Corporate Governance in Danish private limited companies

Results from a survey on the use of Recommendations on Corporate Governance

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Fokussen på god selskabsledelse (corporate governance) har været støt stigende de seneste år både indenfor erhvervslivet og den akademiske verden. Virksomhedsejere og virksomhedsledere har i høj grad været opmærksomme på udviklingen indenfor god selskabsledelse for at give deres virksomheder de bedste forudsætninger. I Danmark står Komitéen for god Selskabsledelse for at udgive Anbefalinger for god Selskabsledelse. Lovmæssigt er det kun de børsnoterede aktieselskaber som er forpligtet til at offentliggøre deres stillingtagen til Anbefalinger for god Selskabsledelse, hvilket har medvirket at alle undersøgelser indenfor god selskabsledelse fokuserer på de børsnoterede aktieselskaber.

Undersøgelsen i denne afhandling har taget et nyt skridt, og fokuserer på de virksomheder som tilhører den sekundære målgruppe: unoterede aktieselskaber. Derfor håbes det at undersøgelsen kan give yderligere indsigt i de danske virksomheders brug af god selskabsledelse. Undersøgelsen tager udgangspunkt i de følgende problemstillinger:

- Hvor mange af virksomhederne i den sekundære målgruppe for Anbefalinger for god Selskabsledelse bruger dem?
- Hvad karakteriserer virksomhederne som kender/ikke kender Anbefalinger for god Selskabsledelse?
- Hvad karakteriserer virksomhederne som bruger/ikke bruger Anbefalinger for god Selskabsledelse?

Målgruppen for undersøgelsen bestod af 2020 virksomheder, der alle respekterer de følgende kriterier: (1) Kun danske unoterede aktieselskaber, (2) Kun ikke-finansielle selskaber, (3) Kun virksomheder der er minimum er mellemstore og (4) Kun virksomheder der har en e-mailadresse som kontaktoplysning. Det elektroniske spørgeskema havde 255 respondenter svarende til en svarprocent på 14,4%.

Svarene i undersøgelsen viste at kun **45,9% af virksomhederne kender Komitéen for god Selskabsledelse**. Desuden viste svarene at kun **36,5% af virksomhederne kender Anbefalinger for god Selskabsledelse**. Analysen fastslog at **12,5% af virksomhederne i undersøgelsen anvender Anbefalinger for god Selskabsledelse**.
enten helt eller delvist. Af de 32 (12,5%) virksomheder der bruger Anbefalinger for god Selskabsledelse, svarede kun 3 at de oplevede "Mere fokus på økonomi og resultater", mens ingen svarede "Nemmere at tiltrække investorer".


Den anden vigtige regression blev udført for at besvare spørgsmålet: Hvad karakteriserer virksomhederne som bruger/ikke bruger Anbefalinger for god Selskabsledelse? Resultaterne viser, at virksomheder med innovation som et centralt konkurrenceparameter er mindre tilbøjelige til at bruge Anbefalinger for god Selskabsledelse. Derudover indikerer resultaterne også, at virksomheder med høj grad af service som et centralt konkurrenceparameter er mindre tilbøjelige til at bruge Anbefalinger for god Selskabsledelse. Desuden ved et signifikansniveau på 90% indikerer resultaterne også, at virksomheder, der eksporterer, er mindre tilbøjelige til at bruge Anbefalinger for god Selskabsledelse.

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1. Introduction

Corporate governance has become an issue with increasing focus after decades with a lot of crisis and corporate scandals. As a response to these problems corporate governance where brought on the agenda in many governments and companies. The trigger of the more widened and acknowledged debate of corporate governance can be pointed back in time to the Cadbury report, which was released in 1992. Though, it is very classical to reference the Cadbury report, there is much agreement that corporate governance has had much more focus in academics as-well as in the business world, since it was released in 1992. In the last couple of decades the corporate governance debate has been fuelled by many large corporate scandals. These scandals and continuant development of financial markets has justified the need for increased attention on corporate governance. General agreement on precaution towards future scandals has given incentives for serious work within the field of corporate governance. The current field of research within corporate governance can be described as developing, as the research is much less comprehensive in comparison to more established fields of research.

Besides general debate, the Cadbury report also offset a long range of initiatives, recommendations and attempts to define corporate governance. Altogether the large amount of attention has boosted the development of established standards for corporate governance.

Denmark was one of the last countries in Europe to make their own set of corporate governance recommendations(Københavns Fondsbørs’ komité for god selskabsledelse 2005). The first Danish recommendations on corporate governance were issued in 2001 by Nørby-udvalget. Nørby-udvalget was set up on request from the Minister of Business and Industry at the time. Since the issue in 2001 the recommendations have been revised several times to reflect the development and changes in law. In Denmark it is only the public traded companies who are required by law to consider the content of the corporate governance recommendations. Though, do the financial companies have separate rules to follow.

Despite the increased focus on corporate governance in Denmark, there is relatively limited research on how corporate governance is received in the companies. The only
research of relevance has been conducted within the public traded companies. Therefore it leaves out a lot of companies that are not public listed, but could also be of interest considering their potential use of corporate governance.

1.1 Glossary

In order to avoid misunderstandings and use of non-English words it is necessary to define some words that will be used throughout the thesis. The Danish corporate governance body “Komitéen for god Selskabsledelse” will during the thesis be referred to as “Committee on Corporate Governance” or simply “The Committee”. Furthermore the Danish corporate governance recommendations “Anbefalinger for god Selskabsledelse” will be referred to as “Recommendations on Corporate Governance”. These translations are in compliance with the documents (Committee on Corporate Governance 2010) published on their homepage.

