

CEFS Newsletter Quarter 1/2012

30.03.2012

Dear **\$\$academic title\$\$** **\$\$first name\$\$**
\$\$last name\$\$,

in this issue of our newsletter you will find news, information on a selection of current CEFS projects, publications, conference contributions, CEFS member news as well as a variety of announcements. For additional information, please visit our website at <http://www.cefs.de> or contact us at contact@cefs.de.

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NEWS:

→ **Professor Achleitner appointed as new member of the Commission of the German Corporate Governance Code**

Professor Achleitner was appointed as new member of the Government Commission of the German Corporate Governance Code.

The aim of the German Corporate Governance Code is to increase transparency of Germany's corporate governance rules and thus enhance confidence in the management of German corporations for both national and international investors. The Government Commission of the German Corporate Governance Code observes the development of corporate governance in legislation and practice and reviews the Code at least once a year for possible adaptation. More information can be found on www.corporate-governance-code.de.



→ **Wirtschaftswoche: Professor Achleitner on rank seven of Germany's most important economists**

In December 2011 the German business magazine WirtschaftsWoche published the latest top ten ranking of Germany's most important economists. Professor Achleitner was elected on rank seven, among other reasons due to her role as co-founder and academic advisor of the Social Entrepreneurship Akademie (SEA) in Munich.

The whole ranking can be found [here](#).

→ **Professor Kaserer presents the IPO Sentiment Indicator for Q1 2012**

After three quarters of a declining IPO Sentiment Indicator (ISI) in

succession, the ISI grew slightly in Q1 2012. Market participants expect a small increase in IPO activity in the following quarter. This potential turnaround is supported by declining equity market volatilities as well as strong stock price gains. The resulting positive effect on IPO activities might be softened by low perceived underpricing and recently low emission activity.

Together with the Deutsche Börse AG, the Center for Entrepreneurial and Financial Studies (CEFS) developed the IPO Sentiment Indicator as an instrument to measure the current market climate for initial public offerings (IPOs). It is published since 1 January 2006.

You can find the press release [here](#) and the full report [here](#).



→ Expert Study of Professor Kaserer on Basel III

A recent study of Professor Kaserer on the consequences of the Capital Requirements Directive IV (CRD IV) was presented by the Bavarian Industry Association. CRD IV was proposed by the EU commission when implementing the Basel III standard into EU law. The study investigates the effects of the directive on corporate financing. The results indicate that corporate financing will become significantly more expensive for companies relying on bank loans, especially small and medium-sized companies (SMEs). Counteracting this increase by adjustments in risk models is possible and recommended.

The press release can be found [here](#) and the study [here](#).



→ The Chair in Entrepreneurial Finance, supported by KfW Bankengruppe, published a Guidebook on Corporate Governance for Social Entrepreneurs



Professor Achleitner and Judith Mayer as members of the Chair in Entrepreneurial Finance, supported by KfW Bankengruppe, along with the [Schwab Foundation for Social Entrepreneurship](#) and the [European Business School](#), published a handbook for social entrepreneurs on corporate governance. The guidebook offers practical advice on how to design boards and committees, what can be done with

existing structures once set up to ensure they best serve the social enterprise, and how to transition effectively the governance structures as the needs of the social enterprise change. It also offers social entrepreneurs an opportunity to evaluate the needs, focus and personality of their social enterprise with the aim of determining which systems, processes, mechanisms and structures of governance will help their organization achieve its goals.

Further, Judith Mayer presented the work on corporate governance in social businesses at the World Economic Forum in January 2012.

For more information see [here](#). You can download the guidbook [here](#).

(Picture: Social Entrepreneurs; by [forumblog.org](#))

→ Professor Kaserer gave a lecture at "KinderUni München"

Professor Kaserer gave a lecture to school children in the "KinderUni München" program at TUM. Under the title "Euro, Dollar, Yen, Peseten - Warum brauchen wir Geld?" (Euro, Dollar, Yen, Pesetas - Why do we need money?) Professor Kaserer explained the need and nature of money as well as its historical origin. Moreover he explained what different currencies were and how investments worked.



More information on the initiative "KinderUni München" and the summer semester program can be found at www.kinderuni-muenchen.de.

PUBLICATIONS:

→ Paper accepted for publication in Zeitschrift für Betriebswirtschaft (ZfB)

The paper 'Leverage and The Performance of Buyouts: (How) Does The Use of Debt Impact Equity Returns?' by Nico Engel, Reiner Braun and Ann-Kristin Achleitner was accepted for publication in Zeitschrift für Betriebswirtschaft (ZfB). This paper investigates the effects of debt usage on (risk-adjusted) equity returns in private equity-backed buyout transactions. The results show a positive relationship between debt levels and equity returns indicating the return-enhancing effects related to leverage. However, it is possible to 'over-leverage' a company, i.e. at very high levels of leverage (debt to total capital of approximately 90%) the increased company default risk outweighs the positive effects related to leverage resulting in decreasing equity returns. In addition, private equity sponsors successfully conduct debt-equity-arbitrage in times of favorable debt market conditions.

