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The impact of the ipo on the company's operational performance: empirical investigation of the moroccan case.

L'impact de l'introduction en bourse sur la performance operationnelle de l'entreprise : investigation empirique du cas marocain.

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Résumé

À la recherche d'un meilleur rendement, les sociétés nécessitant un besoin de financement se tournent vers le marché boursier, en vue d'assurer une croissance. Cependant, les agents ayant de capacités de financement, se dirigent vers la bourse pour l'acquisition de valeurs mobilières. Cette alternative de financement ne concerne qu'une faible part des firmes, puisque la majorité se dirige vers le système bancaire pour satisfaire leur besoin de financement. Ces deux sources de financement ont poussé de nombreux chercheurs à se préoccuper sur les moyens qui permettent de développer les bourses plutôt que se fixer sur l'opposition entre la bourse et la banque, afin d'offrir aux firmes cotées une alternative de financement et de placement correspondant avec leurs besoins. Notre étude porte sur un échantillon de 03 introductions à la Bourse des Valeurs mobilières de Casablanca durant la période 2010-2019 .Nous examineront l'évolution de la performance opérationnelle pendant la période qui suit l'opération de l'introduction en bourse, nous avons construit le modèle d'estimation à travers les déterminants de la performance des IPO et nous allons estimer notre panel à l'aide du logiciel EVIEWS. Les résultats obtenus confirment le déclin de performance à long et moyen terme de notre échantillon.

Mots clés : Introduction en bourse, Performance opérationnelle, Panel, Théorie d'agence, Asymétrie d'information.

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Abstract:

In search of a better return, companies in need of financing turn to the stock market for growth. However, agents with financing capacities turn to the stock market for the acquisition of securities. This financing alternative concerns only a small proportion of firms, since the majority turn to the banking system to satisfy their financing needs. These two sources of financing pushed many researchers to be concerned about the means which allow the development of the stock exchanges rather than to be fixed on the opposition between the stock exchange and the bank, in order to offer to the quoted firms an alternative of financing and investment corresponding with their needs. Our study focuses on a sample of 03 IPOs on the Casablanca Stock Exchange during the period 2010-2019, we will examine the evolution of operational performance during the period following the IPO, we have built the estimation model through the determinants of the performance of IPOs and we will estimate our Panel it using the EVIEWS software. The results obtained confirm the long and medium term performance decline of our sample.

Keywords: IPO, Operational Performance, Panel, Agency Theory, Information Asymmetry.

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Introduction

In Anglo-Saxon terminology, an IPO is considered a transformation of the financial structure of a closed firm to an open company. This operation requires numerous modifications on the part of the candidate company, to meet the requirements of the stock market authorities. It is a process of legal and financial restructuring that generates direct and indirect costs (Ritter, 1987)[1].

It is an important step in the economic and financial life of a firm, giving it access to a large amount of equity capital for an indefinite period and helping it to raise its funds. Jacquillat (1994)[2], Jobard (1996)[3] and Grinblatt and Titman (1998)[4] confirm that it brings indirect benefits to firms. Such as the increase in reliability, financial legitimacy, and reputation with the investors, with the implication of the employees participating in the future development of the company. In addition, the IPO allows the company to raise funds at a lower cost, through new issues of securities. In order To in the operation, the firm is obliged to provide investors with regular and transparent information. Based on the latter, its value will be assessed, as it will denounce the good quality of its products (Stoughton, Wong and Zechner, 2001)[5], which will increase the visits to its websites (Demers and Lewellen, 2003)[6] and even arouse greater interest from the press (Reese, 2003)[7].

In developed economies, the listing of companies is an effective way to express the need for financing and to attract new investors. Through the different procedures and methods of evaluation, it will be able to have a better combination, issue securities, and realize a surplus value.

Listing on the stock exchange is not without many constraints. For it is a step that generates several legal and organizational modifications. To comply with the provisions of the financial market (Pilverdier-Latreyte, 1997)[8].

[1] Ritter, J. 1987. "The costs of going public"; Journal of Financial Economy 19, p. 269-281.
[2]Jacquillat B. 1994. « L'introduction en bourse, que sais-je? » PUF, 2 ° édition, 127 p.
3 Jobard, J.P. 1996. « Gestion financière de l'entreprise — » ; lemme édition — Sirey
[4] Grinblatt M. et Titman S. 1998. "Financial Market and Corporate Strategy"; Irwin McGraw-Hill; p. 86-87.
[5] Stoughton, N., Wong, K., & Zechner, J. (2001). "IPOs and Product Quality". The Journal of Business, 74(3), 375-408. Doi : 10.1086/321931
[6] Demers et Lewellen ; (2003). " The marketing role of IPOs: Evidence from internet stocks ". The journal of Financial Economics ; Volume 68 (2003), p413-437 ;
[7] Reese, W. A. 2003. "IPO underprising, trading volume and investor interest". Working paper, Tulane Université.
[8] Pilverdier-Latreyte J. 1997. « Marchés boursiers français : Lecture de la cote », Encyclopédie des marchés financiers [éd. Y. Simon], Economica.

Numerous empirical studies of listed companies have revealed the existence of two phenomena related to this operation, namely underpricing of the initial offer in the short term and underperformance in the long and medium term. IPO underpricing is present in all markets, but with different percentages. This phenomenon is considered costly for IPO firms because their shares are sold at an offer price below the market value on the first day of listing. In addition, medium and long-term underperformance indicates that subsequent share prices are often lower than the price on the first trading day and normally provide negative returns to investors in the end.

All these facts lead us to focus on the impacts of the IPO operation on the financial performance of the listed company in Morocco. To detect the determinants of the underperformance of issuers.

The main objective of this study is to draw the determinants that affect the decision of companies to go public and their direct effects on the operational performance of these issuers.