1.2 Problem definition

As mentioned in the introduction it is only the public traded companies in Denmark who are required to take stand on the content of the Recommendations on Corporate Governance. This leads to an interesting question about if other companies in Denmark than those required by law use the Recommendations on Corporate Governance. This question is the background for choice of direction in this thesis. No previous work has addressed this issue before. Therefore, it is a unique opportunity to gain insight in an area where there is lacking research in Denmark, however at the same time it increase the level of difficulty as there is no work to draw back on. In the following paragraphs the more detailed approach on the topic will be explained.

Currently surveys about corporate governance in Denmark focus on the listed companies, which fairly also is the primary target group of the Recommendations on Corporate Governance. In this thesis there will be aimed at the secondary target group of the Recommendations on Corporate Governance, and whether they know and use the
Recommendations on Corporate Governance. This makes the thesis unique as no published research has dealt with this specific topic before. Potentially there could be a lot of valuable information unexplored in those companies that would be very interesting for the thesis. The topic is an area of very little focus so far, but it can be of much relevance in order to understand how Recommendations on Corporate Governance are perceived by companies in Denmark. These companies in the secondary target group of Recommendations on Corporate Governance are according to their relative economic size, what roughly could be defined as the next generation of public traded companies. By investigating these companies that are not required to use the recommendations by law, it is possible to find out how attractive Recommendations on Corporate Governance are. Furthermore, information about the practical use of the recommendations and characteristics of companies are also of interest to explore. More specifically the thesis will be based on the following questions:

- How many of the companies in the secondary target group for the Recommendations on Corporate Governance use them?
- What characterise the companies that know/do not know the Recommendations on Corporate Governance?
- What characterise the companies that use/do not use the Recommendations on Corporate Governance?

The approach used in the thesis is closest to what can be defined as an essay with a practical part. The thesis will contain a practical aspect where a survey in form of an electronic questionnaire will be distributed among relevant Danish companies. Financial companies will be exempted from this thesis as they have special separate rules. In the thesis, the work will be conducted with an objective approach to gathering information and knowledge about corporate governance in Denmark.

Main focus in the thesis is not discussing what is best and what could be changed. The focus is on giving a snapshot of how the current situation for corporate governance is in Denmark regarding the companies of interest. With the practical aspect giving an insight into if the Recommendations on Corporate Governance have caught interest from those companies not publicly traded.
1.3 Thesis structure

The thesis has been divided into 8 chapters in order to keep a smooth reading and give the paper a logic flow.

Chapter 1: is an introductory part and defines the structure of the thesis and how the work will be conducted.

Chapter 2: relevant theory behind the reasons of corporate governance will be presented. This will provide the reader with the most important theory connected to corporate governance.

Chapter 3: to fully grasp corporate governance and its conditions in Denmark, elements of the Danish society will be described by the use of the Scandinavian model and related work.

Chapter 4: Committee on Corporate Governance and Recommendations on Corporate Governance will be presented in order to get an idea of how the corporate governance body in Denmark work and what is recommended to the Danish companies through corporate governance recommendations. Furthermore, European Union and OECD will be a part of the chapter with respect to the Danish membership of both organizations.

Chapter 5: will contain the process of conducting the questionnaire, testing the questionnaire at a test panel, the collection of contact information on the target population and the execution of the questionnaire.

Chapter 6: the collected data will be presented and analysed.

Chapter 7: this chapter will allow the author to reflect on the process, the topic and findings in thesis.

Chapter 8: conclusion
1.4 Data collection

The data used in the thesis is collected with great help from WEB-DIRECT and StudSurvey. WEB-DIRECT is a database accessible through ASB library. The database contains a lot of information on Danish companies, and it was used to retrieve email addresses on the companies in the target group of the survey. The companies were contacted through StudSurvey which is an open source program provided by the IT-department at ASB.

The collected data will afterwards be structured and analysed by using Microsoft Excel and PASW Statistics 18 (formerly known as SPSS).

1.5 Delimitations

The aim of this thesis is to gain an overall overview of how the Danish companies make use of Recommendations on Corporate Governance. Therefore, the thesis will focus on providing a general look of the current situation. The decision is based on keeping a consistent and relevant line of work through-out the thesis. As-well a treating all topic in depth would violate space requirements.

The corporate governance recommendations from Germany and USA do also in some extent have indirect influence on development in Danish corporate governance. German scorecard: because Germany is Denmark’s largest trade partner. Sarbanes-Oxley Act which is one of the dominant and inspiration-giving guidelines, because USA has much influence in the world economy. But these recommendations are chosen not be included in section about initiatives affecting Denmark. The ones included in that particular chapter are those from European Union and OECD, as Denmark has to consider their work with respect to the Danish membership of the mentioned organisations. Therefore, they have a more direct emphasize on the work conducted of the Committee on Corporate Governance whereas the American and German initiatives are more external source of inspiration when the Committee look at best practice within the field.
2. Theoretical background

To fully grasp corporate governance and some of the motives that lies behind the introduction of corporate governance recommendations for example in Denmark, it is necessary to know the theoretical background of the subject. Much of the theory related to corporate governance is agency theory and theory related to agency theory. Especially can the theory be very helpful in order to understand the behavioural patterns of owner and managers. When separating ownership and management agency problems are likely to happen and this is one of the core issues in corporate governance.

Thomsen (2008, p. 38) write: “...agency is unquestionable the single most important theory in corporate governance...”

The content of this chapter will provide a brief overview of agency theory and the most important parts of it. There exist a range of different theories that also have importance in corporate governance. However, because of limitation these will not be included, as agency theory has been considered the most important.

2.1 Agency theory

It was mentioned above that when separating ownership and management agency problems are likely to happen. When separating ownership and management there is a principal-agent situation where the owner(shareholder) hire a manager(agent). In large Danish companies this situation can appear on many levels. The shareholders hire the board, the board hire executives and the executives hire employees. Considering that people are rational and protect own interests there can occur conflict of interests between the principal and the agent. The principal-agent situation often happens in the business world, and the following quotation provides a good example:

“By separation of ownership and management we get a specialization of resources where the principal/owner/investor is a supplier of finance, whereas the agent/manager supplies human capital. The idea is that managers act on behalf of the shareholders and
the agency problem is to find ways in which shareholders can ensure that the manager will act in their interest, for example how they can make sure that she maximizes the stock price (value) of the firm." 

