



Copenhagen
Business School
HANDELSHØJSKOLEN



CENTER FOR CORPORATE GOVERNANCE
Copenhagen Business School
Annual Report 2008



CONTENTS

ABOUT THE CENTER FOR CORPORATE GOVERNANCE	3
ORGANIZATION	8
PEOPLE AT THE CENTER FOR CORPORATE GOVERNANCE	5
ACTIVITIES 2008	5
WORKSHOPS/SEMINARS/CONFERENCES AT CCG IN 2008	11
PUBLICATIONS 2008	12
ACTION PLAN 2009	
EXTERNALLY FUNDED RESEARCH PROJECTS 2008	18
SEMINARS AND WORKSHOPS 2008	21



2008 was a good year

The Center for Corporate Governance – CCG - is a research center dedicated to studying “the control and direction of companies”. With a common platform in economics we do cross disciplinary research in management and finance. We aim to do high level research without loosing track of practical relevance.

In 2008 CCG grew from a virtual to a physical center for corporate governance research. We now have a staff of 14 active researchers in addition to our network inside and outside CBS. This implies that we have now reached a critical mass which enables us to undertake several large scale research projects that will have an impact on both theory and practice. Currently we are running externally projects on corporate boards in Scandinavia, the role of annual meetings in corporate governance, financial mutuals, private equity and other topics. We continued to expand and deepen our international networks in Europe, the US and Asia. At the same time we took active part in public discussions on topical issues including private equity, board diversity and the emerging financial crisis.

In this report we communicate who we are and what we have been doing in 2008. We summarize our publications and research projects and talk about our strategy for the future.

About the Center for Corporate Governance

The Center for Corporate Governance (CCG) is a virtual forum for the advancement of knowledge in Corporate Governance, which we define as “the control and direction of companies” by owners, boards, incentive systems, law and other mechanisms. It is a truly interdisciplinary centre comprised of researchers in finance, economics, accounting, law, management and international business as well as business people, auditors and government officials. CCG has close associations with the business community, e.g. through its advisory board. We organize research projects, workshops, Ph.D. courses and seminars.

The centre was established 1st of January 2005 by a grant from Finn Junge-Jensen, President of CBS, and opened officially in March 2005.

Objectives

The purpose of the centre is to advance the state of knowledge in the field and thereby to contribute to good corporate governance in practice. This involves joining resources from several functional areas, international academic institutions, and the business community. We aim for

- International visibility and recognition, primarily through publications in professional, international journals, but also through workshops, seminars and policy work.
- Funding of research projects in corporate governance from national and international research agencies, government organizations, charities and business firms.
- Recruitment of Ph.D. students working on corporate governance.
- A much-improved dialogue with the business community in the form of cooperative research projects, training programs and the like.

Values

CCG does not promote any specific corporate governance doctrine, but is a research forum to facilitate discussion and dialogue between various viewpoints. Thus, the participants do not necessarily agree on anything except a shared interest in the subject. There are currently many “quick fix solutions” to corporate governance and their proponents as well as the business community seem likely to benefit from careful assessment of the alternatives.



People at the Center for Corporate Governance



Steen Thomsen

Steen Thomsen, director of CCG and Professor, Ph.D., has published extensively on corporate governance including a 2008 textbook and papers in *Strategic Management Journal* and *Journal of Corporate Finance*. His current research interests include industrial foundations, private equity and Scandinavian Corporate Governance. He has served as a consultant and lecturer to many large companies and government organizations, including the EU, the UN, Copenhagen Stock Exchange and the Danish Central Bank.



Casper Rose

Casper Rose is Professor at CCG with special tasks in “company law and corporate governance”. He holds a Ph.D. in finance from Department of Finance, CBS as well as a Master of Law degree from the University of Copenhagen. He has published extensively in international journals dealing with the interaction between law and finance. He combines legal analysis with quantitative methods exploring how changes in the legal environment influence managerial/shareholder incentives. His current research includes the design of optimal regulation following the global financial crisis as well as the role of employee appointed board members. He serves as a free lance consultant for large corporations and organizations. He has also worked as legal advisor in Dansk Industri (Confederation of Danish Industries) as well as in Danske Bank where he served as Chief Analyst in Group Operational Risk.



Ole Risager

Ole Risager, Professor, Ph.D., has published extensively on foreign exchange markets, equity markets, labor markets, and macroeconomics. His work has appeared in international journals as well as in outlets published by the IMF and the World Bank. He is currently working on financial investment strategies, including value and growth strategies, and on the global credit crisis, including governance issues. He has previously served as a senior economist to the IMF, Washington DC and as a consultant to the World Bank. He has also been Vice President at A.P. Moller – Maersk, Copenhagen. Ole Risager is Chairman of Core German Residential II, a real estate investment company, and a Board Member of LD Invest, a mutual investment fund.