To answer this question, we will first present the phenomena related to the IPO on the operational performance of the company, as well as the role of governance in its improvement. Then, we will frame our article in this sense with an empirical study.

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1. Literature review :

The IPO has been the subject of multiple studies that have asserted that the returns achieved were abnormally high in the very short term (outperformance) and low in the medium and long term (underperformance).

This part aims to analyze the different theses that explain the decline in performance in the medium to long term. We will try to analyze in depth the studies devoted to the analysis of the operational performance of IPOs obtained in different countries. It will be structured as follows: a first part will deal with the phenomenon of initial undervaluation (short-term over-performance). Then, a second part will include theoretical explanations and empirical work on the decline of stock market performance.

1.1 . The determinants of the IPO:

More than a decade of research has contributed to a consensus among scholars, on the various possible justifications for a company to go public. Growth and investment financing are important reasons for a company to go public (Jain & Kini, 1999)[9].

When a company decides to go public, it is to take advantage of the benefit of issuing additional shares to raise capital and expand growth (Huyghebaert & Van Hulle, 2006[10]; Jain & Kini, 1999). Another common motivation for an IPO is to rebalance capital after a period of high growth and investment, allowing the firm to rebalance its account structure between internal and external funds through additional investment funds (Pagano et al, 1998[11]; Rydqvist & Högholm, 1995[12]).

It has been observed that the intention of the owners through an IPO is to dilute or limit the participation of the original players (Huyghebaert & Van Hulle, 2006; Jain & Kini, 1999; Zingales, 1995[13]). In addition, the IPO facilitates the valuation of the company and can lead to

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[9] Jain, Bharat A. and Kini, Omesh, (1999), "The Life Cycle of Initial Public Offering Firms," Journal of Business Finance & Accounting, 26, issues 9-10, p. 1281-1307.

[10] Huyghebaert, N. & Van Hulle, C. (2006). "Structuring the IPO: Empirical evidence on the portions of primary and secondary shares." Journal of Corporate Finance, 12 (2), 296- 320.

[11] Pagano, M., Panetta, F. & Zingales, L. (1998). «Why do companies go public? An empirical analysis.» The journal of finance, 53 (1), 27-64.

[12] Rydqvist, K. & Högholm, K. (1995). Going public in the 1980s: Evidence from Sweden. European Financial Management, 1 (3), 287-315.

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the initiation of the process of selling or acquiring other companies (Jain & Kini, 1999; Stoughton & Zechner, 1998[14]; Zingales, 1995).

It is often observed that IPOs are timed to correspond with a period of exceptionally high company or industry performance, or a favorable market to motivate the public to acquire shares often overvalued. These have been explained as windows of opportunity (Arik & Mutlu, 2015[15]; Brau & Fawcett, 2006[16]; Kurtaran & Er, 2008[17]; Pereira, 2012[18]; J. R. Ritter, 1991[19]).

Windows of opportunity, where market timing is considered one of the most influential factors when a firm decides to go public. This is because it allows for a relative overvaluation of the shares and a lower cost of capital. Although this is normally followed by a decline in operating results after the issuance followed by a decline in stock market performance (Arik & Mutlu, 2015; Brau & Fawcett, 2006; Kurtaran & Er, 2008; J. R. Ritter, 1991).

Identified advantages of IPOs include the ability to overcome borrowing constraints, diversification, and liquidity, broadening the range of potential investors, increased negotiating power with lenders, and being the optimal way to transfer control of the company and profit in the market at the time of the IPO.

1.2. The life cycle of publicly traded companies:

The status of a company after the IPO varies from outright failure to survival as an independent company, or acquisition by another entity thereby losing its existing identity. Jain and Kini (1999) mention that failure of the operation is the terminal stage, while survival and acquisition are transitional stages in the life cycle of the IPO companies.

Yang and Sheu (2006)[20] in their study of 560 listed companies in Taiwan, point out that the survival of the firm after the "post-IPO" listing also depends on strategic choices such as the reconfiguration of the management team or board of directors and management actions vis-à-vis market expansion (Chandy & Sivasubramaniam, 2011).

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[14] Stoughton, N. M. & Zechner, J. (1998). IPO-mechanisms, monitoring and ownership structure. Journal of financial economics, 49 (1), 45-77.

[15] Arik, E. & Mutlu, E. (2015). Post-Initial Public Offering Operating Performance and Its Determinants: Initial Public Offering Characteristics and Corporate Governance Practices. Emerging Markets Finance and Trade, 51 (sup2), S62-S83

[16] Brau, J. C. & Fawcett, S. E. (2006). Initial public offerings: An analysis of theory and practice. The journal of finance, 61 (1), 399-436.

[17] Kurtaran, A. & Er, B. (2008). The post-issue operating performance of IPOs in an emerging 161 market: evidence from Istanbul Stock Exchange. Investment Management and Financial Innovations, 5 (4), 50-62.

[18] Pereira, T. d. P. (2012). Is There a Berlin Wall in Pot-Issue Operating Performance of European IPOs?

[19] Ritter, J. R. (1991). The long-run performance of initial public offerings. The journal of finance, 46 (1), 3-27.

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The characteristics of managerial ownership and corporate governance have also been identified as key factors in the survival of the firm after the IPO (Musa Mangena et al. 2014[21]). Baluja and Singh (2014)[22], in their study of companies introduced in the Indian market between 1992 and 2011. They studied the factors that influence the post-IPO transition of firms into survivors and non-survivors and identified that older firms with a large issue size, or firms that are backed by a reputable investment banker at the time of issue, are more likely to survive.
Many researchers have observed that good governance influences firm performance and survival in the long and medium term. (Jain & Kini, 1999; Peristiani & Hong, 2004[23]).

