

**Chair of Empirical Corporate Finance**



Excellence in  
Management  
Education

**Activity Report 2011/2012**





**Activity Report**

**October 2011 until October 2012**

***Chair of Empirical Corporate Finance***

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A.  
Chair



Dear friends and partners,

The Chair of Empirical Corporate Finance was created in March 2011. The past 19 months have been an exciting time that was characterized by the tasks and duties of establishing the chair. This report contains a brief overview of the most important milestones in this process.

In the area of teaching, we offered courses in almost all WHU programs, including the BSc. ("Corporate Finance"), MSc. ("Advanced Valuation"), Full-Time and Part-Time MBA ("Corporate Finance") and MLB ("Corporate Governance") programs as well as modules in WHUs international European Summer MBA program ("Finance"). Guest lectures were held by Stephan Sturm, CFO of Fresenius SE, and Michael Brigl (Principal at the Boston Consulting Group).

The chair is committed to high quality research in the area of empirical corporate finance. Research papers and book chapters have been published in renowned national and international publications and working papers have been presented at international conferences.

Current research papers are focused on a variety of classic Corporate Finance topics, such as payout policy, capital structure and issues related to bond financing. At the same time, several projects in the area of Corporate Governance are being developed.

I would like to thank Anja Ziegler, Ulrich Hofbaur and Johann Benesch for their support during the past 19 months.

Vallendar, September 2012



Christian Andres







Anja Ziegler (Personal Assistant), Prof. Dr. Christian Andres (Chairholder),  
Ulrich Hofbauer (Doctoral Assistant)

**Prof. Dr. Christian Andres**  
*Professor of Empirical Corporate Finance*

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**Research Interests:**

- Corporate Governance
- Executive Compensation
- Family Ownership & Control
- Payout Policy
- Capital Structure

Christian Andres is full professor of Empirical Corporate Finance at WHU – Otto Beisheim School of Management, Vallendar, Germany. Before joining WHU he has held appointments at the universities of Bonn and Mannheim, Germany. He holds a master's degree in economics and a PhD in finance from the University of Bonn. During his academic career, he spent several months as a visiting scholar at the University of Sheffield, U.K., and at the University of Florida, Gainesville, U.S.A.

His primary research interests are in the areas of empirical corporate finance and corporate governance, with an emphasis on payout policy, private equity, and family ownership and control. He has published in academic journals such as the Journal of Corporate Finance, the Journal of Empirical Finance, and the European Journal of Finance, and contributed book chapters to a number of international books.



**Dipl.-Wi.-Ing. Ulrich Hofbauer**  
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**Research Interests:**

- Payout Policy
- M&A and LBOs in particular
- Corporate Governance

In his dissertation project Mr. Hofbauer analyzes the quarterly structure of firm-level dividend policy of firms located in the US. In detail, his project addresses the question of whether corporate dividend decisions are related to the recent history of dividend changes of the respective corporation. Hence, using the individual time-series information of dividend decisions this thesis aims to evaluate existing theories of the determinants of dividend decisions.

**Anja Ziegler**  
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Teaching in the academic year 2011/2012 was done by Prof. Dr. Christian Andres.

It covered the BSc-, MSc-, MBA- and Part-Time MBA-program. Courses were held in English. The following table provides an overview of the courses offered:

	<b>Fall Term 2011 (Lecture)</b>	<b>Spring Term 2012 (Lecture)</b>
<b>BSc</b>		Corporate Finance
<b>MSc</b>	Advanced Valuation	
<b>Full-Time MBA</b>	Corporate Finance	
<b>Part-Time MBA</b>		Corporate Finance
<b>Master of Law and Business</b>		Corporate Governance
<b>European Summer Program</b>		Finance

**BSc, content of teaching:**

Corporate Finance

The course has the following structure:

- Introduction to financing instruments
- Capital structure and Modigliani-Miller
- Optimal amount of debt
- Valuation methods in practice
- Payout policy
- Private Equity and Security Sales by Public Companies

Teaching Methods:

- Interactive development of main results
- Discussions of major economic implications
- Applications using spread sheets

The course applies following theories:

- Modigliani-Miller theorem
- Capital structure models (tradeoff and pecking order theory)
- Risk-adjusted cost of capital (CAPM)
- Valuation of firms (WACC, APV)
- Theories explaining payout policy

Literature:

Brealey, Richard A., Stewart C. Myers und Franklin Allen (2010): Principles of Corporate Finance 10. Ed. - internat. Ed., Boston, McGraw Hill

Guest Lectures:



Mr. Stephan Sturm - CFO of Fresenius SE & Co. KGaA - held a guest lecture about changes in the legal form of Fresenius. He was accompanied by Mr. Oliver Schulte-Ladbeck (Morgan Stanley, Alumni WHU). (April 5, 2011)

On April 2, 2012, Mr. Michael Brigl of the Boston Consulting Group held a guest lecture about "Private Equity – Engaging for Growth".