Source: Thomsen 2008

Practically the agency problems can come in various forms, and there is a long range of different methods that can be used in order to try to reduce and prevent agency problems. Corporate governance recommendations is one of the tools that can be used to work with agency problems.

2.2 Asymmetric information

A great part of agency theory is problems with information. The principal is troubled with a great deal of asymmetric information in the relationship with the agent. Asymmetric information can be divided into two sub-categories - the knowledge that the agent hides from the principal and the actions that the agent hides from the principal. These situations are theoretically known as respectively adverse selection and moral hazard.

2.2.1 Adverse selection

The situation of adverse selection arises when agents have knowledge that is not known to the principal. The situation is also famously known as the lemon’s problem. Within companies the situation often arise when principals are about to hire agents. The principal naturally cannot know the agents as-well as the agent knows himself. Therefore there is a problem with adverse selection because the principal wants to know the real value of the manager before hiring him. The principal can initiate different precautions to reduce hidden knowledge, and it is common in companies that there is some sort of monitoring so that the principal can reduce the hidden knowledge.
2.2.2 Moral hazard

When the agent acts against the interest of the principal without his knowledge it can be termed moral hazard. The principal cannot always observe the actions of the agents and thereby open up for moral hazard to occur. Obviously the principal expect the agent to act in his interest all the time, and therefore the principal usually is inclined to take on monitoring costs. Normally the principal monitor the agent, for example it is normal in companies to have regular audits.

2.3 Family ownership

Differently from the traditional principal-agent situation with owner and manager, there are many companies with family ownership where there is not a clear principal-agent situation. It is common in companies with family ownership that the family are both owner and manager in other words both principal and agent. This gives a situation where the families can perform self-governance and therefore do not experience the same conflicts of interests as in the traditional principal-agent situation. The family ties and incentive to protect own wealth are drivers of this self-governance. Though can the family owners struggle with non-professional problems. Furthermore, the self-governance gets more difficult to exercise as the company and thereby the organisation grows.
3. Corporate Governance in Denmark – the Scandinavian model

This chapter is based on literature from chapter 13 in the book by Thomsen (2008) and from the article by Sinani et al. (2008). The Scandinavian model is used to describe the conditions for corporate governance including a special focus on the conditions present in Denmark. The model gives insight in different elements of a country that affect how corporate governance has developed. This insight is important, also in the matter of understanding why corporate governance initiatives in Denmark might differ from other countries, because of differences in society and surroundings. For this purpose the observations by Thomsen (2008) and Sinani et al. (2008) give some inspiration to how Danish conditions can be generalised. Even though the model might be perceived as very general it adds some useful information in order to understand under which conditions the corporate governance in Denmark is developing. In the following paragraphs some of the most important areas will be described.

3.1 Society

The conditions for corporate governance in Denmark differ from other countries in the world as Denmark is a very wealthy and international oriented country. Denmark is a democratic society where the general level of education is high. These factors plus the characteristics described in the following paragraphs make up the conditions for corporate governance in Denmark.

3.2 Legal system

The Danish law system is based on civil-law and is a part of the special Scandinavian civil law. The Scandinavian civil law distinguish from pure civil law by having some common law characteristics, and therefore is considered to be somewhere in-between civil law and common law. Scandinavian civil law is recognised for having a high level of investor protection. In addition Denmark is known for having a high creditor protection. Furthermore, Scandinavia and Denmark are credited on the following
characteristics: efficiency of juridical system, accounting standards, governing quality, regulations of law and rule of law.

More specific to company law there is a strong protection of minority shareholders, but also a general effective system of securing individual shareholder rights (Danish Corporate Governance Committee et al. 2009).

3.3 Corruption

The corruption level in Denmark is very low, and the business environment in Denmark has been recognised for being one of the most attractive in the world. On country level there is a very low political risk. This makes up the foundation for very fair competition without the fear of governmental interference. In the article of Sinani et al. (2008, p. 31) there are figures from World Bank where Denmark is ranked 9 in the world on political stability and ranked 5 in the world on control of corruption.

3.4 Bank-based

Denmark differs from the other Scandinavian countries by being categorised as having a bank-based corporate governance system. In Denmark there has been a large increase in the amount of credit provided by the bank sector. This combined with the in comparison low level of market capitalisation in Denmark indicates that the Danish companies are inclined to develop strong relationships with banks for financing purposes. Furthermore, the high creditor protection mentioned earlier in the paragraph about the legal system is an indicator of the bank-based influence.

3.5 Ownership characteristics

In all the Scandinavian countries the degree of family ownership is significant. Denmark differs from the other countries because of a large amount of non-profit
entities, industrial foundations and some of the world’s largest farm cooperatives. Furthermore, the ownership structure Denmark is characterised by having an overweight of majority shareholders in the companies. The majority shareholders are typically seen in form of families, funds or companies. The effect of majority shareholders in Denmark is that the majority shareholders want to protect own interests and therefore result in a high degree of active governance among the majority shareholders. The activity and involvement of the owners can also influence that corporate governance recommendations are not used directly in the company as the majority shareholder practise self-governing. Despite the many majority shareholders and their activity there are barely any problems with exploitation of minority shareholders. This is line with paragraph 3.1 about legal system where it is mentioned that there is strong protection of minority shareholders in the Danish system.
4. Corporate Governance recommendations in Denmark

As mentioned in the introduction Denmark was one of the last countries in Europe to conduct their own set of corporate governance recommendations. The first set of recommendations was issued in December 2001 by what was known as Nørby-udvalget. The committee was set up on request from the Minister of Business and Industry at the time. This initiative improved the corporate governance debate in Denmark, and resulted in concrete recommendations which strengthen the development within Danish corporate governance. Since 2001, the successor of the Nørby-udvalget has taken different names and organisation. In the moment of writing the official name is Committee on Corporate Governance. The Committee can be found at www.corporategovernance.dk.