1.3. Empirical explanations of post-IPO performance:

Empirical studies show that researchers put a lot of effort into understanding post-IPO performance and its determinants, using capital market and accounting measures (Ritter (1991), J. Ritter (2003)[24] Loughran and Ritter (1995)[25], Loughran and Ritter (1997)[26], Jain and Kini (1994), Mikkelson et al. (1997)[27], Pagano et al. (1998)).

The majority of post-IPO research focuses on explaining undervaluation, with researchers generalizing that the majority of IPOs are undervalued, but with different percentages across firms and exchanges. Initial undervaluation is a short-term outperformance in the majority of empirical studies. It reflects the positive abnormal return realized during the first days of listing (Filatotchev & Bishop, 2002)[28].

The undervaluation of stocks at introduction allows for positive abnormal returns that materialize the anomaly of short-term stock market performance. However, when returns are analyzed over the medium and long term, the upward trends in positive returns are reversed. This phenomenon is known as medium- and long-term underperformance. When the medium

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[22] Baluja, G. & Singh, B. (2014). The Determinants of Survival of Initial Public Offerings in India: An Empirical Study. IUP Journal of Financial Risk Management, 11 (4), 7.
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[24] Ritter, J. (2003). Returns on IPOs during the Five Years after Issuing, for IPOs from 1970- 2003. University of Florida. Ritter, J. & Welch, I. (2002). A review
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and long-term returns of the companies introduced are lower than a reference or benchmark portfolio. To explain this phenomenon, we will present the various determinants and approximations.

The evolution of the share price on the first day reflects the response of investors to the available information about the company (Balatbat et al. 2004[29]; Carter & Manaster, 1990[30]; Cohen & Dean, 2005[31]).

The undervaluation of stocks at introduction allows for positive abnormal returns that materialize the anomaly of short-term stock market performance. However, when the returns are analyzed over the medium and long term, the upward trends in positive returns are reversed. This phenomenon is known as medium- and long-term underperformance. When the medium and long-term returns of the companies introduced are lower than a reference or benchmark portfolio. To explain this phenomenon, we will present the various determinants and approximations.

1.3.1. Initial Returns:

Under market overreaction conditions, there is a negative relationship between subsequent abnormal returns on individual securities using a holding period of one year or more (de Bondt and Thaker 1987). When investors are overly optimistic due to underpricing, the positive initial return should decrease over time (Omran 2005)[32].

Ritter (1991) also found a negative relationship between initial excess return and post-sale return. However, a positive relationship between short-term underpricing and long- and medium-term underperformance has been reported in other studies (Álvarez & González 2005; Belghitar & Dixon 2012; Lee, Taylor & Walter 1996). These studies suggested that underpricing indicates the quality of companies and they may issue shares through subsequent bids at a price equal to the market value.

[29] Balatbat, M. C., Taylor, S. L. & Walter, T. S. (2004). Corporate governance, insider ownership and operating performance of Australian initial public offerings. Accounting & Finance, 44 (3), 299-328.
[30] Carter, R. & Manaster, S. (1990). Initial public offerings and underwriter reputation. The journal of finance, 45 (4), 1045-1067.
[31] Cohen, B. D. & Dean, T. J. (2005). Information asymmetry and investor valuation of IPOs: Top management team legitimacy as a capital market signal. Strategic management journal, 26 (7), 683-690.
[32] Omran, M 2005, 'Underpricing and long-run performance of share issue privatization in the Egyptian Stock market,' The Journal of Financial Research, vol. 28, no. 2, pp. 215–234.

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1.3.2. Operating performance:

The operating performance of all firms has a direct influence on its performance in the stock market. Chan, Wang, and Wei (2004) reported that post-issuance stock returns were positively related, to changes in operating cash flow over total assets, changes in the sales growth rate, and changes in operating return on assets.

Chenet Ritter (2000)[33] and Cai, Liu, and Mase (2008)[34] also indicated that operating performance measures were positively related in the long run.

1.3.3. Firm's industry:

Measures of long-run IPO performance can be categorized by industry, so performance varies by industry. Ritter (1991) showed that financial institutions performed better in the market due to the sharp decline in interest rates in 1985-86. Whereas, firms in the oil and gas sector underperformed in the market due to the decline in oil prices between 1981 and 1983.

Kooli and Suret (2004) also report that the long-term outcomes of IPOs vary considerably across sectors. Their findings indicate that IPOs in the financial sector perform better in the long-run market, but firms in the mining sector perform worse in the long-run market. They examined how high initial returns affect the long-term performance of industries. They also found that oil and gas IPOs in Canada had high initial returns, but very poor secondary market performance.

1.3.4. Age of firm use:

The age of business use, which indicates the history of its operation, showed a negative relationship with short-term undervaluation. Ritter (1991) found a statistically significant positive relationship between this variable and long-term performance. Furthermore, he explained that poor long-term performance could be expected for young IPOs (higher, market-to-book ratio than for older firms) due to over-optimism and assumption fads. Balatbat, Taylor, and Walter (2004)[35] also found a positive relationship between a firm's long-term operating histories.

[33] Chen, H & Ritter, J 2000, “the seven percent solution,’ Journal of Finance,” vol. 55, no. 3, pp. 1105–1131.
[34] Cai, X, Liu, G & Mase, B 2008, “The long-run performance of initial public offerings and its determinants: the case of China,” Review of Quantitative Finance and Accounting, vol. 30, no. 4, pp. 419–432.

[35] Balatbat, MC, Taylor, SL & Walter, TS 2004, ‘Corporate governance, insider ownership and operating performance of Australian initial public offerings,’ Accounting & Finance, vol. 44, no. 3, pp. 299–328.