Jette Steen Knudsen

Jette Steen Knudsen, Associate Professor and Ph.D. (MIT) conducts research, teaching and consulting on CSR, corporate governance, EU services sector liberalization as well as globalization and international business strategy. Current research interests include 1) CSR codes of conduct, 2) linkage between CSR and corporate strategy, and 3) board diversity. She has written numerous scientific articles and newspaper articles. Jette is a frequent speaker in Denmark and internationally for companies, the Danish Globalization Council, the EU Commission, the European Parliament and national governments.

**Niels Mygind**

Niels Mygind holds a cand.polit./M.Sc. in 1980 from Department of Economics, Copenhagen University. He has been director of the Center for East European Studies since 1996. And is currently Professor with special responsibilities in the research area “Corporate Governance and Restructuring in Eastern Europe”. Since the start of 2008 he has been Head of the Department of International Economics and Management. Professor Mygind has an extensive list of international publications that spans the general analysis of societies in transition; privatization, restructuring and employee ownership in Eastern Europe, with emphasis on the Baltic Countries, and Corporate Governance – shareholder-stakeholder issues with focus on employee participation.

**Aleksandra Gregoric**

Aleksandra Gregoric, Ph.D., Assistant Professor, holds a Masters degree in Economics and Banking from University of Siena (Italy) and a Ph.D. in Corporate Governance from the Faculty of Economics in Ljubljana (Slovenia). She was a visiting scholar at ECARES (Universite Libre de Bruxelles), Stockholm School of Economics and attended courses at the London School of Economics. Her research mostly focuses on the issues of corporate governance, particularly on the questions related to ownership, executive remuneration and board structures.

**Bersant Hobdari**

Bersant Hobdari, Assistant Professor, Ph.D., in his research is focused on various corporate governance issues such as the impact of ownership structures on firm performance, the determinants of board structure and its impact on firm performance, the design of internal and external mechanisms of corporate control and their respective impact. He has published his research in journals like *Corporate Governance: An International Review*, *Corporate Ownership and Control* and *Applied Economics*.

**Kristian Jakobsen**

Kristian Jakobsen, Assistant Professor, Ph.D., works on entry mode choices, entry timing and performance of foreign firms in emerging and transition economies; with a particular focus on Central and Eastern Europe. His current research interests also include the relationship between internationalization of the board of directors and firm performance.’

**Sabina Nielsen**

Sabina Nielsen is assistant professor and a Marie Curie post-doctoral research fellow at Copenhagen Business School. She received her Ph.D. from University of St. Gallen, Switzerland. Her research in the area of corporate governance and top management teams has been published in international scholarly journals and in best paper proceedings of the Academy of Management and the Academy of International Business. Her research interests include the composition, dynamics and decision-making of top management teams and boards of directors.

**Thomas Poulsen**

Thomas Poulsen, assistant professor, is Ph.D. in Finance from Aarhus Business School 2008. His main area of research is corporate governance, with an interest in corporate finance topics. A unifying theme of his recent research is that it applies game theory to ownership data to map voting power of shareholders in public firms. In addition, he is also interested in studying in more detail the sources and dynamics of private benefits. Currently, he is writing about merger waves, limits of private equity, seal-dealing, and employee ownership. He is teaching at graduate level and supervising thesis at both undergraduate and graduate level.

**Evis Sinani**

Evis Sinani is an Assistant Professor at the Department of International Economics and Management. She has publications in Journal of Comparative Economics, Applied Economics and Journal of International Business Studies. Her research interests lie in corporate governance, networks of firms and boards of directors, firm/industry dynamics (entry, exit, survival) as well as on the impact that foreign firms have on the productivity of local firms and their potential crowding out.