4.1 Committee on Corporate Governance

Currently the Committee on Corporate Governance is composed by 9 members. Where the most prominent members are Lars Rohde(CEO of ATP, largest pension scheme in Denmark) and Bodil Nyboe Andersen(former CEO of the National Bank in Denmark). The diversified backgrounds of the members create a good foundation for their work and secure interdisciplinary competences within the Committee.

The purpose of the board is to continuously work with the Recommendations on Corporate Governance. Therefore, since the issue in 2001 several updates of the recommendations have been accomplished. One update has been made in 2005, two updates in 2008 and finally a larger revision in 2010 due to changes in legislation(Komitéen for god selskabsledelse 2010). In order to provide an example of how many things the Committee took into account when conducting the revision in 2010 see the quotation below:

“In 2010, the Committee made a revision of the recommendations in light of the Companies Act of 2009, new rules in the Financial Statements Act and the Act on Approved Auditors and Audit Firms as well as EU Commission recommendations,
including on remuneration of members of the governing bodies of listed companies. The Committee’s recommendations are considered to be in compliance with OECD’s current Principles of Corporate Governance. The Committee has taken the development in foreign recommendations on corporate governance into account.”

Source: Recommendations on Corporate Governance 2010

The influence on the Recommendation on Corporate Governance from European Union and OECD will be handled separately in paragraph 4.3. Because of the Danish membership of these organisations the Committee is obliged to take their requirements into consideration when conducting the recommendations. Besides EU and OECD, the Committee look at foreign corporate governance as inspiration, but always with the aim to make the Recommendations on Corporate Governance with regard to Danish conditions. Looking at foreign initiatives and recommendations is a natural part of the Committee’s effort to ensure that the recommendations are in compliance with best practice within the field of corporate governance. Besides that the Committee keep updated with foreign corporate governance practises, the Committee also try to involve multiple groups with interest in the Recommendations on Corporate Governance. The Committee conducted a form of public hearing when making the latest revision of the Recommendations on Corporate Governance. This enabled the Committee to consider feedback from the general public as-well from profiled business leaders.

4.2 Recommendations on Corporate Governance

The Recommendations on Corporate Governance is characterised as soft law which has been chosen because of the flexibility and dynamics it provides. As there is a high degree of voluntarily approach to the recommendations the soft law benefits the area of corporate governance. The law requires the public listed companies to a take stand on the Recommendations on Corporate Governance on a “comply or explain” basis. So as a rule there is nothing wrong when a company does not follow the recommendation, it just has to explain why and what alternative choice the company has made.
The Recommendations on Corporate Governance are divided into 9 overall categories and beneath in table 1 the different categories are shown:

Table 1: Content of Recommendations on Corporate Governance

| 1. The role of the shareholders and their interaction with the management of the company |
| 2. The role of stakeholders and their importance to the company and the company’s corporate social responsibility |
| 3. Openness and transparency |
| 4. The tasks and responsibilities of the supreme and the central governing bodies |
| 5. Composition and organisation of the supreme governing body |
| 6. Remuneration of members of the governing bodies |
| 7. Financial reporting |
| 8. Risk management and internal control |
| 9. Audit |

Source: Recommendations on Corporate Governance 2010

The 9 overall categories shown in table 1 will in the following be described a bit more in depth in order to get an idea of the content of the Recommendations on Corporate Governance, though without listing op all the sub points and specific requirements in the recommendations:

1. *The role of the shareholders and their interaction with the management of the company:* it is encouraged that management and shareholders in the companies have a continuant dialogue between them, this as a part of the shareholders’ active ownership. The importance of shareholders using their given rights is emphasized, with especial focus on the general meeting as the place for discussing the company and to execute the power.

2. *The role of stakeholders and their importance to the company and the company’s corporate social responsibility:* the company is encouraged to exercise a positive relation to their stakeholders just as to the shareholders. Moreover the management should seek to keep developing the relation to the stakeholders as this will benefit the company long-term.
3. **Openness and transparency:** two important points in order for the company to keep shareholders and stakeholders properly informed about the company. The level of information and disclosure will benefit from having a solid communication strategy implemented in the company.

4. **The tasks and responsibilities of the supreme and the central governing bodies:** the supreme governing body's most vital job is to hire an executive board and perform the necessary supervision, but also to ensure a continuant development of the body itself. Whereas the central governing body's responsibility is to take care of the match between overall and strategic management and then the resources of the company.

5. **Composition and organisation of the supreme governing body:** there is a long range of specific recommendation to this topic, but overall the supreme governing body is encouraged to review on a regularly basis how it is composed, in order for the body to be updated and matching the company's requirements. Furthermore, it is noted that members of the supreme governing board should be involved without third-party interests.

6. **Remuneration of members of the governing bodies:** it is recommended that remuneration is determined with focus on the performance of the individual members over a longer period. The remuneration of members should be in accordance with the long-term scope of the company and have full disclosure.

7. **Financial reporting:** it is recommended that there are sufficient written supplements to the financial reporting in order to give a true view of the company's situation.

8. **Risk management and internal control:** the importance of an effective risk management system is emphasized. Risk management and internal control are recommended as being vocal points of focus.

9. **Audit:** it is noted that the supreme governing body has an important role in securing an audit of the company, and if necessary initiate an internal audit.
4.3 Initiatives affecting Denmark

Because of Denmark’s membership of several organisations the Committee on Corporate Governance are obliged to consider the work of these organisations when conducting the Recommendations on Corporate Governance. The most significant and important organisations are without doubt the European Union and OECD, why both of these organisations and their stand on the area of corporate governance will be treated in 4.2.1 and 4.2.2.