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1.3.5. Listing year:

The year of the listing is an important variable in explaining the long-run performance of IPOs. Ritter (1991) found a negative relationship between long-run performance and volume. He knew that IPO companies decide to list, when investors can pay a high price (high selling price or market price) and poor long-run performance can be found due to unexpected realization of subsequent net cash flows. Long-term poor performance is consistent with (1) poor misses or (2) irrationally optimistic forecasts or fads.

Chi, Wang, and Young (2010)[36] also found a negative relationship between the year of listing and three-year BHARs. However, Cai, Liu, and Mase (2008)[37] found a positive relationship for all years with CARs and a negative relationship with BHARs.

1.3.6. Owner:

An IPO is a significant change in the ownership structure of the firm and results in the separation of management control and ownership (Wang 2005)[38]. The separation of ownership and control creates agency problems between owners and managers. Leland and Pyle (1977)[39] suggested that a higher percentage of ownership by insiders is a positive signal about a firm since they are assumed to have superior information about cash flow forecasts. Thomadakis, Nounis, and Gounopoulos (2012)[40] and Álvarez and González (2005)[41] found a positive relationship between market performance and ownership retained by original shareholders. This relationship indicates that original owners retaining more equity translates into better performance.

[36] Chi, J, Wang, C & Young, M 2010, "Long-run outperformance of Chinese initial public offerings," Chinese Economy, vol. 43, no. 5, pp. 62–88.
[37] Cai, X, Liu, G & Mase, B 2008, "The long-run performance of initial public offerings and its determinants: the case of China," Review of Quantitative Finance and Accounting, vol. 30, no. 4, pp. 419–432.
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[39] Leland, H & Pyle, D 1977, "Information asymmetries, financial structure and financial intermediaries," Journal of Finance, vol. 32, pp. 317–387.
[40] [40] Thomadakis, S, Nounis, C & Gounopoulos, D 2012, "Long-term performance of Greek IPOs"; European Financial Management, vol. 18, no. 1, pp. 117–141.
[41] Álvarez, S & González, V 2005, "Signaling and the long-run performance of Spanish initial public offerings (IPOs)"; Journal of Business Finance & Accounting, vol. 32, no. 1–2, pp. 325–350.

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1.3.7. Issue Size:

The issue size is normally measured by the total capital of the issue in the local currency of a country. Keloharju (1993)[42], How (2000)[43], Goergen and Renneboog (2007)[44], Bird and Yeung (2010)[45] , Belghitar and Dixon (2012)[46], and Minardi, Ferrari, and Araujo Tavares (2013)[47] found a positive relationship between issue size and long-run performance.

This indicates that larger programs perform better in the long run performance.

1.3.8. The window of opportunity:

The market window of opportunity is measured by two variables, market sensitivity, and high growth. Thomadakis, Nounis, and Gounopoulos (2012) tested the window of opportunity hypothesis using a dummy variable for "hot" issue periods. They found that this dummy variable has a statistically significant negative relationship for "hot" issue periods. Several researchers (Abukari & Vijay 2011[48]; Bancel & Mittoo 2009[49]; Derrien & Kecskes 2007[50]; Gajewski & Gresse 2006[51]; Lowry 2003[52]) have examined this relationship. Dimovski and Brooks (2004)[53] who could not find a negative relationship between performance and the window of opportunity hypothesis used the market sensitivity variable.

[42] Keloharju, M 1993, "The winner's curse, legal liability, and the long-run price performance of initial public offerings in Finland," Journal of Financial Economics, vol. 34, no. 2, pp. 251–277.
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[45] Bird, R & Yeung, D 2010, "Institutional ownership and IPO performance: Australian evidence," Working paper series 6, Paul Woolley Centre for Capital Market Dysfunctionality, University of Technology Sydney, NSW, viewed 4 December 2012,
[46] Belghitar, Y & Dixon, R 2012, "Do venture capitalists reduce underpricing and underperformance of IPOs?" Applied Financial Economics, vol. 22, no. 1, pp. 33–44.
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1.3.9. Stock Market Performance:

Market performance is another important variable in investigations of long-term IPO performance. Ritter (1991) used this variable to explain long-term performance in the United States and found a highly statistically significant positive relationship with IPO performance. However, he expects the coefficient on market performance (MR) to be the coefficient that indicates average beta, which is used to measure market risk. Contrary to Ritter's (1991) finding, Chorruk and Worthington (2010)[54] found a statistically significant negative relationship between the long-run market and MR, when they used benchmark-adjusted three-year BHARs as the dependent variable and a statistically insignificant negative relationship when they used three-year BHRs[55] as a dependent variable.

1.4. The impact of corporate governance on operational performance after the IPO:

In light of corporate financial scandals such as the 2008/2009 global financial crisis, corporate governance issues are receiving increasing attention (Amba, 2014). As investors look to developing economies to diversify their portfolios by maximizing their investments, they are also concerned about governance factors that can minimize their risks. Other financial scandals that have made corporate governance a hot topic include the ones involving Enron and Arthur Andersen. Which bankrupted many companies in the U.S., the U.K., and the rest of the world (Soltani, 2014)[56]. Researchers believe that most of the financial scandals in the U.S. and Europe were caused by weaknesses in corporate governance practices (Grant, P, & McGhee, 2014).
According to Berle and Means (1932)[57], the lack of goal congruence between corporate management and shareholders often results in a waste of corporate resources. This problem can be mitigated by corporate governance, which helps the firm use its resources efficiently to maximize its profit, and thus increase its value.
Jensen, Michael C and Meckling (1976) suggest that performance improvement and value creation can be achieved by paying greater attention to ownership structure and focus in corporate governance policy. While Shleifer and Vishny (1997)[58] identify many benefits of the

[54] Chorruk, J & Worthington, AC 2010, "New evidence on the pricing and performance of initial public offerings in Thailand, 1997–2008", Emerging Markets Review, vol. 11, no. 3, pp. 285–299
[55] Buy and Hold Return
[56] Soltani, B 2014, "The Anatomy of Corporate Fraud: A Comparative Analysis of High Profile American and European Corporate Scandals", Journal of Business Ethics, vol. 120, no. 2, pp. 251-74
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[58]

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latter, including achieving high performance accompanied by an increase in its value. Northcott and Smith (2011)[59], corporate governance is a key instrument in its financial success.

