fixed investments.

Barradas (2017), who examined NFCs in 27 European Union countries for the period 1995-2003, found an increasing trend in financial investments, resulting in a "crowding out" effect on real investments—meaning a diversion of capital away from productive investments. There is also an increasing trend in financial payments—interest, dividends, and share buybacks—due to intense shareholder pressure, which has led to a decline in real investment.

Zwan (2014) highlights, among other things, that, under the accumulation regime, investments have shifted from production to financial activities. Additionally, regarding shareholder value, financial markets exert pressure on productive companies to prioritize it, both through increased

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dividend payments and share buybacks. Zwan concludes that the concepts of financialization and globalization are almost identical analytical frameworks or two sides of the same coin.

Davis (2016) studied the NFCs listed on U.S. stock exchanges in the manufacturing sector, the services sector and high-tech companies. Her study contributes to understanding how corporate behavior has changed, providing further analysis of shifts in capital financing sources. She finds an increase in cash holdings relative to fixed capital from 1980 onward. She also observes an increase in leverage and share buybacks concerning large NFCs. Additionally, she highlights that the rise in stock purchases by large NFCs was significant.

Finally, finds that the shareholder value orientation was increasing during the period under review.

Krippner (2005) conducted a long-term empirical analysis of the sociological and economic factors using real historical data, comparing revenues, profits, and indicators from both productive and non-productive (financial) activities developed within the United States and abroad. Specifically, she examines three key sectors of GDP, i.e. construction, the arms industry, and services. She finds that, from the 1970s onward, the U.S. economy has been characterized by significant financialization (a structural shift from a traditional to a financialized economy). According to Krippner, financialization marks a new phase of capitalism (a turn toward the stock market and new financial products and instruments).

Orhangazi (2008) examined U.S. stock exchange-listed NFCs across all sectors of the economy. He finds that NFCs' financial investments have increased relative to real investments, thereby boosting their revenues from financial sources. He also finds that an increasing share of NFCs' profits is being transferred to financial markets through higher dividends and share buybacks, boosting stock returns. The above resulted in a reduction in the amount of available capital for real productive investments due to an increase in financial assets and financial payments, leading to a decrease in the reinflow of capital into the company. As a result, there were adverse effects on real capital accumulation, particularly for large enterprises, as well as a shortening of the management planning horizon and increased uncertainty during the examined period. Orhangazi finds that there was a clear shift in corporate governance incentives regarding investment decisions.

Stockhammer (2004), who studied overall business investments in the U.S., the U.K., France and Germany, found the development of a corporate control market oriented toward the shareholder revolution (including the ability to dismiss executives and performance-based compensation systems). This shift encouraged executives to align their interests with those of the shareholders. More specifically, he found that the trade-off between distributing higher profits and long-term

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growth translates into lower investment activity. According to the author, financialization occurred in the U.S. (it explains one-third of the slowdown in accumulation), in France (fully explaining the slowdown in accumulation), and in the United Kingdom. However, in the United Kingdom, financialization did not cause a slowdown in accumulation because it was already at very low levels during the Golden Age. On the contrary, in Germany, there was little financialization because, during the period under consideration, the shareholder-value orientation was still in its infancy. Stockhammer concludes that the regulation of financial markets and the organizational structures adopted by companies should be examined together.

2.2 Idiosyncratic Deviations in the Corporate Governance Practices Adopted by Shipping Companies

Regarding companies in the Greek-owned deep-sea shipping sector and global commercial shipping, certain idiosyncratic deviations emerge compared to companies in other economic sectors. These deviations pertain either to their governance structure or to the concentration of ownership in relation to their corporate performance. In other words, companies in the shipping industry exhibit specific differences in the structure and operation of their Board of Directors, as well as in the impact of their ownership structure on their corporate performance. Indeed, despite differences in the regulation of conventional corporate governance systems (e.g., Anglo-American, Eurasian), the ownership structure of shipping companies remains comparable across systems. Below, we will refer to the most notable arthrography on these topics.

For example, Koufopoulos et al. (2010) conducted a study by sending structured questionnaires in 2006 and 2007 to the managing directors of 27 shipping companies based in Greece. These companies owned at least five vessels and operated in international freight transport. They identified certain idiosyncratic deviations in the corporate governance practices of Greek shipping companies. More specifically, they found a strong presence of founding family members in the top management hierarchy. In other words, these companies are not only family-owned but also, to a large extent, family-managed. The main characteristics of their Board of Directors that support this claim are, first, its balanced leadership structure, in which the same individual (usually a member of the founding family) holds both the CEO and Chairman positions in more than 50% of cases. Second, the small board size, which ranges from five to seven members. Third, the exceptionally high percentage of internal directors on the board — exceeding 75% of the total —further reinforces its lack of independence. It is also noted that with this centralized governance structure, global leadership in the field of commercial shipping has been achieved, with the positive consequence of a recorded increase in the tonnage (weight in tons) of their vessels over the past 40 years. A key success factor of the aforementioned corporate governance practices, which are primarily based on family management, is that the lack of separation between ownership and control reduces agency costs. However, the most