→ Paper on Sarbanes-Oxley Act published in Business Research

The paper "The Impact of the Sarbanes-Oxley Act on the Cost of Going Public" by Christoph Kaserer, Alfred Mettler and Stefan Obernberger was published in Business Research in December 2011. The paper examines the impact of the Sarbanes-Oxley Act (SOX), a legal framework intended to increase the transparency, reliability, and accountability of listed companies, on the cost of going public in the US. The authors find a statistically significant increase in the cost of going public of 90 basis points of gross proceeds due to higher accounting and legal fees. Further, they record a reduction in underpricing of 6 percentage points which is related to a reduced offer price adjustment. These findings support the hypothesis that SOX represents a mechanism to reduce asymmetric information between underwriters and investors.

→ Paper on Non-Normality in Liquidity Risk accepted for publication in Journal of Risk

The paper "Accounting for Non-Normality in Liquidity Risk" by Cornelia Ernst, Sebastian Stange and Christoph Kaserer was accepted for publication by the Journal of Risk. The authors suggest a new and easily implementable, parametric approach based on the Cornish-Fisher approximation to account for non-normality in liquidity risk. They show how to implement this methodology in a large sample of stocks and provide evidence that it produces much more accurate results than an alternative empirical risk estimation.

→ Paper on Capital Structure Decisions in Family Firms accepted for publication in Review of Managerial Science

The paper "Capital Structure Decisions in Family Firms: Empirical Evidence from a Bank-Based Economy" by Markus Ampenberger, Thomas Schmid, Ann-Kristin Achleitner, Christoph Kaserer was accepted for publication by the Review of Managerial Science. The study examines how family firm characteristics affect capital structure decisions. The authors find that family firms have significantly lower leverage ratios than non-family firms. Management board involvement by the founding family has a consistently negative influence on leverage across all applied models. In line with agency theory, the authors show that the leverage level is the lowest if the founding family is simultaneously a large shareholder with monitoring incentives and involved in firm management with convergence-of-interest effects. The presence of a founder CEO in firm management has a significant negative effect on the leverage ratio.

AWARDS AND SCHOLARSHIPS:

→ Social Entrepreneurship Academy awarded as "Selected Landmark 2012"

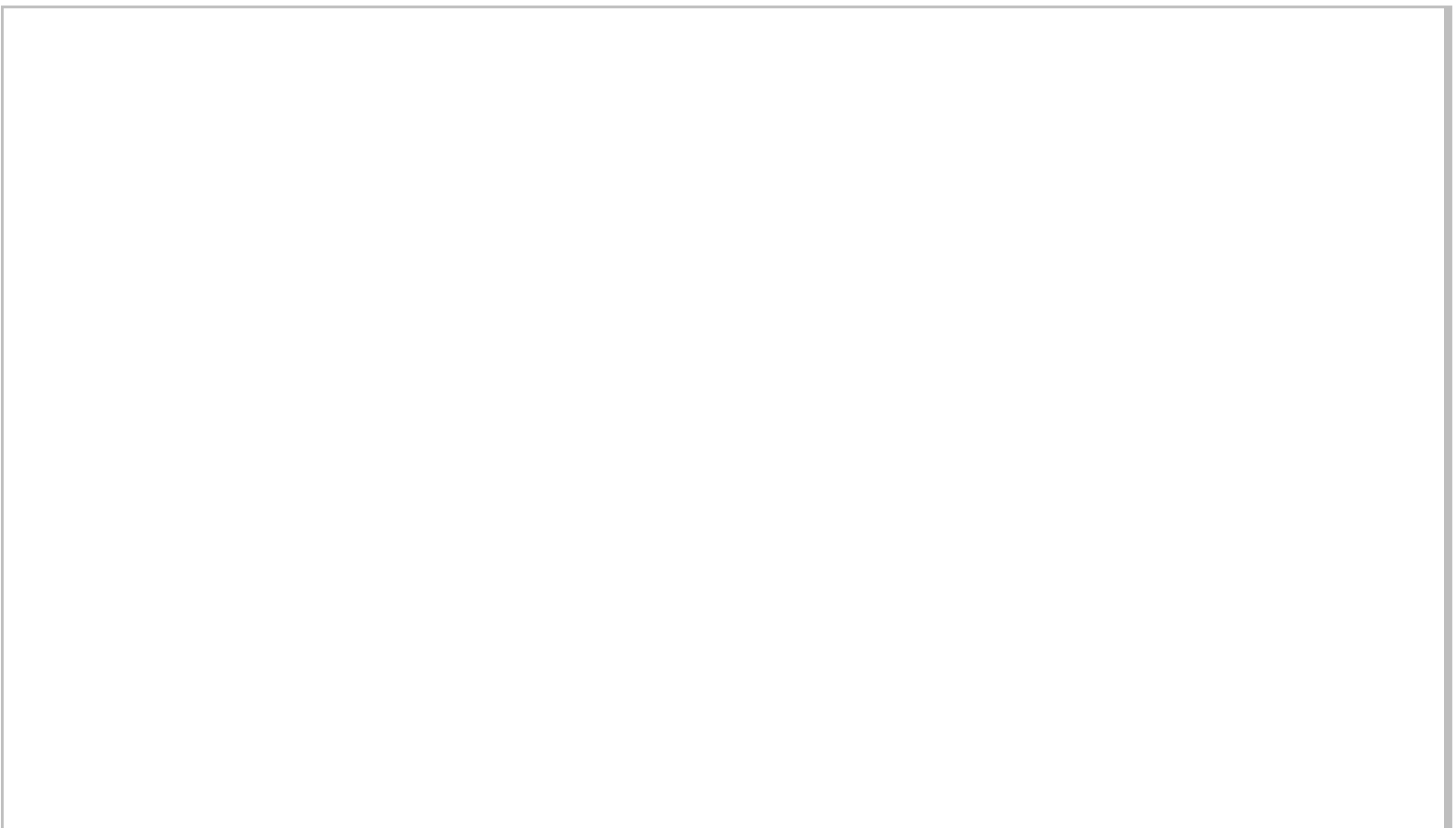
The Social Entrepreneurship Akademie (SEA) was awarded as one of the 365 „Selected Landmarks 2012“. The laureates in the competition „365 Landmarks in the Land of Ideas“ explore creative routes, successfully implement ideas and, thereby, catalyze the innovation process in Germany. The prize is assigned jointly by the initiative „Germany – Land of Ideas“ and Deutsche Bank.