Its framework integrates a firm's objectives with those of its management, board of directors, shareholders and other stakeholders. Shleifer and Vishny (1997) propose that it provides a solution to agency conflicts by defining strategies for maximizing wealth.

Furthermore, Zheka (2006)[60] emphasizes the importance of corporate governance for both firms and countries.

At the firm level, its presence helps streamline the decision-making process by defining the roles of management, which reduces potential conflicts between principals and agents (Jensen, Michael C & Meckling, 1976). Domestically, it can improve economic growth and development by creating a safe and attractive investment climate (Brav et al. 2008[61] & OECD 2004). This is one of the main reasons, why many countries put a lot of effort into developing their own corporate governance codes. Alternatively, adopting international guidelines such as those of the OECD (Fulgence, 2014[62], & Gakeri, 2013[63]).

According to, Arosa, Iturralde, and Maseda (2013)[64], the effectiveness of a company's board of directors and its impact on its behavior is one of the issues, most studied, in corporate governance literature.

Most of the literature on corporate governance has focused on three main areas (John & Senbet 1998)[65];

- Gender diversity on the board of directors;
- Board independence;
- Internal structure and operation;

This study adds to the existing empirical literature by analyzing the relationship between governance indicators and the financial condition of firms. Using four key variables, namely;

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61 Brav, A; Jiang, W; Partnoy, F & Thomas, R; 2008"; Hedge funds activism, corporate governance, and firm performance," Journal of Finance; vol. 63; No. 4; pp. 1729-75.

62 Fulgence, SE 2014;" Corporate Governance in Tanzania"; in Corporate governance; Springer; pp. 157-85.

63 Gakeri, Kj

64 Arosa, B; Iturralde, T & Maseda, A ; 2013 ; « The organazitional dynamic of entreprise Risk Management' ; Accounting Organizations ans Society ; vol.35 ; no.7 ;pp.659-75.

65 John, K & Senbet, LW; 1998; « Corporate governance and board effectiveness »; Journal of Banking & Finance; vol.22; no.4; pp.371-403.

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gender diversity on the board and its independence, corporate risk management, and board size as independent elements of the study.

The board of directors is the main internal body of an organization that is responsible for the management of the company. The design and implementation of the government policy is responsible for overseeing, advising, and networking with all stakeholders of the company while safeguarding the interests of shareholders (Baysinger & Butler 1985[66]; Blaga 2011[67]; Guest 2008[68]; Jackling, and Johl 2009[69]).

However, the main function of the board of directors is to manage, monitor, and control the company's activities to increase shareholder wealth (Rezaee, 2008)[70].

To achieve this goal, the board of directors has a sound financial management system in place (Moroney et al. 2014)[71] as well as a systematic corporate governance policy (Rezaee 2008) to control the activities of the company's executives (Baysinger & Butler 1985).

In recent studies on this relationship, Gitundu et al (2016)[72] investigated the effects of ownership and efficiency of privatized firms and found that the presence of independent non-executive directors and women directors positively influenced firm efficiency. While Barako and Brown (2008)[73] found that the presence of women and independent directors greatly improved banks' financial disclosure. Similarly, Morekwa Nyamongo and Temesgen (2013)[74] argue that while the existence of an independent board of directors improves firm performance, larger board sizes have a negative impact on Kenyan banks' performance.

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[66] Baysinger, BD & Butler, HN; 1985 ; « Corporate governance and the board of directors : Performance effects of changes in board composition » ; Journal of Law ; Economics of Accounting ; Auditing et Finance ; vol.23 ;no.3 ;pp.443-65.

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[69] Jackling, B & Johl, S; 2009;"Board Structure and Firm Performance: Evidence from India's Top Companies"; Corporate Governance-an International Review; vol. 17; no. 4; pp. 492- 509.

[70] Rezaee, Z 2008;"Corporate governance and ethics"; John Wiley & Sons.

[71] Moroney, R; Campbell, F; Hamilton, J & Warren, V; 2014;"Auditing: a practical approach"; Wiley Global Education.

[72] Gitundu, EW; Kisaka, SE; Kiprop, SK & Kibet, LK; 2016; "The effects of ownership and corporate governance reforms on efficiency of privatized companies in Kenya"; International Journal of Economics and Financial Issues; vol. 6, no. 1; pp. 323-31

[73] Barako, DG & Brown, AM; 2008; "Corporate social reporting and board representation: evidence from the Kenyan banking sector"; Journal of Management & Governance; vol. 12, no. 4; pp. 309-24.

[74]Morekwa Nyamongo, E & Temesgen, K; 2013; "The effect of governance on performance of commercial banks in Kenya: a panel study"; Corporate Governance: The international journal of business in society; vol. 13, no. 3, pp. 236-48

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Kyereboah-Coleman (2007)[75] studied the impact of corporate governance on shareholder value in Africa and found that larger boards improve shareholder value maximization, but could not draw any conclusion on the impact of board independence on firm performance. Madhar (2016) studied the impact of Moroccan corporate governance on performance.

She found that governance structures could also be determined by a firm's performance, as the functioning and composition of the board of directors could change the low profitability achieved. The author (2016) confirms the positive relationship between these two phenomena of listed companies in the Moroccan case.

According to Friedman (2007)[76], among the primary objectives of good governance is to maximize the wealth of its shareholders by focusing on short- and long-term profits (Fuenzalida et al. 2013)[77] on the one hand, and on the other hand, it could help to give confidence to investors, which would strengthen its performance to the capital market.