4.2.1 European Union

As a member of the European Union (EU) Denmark is naturally obliged to make sure that the Recommendations on Corporate Governance is in compliance with decisions made in the European Union. More precise directives and recommendations from the EU Commission have to be incorporated in the Danish recommendations. The quotation in paragraph 4.1 confirms how the Committee incorporate EU decision into the Recommendations on Corporate Governance.

Like in the rest of the world there was a lot of debate about corporate governance inside the EU. Furthermore, the Commission had initiated the making of The High Level Group of Company Law Experts that published their work in a report 2002. In order for the Commission to answer the report and all questions concerning the whole corporate governance debate the Commission released the Action Plan for Modernizing European Company Law and Enhancing Corporate Governance in the EU in 2003 (European Commission 2010). This document contains a lot of proposals to the members of the EU. The Commission is aware of the differences in culture and legal structures among the member countries. This combined with a lot of already existing recommendations within the area, made up some of the reasons for not developing a common set of European recommendations for corporate governance (Commission of the European Communities 2003). In the previously mentioned plan the Commission acknowledges the work within the national corporate governance initiatives but also the work of OECD. With this the Commission argue that there is no need for further specific recommendations proposed from the European Union towards the member countries.
On the contrary, the Commission just wants to emphasise on some more general guidelines that they encourage their members to incorporate. These guidelines can be seen beneath in table 4.1.

**Table 2: Guidelines from the EU Commission**

| 1. Enhancing Corporate Governance disclosure |
| 2. Strengthening shareholders’ rights         |
| 3. Modernising the board of directors        |
| 4. Co-ordinating corporate governance efforts of Member States |

**Source:** Modernising Company Law and Enhancing Corporate Governance in the European Union - A Plan to Move Forward 2003

The guidelines in table 2 are on a very overall and general level and therefore only serve as an inspiration for the member countries. The areas of importance for the Commission are handled more specific, such as through directives and recommendations directed towards the member countries.

Looking at stances of the EU Commission about the “comply or explain” principle the Danish Recommendations on Corporate Governance seems to be very much in compliance with them. The Commission stress to use the “comply or explain” principle in a way where the companies annually publish a thorough explanation of their compliance or noncompliance on a given recommendation. This is very much in line with Danish legislation about corporate governance.

In addition, it can be mentioned that The Commission has established two bodies on a permanent basis with the purpose to assist the Commission on future work within the area of corporate governance. These two are: The European Corporate Governance Forum and the Advisory Group on Corporate Governance and Company Law(International Finance Corporation 2008).
A regulatory framework on corporate governance of OECD, the OECD Principles of Corporate Governance, was first time issued in 1999 and then again in 2004 in a revised edition. The purpose of the OECD Principles of Corporate Governance is to act as an inspiration for conduction of corporate governance practices. Furthermore, OECD wants it to be a benchmark in international perspective. The content of OECD Principles of Corporate Governance can be seen in the table below:

Table 3: Content of OECD Principles of Corporate Governance

| I. Ensuring the Basis for an Effective Corporate Governance Framework |
| II. The Rights of Shareholders and Key Ownership Functions |
| III. The Equitable Treatment of Shareholder |
| IV. The Role of Stakeholders in Corporate Governance |
| V. Disclosure and Transparency |
| VI. The Responsibilities of the Board |

Source: OECD Principles of Corporate Governance 2004

As stated in the quotation in paragraph 4.1 the Committee consider the Recommendations on Corporate Governance to be in compliance with the OECD Principles of Corporate Governance. Which is fairly to assume, as the content of table 3 are very similar to the content seen in table 1.
5. Research design

As no similar work has been done with the same scope as this thesis, the practical part has been conducted without any previous work to draw back on. The data will be collected through a survey, which more specific will be an electronic questionnaire delivered to the target population by email. A certain way of structuring a survey and electronic questionnaires exist, but the more specific parts such as defining target population and specific questions in the questionnaire are made on a first-to-try basis. The following sections will describe the process of collecting data.

5.1 Defining target population

According to the description in the introduction, the research is targeting Danish companies that are considered to be in the secondary target group of the Recommendations on Corporate Governance. These companies are large Danish companies of public interest that are not already required by law to use the Recommendations on Corporate Governance (only public traded companies are required by law to follow the Recommendation on Corporate Governance at a “comply or explain” basis). In order to reach the group of interest a range of criteria has to be defined.

(1) Only Danish private limited companies

Companies with foreign ownership are removed from the population. All listed companies are removed from the population, as their status as public traded already oblige them to follow the Recommendations on Corporate Governance by the "comply or explain" principle.

Furthermore, all corporation forms beside private limited (A/S) are removed from the population. The other corporation forms have different laws to follow. E.g. the Danish corporation form ApS follows a law that enable them to choose only to have a management and no board. The purpose of the research is to look at the use of the
Recommendations on Corporate Governance in companies, and the recommendations have significant amount of content about interaction between board and management therefore companies without obligation to have a two-tier system, as in the limited companies (A/S), are disregarded from the population.

(2) Only non-financial companies

All financial companies are removed from the population as they are restricted to special laws. For this purpose the Danish industry classification DB07 is very useable. The classification is based on the international NACE standard. All companies within the industry of financial activities will be excluded by removing companies that are classified as belonging to the category “Pengeinstitut- og finansvirksomhed mv.” in the DB07 classification.

(3) Only companies that are minimum medium sized

To reduce the population further and remove some of the irrelevant companies a size parameter will be used. The population will be reduced by removing the smallest companies according to size. According to EU standards it requires more than 50 employees to be a medium sized company. Therefore all companies with less than 50 employees will be removed from the population.

