

Table of Contents

Table of Contents	I
Table of Figures	III
Table of Tables	IV
List of Abbreviations	V
1. Introduction	1
2. The increasing importance of credit rating agencies and regulatory consequences following the financial crisis 2007-2008	6
2.1. The history of credit rating agencies	8
2.2. The credit rating process and recent criticisms.....	12
2.3. The increasing importance of rating agencies for regulation, issuers and investors up to the financial crisis 2007-2008	19
2.4. Major regulatory consequences for rating agencies after the financial crisis 2007-2008	25
2.4.1. Background on the financial crisis in 2007-2008.....	25
2.4.2. The role of credit ratings agencies during the crisis.....	28
2.4.3. Regulatory consequences of the crisis for the rating industry.....	32
2.4.4. Discussion of regulatory consequences and implications for issuers, investors, and rating agencies	40
2.5. Summary and conclusion	49
3. The link between credit ratings and corporate strategy	53
3.1. Theory development.....	56
3.1.1. Influence of credit ratings on corporate strategy	57
3.1.2. Impact of corporate strategy on the credit rating.....	65
3.1.3. Interdependencies between credit ratings and corporate strategy.....	67
3.2. Methodology	70
3.2.1. Sample	70
3.2.2. Dependent and independent variables	71
3.2.2.1. Diversification level.....	71
3.2.2.2. Credit rating.....	74
3.2.3. Control variables.....	75
3.2.4. Analysis.....	78
3.3. Results	81
3.3.1. Relationship between credit rating and related diversification	81

3.3.2.	Relationship between credit rating and unrelated diversification	85
3.3.3.	Robustness checks	88
3.4.	Discussion and conclusion	90
4.	Is the optimal diversification level relevant for the credit rating determination?.....	101
4.1.	What is the optimal diversification level?	103
4.1.1.	Benefits of diversification	104
4.1.2.	Costs of diversification.....	110
4.1.3.	Optimal level of diversification	113
4.1.4.	Hypotheses summary	118
4.2.	Methodology	121
4.2.1.	Sample	121
4.2.2.	Dependent and independent variables	122
4.2.2.1.	Credit rating.....	122
4.2.2.2.	Diversification level.....	122
4.2.3.	Control variables.....	123
4.2.4.	Analysis	124
4.3.	Results	127
4.3.1.	Credit rating and optimal related diversification	128
4.3.2.	Credit Rating and optimal unrelated diversification.....	132
4.3.3.	Robustness checks	135
4.4.	Discussion and conclusion	137
5.	Summary and conclusion on the relevance of credit ratings for corporate strategy	146
	References.....	164
	Appendix.....	196
1.	List of all CRAs registered/ certified by the ESMA as of 21 May 2014	196
2.	Conversion of ordinal rating scales to numerical values	197
3.	Descriptive statistics and bivariate correlations for difference regressions.....	198
4.	Variance Inflation Factor Analysis	199
5.	Derivation of the optimal diversification level.....	200
6.	Variance Inflation Factors	204