2. Moroccan financial context :

In Morocco, economic growth experienced a crisis in the early 1980s, which resulted in a significant deterioration of internal and external balances. Indeed, it had to appeal to the International Monetary Fund (IMF). Which ordered a structural adjustment plan (SAP), based on the control of internal demand, the mobilization of local savings, the optimization of resource allocations, and finally a reorganization of the exchange rate of the dirham against foreign currencies. In this respect, a series of tax reforms were implemented and banking deregulation in 1991, crowned by a new banking law in 1993. The reform of the stock exchange and the implementation of the liberalization of foreign trade (reduction of quantitative restrictions and the easing of tariff protection). In addition, the modification of the exchange rate policy in 1988, the liberalization of current operations in 1993 the free access of Moroccan firms to the international market.

This process of openness makes it possible to strengthen the competitiveness of Moroccan firms so that they can withstand the shocks of openness and consolidate their presence on both domestic and foreign markets. In order to survive, firms need to innovate, ensure their

[75] Kyedreboah-Coleman, A; 2007; “Corporate governance and shareholder value maximization: An African perspective”; African Development Review-Revue Africaine De Development; vol. 19, no. 2; pp. 350-67.
[76] Friedman, M; 2007; “The social responsibility of business is to increase its profits»; Springer.
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continuity, improve their skills and keep up with technological developments. All of these transformations require funds and flexible financing mechanisms.

Access to traditional sources of financing is conditional on the company's ability to present real guarantees to repay its loans.

In this context, only companies with strong growth potential and solid development projects can obtain financing from credit institutions. The reason why our country needs a stock market that will be able to guarantee to all types of companies immediate financing and a fundraising.

The listing on the stock market allows companies to raise funds throughout their economic and financial life, through subsequent increases in capital. These funds are used to finance the company's future investment projects, thus it also allows it to increase its negotiating power towards credit institutions to ensure capital at lower costs.

For Moroccan firms, listing on the Casablanca Stock Exchange is an important element of institutionalization, notoriety and confidence. It will allow the firms a stronger anchorage in the Moroccan economic fabric by associating to the company's capital new collaborates, in particular the big institutional investors of the place.

Despite the advantages of the IPO, many Moroccan companies are reluctant about this operation. According to a study conducted by the Casablanca Stock Exchange, the existence of more than 500 firms has the criteria required for an IPO, but they refuse the listing.

We can say that this is due to three reasons;

- Economic and financial; the majority of the companies are directed to the banking sector;
- Social and psychological; the existence of many family businesses, which do not prefer the capitalist approach (Abouch, 1998);
- Administrative; the heaviness of administrative procedures does not encourage firms to propagate the direct market finance approach and its benefits.
- The costs linked to the operation, which are variable according to the size of the operation, the technique chosen by the firm to introduce itself to the selected market, the direct costs linked to financial communication, and the remuneration of financial intermediaries.

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3. Methodological study and empirical investigation:

3.1. Methodology and research hypothesis:

Companies are aware of the risk linked to the stock market operation and its positive impact on their operational performance. Nevertheless, the IPO raises many choices that determine the success of the operation and condition the life of the listed value.

This means that the company must notably question the necessity of the operation, its capacity to meet the needs of the listing and its ability to attract investors, in order not to have a decline in performance in the medium and long term. This leads us to study the following problem:

What is the impact of the IPO on the medium and long-term operational performance of a firm?

We suggest the following foundations:

Hypothesis 1: Listing has a positive impact on the firm's operational performance;

Hypothesis 2: The size of the firm has a positive impact on the firm's performance (Size);

Hypothesis 3: The firm is operating performance increases after the listing;

Hypothesis 4: The Company’s performance deteriorates after the listing;

Hypothesis 5: The stock market performance of a firm has a positive relationship to the window of opportunity hypothesis;

Hypothesis 6: The possibility of a positive relationship between the rate of return and the performance

Hypothesis 7: The existence of a relationship between the performance per share and the profitability of the listed firm;

Hypothesis 8: The listing of a firm increases its size (turnover);

Hypothesis 9: The existence of a relationship between operating performance and return on equity;

In this section, we will present the selective sample and data collection procedure, and then we will estimate our model, to analyze the estimation results.

Model specification and sample presentation:

Our model is constructed according to the various variables taken by the researchers, in order to explain the performance after the IPO. To explain this phenomenon, we will present the various determinants and proxies for the impact of the IPO on performance. It is presented as follows:

$$Per = \alpha_i + \beta_{2i} * COT_{it} + \beta_{4i} * taille_{it} + \beta_{5i} * Operating\ profitability + \beta_{6i} * Rate\ of\ return + \beta_{7i} Opp's\ window + \beta_{8i} Per\ per\ share + \varepsilon_{it} \qquad (1.1)$$

The table below presents the calculation approach for each variable.

Table N°1: Presentation of the different variables:

The Variables	Abbreviation	Definition	Calculation Method
Operational performance	PER	It corresponds to the number of times that net earnings per share are capitalized in the share price.	$PER = \frac{Stock\ exchange\ price}{BNA}$
Year of listing	COT	A dummy variable reflecting the rating	It is equal to 1 if the company is listed, otherwise to 0
Return on Equity	ROE	The operational profitability of the firm is an indicator which makes it possible to appreciate the effectiveness and the competitiveness of the means (human and technical) devoted by the company to its exploitation, it is written under this form ;	$ROE = \frac{Net\ Result}{Shareholder's\ equity}$
Size	TAILLE	The size is a control variable that presents the turnover of firm I in year t ;	TAILLE = Turnover
Rate of Return	ROR	It shows the loss or profit of an investment over a period and is expressed as a percentage. It measures the return in relation to the initial cost of the investment. A positive ROR means that the position has generated a profit, while a negative ROR means a loss,	$ROR = \frac{(End\ Value - Initial\ Value)}{Initial\ Value}$
Opportunity Window	PBR	A price-to-book ratio greater than 1 means that the market is	$PBR = \frac{(S, Price * Number, S)}{Net\ asset}$

		valuing the company's assets more highly than their book value. A PBR below 1 means that the market is undervaluing the company's assets relative to their book value. Like most financial ratios, the ACB varies by industry and sector.		
Performance per Share	BNA	It allows a comparison over several years, even though the number of actions may have changed.	$BNA = \frac{(Net\ Result)}{Number\ of\ shares}$	