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significant factor appears to be the in-depth knowledge that executive directors have acquired regarding the daily operations of maritime companies, their ability to integrate intra-company functions, their overall support of strategic choices in terms of growth direction and their pivotal role in strengthening the work of decision-makers (board of directors) to make investments that optimize returns. Nevertheless, the authors argue that, to gain access to capital for investment initiatives and strengthen their corporate image, shipping companies will need to adopt more structured corporate governance systems in the coming years. This necessity is further driven by intense industry competition and consolidation. Finally, as they point out, adopting the corporate structure is a step in the right direction to prevent corporate scandals and accounting irregularities—phenomena observed in numerous well-known companies across sectors of the economy.

Syriopoulos and Tsatsaronis (2011) examined the impact of governance structure on the performance of 11 Greek shipping companies listed on U.S. stock exchanges (NYSE and NASDAQ) during the period 2004–2008. The first corporate governance mechanism that deviated from other conventional governance approaches is the positive impact on financial performance of the presence of executive directors (CEOs) associated with the founding family on the board of directors. Additionally, regarding the effects of independent board members on the financial performance of shipping companies, a negative relationship was observed, particularly in capital-intensive and highly productive investment companies operating in high-risk market conditions. The higher effectiveness of internal directors compared to external directors on the Board of Directors, when observed, is attributed by the authors to their distinctive characteristics, such as knowledge, experience, adaptability, and flexibility in the shipping industry. Finally, regarding ownership concentration among board members, they found a positive but diminishing effect of board members' equity participation on shipping companies' financial performance.

Similarly, Theotokas (2007) focused on the internal environment of Greek-owned shipping companies from the late 1960s onwards, identifying it as a key factor in their successful trajectory, flexibility, adaptability, and ability to create a sustainable competitive advantage. That is, the positive impact attributed to their human capital (labor as a factor of production), which, through its broad and specialized knowledge base, entrepreneurial spirit, and bold decision-making, as well as the formation of collaborative networks with individuals from other shipping companies based on specific principles, enabled them to maintain their global leadership position. The author makes special mention of the effort to maintain control of these companies by members of the founding family (shipowners and their descendants) and notes that, if this was not feasible, they did not hesitate to withdraw and establish their own startup company from scratch, leveraging the characteristics above they possessed. Thus, we observe the creation of a

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large number of family-owned and controlled companies, usually small or medium-sized, founded by shipowners, senior executives, and even employees who had previously served in other shipping companies.

Furthermore, Pastra et al. (2015) examined Greek-owned publicly listed shipping companies on foreign stock exchanges for the period 2001–2012, analyzing the characteristics of their Board of Directors as recorded by the Hellenic Observatory of Corporate Governance (HOCG). The above analysis revealed that in 2012, these companies had a highly centralized governance structure, with 53.6% of them having the same individual serve as both Chairman and Chief Executive Officer. A centralized governance structure in the examined companies may also be indicated by other factors, such as long tenures in executive positions (particularly for the Chairman and CEO) and the relatively small size of the Board of Directors. The majority (44.1%) prefer a board size of 6-7 members. These characteristics of the Board of Directors appear to have had a positive impact on the companies' performance and competitiveness at the international level.

In another study by Andrikopoulos et al. (2019), a sample of 110 publicly listed international shipping companies was examined using social network analysis. The study investigated the impact of interlocking directorates on principal-agent conflicts and on the corporate performance of companies in the shipping industry. The findings reveal a network of relational structures, forming multiple cohesive groups among shipping executives and directors. In other words, they identify the presence of an interconnected corporate leadership, which benefits shipping companies in two distinct ways. First, it helps mitigate agency costs by resolving agency conflicts. Second, it generates positive value from investments in acquiring assets, regardless of whether the acquisition funds come from equity or debt. As a result, it has a positive impact on the shipping industry's profitability. Moreover, according to Pastra et al. (2015), the percentage of interlocking directorates (where the same director serves on at least two boards of publicly listed companies) is notably high among Greek-owned shipping companies listed on foreign stock exchanges. These companies remained competitive during the financial crisis while also attracting global recognition.

