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ACADEMIC POSITIONS

Copenhagen Business School
Assistant Professor, Department of Finance September 2005 - Present

Centre for Economic and Business Research (www.cebr.dk), Copenhagen
Research Fellow September 2005 - Present

EDUCATION

University of Copenhagen 1998 - 2005
Ph.d. in Economics
- *Dissertation:* *"Corporate Governance and Performance of Firms with Concentrated Ownership"*
- *Supervisor:* *Hans Christian Kongsted*
- *Committee:* *Denis Gromb, London Business School*
  Thomas Rønde, University of Copenhagen
  Annette Vissing-Jørgensen, Northwestern University

M.Sc. in Economics

Stern School of Business, New York University
Visiting scholar, Department of Finance Academic year 2003–4

RESEARCH INTERESTS

- Applied microeconometrics
- Corporate finance
- Entrepreneurial finance & private equity investments
- Family firms
- Privately held firms

PUBLICATIONS

PAPERS IN INTERNATIONAL JOURNALS

"Inside the Family Firm: The Role of Families in Succession Decisions and Performance", with M. Bennedsen, F. Pérez-González and D. Wolfenzon, June 2006. *Quarterly Journal of Economics*, forthcoming.

"The Impact of a Break-Through Rule on European Firms", with M. Bennedsen. *European Journal of Law and Economics*, 2004, 17 (3).

WORKING PAPERS

"Institutional Investors and Private Equity", August 2006. Revise and resubmit (3rd round), Review of Finance.

"The Return to Pension Funds' Private Equity Investments: New Evidence on the Private Equity Premium Puzzle", October 2006. Job market paper.

"The Principle of Proportional Ownership, Investor Protection and Firm Value in Western Europe", with M. Bennedsen, May 2005.

"The Causal Effect of Board Size in the Performance of Small and Medium-Sized Firms", with M. Bennedsen and H.C. Kongsted, December 2004.

"The Family behind the Family Firm: Evidence from Successions in Danish Firms", with M. Bennedsen and D. Wolfenzon, May 2004.

PAPERS IN NORDIC JOURNALS

"Consequences of Harmonizing the Company Laws in Europe: Should Dual Class Shares Be Banned?", (in Danish) with M. Bennedsen, T. Dam and J. Herby. *Danish Journal of Economics*, 2003 (1).

"Swedish Corporate Governance under Pressure: Effects of the Harmonization of the Company Laws within EU " (in Danish) with M. Bennedsen. *Swedish Journal of Economics*, 2003 (2).

"Boards in Closely Held Corporations", (in Danish) with M. Bennedsen. *Danish Journal of Economics*, 2002 (2).

"Ownership Structures and Control Allocation in Danish Closely Held Corporations", (in Danish) with M. Bennedsen. *Danish Journal of Economics*, 2001 (3).

AGENCY REPORTS

"*Investor protection and Takeovers in Denmark*", (in Danish) with Morten Bennedsen. Report prepared for the Danish Ministry of Economic and Business Affairs, published by FORA, December 2002.

CONFERENCES AND WORKSHOPS

Netspar Pension Workshop, Amsterdam, The Netherlands, (Upcoming), January 2007.

Financial Management Association 2006 Meeting, Salt Lake City, October 2006.

Workshop on the Politics of Corporate Governance, Copenhagen Business School, Denmark, September 2006.

Financial System Modernization and Economic Growth in Europe, Berlin, Germany, September 2006.

Corporate Governance in Family/Unlisted Firms, Thun, Switzerland, June 2006.

Financial Intermediation Research Society, Shanghai, China, June 2006.

Alternative Views on Corporate Governance, Zurich, Switzerland, March 2006.

International Conference on Capital Markets, Corporate Finance, Money and Banking, Cass Business School, London, UK, December 2005.

Financial Management Association 2005 Meeting, Chicago, USA, October 2005.

12th Conference on Panel Data, University of Copenhagen, Denmark, June 2005.

Conference on Corporate Governance in Closely Held Corporations, Copenhagen Business School, Denmark, June 2005.

Financial Management Association European Conference 2005, Siena, Italy, June 2005.

European Financial Management Symposium on European Corporate Governance, Leeds University Business School, UK, April 2005.

American Finance Association 2005 Meeting, Philadelphia, USA, January 2005.

Pension Funds and European Stock Markets, Workshop, European University Viadrina, Frankfurt (Oder), Germany, November 2004.

Family Firms and Corporate Governance, Istanbul, Turkey, May 2004.

The Governance of Corporations with Concentrated Ownership, Copenhagen Business School, Denmark, March 2004.

14th Annual Conference on Financial Economics and Accounting, Kelley School of Business, Indiana University, USA, October 2003.

SEMINARS

Wharton (Management), Upcoming, January 2006.

Manchester Business School, December 2006.

Durham Business School, December 2006.

Copenhagen Business School (Finance), June 2005.

University of Copenhagen, March 2005.

AD HOC REFEREE

Journal of Corporate Finance, Review of Finance.