**Therese Strand**

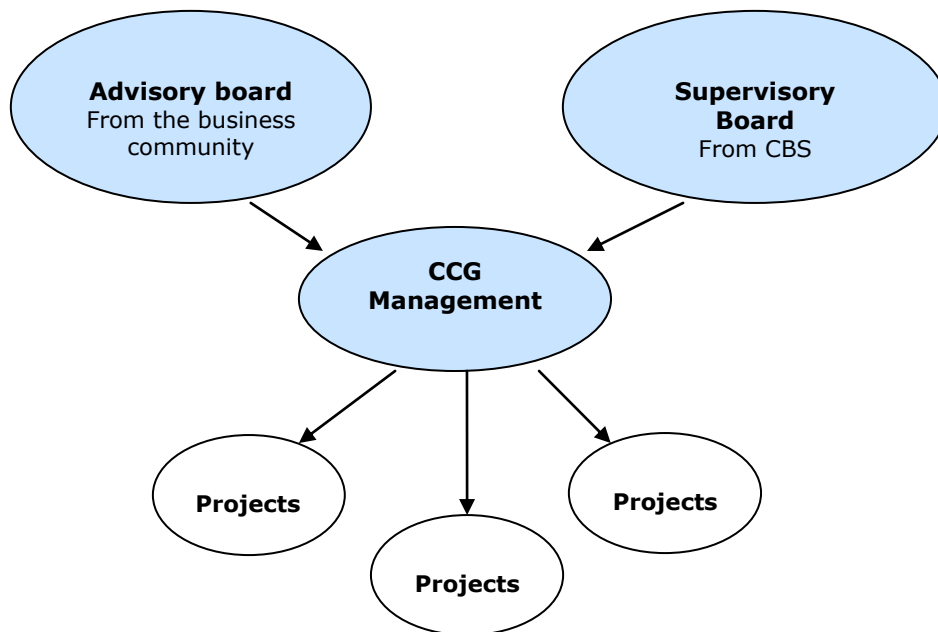
Therese Strand is a Ph.D. student at CCG financed by the project on Danish Corporate Governance in Practice. Her research interests concern various aspects of corporate governance centered primarily on ownership in listed corporations. Therese is particularly interested in the intersection between economics and law. Recent research dealt with institutional activism and the underlying objectives of institutional investors. Current projects concern the function of general meetings as a control mechanism for shareholders in relation to national legal settings, and the duality of potential agency costs following institutional activism.

**Søren Svendsen**

Søren Vincent Svendsen is Post Doctoral Student at CCG specializing in cooperative and mutual organizations. He has published in various international journals dealing with corporate governance and agricultural economics. In addition to this he has served as a consultant and advisor to many large organization and institution, such as COPA/COGECA. Furthermore he has taught at Latvia University, Jelgava Agricultural University, Aarhus University and The University of Southern Denmark.

Organization

The centre is headed by a Managing Director, Professor Steen Thomsen under the direction of a supervisory board composed of representatives from participating CBS departments. In addition, the centre is guided by a business advisory board on long-term strategic issues.



The advisory board is composed of leading officers and directors from large Danish companies and institutional investors. It provides ideas for research projects, feedback on our activities and comments on developments in corporate governance.

The supervisory board – which carries the formal responsibility – is composed of professors from the CBS departments of accounting, economics, finance, international economics and management, which joined forces in establishing the centre.

Advisory Board

Lars Nørby Johansen, Falck A/S
 CEO Jeppe Christiansen, LD
 Chairman Kurt Gimsing, The Institute of State Authorized Public Accountants in Denmark (FSR)
 CEO Henrik Heideby, PFA
 CEO Tom Knutzen, Danisco
 Deputy Director General Tine Roed, The Confederation of Danish Industry
 CEO Lars Röhde, ATP.
 Director Poul J. Svanholm
 CFO Søren Thorup Sørensen, A. P. Møller-Mærsk

Supervisory Board



Professor Morten Bennedsen, Department of Economics, CBS (Chairman)
Professor Niels Mygind, Department of International Economics and Management, CBS
Professor Michael Møller, Department of Finance, CBS
Associate Professor Carsten Rohde, Department of Accounting and Auditing, CBS

Managing Director



Professor Steen Thomsen

Administration

Anne Hannusch
J. Filip Kolasa

Affiliated researchers at other departments

Department of Economics

Professor Morten Bennedsen (supervisory board chair)
Professor Peter Bogetoft
Professor Søren Bo Nielsen

Department of Finance

Professor Michael Møller (supervisory board member)
Associate Professor Ken Bechmann
Professor Niels Christian Nielsen
Assistant Professor Kasper Meisner Nielsen
Associate Professor, **Center for Statistics**, Dorte Kronborg
Associate Professor, **Center for Statistics**, Hans Kurt Kvist

Department of Accounting and Auditing

Associate Professor Michael Andersen
Associate Professor Kim Klarskov Jeppesen
Professor Thomas Plenborg
Associate Professor Carsten Rohde

Department of Management, Politics and Philosophy

Associate Professor Martin Iversen

Activities 2008

Research: CCG researchers continued to publish their research in high ranking professional journals (see the publication list for an overview) and organize a range of seminars and workshops on topical issues like diversity, private equity and the financial crisis (see the seminar list). We also continued work on a number of externally funded research projects - on topics like family ownership, financial mutuals and Nordic corporate governance - were begun (see research projects). Our faculty taught several courses in corporate governance at the masters and MBA programs at CBS.