In a more recent study, Lazakis and Van Der Meer (2023) investigated the extent to which operational and theoretical organizational characteristics influence the business performance of two Greek-owned and -managed shipping companies with a diverse fleet of vessels. They found in both cases that strong family-oriented leadership, the development of internal corporate ties, management stability, rapid adaptability to change, and securing loyal investors are key elements of their unique organizational structure. This structure enables them to maintain high levels of business performance. The ordering and financing of new shipbuilding projects at shipyards worldwide, their flexibility in adapting to technological and regulatory changes, and the establishment of a transparent decision-making and communication framework are strong

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examples of the successful functioning of their organizational structure. This structure is led by the strategic apex, comprising the shipowner and the executive directors. Nevertheless, there is now strong evidence of a differentiated organizational structure, with capital resources and responsibilities allocated across all company departments. As a result, the company's middle line within the corporate hierarchy—comprising the directors of various departments—has gained a more prominent and strengthened role. This unique combination of organizational structures, which the authors refer to as a “hybrid pattern” or “hybrid structure,” has played a key role in the success and prominence of Greek-owned shipping companies. It has also enabled them to adapt to rapid changes and the intense competition within the commercial shipping industry. Finally, it has mitigated the agency problems arising from the complexity of the boundary between private ownership and senior administrative executives.

Tsionas et al. (2012) examined the relationship in the shipping industry in 2009 between ownership concentration and corporate performance, using a sample of 107 companies that at the time covered approximately 60% of the global market of publicly listed international shipping companies. The results reveal, among other things, a strong, positive, bidirectional relationship between ownership concentration and corporate performance. Specifically, regarding the extent to which ownership concentration affects corporate performance—which is of particular interest to us in the context of examining the idiosyncratic deviations in corporate governance practices related to the shareholding structure of shipping companies—the results indicated that this effect is strong and positive. This is explained by the fact that the influence of major shareholders on business decision-making under the same ownership regime, as well as on the coordination of actions, is greater than that of minority shareholders. Additionally, major shareholders have a stronger incentive to take action and undertake business initiatives than minority shareholders, for apparent reasons. It is fascinating that the ownership structure of shipping companies does not differ significantly whether they are listed on Anglo-American or Euro-Asian stock exchanges, despite the distinct corporate governance regulations in these markets. Across different markets, time periods, and criteria (e.g., company size, family-based ownership concentration), there is a wealth of studies examining the relationship between ownership concentration and corporate performance, yielding a wide range of empirical results. Overall, however, the findings supporting a negative relationship between ownership concentration and corporate performance are stronger. For example, the study by Wang and Shailer (2015) collected data from 42 primary studies covering publicly listed companies across 18 emerging markets. After applying meta-analytical techniques, the findings revealed underlying negative relationships between ownership concentration and corporate performance across all countries, regardless of their institutional regulations.

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2.3 Structural changes and proposal for presenting the relationship (mechanism) of interaction between financialization and corporate governance

Our approach is subsequently proposed with an illustrative diagram of the universal operational mechanism, depicting the transformative processes between financialization and corporate governance within the globalized neoliberal capitalist environment. Specifically, the effects and interactions between corporate governance and financialization are presented, along with their diffusion and impacts on businesses, the economy, and society.

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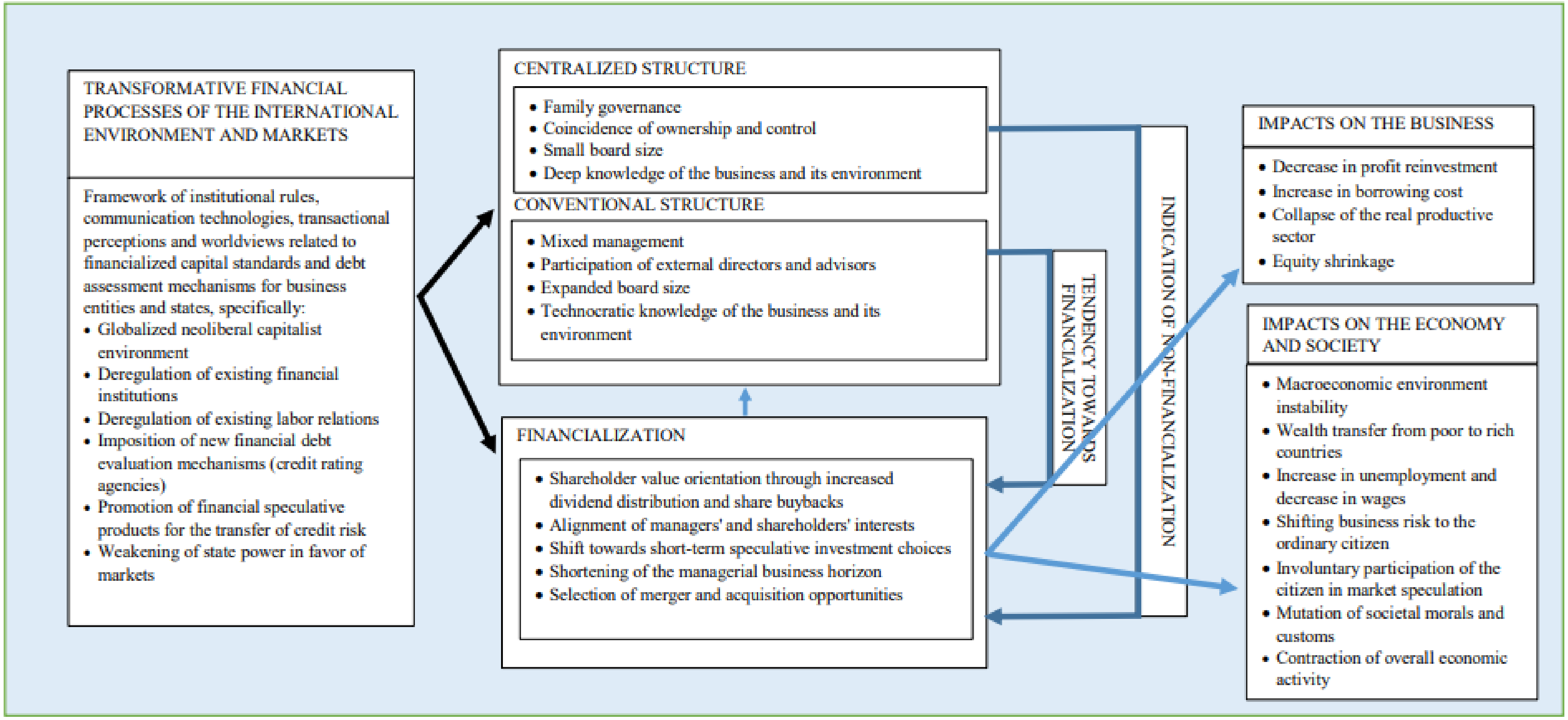
Figure 1. Presentation of the transformative processes and effects of financialization through corporate governance decisions and choices



