

Dear CEFS newsletter subscriber,
you will find two short descriptions of CEFS projects and a selection of CEFS news in this issue of our newsletter.
For complementary information, please visit our website at <http://www.cefs.de>.

TUM Business School awards doctoral degree honoris causa to Prof. Josh Lerner

For his outstanding contributions to the fields of entrepreneurial finance, innovation policy and entrepreneurship, Josh Lerner (Jacob H. Schiff Professor of Investment Banking at Harvard Business School) was awarded a doctoral degree honoris causa by the TUM Business School on May 19th, 2009. His work addresses the role and organization of venture capital and private equity as well as the impact of intellectual property protection on the competitive strategies of firms in high-technology industries. He is best known for his book 'The Venture Capital Cycle', MIT Press, 2004. During the award ceremony, Prof. Lerner gave a speech on "Growing Our Way Out of the Crisis: Can Governments Stimulate Entrepreneurship?", thereby once again pointing to the importance and topicality of his research.



From left to right: Prof. Harhoff (LMU), Prof. Kaserer, Prof. Achleitner, Prof. Josh Lerner, Prof. Herrmann

CEFS participates in DFG-project "Long-term orientation in family firms"

CEFS has successfully received funding from the German Research Foundation (Deutsche Forschungsgesellschaft) for a two-year project on long-term orientation in family firms. Family firms have unique characteristics such as long-term orientated family shareholders, involvement of the family in firm management and close interconnection between the family and the business. It is the goal of this research project to determine whether these unique characteristics help family firms to follow a more long-term orientated business strategy than non-family firms. In particular, the project aims to analyse differences concerning R&D-spending, patent policy and management of intellectual property. Finally, it tries to answer how these corporate policy decisions are linked to observed differences between family and non-family firms in terms of corporate performance. The research project will mainly focus on publicly listed family firms in Germany and the United States. This approach allows considering different institutional settings, i.e. a bank-based economy (Germany) and a market-based economy (the United States). Since most firms around the world are family-owned, the research question seems to be important for a number of groups, such as family investors, entrepreneurs and public policy makers. In this project, CEFS works together with two leading experts in the field of innovation, Prof. Henkel from the Dr. Theo-Schöller-Stiftungslehrstuhl für Technologie- und Innovationsmanagement at TUM and Prof. Harhoff from the Institut für Innovationsforschung, Technologiemanagement und Entrepreneurship at LMU.

For further information on the DFG, please visit: www.dfg.de

Projects

CEFS Infrastructure Finance Initiative (sponsored by the European Investment Bank EIBURS Programme)

The CEFS Infrastructure Finance Initiative (CEFS-IFI) is a research programme focused on investigating the role of infrastructure funds in the market for infrastructure finance. Most importantly, the following research questions will be addressed: (i) what are the drivers for the growth in infrastructure investments? (ii) what may be the economic rationale for financing these investments through privately held infrastructure funds? (iii) what is the return distribution of infrastructure investments in general and investments financed via infrastructure funds in particular? (iv) what are the risks in privately financed infrastructure assets to the public at large and is there any need for regulating infrastructure finance?

A key point in this research programme is the fact that there is a lack of publicly available data regarding the market for infrastructure finance. This is especially true because a substantial part of private infrastructure financing is provided by unlisted infrastructure funds, which are mainly organised like traditional private equity funds. CEFS-IFI sets-up the Infrastructure Finance Database (IFD) that allows an analysis of the above presented research questions by using state-of-the-art econometric methods. Through the cooperation with CEPRES, a privately organised provider of private equity data, it is possible to overcome the data limitation.

Beyond this database development the CEFS-IFI aims at bringing together academics, practitioners and decision makers in the public administration in the field of infrastructure financing. For that purpose there will be an Infrastructure Finance Initiative Roundtable (IFI-Roundtable) in 2010, a focused networking event.

The results of the programme shall be relevant for decision makers in the financial community as well as in the public administration.

CEFS members Eva Kasper (see Newsletter March '09) and Florian Bitsch (see Newsletter July '08) will be working together on this project.

[Please visit www.cefs.de/ifi](http://www.cefs.de/ifi) for further information and project updates.

Joint project with the New York University (NYU)

CEFS has started a joint project with the Berkeley Center for Entrepreneurship at New York University's Stern School of Business and the Steinhardt School of Culture, Education, and Human Development at the same institution. The NYU had launched a survey on "Understanding the Relationship Between Higher Education and Innovative Entrepreneurship" in 2008. This research funded through the Ewing Kauffman Foundation, studies effective methods for training prospective innovative entrepreneurs. The interesting and important findings encouraged them to expand the survey for 2009 to an international perspective. The Technische Universität München with the UnternehmerTUM and the CEFS is one of a few selected international partners that participate in the study by gathering and contributing information on their German students. CEFS' co-managing director Dr. Reiner Braun is leading the project.