New staff:

Sabina Nielsen
Thomas Poulsen
Caspar Rose

Ph. D. Degrees in 2008: Ilduara Busta Varela, Kristian Jakobsen.

International networks: Researchers from Yale, Insead, Alberta and College are associated with the centre as fellows. Researchers at the centre collaborate with faculty from leading international universities across the world (e.g. Bangkok, Singapore, Tokyo and Stockholm).

Business relations: Faculty at the centre continued an active dialogue with the business community in the business press, lectures and applied studies.

Workshops/Seminars/Conferences at CCG in 2008

- Seminar: **Kapitalfonde - myter og fakta**. Skatteminister Kristian Jensen, professor Steen Thomsen og EQT-partner Ole Andersen på årets første konference og debat om kapitalfonde (14. Januar).
- Seminar: **The Role of Prestige and Networks in Outside Director Appointments** af Dr. Tom Kirchmaier (16. Januar).
- Seminar: **Executive Compensation** med deltagelse af professor Martin Conyon, ESSEC, Ken Bechmann, CBS, Mads Øvlisen, medlem af Nørby Udvalget og Tor Eriksson, Center for Corporate Performance, Århus Universitet (27. Februar).
- Danish Corporate Governance Network seminar: **Overtagelse af kapitalfond: Historien om Falck** med deltagelse af adm. dir. Allan Søgaard Larsen (7. Marts)
- Gå-hjem møde: **Kvoter og kompetencer: Mangfoldighed i danske bestyrelser?** Jette Steen Knudsen. Center for Corporate Governance, CBS, Trond Randøy, Professor ved Fakultet for Økonomi- og Samfundsfag ved Universitetet i Agder, Norge, Inge Berneke, konsulent i Egon Zehnder International, Marlene Nørgård. Tidligere underdirektør i LD Markets og Lars Rohde, Adm. Dir., ATP (9. Juni).
- Workshop: **FNs Global Compact og branding: Fordele og ulemper ved synliggørelse af virksomhedens sociale ansvar**. Jette Steen Knudsen, Center for Corporate Governance, CBS, Karin Skjødt Hindkjær, Kommunikationsdirektør, Sonofon, Christian Schultz, Kommunikationschef, Mattel Central & Northern Europe, Steffen Lüders, adm. dir., GCI Mannov, Helle Johansen, Head of Business Outreach, UNDPs Nordiske Kontor og Ole Lund Hansen, DI (8. Oktober).
- Seminar: **Risikostyring: bestyrelsens nye dagsorden**. Professor Steen Thomsen, Professor Ole Risager, CBS, direktør Jeppe Christiansen, LD professor David Lando, CBS Thomas Plenborg, CBS og Lars Nørby Johansen, Falck (29. Oktober).
- Workshop on UN **Global Compact**. Ole Lund Hansen, DI , Helle Johansen, UNDP og Jette Steen Knudsen, Center for Corporate Governance(9. November).

GCG Publications 2008

Hobdari, Bersant. **Insider ownership and capital constraints: An empirical investigation of the credit rationing hypothesis in Estonia.** Corporate governance: An International Review. 2008 ; vol. 16, nr. 6, s. 536-549

Hobdari, Bersant ; Sinani, Evis. **Ownership structure, technology transfer and firm performance.** Corporate Ownership & Control. 2008 ; vol. 6, nr. 1, s. 268-277

Hobdari, Bersant. **Ownership Structures and Capital Allocation : Evidence from Estimating Production Functions Under Alternative Specifications.** Corporate Ownership & Control. 2008 vol. 5, nr. 2, s. 100-109

Jakobsen, Kristian. **Foreign market entry in transition economies : Entry timing and mode choice.** Department of International Economics and Management, Copenhagen Business School, 2008. 163 s. (PhD Series; 18.2008).