**MSc, content of teaching:**

Advanced Valuation

Course structure:

- Discounted Cash Flow Valuation
- Estimating Risk Parameters and Costs of Financing
- Valuation Using Multiples
- Market Efficiency and Event Studies

Teaching Methods:

- Interactive development of main results
- Discussions of major economic implications
- Analysis of spread sheet based applications

Theories:

- Discounted Cash Flow (DCF) Valuation
- Capital Asset Pricing Model (CAPM) and Multi Factor Models
- Event Study Methodology
- Valuation Multiples

Literature:

Damodoran, Aswath (2002): "Investment Valuation", 2nd. ed. John Wiley + Sons, New York

## **MBA, content of teaching**

### Corporate Finance

#### Course structure:

This course covers the basic principles of corporate finance and develops the necessary practical tools for financial decisions and corporate valuation. After a brief introduction which motivates the goals of a firm against the background of different corporate governance regimes, we will take a closer look at financing alternatives (debt and equity) and develop an understanding of the security issuance process (IPOs). We will then discuss determinants of the optimal debt/equity mix and the consequences for a firm's cost of capital.

#### Teaching Methods:

- Class Teaching
- Cases
- Group Discussion

#### Learning Goals:

To develop an understanding of different financing sources and their implications, become familiar with the concept of weighted average costs of capital (WACC), become sensitive to the role of agency problems and information asymmetries in a corporate environment and their impact on financing conditions.

#### Theories:

- Agency Theory
- CAPM
- NPV calculations
- WACC

#### Literature:

Brealey, Richard A., Myers, Stewart C., and Allen, Franklin (2011): Principles of Corporate Finance, 10th edition, McGraw-Hill, New York

### **PT-MBA, content of teaching**

Corporate Finance  
(see Full-Time MBA)

### **MLB, content of teaching**

Corporate Governance

Course structure:

In this course, conflicts of interest will be analyzed within the firm and discuss mechanisms to mitigate these problems. Since corporate governance mechanisms vary around the world, the course will briefly present definitions and the underlying concepts and cover the main taxonomies of corporate governance systems developed by financial economists and legal scholars. In addition, the relationship between firm value and corporate governance practices and investor protection will be discussed.

The empirical evidence will be critically assessed on the importance and effectiveness of various corporate governance devices. Special emphasis will be on ownership structures and large shareholder monitoring, the market for corporate control, shareholder activism, the board of directors, codetermination, and executive compensation.

Teaching Methods:

The teaching method will be a combination of classical classroom teaching, group work on cases, presentation and discussion .

## European Summer MBA-Program

### Finance

#### Course Structure

This course introduces participants to stylized facts about financial system architecture in Europe, differences in financing patterns between US and European corporations -including the role of private and public bond and equity markets -as well as recent changes in corporate governance regulation and investor protection. Against this background, the implications for the financing of European corporations and the possibility of convergence of financial systems will be discussed.

#### Content

- A brief overview of financial system architecture
- Differences between the European and the US financial system
- Investment behavior of private and institutional investors
- Differences between European and US investment behavior and equity financing alternatives



Students on the „Main Tower“ in Frankfurt/Main (during the company visit)

**D.  
Doctoral Dissertation  
(external)**



**Dipl.– Volkswirt  
Johann Benesch**  
PhD-Student



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**Research Interests:**

- Family Businesses
- Restructuring
- Private Equity

*“In my PhD project I want to analyze how family firms react to crises and compare their responses to nonfamily firms. I will investigate the data in terms of: firm performance; investments; debt; CEO turnover; changes in payout policies; consequences on employment, and restructuring in general.*

*The main hypothesis is that, since families are long-term investors and so they are less exposed to short-term market pressure, family firms should behave more conservatively than non-family firms during crises.”*

