



Chair of Corporate Finance

Activity Report 2011/12

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1 September 2011 – 31 August 2012

Chair of Corporate Finance

WHU – Otto Beisheim School of Management

Burgplatz 2

D – 56179 Vallendar

Tel.: +49 – 261 – 6509 710

Fax: +49 – 261 – 6509 729

Email: burcin.yurtoglu@whu.edu

Internet: www.whu.edu/corpfm

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1. Foreword

Finance is an applied branch of economics that studies the ways in which individuals, business entities, and other organizations allocate resources over time and make decisions in the presence of the uncertainty. The Chair of Corporate Finance at the WHU focuses broadly on the study of how corporations raise capital and make investment decisions and the consequences of these decisions.

We strive to produce a broad range of finance-related research that addresses topics of interest to academic researchers, practitioners, and policy makers. Current research topics include the analysis and international comparison of corporate governance indices & firm value, gender issues in executive compensation, mergers and acquisitions, CSR activities at the corporate level, executive compensation and the evolution of corporate ownership. We communicate that research both through scientific journal publications, and through the contribution to WHU's rigorous MBA and Executive Education programs. We also train and mentor future finance scholars through our doctoral program.



September 2012

Prof. Dr. Burcin Yurtoglu

2. Team



Prof. Dr. Burcin Yurtoglu
Chairholder

Tel. 0261 – 6509 710
burcin.yurtoglu@whu.edu

Burcin Yurtoglu (Ph.D. University of Vienna, Austria; Habilitation, University of Vienna, Austria) is Professor at WHU – Otto Beisheim School of Management, where he has held the Chair of Corporate Finance since October 2010. Before joining the WHU, Prof. Yurtoglu served on the faculty of the University of Vienna, Department of Economics. During his academic career, he was a visiting scholar at the Cambridge University (Judge Business School), Science Center Berlin (WZB), Central European University (Budapest), Sabanci University (Istanbul) and Fudan University (Shanghai).

He has conducted research and consulting projects with major companies, regulatory agencies and research centers in Austria, Turkey and at the IFC, the World Bank.

His research interests include corporate governance, corporate finance and competition policy with a focus on emerging markets. He has published in international journals including the Economic Journal, European Economic Review, Journal of Corporate Finance, Journal of Law and Economics and many others.



Barbara Luig
Personal Assistant

Tel. 0261 – 6509 721
barbara.luig@whu.edu

Barbara Luig has worked for the chair since October 2010.

She is a certified European Secretary (ESA) and had worked with Daimler-Benz, Gerling-Konzern, Bertelsmann, Mercedes-Benz Finance (UK) and the Klinikum St. Georg Leipzig before she joined WHU in September 2007.



Ying Gan
Research Assisant

Tel. 0261 – 6509 721
Ying.gan@whu.edu

Ying Gan joined the chair in August 2011 as student assistant and became research assistant in October 2011. She received her diploma in economics at the University of Trier, where she worked as a tutor for different courses in business administration and as a student assistant at the chairs of finance and international economic policy. From January 2012 until June 2012 she attended various courses of the doctoral program of the Booth School of Business, Chicago, USA.

3. Academic Programs

3.1 Teaching

BACHELOR OF SCIENCE PROGRAM

Literature Seminar

Fall Term 2011, 2 SWS

The seminar introduces the participants into the practice of structuring and drafting a scientific paper. The seminar offers an overview of the recent research on selected topics at the interface of corporate finance and corporate governance focusing both on theoretical foundations and empirical models of internal and external governance mechanisms. The topics also highlight the important role of corporate governance at the macro-level by studying their impact on growth rates, income distribution and development at the country level.

MASTER OF SCIENCE PROGRAM

Advanced Corporate Finance

Fall Term 2011, 2 SWS

This course examines how financial decisions, such as capital structure, payout policy and fund raising, can affect the value of a firm. It starts with a broad overview which looked at institutional differences across major governance and financing

regimes. Then the first part studies the effects of taxes and bankruptcy costs, agency problems and information asymmetries on corporate financial policy and thus firm value. The second part of the lectures focus on product market interactions and mergers and acquisitions.

Capital Market Theory

Fall Term 2011, 2 SWS

The course advanced the students' analytical and quantitative skills by analyzing the seminal theories upon which modern finance is founded. The common theme of this course was "How do individuals and society allocate scarce resources through a price system based on the valuation of risky assets?" Utility theory establishes the basis of rational decision making in the face of risky alternatives. The objects of choice are described by the state-preference theory, mean-variance portfolio theory, arbitrage pricing, and option pricing theory. When we combine the theory of choice with the objects of choice, we are able to determine how risky alternatives are valued. When correctly assigned, asset prices provide useful signals to the economy for the necessary task of resource allocation. The course discussed the empirical evidence related to the theory of finance.