The press release can be found [here](#).



FUTURE EVENTS:

→ CEFS Speaker Series: Franz Fehrenbach, CEO of Robert Bosch GmbH, will speak at TUM on 15 May 2012





We are proud to announce that our next speaker in the CEFS Speakers Series will be Franz Fehrenbach. The title of his presentation will be "Unternehmensführung im Spannungsfeld von Nachhaltigkeit und Wandlungsfähigkeit" (Corporate management between the poles of sustainability and adaptability). The presentation will take place on May 15, 2012 at 5.30 pm in the Friedrich von Thiersch lecture room (room number 2300) at TUM.



BOSCH
Invented for life

Franz Fehrenbach's career at Robert Bosch GmbH began right after his graduation as an industrial engineer in 1975, when he joined the company as a trainee. In 1985, he moved to the U.S., taking up the position of executive vice president of finance and administration of the U.S. Automotive Group. In 1989, he returned to the Starters and Alternators division in Germany, first as executive vice president of finance and administration, and later as president. In 1997, he became president of the Diesel Systems division and in 1999 a member of the board of management of Robert Bosch GmbH. Since 2003, Franz Fehrenbach has been chairman of the management board of Robert Bosch GmbH.

The presentation is open to all. Registration is not necessary. For more information please contact Ms Stefanie Otte (stefanie.otte@cefs.de).

CEFS MEMBER NEWS:

→ Nico Engel completed his dissertation

We congratulate Dr. Nico Engel on the completion of his dissertation. Nico's work at the Center for Entrepreneurial and Financial Studies (CEFS) focused on value creation and risk in private equity-sponsored buyouts.

Nico moves on to Flemming Dental, a portfolio company of the German small-cap buyout fund AUCTUS.



CEFS e.V.

In 2008, CEFS e.V. was founded as a non-profit organisation to support CEFS's young scientists with research funds and scholarships during the development, presentation and publication of their research.

CEFS is interested in developing long-term partnerships with friends and patrons of CEFS e.V. In return, CEFS offers its sponsors opportunities such as project studies to find hands-on solutions in co-work with dedicated students of TUM School of Management, guest lecture sessions within our curriculum as well as workshops. Friends and patrons are also invited to our CEFS Speaker Series, which features a great variety of highly renowned international speakers (such as David Swensen, Stephen Schwarzman, Dr. Josef Ackermann and Dr. Jürgen Großmann).

Contributions can be made to CEFS Förderverein e.V., Kontonummer (Account number): 0508227400, BLZ (Sort code): 70080000 (Dresdner Bank).

For further questions, please contact us at contributions@cefs.de or +49-89-289-25489.

We thank you for your support!

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Impressum

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