Source: the author

Our sample consists of 03 firms belonging to different compartments in the Casablanca stock market, and was introduced in the same period. The aim is to know if the small and medium-sized companies have a chance to achieve more remarkable performances compared to the big companies and to see their efficiencies in the development and the animation on the stock market. These companies are; AFRICA INDUSTRIES, SM MONETIQUE, and JET CONTRACTORS.

The data on these firms is collected using the websites of the Moroccan Capital Market Authority (AMMC) and the Casablanca Stock Exchange (BVC). They allowed us to collect the necessary data.

3.1.1. Data analysis:

The figure below shows us the average change in operating performance before and after the IPO of the three listed companies.

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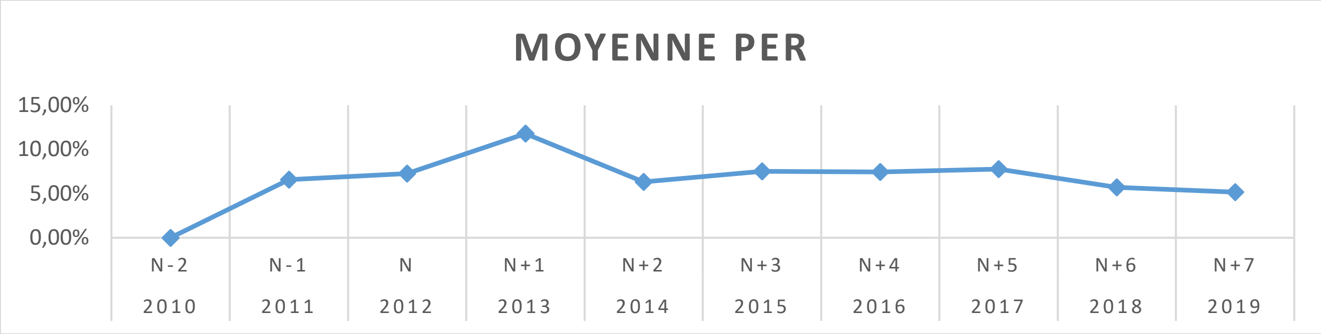
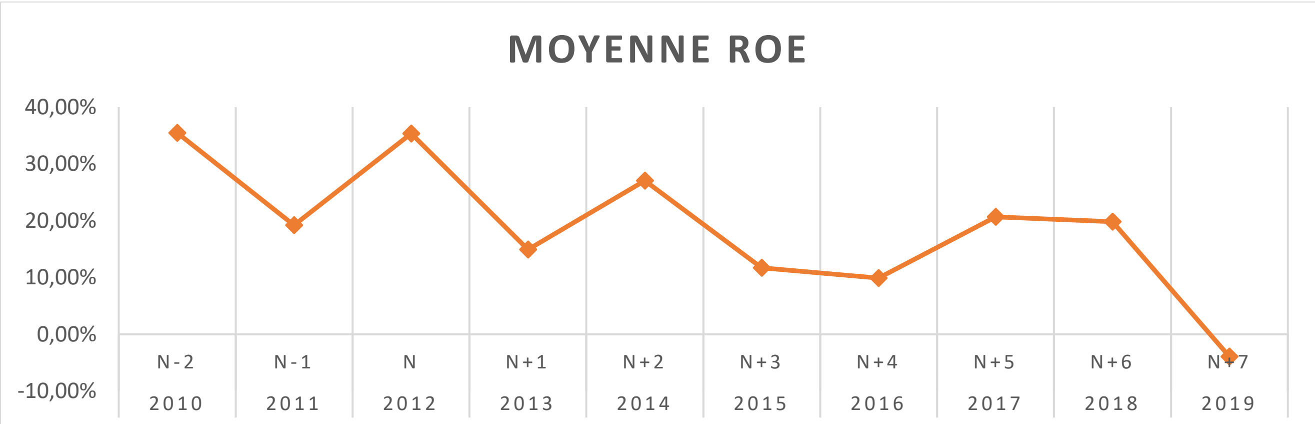
Figure N° 1: Average PER before and after IPO;



Source: the author

This figure shows us that the IPO had a positive influence on the operational performance of these firms. Indeed, the average operating performance doubled went from 06% in N-1 before the IPO to 12% in N+1 (due to the undervaluation of the initial offer price). Then a remarkable drop in N+2 to 07%. This leaves us to note the existence of underperformance of these shares in the medium and long term. After N+2 the curve is fixed at 08% the operational performance resumes a constant trend. According to this analysis, we can suggest that the time variable in the stock market has a positive impact on the operational performance of the company.

Figure N°2: Average operating profitability of the three listed companies;



Source: the author

We notice that the curve of the ROE variable is different from that of the performance because it varies according to the benefits derived from the company's production. In N-1, the ROE presents 20%, while in the first year of the introduction presents the ROE increases at most 35%. In N+1 the ratio decreases to 15%, which shows that the managers were not able to

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manage. Well, the resources are drawn from the first one we can propose that maybe is due to the negative impact of the undervaluation of the price of the initial offer on the company, and the managers use its resources to fill the costs of the undervaluation. By noticing that in N+7 the ROE decreases to -3% because the company realized a rate of -45% which biased our average.