News

Professor Achleitner becomes member of the commission "Future of the Social Market Economy" of Bavarian's prime minister Seehofer

Bavarian's prime minister Horst Seehofer has founded a commission of eleven well renowned members (see picture on the right) which have the task to develop ideas and suggestions to overcome the financial and economical crisis as well as finding future solutions for a new social economy. Prof. Achleitner is part of the commission. The first session started in April 2009 and meetings are now held on a regular basis. The final report is scheduled for the cabinet meeting on July 14th, 2009.

[more information](#)



Eight members of the Seehofer commission

Prof. Achleitner is visiting professor at the University of St. Gallen for the summer term 2009

Prof. Achleitner has been appointed visiting professor at the University of St. Gallen, Switzerland for the summer term 2009. In this she comes back to her former alma mater. Prof. Achleitner first earned graduate degrees in both, Business and Law in St. Gallen, and then became full professor upon receiving her *venia legendi*, also from St. Gallen. Now she taught there again!

Report launch “Educating the Next Wave of Entrepreneurs”

The World Economic Forum’s Global Education Initiative (GEI) launched its report, “Educating the Next Wave of Entrepreneurs” in April 2009. Building on the GEI’s mission to help countries implement education systems that are sustainable, scalable and relevant, the report provides specific recommendations for the academic, public, private and non-profit sectors to collaborate in supporting the development of entrepreneurship ecosystems, in which education is a key driver. The report highlights the importance of entrepreneurship education for developing the skills, attitudes and behaviours necessary to create jobs, generate economic growth, advance human welfare and stimulate innovation to address global challenges.

The project was strongly supported by Prof. Achleitner as member of the Technical Advisory Group on Entrepreneurship Education.

[more information](#)

Second EFI Report on “Research, Innovation and Technological Performance in Germany” published

The second expertise on 'Research, Innovation and Technological Performance in Germany' was handed over to the federal German government by the independent expert commission of which Prof. Ann-Kristin Achleitner is a member in March 2009. It can be downloaded from [EFI \[German\]](#). An English version will be released soon (please look at the German link or our homepage for updates on the English release).

[Press release \[German\]](#).

European Commission Conference on Private Equity and Hedge Funds

Prof. Achleitner took part in the EU Commission hearing on private equity and hedge funds in February 2009. The panel on self-regulatory codes and national regulatory provisions advocated that industry codes should have a role to play alongside any new regulatory regime. Industry representatives recommend that private equity should engage actively in building up of a new pan-European regulatory framework that can work for all parties concerned.

Prof. Kaserer at hearing for the amendment to the financial market stabilization law (“Finanzmarktstabilisierungsergänzungsgesetz”)

Prof. Kaserer participated in the hearing of the German federal financial committee on the newest amendment to the financial market stabilization law. His arguments were published in the German Börsen-Zeitung on March 28th. Prof. Kaserer states that the amendment could have been avoided. He argues that the amendment became necessary, mainly due to the Hypo-RealEstate (HRE) case. Here, anticipatory action was neglected. It had been known already in the beginning of 2008, that HRE had financial problems. But instead of finding a long-term solution (such as restructuring or controlled insolvency) with a signaling character, the government decided in favor of quick financial support. Yet, anticipatory actions especially in cases of a financially distressed economy should be taken and they are in others countries, such as Great Britain. Thus, the amendment could have been avoided.

The entire article on the amendment was published in German in the Börsen-Zeitung Nr. 61, page 4 (March 28th, 2009)

[Homepage of Börsen-Zeitung.](#)

Prof. Kaserer comments on government’s “bad banks” in the Handelsblatt

Prof. Kaserer comments in the German newspaper Handelsblatt on May 5th, 2009 on the concept of the German ministry of finance for the formation of so-called “bad banks”. His main argument is, that the way the bad banks are institutionalized does not meet the needs of investors. The goal was to develop a more transparent market and thus enhance the validation of the banking system. Yet, the proposed bad bank system will not meet the requirements for such a goal and setting. Kaserer points out two main reasons for this. Firstly, the investors are not helped on a short term basis, since the process is too time consuming. Secondly, the proposed concept does not at all help in enhancing transparency for potential investors with regards to the banks’ bad debts.

[Entire Handelsblatt article \(in German\)](#)

CEFS study on management compensation receives large feedback

The CEFS study on management compensation lead by Dr. Marc Rapp has received much attention in the German press. It deals with the widely recognized and often discussed topic of compensation of managers in Germany. This discussion is lead very much by anecdotal evidence, presumably undermined through DAX-30 company analyses. This study of prime standard listed companies between 2005 and 2007 shows that former analyses have led to a somewhat distorted view on the topic. Amount as well as structure of compensation depend very much on size effects, which have to be taken into account to transport a proper view and a fair discussion on the topic.