FULL-TIME MBA PROGRAM

Managerial Finance

Spring Term 2012, 3 SWS

This course covered the foundations of financial decision making and of global financial markets. The theoretical guideline of the course is inspired by paradigms, neoclassical economics as well as behavioral economics. Besides classical class teaching, case studies were solved and presented by groups of students. The course was rounded off by two guest lectures.

PART-TIME MBA PROGRAM

Managerial Finance

Spring Term 2012, 2 SWS

This course covered the foundations of financial decision making and of global financial markets. The theoretical guideline of the course is inspired by paradigms, neoclassical economics as well as behavioral economics. Besides classical class teaching, case studies were analyzed and discussed with groups of students.

BUCERIUS/WHU MASTER OF LAW AND BUSINESS

Case Studies in Finance

Spring Semester, 2 SWS

This course covered the foundations of financial decision making and of global financial markets using a case based approach. The cases come from a variety of areas including investment decision rules at the corporate level, portfolio choice and optimization, determination of the cost of capital, valuation, risk management, mergers and acquisitions.

3.2 Doctoral Dissertations

HARUN AKBAS

Working Title: Three Essays on Corporate Governance in Turkey

Driven by the financial crisis occurred in the beginning of 21st century which endangered global financial stability and development, reforms in corporate governance become an essential issue since it is directly related to long-term productivity and sustained growth. The importance of corporate governance especially in emerging markets increased tremendously and due to its importance, corporate governance is a mainstream concern according not only to scholars and shareholders but also whole society. With this motivation, I would like to investigate the corporate governance issues in a cumulative thesis format in Turkey. This thesis will consist of three papers which analyze different aspects of corporate governance in Turkey. After an introductory chapter, the first paper investigates the link between corporate governance and the cost of capital; the second paper examines whether corporate governance structures determine the level of capital expenditures and whether they influence the relationship between the availability of internal funds and investment opportunities and investment expenditures. The third and last paper studies the factors which are likely to explain the ownership structures in Turkey and their change over time.

STEVAN BAJIC

Title: “Corporate Social Responsibility & Corporate Performance“ and „Corporate Social Responsibility & Cost of Debt“

The research project has the goal to enlighten what effects Corporate Social Responsibility (CSR) has on corporate financial (CFP) performance. CSR encompasses corporate policies for incorporating environmental, social and governance (ESG) considerations into the business practice of a firm. The proposed papers in this domain target various goals. The first is to clarify through which channels CSR can impact a firm's performance. Particular focus will lay on the Corporate Governance pillar and markets where this question has been less of an interest in the literature so far, e.g. Emerging Markets. One further area which still

holds a knowledge vacuum, in our view, is the relation of CSR to corporate debt, particularly to corporate credit risk. With an increasing interest in responsible business cultures and Socially Responsible Investments (SRI), corporate debt is at crossroads. Does it pay or harm the performance if an investor's bond investment is ESG compliant? Can a firm with good CSR policies reduce the firm risk and thus the default risk of the bond? We aim to fulfill the need of corporates to understand how their CSR policies impact their financial performance as well as document to investors how ESG compliant investments bear on their financial bottom line.

YING GAN

Working Title: Essays on Corporate Finance

These essays consider a change in the corporate governance environment that enforces a higher level of transparency with regard to executive compensation for all firms listed in Germany. Prior to 2002, the German commercial code prescribed the publication of board compensation only as an aggregate amount for the whole board. From 2003 to 2005, the German Corporate Governance Code (GCGC) recommended itemized remuneration releases. However, as firms were only encouraged, but not legally obliged, to disclose individualized compensation data, most companies had chosen to ignore the recommendation. As a result, the German legislator terminated the voluntary disclosure regime in 2005 and the "Vorstandsvergütungs-Offenlegungsgesetz" (VorstOG) became effective. Since then, all listed corporations have been committed by law to publish itemized remuneration figures of their management board members for financial years starting in 2006. However, an opt-out option exists. According to paragraph 4.2.4 of the GCGC, individualized disclosure may be dispensed with if the annual general meeting agrees by three-quarters majority.

SABRINA WIELAND

Title: Does corporate governance really matter? – Essays on the influence of management and stakeholder orientation on financial performance

Section 161 of the German Stock Corporation Act and the underlying German Corporate Governance Code require that managers run a company in the interests of the whole company, taking into account the interests of all stakeholders, hence ensuring long-term success and sustainable value creation for the company. Among such stakeholders are external stakeholders, such as shareholders, creditors, suppliers, customers and the state as well as internal stakeholders, such as employees and management. Although German companies are legally bound by the code and endeavour to meet stakeholder expectations there exists a poor connection between theoretical concepts and practical implementation. This is due to the current inability to access if an overall business strategy was stakeholder friendly and whether such a strategy led to higher overall financial performance. This project aims to address this issue by providing an empirical investigation into companies achieving high stakeholder satisfaction, their business strategies and if they are financially out performing companies with low stakeholder satisfaction. Primarily the

project focuses on internal stakeholders, namely employees, providing an in-depth analysis of the relationship between employee satisfaction and financial performance, which is then correlated with capital structure. Furthermore, it examines the influence of demographic and job-related characteristics such as gender diversity, tenure, and compensation of management on financial performance. This investigation will in the future allow companies to implement corporate governance practices capable of simultaneously achieving high stakeholder satisfaction and financial performance.