3.1.2. Model estimation:

The objective is to study the effect of the IPO decision on the operational performance of a panel of firms by estimating our equation (1.1) using the EVIEWS software. Remembering that we have a panel of three firms, we submit our model (presented in equation (1)) to the specification and estimation tests presented in the methodology.
According to equation (1.1), our model will be estimated in this form:

$$Y\_it=\alpha\_i+\beta\_2i*X\_1it+\beta\_4i*X\_2it+\beta\_5i*X\_3it+\beta\_6i*X\_4it+\beta\_7i\ X\_5it+\beta\_8i\ X\_6it+\varepsilon\_it$$

Y	PER
X1	Listing
X2	Size
X3	ROE
X4	ROR
X5	PBR
X6	BNA

We will test if our model accepts the Panel method, our hypothesis is as follows:

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Table N°2: Main results of the estimation of the econometric model.

Dependent Variable : Y?
Method: Pooled Least Squares
Sample: 2010 2019
Included observations: 10
Cross-sections included: 3
Total pool (balanced) observations: 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.268408	0.571681	-2.218731	0.0377
X1?	0.064903	0.129084	0.502801	0.6203
X2?	0.293667	0.116002	2.531561	0.0194
X3?	-0.007232	0.002391	-3.024313	0.0065
X4?	0.003523	0.001544	2.281539	0.0331
X5?	-0.158223	0.065643	-2.410348	0.0252
X6?	0.007932	0.003664	2.165085	0.0420
Fixed Effects (Cross)				
_1--C	0.355113			
_2--C	0.200212			
_3--C	-0.555324			

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.729843	Mean dependent var	0.184570
Adjusted R-squared	0.626925	S.D. dependent var	0.288201
S.E. of regression	0.176033	Akaike info criterion	-0.392967
Sum squared resid	0.650739	Schwarz criterion	0.027392
Log likelihood	14.89451	Hannan-Quinn criter.	-0.258491
F-statistic	7.091556	Durbin-Watson stat	2.306437
Prob(F-statistic)	0.000149		

In light of the results reported in this second table, we will first examine the regression coefficients. First, we notice that all the variables studied are significant to the endogenous variable, as their P-value is lower than 0.05.

Then, the results show us that the coefficients related to the quotation, the size, the rate of return on equity, and the net profit of the share act positively on the operational performance of the three firms. While the operating profitability (ROE) and the market ratio presented by the market ratio (PBR) act negatively on the endogenous variable. Through its results, we eliminate the fifth hypothesis on the existence of a positive relationship between the performances of these three firms with the market ratio. That is, the market acts negatively on operational performance. There are two propositions: either these firms followed the upward and downward trends of the market, or they did not take advantage of this opportunity to enter. As such,

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hypothesis 9 is eliminated, a negative relationship between the endogenous variable and ROE (Return on Equity). While all other hypotheses mentioned are accepted.

The recorded results show that the model is close to the economic reality presented by its R^2, which is equal to 73%. Then we notice the significance of all coefficients by a Fisher equal to 7.09 accompanied by a probability lower than 0.05 (pF= 0.000 149), and finally, we have a Durbin Watson of order 2 which means the absence of autocorrelation of errors. From these results, we can conclude that our panel model is significant.

From the estimation, we notice that the size of a firm is an important variable to explain the operational performance of the stock market, which allows us to confirm the second hypothesis (Pagano et al. 1998).

We note the existence of long and medium-term underperformance in the first figure, and according to many studies, firms generally experience a decrease in performance over the four years following the IPO. We can link this long- and medium-term underperformance to the two stock market indicators that have a negative impact on operational performance, namely the ROE and PBR (market ratio).

Therefore, can we say that either the firms do not go public at the right time when the market is not experiencing an upward trend on its peers (identical firms). Or they go public at the wrong time and are entering at the right time and benefiting from an opportunity to make gains, but as soon as the stock market falls their operating performance also deteriorates.

It also adds that due to business-related expenses, some of them find themselves unable to compete and underperform remarkably compared to other firms.

Another explanation is that when a company applies an undervaluation to the initial offer price, and when the firm has established the price at its fair value, investors are no longer attracted to these securities and prefer to invest in new IPOs.

Thus we can add, the governance strategy followed by a firm to manage its profits. Some companies cheat in their activity report by increasing the operating expenses, which translates into a lack of confidence of the investors in the future of these shares, which poses a real problem to the issuers.

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3. Conclusion :

The stock market is one of the most efficient ways to finance the growth of a company, to guarantee its development, and have notoriety and credibility towards its various partners.

The stock market is considered an engine of the economy and an opportunity for any investor wishing to have gained as soon as possible. In spite of these numerous advantages, the operation of a stock exchange listing also involves constraints, which are heavy for the participants because it requires deep reorganizations of the organizational, legal, and accounting structures. In order to find its positive effects on the firm, we have analyzed the effects of the listing on the operational performance of three Moroccan firms listed on the Casablanca Stock Exchange, between the period 2010 and 2019. The aim is to diversify their sources of financing in order to fund their projects.

The results suggest that the return on equity and the market ratio have a negative effect on operational performance. While the other variables such as the size of the company have a positive and important effect to guarantee performance. These results are approximate to those of studies conducted on the American market (Jain and Kini (1994); Mikkelson, Partch and Shah (1997)); not to mention the French market (Sentis, (2001)).

These different empirical studies explain the decline in economic performance observed either by:

- The presence on the financial market contributes to the reduction of the percentage of capital held by the managers leads them to adopt opportunistic behaviors contrary to the global performance of their firm (agency effect);
- The listing of the firm on the stock market at a time when they have significant but unsustainable economic performance (timing effect);

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