News

Delegation of Centre for Entrepreneurship & Family Enterprise (CEFE) of University of Alberta School of Business at TUM in May 2009

As announced in our previous newsletter, a delegation of the Centre for Entrepreneurship & Family Enterprise (CEFE) of University of Alberta School of Business visited TUM on May 11th and May 12th, 2009. Participants included the international renowned researchers Prof. Lloyd Steier and Prof. Peter Jaskiewicz as well as 15 Bachelor and 15 MBA students. Their field trip focused on family business and entrepreneurship in Europe. Joint lectures were held with students from TUM Business School by Prof. Lloyd Steier, Dr. Eva Nathusius and Stephanie Schraml. Topics included entrepreneurship in family firms and private equity as alternative source of financing for European family firms. It was a great pleasure hosting the group at TUM and we look very much forward to future collaborations.

[more information](#)

Awards and scholarships

CEFS Bachelor thesis wins Leonardo & Co. Award

Verena Rathgeber and Prof. Achleitner won the Leonardo & Co. award for the best Bachelor thesis in the field of Mergers & Acquisitions 2008. Mrs. Rathgeber wrote her Bachelor thesis with Prof. Achleitner on loan covenants in leveraged buyouts. The prize was awarded for the first time. Rathgeber received the award for the thesis itself, Prof. Achleitner for her supervision on the thesis. Mrs. Rathgeber and Prof. Achleitner both thank CEFS scientific assistant Florian Tappeiner for his major support throughout the thesis.

[Further Information](#)

TUM scholarship for Dr. Eva Nathusius

We are proud to announce that CEFS managing director Dr. Eva Nathusius was accepted for a one year scholarship from the TU München. The scholarship is designed for women pursuing an academic career and it allows her to focus more on her research activities in the coming year.

Prof. Achleitner receives the mentor prize of the student body St. Gallen

Prof. Achleitner was honored by her St. Gallen students with the award of the mentor prize of the student body for her engagement for the students.

Publications

Achleitner / Bender / Kaserer / Nathusius: 'Patterns in Spatial Proximity between Venture Capital Investors and Investees in Germany - An Empirical Analysis'

The aim of our paper is to extend the understanding of patterns in spatial proximity in venture capital finance. We investigate how the likelihood of spatial proximity between a venture capital investor and an investee relates to different characteristics of the new venture, the venture capitalist and the financing round. We use a dataset of 950 dyads of German new ventures and venture capitalists which have closed a financing round between January 2002 and March 2007. It is the first study to use the minimum travel time including travel by car and/or plane to realistically estimate spatial proximity.

Overall, our study indicates that spatial proximity seems to play an important role in venture capital finance because about one third of all investments are realized within half an hour driving distance. Further key findings are that younger ventures, ventures with lower amounts raised in a round as well as ventures in knowledge-intensive industries are likely to be located closer to their venture capitalists. This is in line with principal agency theory as these characteristics are an indicator for the level of informational problems. In addition, we find that on the one hand larger venture capitalists realize more geographically dispersed deals. This could be due to a larger network of these firms which is in line with social exchange and network theory or due to the need to find a higher number of investment opportunities which forces them to increase their investment radius. On the other hand, we reveal that more experienced venture capitalists tend to focus on investments in spatial proximity.

Our results indicate that spatial proximity in venture capital finance is highly relevant and shaped by a broad combination of characteristics of the new venture, the venture capitalist and the financing round. Our study leads to important implications for entrepreneurial teams, venture capitalists and policy makers as the results give indications for what type of venture capital deals spatial proximity seems to be particularly relevant and, hence, a vital, locally established venture capital market appears to be more important.

The paper is available at SSRN http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1386702

Publications

Lahr / Herschke: 'Organisational Forms and Risk in Listed Private Equity'

The paper investigates the stock performance of listed private equity vehicles which are grouped into sub-samples according to their organisational structure. We identify 274 liquid listed private equity entities in the period from 1986 to 2008. Listed private equity shows an aggregate Dimson beta of 1.7 without any significant excess return on a value-weighted basis in an international CAPM context. Entities differ strongly dependent on their organisational form. Market risk is high in internally managed vehicles but low in externally managed ones. We conclude that different sources of cash flow such as management fees and carried interest can account for these risk characteristics. Precautions must therefore be taken when using listed private equity as a proxy for traditional private equity funds

The paper is available at SSRN http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1359091.