Mygind, Niels ; Eamets, Raul ; Spitsa, Natalia. **The development of employee financial participation in Estonia.** Baltic Journal of Management. 2008 ; vol. 3, nr. 2, s. 218-231

Mygind, Niels. **Medarbejdere i Østeuropa : Erfaringer fra en kort op og nedtur. I: Arbejderhistorie : tidsskrift for historie, kultur og politik.** 2007 ; vol. 35, nr. 2, s. 77-101

Mygind, Niels ; Sinani, Evis ; Jones, Derek C. / **Determinants of firm-level technical efficiency : Evidence using stochastic frontier approach.** Corporate Ownership & Control. 2008 ; vol. 5, nr. 3, s. 225-239

Nielsen, Sabina ; Peck, Simon I ; Ruigrok, Winfried. / **Substitution effects of internal governance mechanisms : Evidence from Switzerland.** Corporate Ownership & Control. 2008 ; vol. 5, nr. 3, s. 212-220

Nielsen, Sabina ; Ruigrok, Winfried ; Peck, Simon. **Nationality and Gender Diversity on Swiss Corporate Boards. I:** Corporate governance: An International Review. 2008 ; vol. 15, nr. 4, s. 546 - 557

Nielsen, Sabina. **Women directors, board working style and board task performance.** The Value Creating Board : Corporate governance and organizational behaviour. red. / Morten Huse. Routledge, 2008. s. 437-451

Poulsen, Thomas, Bennedsen, Morten ; Thomsen, Steen ; Nielsen, Søren Bo ; Meisner Nielsen, Kasper. **Aktivt ejerskab og åbenhed i kapitalfonde : Baggrundsrapport, Retningslinjer for ansvarligt ejerskab og god selskabsledelse.** Dansk Venture Capital and Private Association, DVCA, 2008. s. 124-161

Risager, Ole. **The Value Premium on the Danish Stock Market : 1950-2004.** Frederiksberg : Department of International Economics and Management, Copenhagen Business School, 2008.

Rose, Caspar. **A critical analysis of the "one share one vote" controversy.** International Journal of Disclosure and Governance. 2008 ; vol. 5, nr. 2, s. 126-139

Sinani, Evis ; Stafssudd, Anna ; Thomsen, Steen ; Edling, Christofer ; Randøy, Trond. **Corporate governance in Scandinavia : Comparing networks and formal institutions.** European Management Review. 2008 ; vol. 5, nr. 1, s. 27-40

Sinani, Evis ; Jones, Derek C. ; Mygind, Niels. **Determinants of firm-level technical efficiency : Evidence using stochastic frontier approach.** Corporate Ownership & Control. 2008 ; vol. 5, nr. 3, s. 225-239

Thomsen, Steen. **A minimum theory of boards.** International Journal of Corporate Governance. 2008 ; vol. 1, nr. 1, s. 73-96

Thomsen, Steen. **An introduction to corporate governance : Mechanisms and systems.** Copenhagen : Jurist- og Økonomforbundets Forlag, 2008. 246 s.

Publications by affiliated Researchers at CBS

Banghøj, Jesper ; Plenborg, Thomas. Value relevance of voluntary disclosure in the annual report. Accounting and Finance. 2008 ; vol. 48, nr. 2, s. 159-180

Bechmann, Ken L.. Compensation of Executives in Denmark : Performance, Corporate Governance or Rent Extraction? Markets and Compensation for Executives in Europe. red. Lars Oxelheim ; Clas Wihlborg. Emerald, 2008. s. 261-282 (International Business and Management; 5).

Bennedsen, Morten ; Kongsted, Hans Christian ; Meisner Nielsen, Kasper. The causal effect of board size in the performance of small and medium-sized firms. Journal of Banking & Finance. 2008 ; vol. 32, nr. 6, s. 1098-1109.

Møller, Michael ; Parum, Claus. / Bankkriser og løsningsforslag. Finans - Invest. 2008 ; nr. 7, s. 5-10.

Vriborg Petersen, Christian ; Plenborg, Thomas. Design issues in bonus contracts. Corporate Finance Review. 2008 ; s. 23-29

Income & Expense Statement 2008

Note. This statement reports on the basic CCG grant and does not include separately funded research projects or personnel expenses, which account for the bulk of Center for Corporate Governance

From 2007, cash	kr.	254.371,13
Expenditure January-October 2008	kr.	18.385,52
Overheads and expenditure Nov-Dec 2008	kr.	87.000,00
Expected Balance. 31.12.2008	kr.	148.985,61



Snapshot from a reception at the Center for Corporate Governance 28. November 2009.

Strategy and the future

Our objectives are:

- To provide a basic stimulating research environment within corporate governance that provides the right stimulus such that the participating researchers can continue publishing in the best economics, finance, and management journals.
- To continue and deepen our dialogue with the business community, including joint research projects, interviews, case studies and policy recommendations.
- To provide a basic stimulating research environment within corporate governance that provides the best possible environment for educating researchers at the Ph.D. and the assistant professor level.
- To further deepen our substantial international network such that Copenhagen will increasingly be recognized as one of the leading corporate governance centers in Europe and in the World.
- To disseminate research output to a wider community such as media, business partners and government agencies.