Realistically it also more likely that the larger companies have issues that are in relation to corporate governance. Larger companies have structures and mechanisms that corporate governance is especially trying to cope with. Thereby making large organisations of most relevance concerning as research about the Recommendations on Corporate Governance.

(4) Only companies that have an email address as contact information

This requirement is necessary as the survey is conducted as an electronic survey distributed to the target population by email.
5.2 Composing target population

The practical aspect of creating the target population and extract contact information about the companies in form of an email address was done by using WEB-DIRECT. The database WEB-DIRECT can be bought access to by anybody, but the database is targeted towards companies that use the information in marketing purposes or for credit check. The library at Aarhus School of Business has a subscription on WEB-DIRECT and therefore provide students with free access to the database.

Therefore by using specific computers at the library of Arhus School of Business it was possible to retrieve enough data to compose an adequate target population. The criteria that were entered into WEB-DIRECT can be seen in appendix 1. In the following table the results from WEB-DIRECT can be seen.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Danish Private limited companies</td>
<td>41092</td>
</tr>
<tr>
<td>(2) Non-financial companies</td>
<td>32749</td>
</tr>
<tr>
<td>(3) More than 50 employees</td>
<td>2875</td>
</tr>
<tr>
<td>(4) Email as contact information</td>
<td>2598</td>
</tr>
</tbody>
</table>

Note: All 2598 companies have revenue above 50 million DKK

Apparently it should be possible to extract email addresses on 2598 companies due to table 4. But the number is in practical a lot lower because there are several companies that insist on not having their contact information released when the purpose is sales promotion or other enquiries. So technical it is not possible to export the data, and besides that their request is of-course respected.

Furthermore, when looking through the extracted data a lot of mistakes was found and therefore initiated a considerable amount of manual sorting. A range of different mistakes was found. Firstly, several doubles appeared on the list and had to be removed. Secondly, a large public limited company Vestas A/S was found to have bypassed the
sorting tool of the database, which made it necessary to check the whole dataset for similar mistakes. Thirdly, a company with only 29 employees had made it to the list. Fourth and finally, a large amount of companies with foreign ownership was found in the data. The most obvious and direct cases of companies with foreign mother company was removed. But complicated ownership structures might have resulted in a few companies slipped through both the automatic and manual sorting.

After the thorough sorting for mistakes and the removal of companies that do not wish to be contacted, the 2598 companies end up being shrunk down to an amount of 2020 companies. The email addresses of these 2020 companies were extracted and saved in a document.

5.3 Questionnaire design

The electronic questionnaire is chosen because of convenience and the possibility to target a large population easily. It is chosen to create the questionnaire in Stud Survey that is provided by the IT-department at ASB. Stud Survey is an open source program with many different useful functions. Among others Stud Survey contains very helpful functions that administrate respondents and their answers.

Stud Survey can operate as an intelligent questionnaire, where it possible to code so that the respondents get questions conditioned on the answer in previous question. This function has been used throughout the questionnaire in order to give the respondents questions depending if for example the Recommendations on Corporate Governance is used / not used in the company. Because of this function the respondents experienced different lengths of the questionnaire. Depending on their answer path they had to answer 8, 9, 11 or 13 questions (excluding the last question that everybody received: “Do you wish to receive a summary of key findings from the study by email?”). This resulted in a dynamic questionnaire that is easy for the respondent to complete, and most importantly did not present respondents with questions that they would consider as irrelevant.

The questionnaire and the formatting can be seen in appendix 2. Because the target population is considered to be a part of the secondary target group for the
Recommendations on Corporate Governance it has to be considered during the construction of the questionnaire that the receivers might not have much knowledge about the topic. This consideration has in high degree influenced the design of the electronic questionnaire. To attract respondents the questionnaire was made in Danish as most of the receivers is expected to have Danish as a first language. Furthermore, the Committee on Corporate Governance is in Denmark branded with the Danish translation. Besides Danish language the questionnaire also focused on simplicity which is very important considering that the receivers are very busy leaders in the Danish business world. Along that it could in some cases be expected that the receivers would exit the questionnaire if it is considered to be too demanding or intrusive.

Because of the functions in the intelligent questionnaire in StudSurvey, multiple questions could take the same number. It was chosen to number questions presented towards the respondent chronological as they were displayed during the respondents’ completion of the questionnaire. This was primarily done in order not to confuse the respondents during the completion. This numbering can be seen in more detail in appendix 2. But for the purpose of simplicity and analysis, the questions will throughout the rest of the thesis take their true chronological numbers from 1 to 16, just as they appear when looking at all questions in the questionnaire from one end to the other.

First 8 questions in the electronic questionnaire are presented to all respondents and are questions about different characteristics of the company:

- Q1. How many of the company’s board members are employed in the management?
- Q2. Is the founder or the founder’s family a part of the group of owners?
- Q3. Has the CEO connection to the family who owns the company?
- Q4. Is one or more of the board members foreign?
- Q5. What is the company’s central competitive parameter?
- Q6. Does the company export?
- Q7. Is the company aware of the Committee on Corporate Governance?
- Q8. Is the company aware of the Committee on Corporate Governance’s publication: Recommendations on Corporate Governance?
If they answered no in question 8 (that the respondents do not know the Recommendations on Corporate Governance) then they are finished with the questionnaire.

Opposite, if the respondents answered yes in Q8, then they were lead to Q9 where they were asked if they use the Recommendations on Corporate Governance:

- Q9. Have your company used Recommendations on Corporate Governance?

If the respondents answered no in Q9, then they were lead to 2 questions relating to the lacking use of the Recommendations on Corporate Governance:

- Q10. Why has the company chosen not to use Recommendations on Corporate Governance?
- Q11. What would it require in order for the company to use Recommendations on Corporate Governance?