TEACHING EXPERIENCE

Corporate Finance, Copenhagen Business School, Undergrad level, Spring 2006

Corporate Finance, Copenhagen Business School, Graduate level, Fall 2005 & 2006

AWARDS

The Tuborg Foudation's Business Economics Prize 2003

PERSONAL INFORMATION

Date of birth:	July 10, 1978
Citizenship:	Danish
Family:	Married to Susan Meisner Nielsen One child, Norman Meisner Nielsen

REFERENCES

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ABSTRACTS ON SELECTED PAPERS

The Return to Pension Funds' Private Equity Investments: New Evidence on the Private Equity Premium Puzzle

Job market paper

This paper provides new evidence on the private equity premium puzzle suggested by Moskowitz and Vissing-Jørgensen (2002): Even professional investors like pension funds seem to get a poor risk-return tradeoff from investing in private equity. Contrary to previous studies of the return to entrepreneurial and venture capital investments - the current paper uses novel data on the population of pension funds (in Denmark). The uniqueness of this data allow us to scrutinize the question as to why investors accept the poor risk-return tradeoff. We argue that the ability to derive pecuniary and nonpecuniary benefits is almost negligible for pension funds and that a preference for skewed returns is inconsistent with previous research showing that pension funds are prudent investors. We further show that the poor return cannot be explained by politically motivated investments: Pension funds with politically influenced boards perform no different. This points to a systematic overestimation of the probability of success of private equity investments as the possible explanation. We investigate the source of this apparent misjudgment by comparing the operating performance of the portfolio held by pension funds to a matched sample of similar firms. The evidence suggests that mispricing and subsequent low capital gains explain the gap in the return to private equity investments.

Inside the Family Firm: The Role of Families in Succession Decisions and Performance

Joint with M. Bennedsen, F. Pérez-González and D. Wolfenzon

Quarterly Journal of Economics, forthcoming

This paper uses a unique dataset from Denmark to investigate (1) the role of family characteristics in corporate decision making, and (2) the consequences of these decisions on firm performance. We focus on the decision to appoint a family or an external chief executive officer (CEO). We show that departing CEO's family characteristics have a strong predictive power in explaining this choice: family CEOs are more frequently selected the larger the size of the family, the higher the ratio of sons to children and when the departing CEOs had only had one spouse. We then analyze the impact of family successions on performance. We overcome endogeneity and omitted variables problems of previous papers in the literature by using the gender of a departing CEO's first-born child as an instrumental variable (IV) for family successions. This is a plausible IV as male first-child family firms are more likely to pass on control to a family CEO than female first child families, but the gender of the first child is unlikely to affect firms' performance. We find that family successions have a dramatic negative causal impact on firm performance: profitability on assets falls by at least 6 percentage points around CEO transitions. These estimates are significantly larger than those obtained using ordinary least squares. Finally, our findings demonstrate that professional non-family CEOs provide extremely valuable services to the organizations they work for.

Institutional Investors and Private Equity

Revise and resubmit (3^{rd} round), Review of Finance.

Previous studies of institutional investors have emphasized their dominant role in public equity markets. Contemporaneously, the entrepreneurial finance literature has highlighted that institutional investors are the main contributors to venture capital funds. This paper complements these findings by documenting that institutional investors also invest directly in private equity. This observation raises two interesting questions: In what type of privately held firms do institutional investors invest directly?; and How do institutional investors mitigate the expected agency costs of private equity? To address these questions, we use a unique dataset which includes the universe of privately held corporations in Denmark. We show that institutional investors invest in private firms with governance mechanisms that tend to minimize the expected agency costs. In addition, good governance mechanisms allow institutional investors to enjoy the benefits of syndication and thereby reduce the idiosyncratic risk.

The Principle of Proportional Ownership, Investor Protection and Firm Value in Western Europe

Joint with M. Bennedsen

Previous research initiated by Claessens et al. (2002) has established a value discount of disproportional ownership structures. Due to omitted variables problems it is difficult to provide a causal interpretation of these findings. We provide a thorough analysis of this value discount in a large sample of Western European firms, which strengthens the causal interpretation that the discount is driven by incentive and entrenchment effects. First, we show that the value discount is higher in firms with low cash flow concentration, in family firms, in industries with higher amenity value and in countries with better investor protection. Second, we show that these findings are consistent with the predictions of a theoretical model of incentive and entrenchment effects. Third, we find little empirical evidence for a number of alternative omitted variable explanations, including: protection of private benefits; voting and block premia; low-liquidity discount; and, protection against uninvited takeovers. Fourth, we present the puzzling finding that the value discount is significantly higher in firms with dual class shares than in firms with pyramidal ownership. Fifth, we find no impact of disproportional ownership structures on operating performance. Finally, we discuss policy implications of these findings in relationship to the ongoing process of harmonization of the European capital markets.

The Causal Effect of Board Size in the Performance of Small and Medium-Sized Firms

Joint with M. Bennedsen and H.C. Kongsted

Boards are endogenously chosen institutions determined by observable and unobservable firm characteristics. Empirical studies of large publicly traded firms have shown a robust negative relationship between board size and firm performance. The evidence on small and medium-sized firms is less clear; we show that existing work

has been incomplete in analyzing the causal relationship due to weak identification strategies. Using a rich data set of almost 7,000 small and medium-sized closely held corporations we provide a causal analysis of board size effects on firm performance: We use a novel instrument firmly grounded in the institutional setting surrounding most small and medium-sized firms given by the number of children of the chief executive officer (CEO) of the firms. First, we find a strong positive correlation between family size and board size and show this correlation to be driven by firms where the CEO's relatives serve on the board. Second, we find empirical evidence of a small adverse board size effect driven by the minority of small and medium-sized firms that are characterized by having comparatively large boards of six or more members.