One distinguishing feature of CCG is that many of the associated researchers have a business background and interact with business. This translates into an added focus on “relevance” in the choice of topics and theoretical understanding. We aim to research issues which are important in practice rather than research for its own sake. In most cases relevance means doing empirical research which practitioners perceive as useful. We do not believe that valuable research can arise from researchers with no experience with the phenomena that they study. Though well-directed theoretical work can be useful, we do not think that abstract economic models alone are a good guide to reality, and we recognize the need to supplement economics with law, psychology, political science and behavioral economics.

In practice, this means

- Close attention to data quality in empirical studies, for example institutional details and measurement problems (garbage in – garbage out)
- Frequent interaction with business people, for example letting our advisory board guide us on relevant research issues and testing the relevance of ideas and concepts in interaction with the business community
- Skepticism with regard to hot air, jargon and metaphysics.

We hope to make relevance a hallmark of CCG research.

Nevertheless we are a research center. Our researchers are currently active in publishing and should continue this in the future. We aim to write research papers, which are publishable in high ranking international journals – e.g. with a novel angle, a timely topic, very good data, careful writing, a well informed literature review, state of the art statistical methods. To facilitate research, we have

internal bimonthly research seminars during the semester (September-December and January-June) and aim for 5-6 regular seminars per semester.



Snapshot: Steen Thomsen talks to British Chamber of Commerce 19. September 2008 in Copenhagen. Photo: Hasse Ferold.

Research topics

In terms of research topics we aim to further strengthen our position as a world class research environment for a range of topics which are both at the international research frontier and are of vital importance for the Danish business community. These include both topical issues like executive compensation, corporate governance codes, private equity or corporate social responsibility and structural issues related to Scandinavian corporate governance. Among the focus areas in 2008 we will mention:

- What happens at shareholder meetings in Denmark? Do they contribute anything?
- Compliance with the Danish corporate governance code: To what extent do listed Danish comply or explain? Is there any discernible effect on valuation or performance?
- Private Equity Funds: do they create value? Should they be regulated?
- Family ownership: How do families influence firms?
- Corporate Governance in Nordic Firms: Could Nordic firms benefit from more international boards?

In 2009 we plan start up new projects in:

Codes (Project Leader: Jette Steen Knudsen)
Board diversity (Project leader: Sabina Nielsen)
Operational risk (Project Leader: Caspar Rose).



Risk and Governance: Understanding the financial crisis

CCG researchers have been active preparing a large scale integrated research initiative to advance the current understanding of risk and governance of business companies across a range of fields ranging from financial market risk, corporate governance, accounting and regulation of business companies. In addition to standard financial risk we propose to study operational risks related to control failures in business companies and government regulation.

While the fields of risk management, corporate governance, business law and accounting have grown to become distinct disciplines of specialized research, we propose that they are in fact strongly interconnected both in practice and in theory. The problems which regulators, shareholders, boards and business managers face in exercising control have important common characteristics in terms of asymmetric information, uncertainty (risk), incentive problems, strategic risk and incomplete contracts. The issues involved concern both financial decisions under uncertainty (e.g. portfolio theory), the resolution of incentive problems (e.g. standard principal agent problems) and complex interactions between them.

We propose that a re-examination of these problems through a concentrated common research effort is necessary and timely. First their theoretical and practical affinities imply a common theoretical structure which can and should inform applied research across disciplines. Secondly, an integrated approach is able to uncover more complex and realistic multilevel agency problems involving for example games between principals and interaction effects over decision chains. Third, a continued series of spectacular investment failures and business scandals imply that fundamental rethinking is necessary to understand and address these problems in practice. Although we can draw on strong research environments in risk management, corporate governance and related disciplines, this will clearly necessitate a major international research effort.

International Research contribution

CCG researchers have a comparative international advantage in characteristic Danish ownership structures. While the bulk of corporate governance research is concerned with agency problems in large listed companies, the vast majority of Danish – and European - companies are organized differently and face different governance problems: Family ownership, cooperatives and foundations are dominant ownership structures. CCG researchers are currently at the forefront of international research on these ownership structures and united in a common theoretical research perspective which applies and adapts economic theory to new ownership structures. Clearly family firms, cooperatives and foundation-owned companies cannot use standard business recipes from the Anglo-American literature, but need to design their own solutions. Moreover, we have a clear competitive advantage in access to a unique data source publicly available data of all private companies over several years – i.e. hundreds of thousands of private (non-listed) companies. We aim to further strengthen our contribution to these areas in 2009.