Rapp / Schaller / Wolff: 'Stock-Based Incentives: Design and Implications for Firm Performance'

While agency theory makes a strong case for stock-based incentives, empirical evidence of the effect on firm performance is mixed at best. Using a novel hand-collected data-set, we find that on average stock-based long-term incentives do not improve post firm performance. However, we also uncover large heterogeneity in the design of stock-based incentive plans. This allows us to discriminate between plans with and without ambitious performance hurdles. We then find that granting stock-based incentives with weak performance hurdles goes along with poor post performance, while ambitious programs boosts firm performance. We confirm these findings by using different performance measures, addressing endogeneity concerns, and controlling for various governance mechanisms like ownership and board structures, as well as other design dimensions of the stock-based incentive plans.

The papers are available at SSRN http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1344629

Conference Contributions

CEFS co-managing director Dr. Reiner Braun will be presenting at the Academy of Management Conference in August 2009 in Chicago

Dr. Reiner Braun presents the paper "Capital Demand of High-Tech vs. Low-Tech Start-Ups — A Linear Expenditure Approach" at this renowned conference in Chicago.

Dr. Eva Nathusius presented CEFS working paper at 2009 Babson College Entrepreneurship Conference

Dr. Eva Nathusius presented the joint working paper by Prof. Dr. Ann-Kristin Achleitner, Marko Bender, Prof. Dr. Christoph Kaserer and herself on spatial proximity in venture capital finance at the 2009 Babson College Entrepreneurship Research Conference (BCERC) on June 5, 2009 in Wellesley, USA. Founded by Babson College in 1981, BCERC is considered by many to be the premier entrepreneurship research conference in the world.

[Further information.](#)

Paper accepted at American Accounting Association Annual Meeting in New York

The paper "The impact of managerial ownership, monitoring and accounting standard choice on accrual mispricing" by Gegenfurtner / Ampenberger / Kaserer has been accepted for presentation at the above mentioned, well renowned conference in August 2009 in New York.

Paper on 'Estimating Equity Premia from CDS Spreads' by Berg / Kaserer accepted at EFA

The above mentioned paper on the estimation of equity premia from CDS spreads has been accepted for the renowned conference by the European Finance Association.

Paper accepted at Annual Meeting of the German Economic Association

Dr. Marc Rapp will be presenting his paper on "Stock-based Incentives: Design and Implications for Firm Performance" at the above mentioned conference in Magdeburg in September 2009. The paper is co-authored by Schaller / Wolff.

Two CEFS papers accepted for two conferences each

The paper "Capital Structure Decisions in family firms – empirical evidence from a bank-based economy" by Ampenberger / Schmid / Achleitner / Kaserer, has been accepted for presentation at the 5th EIASM Family Firms Research Workshop in Hasselt, Belgium and at the Workshop on Corporate Governance, Copenhagen Business School both in June 2009.

The paper "Family Firms, agency costs and risk aversion – empirical evidence from diversification and hedging decisions" by Schmid / Ampenberger / Kaserer / Achleitner has also been accepted for presentation at the 5th EIASM Family Firms Research Workshop in Hasselt, Belgium as well as the 71. Jahrestagung des Verbandes der Hochschullehrer für Betriebswirtschaft (VHB) e.V. in Nürnberg.

A second paper by Achleitner / Betzer / Gider ("Investment Rationales of Hedge Funds and Private Equity Funds in the German Stock Market") has also been accepted for presentation at the VHB Tagung in Nürnberg.

CEFS Speaker Series Announcements

Dr. Josef Ackermann and Mr. Martin Halusa come to speak at the CEFS Speaker Series

We are proud to announce two upcoming speaker series events!

On June 29th at 5pm Dr. Josef Ackermann (CEO of Deutsche Bank AG) speaks in the TUM Audimax. If you want to participate, please write to henry.lahr@cefs.de.

Further, we can announce a "save the date" for Mr. Martin Halusa (CEO of Apax Partners) on November 26th, 2009!

New CEFS Members



We welcome **Nico Engel** (left) as new CEFS member. Nico joined our Team in April, right after his outstanding graduation from the Ludwig-Maximilians-Universität München. During his studies of economics, Nico gained practical experience as a working student and during internships. Besides others he worked for three months at Deloitte & Touche's Corporate Finance and M&A section and for the FE Beteiligungsgesellschaft mbH in Shanghai. During his studies, Nico spent a term as a foreign student at the University College Dublin in Ireland.

We also welcome **Alexander Hüttenbrink** (right) as new scientific assistant. Prior to joining the team, Alexander received a diploma in business administration and engineering from the University of Karlsruhe. During his studies he specialized in finance, strategic management and entrepreneurship. In his research, Alexander will focus on current aspects of corporate governance.