If the respondents answered yes in Q9 then were lead to 4 questions relating to their use of the Recommendations on Corporate Governance:

- Q12. Why does the company use Recommendations on Corporate Governance?
- Q13. In which year did the company first time use Recommendations on Corporate Governance in the work?
- Q14. Which parts of Recommendations on Corporate Governance has the company used?
- Q15. What results has the company achieved by using Recommendations on Corporate Governance?

All respondents where asked before exiting the electronic questionnaire:

- Q16. Do you wish to receive a summary of key findings from the study by email?

In “Q14. Which parts of Recommendations on Corporate Governance has the company used?” the 9 original categories from the corporate governance recommendations were simplified and made into 5 categories as options to the question. This was done in order to make it easier for the respondents as some of the categories are very similar. The use of specific parts of the Recommendations on Corporate Governance is not a main issue.
in the survey. Therefore it was prioritized to make a simpler range of options for the respondent in order to make a dynamic and fast questionnaire.

To get a higher response rate the participants got the offer to receive a summary of key findings from the study by email. This was added as the last question: “Q16. Do you wish to receive a summary of key findings from the study by email?”.

5.4 Test panel

In order to optimise the questionnaire and make it as dynamic as possible 2 persons agreed to be a part of a test panel. The test panel have been made with the purpose on getting valuable feedback on the questionnaire. The persons in the test panel have been told to give their honest opinion about anything. But they were told to especially look at the layout and how the questions were perceived. Both of the participants in the test panel have an academic background as-well as a management position within a Danish company. The test panel consist of the two following members:

- Niels Peter Madsen - CEO at KHL
- Hans Kristiansen - co-owner of factum² horsens

Several corrections were made based on the feedback from the test panel. Both of the participants commented that the survey might only be of purpose to very big companies as their own companies do not really use the Recommendations on Corporate Governance. This confirms the including of minimum medium sized companies in target population. The way the numbering is conducted in StudSurvey was chosen because of the feedback from the test panel. The answer paths that are seen in appendix 2 were conducted because the participants in the test panel emphasised this way of numbering the questions. Besides that, options in Q5, Q 11 and Q15 were added based on inspiration from the feedback of the test panel.
5.5 Execution of survey

In order to increase interest for the survey and get companies to fill in the questionnaire, the email with the link to the electronic questionnaire also contained a text introducing the reader to thesis and the questionnaire. The text can be found in appendix 3. The purpose of the text was to catch their attention and make them realize that they can contribute with important knowledge. Besides that the reader was introduced to the opportunity of receiving a summary of key findings from the study by email. The letter was addressed to the CEO of the companies and like the questionnaire it was written in Danish to improve the response rate.

The survey itself was executed 5th of May 2010 at 3.37 PM, with a response rate of 14.4% (=255/(2020-255)). The 255 that are deducted is due to 255 undelivered emails. This is due to closed companies, change in email addresses and other technical issues.

Out of the 255 respondents 51% (131 respondents) answered that they would like to receive a summary of key findings from the study by email. So this offer for feedback seems successful, and is very much likely to have convinced some of the respondents to take time to complete the electronic questionnaire.
6. Data presentation

Chapter 6 will focus on processing all the data collected during the survey. The chapter consist of three subsections that will cover the entire data processing. Firstly, there will be a thorough presentation of the data collected from the electronic questionnaire. Secondly, a descriptive statistical analysis of the data is performed by using simple linear regressions as a statistical tool. Thirdly, the last subsection will consist of a discussion of the limitations in the collected data.

6.1 Data from survey

As mentioned in paragraph 5.5 there were 255 respondents complementing the electronic questionnaire. Because of the different answer paths in the electronic questionnaire the number of respondents for the different parts of the electronic questionnaire is distributed as it can be seen in table 5.

<table>
<thead>
<tr>
<th>Question</th>
<th>Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1-8</td>
<td>255</td>
</tr>
<tr>
<td>Q9</td>
<td>93</td>
</tr>
<tr>
<td>Q10-11</td>
<td>61</td>
</tr>
<tr>
<td>Q12-15</td>
<td>32</td>
</tr>
</tbody>
</table>

Structuring the electronic questionnaire into having varies answer paths for the respondents seem to be justified by the numbers from table 5. The idea of not leading all the respondents through the same questions has proven to be useful in a survey with this particular topic.
Figure 1: Results from Q1. How many of the company’s board members are employed in the management?

Figure 1 containing data from the first questions in the questionnaire shows that in more than half of the companies 1 or more board members are employed in the management. This should be considered in contrast to that is recommended in the Recommendations on Corporate Governance that the executives do not take place on the board. Part of the reason is naturally that the companies might not use the Recommendations on Corporate Governance. But part of the reason can probably also be found in the high degree of family ownerships and majority shareholders.

Table 6: Results from Q2, Q3, Q4, Q6, Q7 and Q8

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2. Is the founder or the founder’s family a part of the group of owners?</td>
<td>58,4% (149)</td>
<td>41,6% (106)</td>
</tr>
<tr>
<td>Q3. Has the CEO connection to the family who owns the company?</td>
<td>42,0% (107)</td>
<td>58,0% (148)</td>
</tr>
<tr>
<td>Q4. Is one or more of the board members foreign?</td>
<td>17,7% (45)</td>
<td>82,4% (210)</td>
</tr>
<tr>
<td>Q6. Does the company export?</td>
<td>54,1% (138)</td>
<td>45,9% (117)</td>
</tr>
<tr>
<td>Q7. Is the company aware of the Committee on Corporate Governance?</td>
<td>45,9% (117)</td>
<td>54,1% (138)</td>
</tr>
<tr>
<td>Q8. Is the company aware of the Committee on Corporate Governance’s publication: Recommendations on Corporate Governance?</td>
<td>36,5% (93)</td>
<td>63,5% (162)</td>
</tr>
</tbody>
</table>
The results from a range of simple yes/no questions are summarized in table 6. A predominant part of the responding companies are owned by the founder or the founder’s family, which is not surprising considering the ownership structure mentioned in paragraph 3.5. It also worth noticing from table 6 that more than half of the companies are exporting which indicates that many of the responding companies have international perspectives. More surprisingly the results show that less than half of the respondents are familiar with the Committee on Corporate Governance, and furthermore that only 36.5% of the respondents expressed knowledge of the Recommendations on Corporate Governance.