- Andres, C. (2011) „Family Ownership, Financing Constraints and Investment Decisions“, *Applied Financial Economics* 21 (22), S. 1641-1659
- Andres, C., Betzer, A. and van den Bongard, I. (2011) „Das Ende der Deutschland AG“ (The Demise of Germany Inc.), *Kredit & Kapital* 44 (2), S. 185-216
- Achleitner, A. K., Andres, C., Betzer, A. and Weir, C. (2011) „Wealth Effects of Private Equity Investments on the German Stock Market“, *European Journal of Finance* 17(3), S. 217-239
- „Restructuring in Family Firms: A tale of two crisis“ (with L. Caprio and E. Crocci), in: M. Belcredi and G. Ferrarini (Eds.), „Governing Corporate Europe Post Crisis. Facts, Context, and Reforms“, forthcoming ed, Cambridge University Press, 2012
- „Wertorientierte Steuerung und Bewertung von Familienunternehmen“, in: T. Siegert, M. Schenk and M. Weber (Eds.), „Eigenkapital - Kapitalmarkt und Unternehmenssteuerung“, 65. Deutscher Betriebswirtschaftler-Tag 2011, Verlagsgruppe Handelsblatt
- „Buyouts Around the World“ (with A. Betzer and J. Gider), in: D. Cumming (Ed.), „The Oxford Handbook of Private Equity“, Oxford University Press, 2011
- „The Impact of Intermediaries' Reputation on the Pricing and Performance of U.S. High-Yield Corporate Bonds“ (with A. Betzer and P. Limbach), BAI-Newsletter I/2011 (March), 25-29

**F.**  
**Working Papers**



**The following new working papers were generated:**

- “Dividend Policy, Corporate Control and the Tax Status of the Controlling Shareholder” (with A. Betzer and M. Goergen)
- “Open Market Share Repurchases in Germany: A Conditional Event Study Approach” (with A. Betzer, M. Doumet and E. Theissen)
- “Certification, Competition, and Reputation - Evidence from Corporate Bonds” (with A. Betzer and P. Limbach)
- “Delegated Monitoring: The Effectiveness and Pricing of Bond Indenture Trustees” (with A. Betzer and P. Limbach)

**Service to the Scientific Community**

- Applied Economics
- Applied Financial Economics
- Journal of Banking & Finance
- Journal of Corporate Finance
- Journal of International Business Studies
- European Journal of Finance
- Financial Management
- Die Unternehmung



H.  
Talks/Conferences

Conference/Institution	Title
Vortrag Deutscher Betriebswirtschaftertag, Frankfurt am Main	"Wertorientierte Steuerung und Bewertung von Familienunternehmen"
12th Symposium on Finance, Banking, and Insurance, Karlsruhe	"Is it better to say goodbye? When former executives set executive pay"
Eastern Finance Association-EFA, Boston	"Dividend Policy, Corporate Control and Tax Clienteles: The Case of Germany"
JBFA Konferenz-Financial Markets, Frankfurt am Main	"Dividend Announcements Reconsidered: Dividend Changes versus Dividend Surprises"
Financial Management Association, Istanbul	"Delegated Monitoring: The Effectiveness and Pricing of Bond Indenture Trusteeses"

**WHU Research Seminar in Finance**  
*(FoKo of the Finance Group)*

The Finance Group provides a Research Seminar which was held twice a month during the academic year 2011/2012.

Following researchers /scientists were invited:

<b>Name</b>	<b>Title</b>
Marc Goergen Cardiff Business School	“Insider Trading and Financing Constraints”
Markus Schmid University of Mannheim	“A Generalization of the Calendar Time Portfolio Approach and the Performance of Private Investors”
Markus Rudolf WHU	“Seasonality and the Valuation of Commodity Options” Janis Back, Marcel Prokopczuk, and Markus Rudolf
Roman Inderst University of Frankfurt	„How (not) to pay for advice: A framework for consumer financial protection” Roman Inderst and Marco Ottaviani
Ralf Elsas LMU München	"Dynamic Capital Structure Adjustment and the Impact of Fractional Dependent Variables" Ralf Elsas and David Florysiak
Stefan Trautmann Tilburg University	“Higher Order Risk Attitudes, Demographics, and Financial Decisions” Charles N. Noussair, Stefan T. Trautmann, Gijs van de Kuilen

Name	Title
Wolfgang Breuer University of Aachen	Framing Effects in Intertemporal Choice Tasks and Financial Implications Wolfgang Breuer, Kalender Can Soypak
Alexander Wagner University of Zurich	Are shareholders stupid? Understanding the impact of binding say-on-pay on stock prices Alexander F. Wagner, Christoph Wenk
<p>As well as:</p> <p><b>Nancy Huyghebaert</b>, K.U.Leuven  <b>Ettore Croci</b>, Università Cattolica Milan  <b>Nihat Aktas</b>, EMLYON Business School  <b>Douglas Cumming</b>, York University - Schulich School of Business</p>	



- André Betzer (Schumpeter School of Wuppertal)
- Lorenzo Caprio (Università Cattolica Milan)
- Ettore Croci (Università Cattolica Milan)
- Markus Doumet (University of Mannheim)
- Erik Fernau (University of Mannheim)
- Marc Goergen (Cardiff Business School)
- Peter Limbach (Karlsruhe Institute of Technology)
- Inga van den Bongard (University of Mannheim)





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