Source: Approach/proposal on the interactions between corporate governance and financialization, under the responsibility of the authors

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3. Conclusions

The present study examines a relatively modern financial phenomenon, financialization, in parallel with the structural changes in corporate governance, emphasizing the distinctive deviations observed in the global commercial shipping sector. In the introduction, corporate governance is defined as a field of strategic influences and managerial choices of financialization. The importance and contribution of long-term incentive contracts for managers are described, highlighting their role in aligning managers' interests with shareholders'. By mitigating the agency problem, corporate goals are more likely to be achieved, and conflicting interests within the company can be reconciled. However, as the analysis demonstrates, the most crucial factor for the seamless and effective functioning of a corporation, as well as for safeguarding its stakeholders' legal interests, is the optimal adaptation of corporate governance systems and mechanisms. This adaptation should be based on the specific environment, the company's structural characteristics, and the unique prevailing market conditions in which it operates.

Accordingly, the first part of the methodology chapter analyzes and explains the deeper causes driving the pronounced manifestation of financialization. These include the wave of mergers and acquisitions, disturbances in the real productive sector of the U.S. economy, the opportunities for quicker and higher profits offered by modern financial products, the shareholder value orientation, the structural configuration of the financial system in advanced economies, and other related factors. These factors interact constantly and often cumulatively contribute, to a greater or lesser extent, to the shift in capital use from productive to financial activities. This section also presents the findings of some of the most significant articles that have conducted empirical studies to assess the degree of financialization in countries, economic sectors, stock markets, companies, or a combination of these. The phenomenon is approached either through macroeconomic indicators or through companies' financial statements.

The second part of the methodology chapter presents the idiosyncratic deviations among companies in the shipping industry in their corporate governance practices, as reflected in the most significant relevant scientific studies. These deviations pertain both to the characteristics of the board of directors—such as CEO duality, the presence of non-executive and independent non-executive board members, board size, interlocking directorates, etc.—and to their ownership concentration in relation to corporate performance. These companies, in addition to having a concentrated ownership structure, also exhibit a highly centralized governance structure, as they are family-owned and, to a significant extent, family-managed. Most studies converge on the fact that these specific corporate governance characteristics have a positive impact on the corporate performance of shipping companies that exhibit them, thereby strengthening their position on the international business stage.

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The third part of the methodology chapter presents our proposed approach, including a descriptive diagram of the universal operational mechanism of the transformative processes (interactions and counter-interactions) between financialization and corporate governance within the context of the globalized neoliberal capitalist environment.

For the above reasons, among others, the contribution—both theoretical and empirical—of a future scientific exploratory study is evident, particularly in relation to the extent to which corporate governance influences the development and evolution of the phenomenon of financialization in the maritime commercial shipping sector, in comparison with other sectors of the economy. Furthermore, its contribution to the literature would be valuable, as it could generate practical insights, thereby further assisting policymakers in designing the next phase of the desired and feasible evolution of global commercial shipping based on real-world conditions.

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