Externally Funded Research Projects 2009

Families and Firms: The impact of family risk and organization on the governance of closely held corporations

Project leader: Morten Bennedsen

‘Families and Firms’ investigates how risk related to family structures and family development affects firms. The overall idea is to evaluate the economic implications of the organization of families and the realization of uncertain events inside the families for the leadership and performance of closely held corporations. We use realization of risky events inside families to gain new insight into the economic value of four important governance institutions: the value of corporate leaders (i.e. chief executive officers, board chairmen, directors and managers); the value of family finance; the value of political networks; and, the value of professional boards. A part of this research project holds a subproject: *The value of Political Connections*. This subproject will be carried out as an integrated Ph.D. project.

Corporate Governance in Practice (2007-2010)

Project leader: Steen Thomsen

This research project will run for three years and will open “the black box” and uncover the strengths and weaknesses of the Danish corporate governance model. The purpose is to put focus on whether company practice is expedient, taking new recommendations and regulations into account. Internationalization will be taken into consideration, since the Danish corporate governance model is highly affected by international trends.

Following subjects are keys in the research:

- The role of the annual meeting
- Corporate information and shareholder value creation
- Board member recruitment
- Board assignment in Danish companies
- Behavior of venture capital funds
- Experience with the Danish corporate governance recommendations
- Corporate governance and the bottom line

Corporate Governance and the Global Competitiveness of Nordic Firms (to be completed in 2009)

Project leader: Aleksandra Gregoric

The aim of this project is to provide a deeper understanding on the functioning of the different corporate governance mechanism and their contribution to the competitive advantage of Nordic firms. In this regard, our main focus is the corporate board. We are in particular interested in the current level of board diversity in the Nordic firms in terms of the nationality, age and gender of the board members. We want to discover the main factors driving to larger internationalization or gender diversity of Nordic firms. Moreover, we are interested in how and to what extent this diversity as well as other board characteristics (i.e. the existence and functioning of committees, board independence, etc.) impacts the performance and competitiveness of Nordic firms. We aim to

address these questions both by performing comparative case studies of Nordic firms and by addressing the whole population of Nordic publicly traded firms (econometric analysis). We will use the results to draft recommendations of 'good corporate governance' for both companies and public policy. The key subjects we aim to address are the following:

The extent of the current internationalization of Nordic firms' activities and boards;

- Board diversity (gender, nationality, age) and its impact on firm value (competitiveness, innovations, globalization, etc.);
- Board independence;
- Board committees;
- Management diversity;
- Board diversity and its determinants;
- Board diversity and firm value;

Compliance with the Danish Corporate Governance code

Project leader: Caspar Rose

This research project focuses on the national Danish corporate governance code and how companies relate to its content in practice. The code was first adopted in 2001 (revised in 2003 and 2005) and is based on the international common principle of "comply or explain". This principle grants companies the opportunity to abstain from compliance if they explain why. The purpose of the study is to investigate the use of the "comply and explain" principle in Denmark, and to conduct an evaluation of the effects of the code on Danish corporate governance. The study comprises three main issues;

- The degree to which Danish companies employ "comply" respectively "explain", and what parts of the code are explained rather than complied with
- Possible differences between the degree of compliance in Denmark compared to other countries (with special national features of corporate governance taken into account)
- How boards of directors, managers and investors view the Danish corporate governance code and its effects

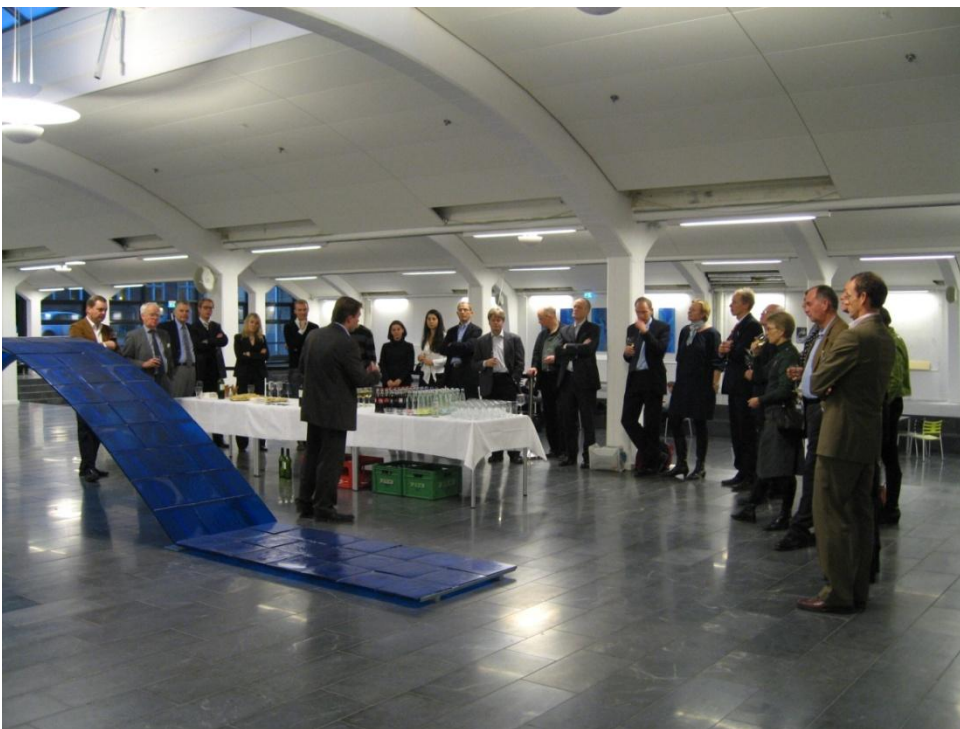
Governance in Financial Mutuals (2007 - 2009)