TOBIAS WILDNER

Working Title: Financing Sustainable Investments

Co-supervision:

PAUL GEBHARDT

Title: Distress risk and cross-sectional returns: International evidence

ULRICH HOFBAUR

Title: Sequential Patterns in Quarterly Dividend Changes and the Corresponding Stock

RUTH KÜMMERLE

Title: Illiquid Investments in a Portfolio Context

MATHIAS SCHMIDT

Title: Pricing and liquidity of complex and structured derivatives

3.3 Supervision of Theses

Burcin Yurtoglu supervised the following theses:

GERRIT KARL CONRAD AHLERS, MSc Program

Title: Signaling of young startups to small investors: An empirical study of the crowd funding phenomenon

LEONARDO CAMACHO, EMBA Program

Title: Merck KGaA's acquisition of Serono (2007) and Millipore (2010): Estimating the impact on shareholder wealth

DANIEL VELDENSTEYN, MLB Program

Title: Public-Private Partnerships in Infrastructure: Taking Stock after 18 Years of PPPI in Germany

Co-supervision:

DMITRIJS AFANASJEVS, MLB Program (First Supervisor: Dr. Marc Luecke)

Title: Corporate Financial Restructuring

EMMANUEL JOSEPH IHU, MLB Program (First Supervisor: Prof. Dr. Markus Rudolf)

Title: The Irrational Investor's Portfolio Allocation Strategy: Insight into Behavioural Finance

3.4 Guest Lectures

For the research seminar finance, which took place twice a month from September 2011 until June 2012 and addressed all faculty members and doctoral students, Burcin Yurtoglu organized the following guest lectures:

NANCY HUYGHEBAERT, K.U. Leuven

What determines the market share of investment banks in Chinese IPOs?

NIHAT AKTAS, SKEAMA Business School, Lille

Learning from repetitive acquisitions: Evidence from the time between deals

4. Research

4.1 Publications

PAPERS IN INTERNATIONAL AND REFEREED JOURNALS

Claessens, S. and **Yurtoglu, B.** Corporate Governance in Emerging Markets: A Survey, *Emerging Markets Review*. Forthcoming.

Gugler, K., Mueller, D. C., Weichselbaumer, M. and **Yurtoglu, B.** 2012. Market Optimism and Merger Waves, *Managerial and Decision Economics* 33(3), 159–175.

Ararat, M. and **Yurtoglu, B.** 2012 Uluslararası Kurumsal Yatırımcıların Genel Kurullara Katılımı ve Oy Kullanma Eğilimleri, Available at SSRN: <http://ssrn.com/abstract=2040477> or <http://dx.doi.org/10.2139/ssrn.2040477>
Forthcoming in *Iktisat, İşletme, Finans (SSCI)*

BOOKS / MONOGRAPHS

Claessens, S. and **Yurtoglu, B.** 2012. Corporate Governance and Development: an Update, Focus Series, IFC-GCGF.

Mueller, D. C. and **Yurtoglu, B.** Efficiency versus Market Power through Mergers. Forthcoming in: The International Handbook of Competition (Elgar Original Reference), Editors: Manfred Neumann, Jürgen Weigand, Gunter Stahl, Ingmar Bjorkman

4.2 Presentations at International Conferences

Key Corporate Governance Issues in Emerging Markets - Theory and Practical Execution

Conference, June 11 - 12, 2012, Leipzig, Germany

Verein für Socialpolitik, Industrieökonomischer Ausschuss Conference, February 23 – 24, 2012, Munich, Germany

Discussant: Financial constraints and innovation: Why poor countries don't catch up, by Monika Schnitzer

4.3 Review and Expertise

REVIEWS

Burcin Yurtoglu acted as reviewer for the following journals:

- Journal of Industrial Economics
- Emerging Markets Review
- Zeitschrift für Betriebswirtschaft
- Empirica
- Reviewer: 2012 FMA European Conference (Istanbul)

CGFT MEMBERSHIP

Burcin Yurtoglu is a member of the CGFT (Corporate Governance Forum of Turkey) – a non-profit research platform based at the *Sabanci University* in Istanbul. As part of his activities there, Burcin Yurtoglu offers regular advice to regulatory institutions including the *Capital Market Board of Turkey* and major financial institutions.

ORGANIZATION COMMITTEE

Corporate Governance in Emerging Markets, 2013 India (IFC, World Bank)

5. Roles within WHU

- Member of the Appointment Committee Finance
- Deputy Chairman of the PhD Examination Board