Project leader: Søren Vincent Svendsen

This research project runs for about 2 years and will open "the black box" of governance issues in financial mutuals. The project aims at reviewing the international literature on various governance issues in financial mutuals. Specifically, four main topics are forming the project and cover the following subjects:

- **Ownership and capital structure of financial mutuals**, for example literature on strengths and weaknesses of financial mutuals, comparative studies between financial institutions with different governance structures, capital structure and constraints in financial mutuals and, goals, objectives as well as common definitions of financial mutuals.

- **Board of directors and electives**, for example codes of best practice and recommendations for good governance in financial mutuals, composition of board of directors, relationships between the board and the management, etc.
- **External investors and de-mutualisation**, for example experiences and drivers behind de-mutualisation processes in financial mutuals, possibilities of sharing ownership with external investors, mutual holding company structures of financial mutuals as well as literature on other means for attracting risk bearing capital in financial mutuals.
- **Communication and transparency**, for examples such subjects as the public opinion on financial mutuals, demands and requirements for publicity in these organisations and companies, transparency rules and practices and, means of communication with stakeholders in general.



Caspar Rose talks at a reception at the Center for Corporate Governance, 28.11.2009.

Seminars and workshops 2009

Danish Corporate Governance Network Corporate Governance Workshop Wednesday 6. February 10.30-16.00

The purpose of the workshop is to take stock of ongoing research, to papers in progress and discuss future research projects. All aspects of corporate governance can be addressed - company law, ownership, boards, compensation, capital structure, social responsibility, codes, performance measurement, accounting principles, international differences etc. Our focus here is on academic research, but non-academics are welcome to attend. Danish papers may be submitted, but they must be presented and discussed in English. Over lunch 12.00-13.00 we will conduct the annual meeting in the Danish Corporate Governance Association, including election of the board. After the meeting, 16.00-18.00, we will hold a open discussion meeting (in Danish) on the proposal for a new Danish company law (invitation and program for this will be forwarded separately).

Corporate Governance in Asia 12. June 2009 9.30-12.00, Asia House, Copenhagen

Corporate governance in Asia is believed to differ substantially from Western forms. This may be attributable to both institutional factors like widespread state and family ownership or differences in law and enforcement. It may also be caused by cultural differences related to religion and philosophy. In any case, Western companies and investors doing business in Asia need to understand what is going on. We have invited 3 Asia experts to start the discussion.

Corporate Governance in China,
-Mengxin Zhao, University of Alberta
Corporate Governance in India,
-Vikas Mehrota, University of Alberta
- Family Business in East Asia: Thai Weddings and Japanese Adopted Sons,
Yupana Wiwattanakantang, Hitotsubashi University

International Workshop on Corporate Governance 19-20 June, 2009

Keynote Speakers
Mark Roe, Harvard University
Randall Morck, University of Alberta
Florencio Lopez-de-Silanes Molina EDHEC Business School
Daniel Wolfenzon, NYU Stern School of Business
Francisco Pérez-González, Stanford University

Specific topics include but are not limited to
- Governance failure and the financial crisis
- Understanding regulation: The politics of governance

- Reassessing family ownership
- Asian Corporate Governance
- Alternative ownership structures: cooperatives, foundations
- International and comparative corporate governance
- Corporate governance and stock market fluctuations.



The Authors of “Private Equity Funds in Denmark” a report to the Danish Venture Capital and Private Equity Association (DVCA) June 2008. From the left: Morten Bennedsen, Thomas Poulsen, Steen Thomsen og Søren Bo Nielsen.