Figure 2: Results from Q5. What is the company’s central competitive parameter?

The respondents were allowed to give multiple answers in question 5 which had some effect on the results in figure 2. There are no significant patterns in the answers given. Looking at the respondents answers the following observations were made: 3 respondents ticked off all 6 options, further 13 ticked off all boxes besides "Other", another 18 others ticked off all the boxes: "Focus on costs", "Technical efficiency", "High quality" and High level of service". In total 118 respondents ticked off 3 or more of the options given to answer question 5. In contrast to these observations only 51 respondents answered with a tick off in one of the options. These observations are
somehow indicating that the respondents are not capable of identifying the central competitive parameter for the company. These observations indicate that question 5 maybe with advantage could have been a single-answer question in order to force the respondents to answer only in one option. Nonetheless this was advised against from the test panel.

In figure 3 beneath are the answers from question 9 which was addressed to the 93 respondents answering yes to questions 8.

**Figure 3: Results from Q9. Have your company used Recommendations on Corporate Governance?**

![Graph showing results from Q9.]

**Table 7: Results from Q10. Why has the company chosen not to use Recommendations on Corporate Governance?**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>The recommendations does not function as a tool</td>
<td>8,2%</td>
<td>(5)</td>
</tr>
<tr>
<td>They are not suitable considering the company's situation</td>
<td>50,8%</td>
<td>(31)</td>
</tr>
<tr>
<td>Lack of knowledge</td>
<td>13,1%</td>
<td>(8)</td>
</tr>
<tr>
<td>The recommendations are not considered to be value-adding</td>
<td>14,8%</td>
<td>(9)</td>
</tr>
<tr>
<td>Lack of resources (economical, timewise)</td>
<td>18,0%</td>
<td>(11)</td>
</tr>
<tr>
<td>Lack of competencies</td>
<td>0,0%</td>
<td>(0)</td>
</tr>
<tr>
<td>Other</td>
<td>24,6%</td>
<td>(15)</td>
</tr>
</tbody>
</table>

Note: For each option the percentage is calculated relative to the total number of respondents.
The 61 respondents answering no in question 9 were afterwards presented with question 10 for which the results are listed in table 7. There is not really any clumping of answers given to this question, because there is only given 79 answers to the question. Most noticeable in table 7 is that more than half of the respondents do not find the Recommendations on Corporate Governance suitable considering the situation of their company. 15 respondents ticked off “Other”, of which there are some interesting text-field entries. 2 respondents answer that the fact that they are family-owned is the reason for not using the recommendations. Other 8 respondents answer share the similar essence in their answers that the company indirectly in one way or another use parts of the content in Recommendations on Corporate Governance.

Table 8: Results from Q11. What would it require in order for the company to use Recommendations on Corporate Governance?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
<th>(N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The recommendations should have more focus on the practical implementation</td>
<td>23,0%</td>
<td>(14)</td>
</tr>
<tr>
<td>Competent help during the implementation</td>
<td>3,3%</td>
<td>(2)</td>
</tr>
<tr>
<td>Legal requirement</td>
<td>42,6%</td>
<td>(26)</td>
</tr>
<tr>
<td>Other</td>
<td>36,1%</td>
<td>(22)</td>
</tr>
</tbody>
</table>

Note: For each option the percentage is calculated relative to the total number of respondents

In the answers in table 8 there is almost none clumping as only 3 respondents ticked off 2 options in their answer, while the 58 remaining respondents ticked off only 1 option. However 36,1% off all respondents ticked off "Other", which corresponds to 22 numbers of respondents. Unfortunately, a technical error in StudSurvey only allows 14 of the text-field entries to be accessed. This is because the respondents have filled in the text-field in the electronic questionnaire with a press on space in the keyboard instead of typing a text as was the intention. Therefore the respondents got around the formatting that otherwise was inserted to force the respondents to type text and not just tick off the box and leave the text-field empty. There was not enough similarity in the text-field entries to create a group of options manually. Worth noticing is that 3 respondents gave time as the reason for not using the Recommendations on Corporate Governance, while 4 other respondents answered it was due to the opinion of the owner.
Table 9: Results from Q12. Why does the company use Recommendations on Corporate Governance?

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>See a great advantage in using them</td>
<td>34.4%</td>
<td>(11)</td>
</tr>
<tr>
<td>By request from the stakeholders</td>
<td>28.1%</td>
<td>(9)</td>
</tr>
<tr>
<td>Used as a strategic tool</td>
<td>18.8%</td>
<td>(6)</td>
</tr>
<tr>
<td>Preparation for possible tighter regulation in the future</td>
<td>18.8%</td>
<td>(6)</td>
</tr>
<tr>
<td>Other</td>
<td>25.0%</td>
<td>(8)</td>
</tr>
</tbody>
</table>

Note: For each option the percentage is calculated relative to the total number of respondents

Question 12, which results are presented in table 9, was the first question that the 32 respondents that answered yes in question 9 received subsequently. In table 9 there is a large amount of data hidden in "Other" looking at it percentage-wise. Similar to one of the previous questions only 5 out 8 text-field entries gives information as a technical error made it possible to get around the formatting. Interestingly one of the text-field entries contained the following comment: "to follow the norm in the market". Unfortunately this statement stands alone, but it quite interesting if there is a norm or trend in the market. As mentioned it stands alone and there is nothing else in the survey adding to this comment.

Figure 4: Results from Q13. In which year did the company first time use Recommendations on Corporate Governance in the work?
The first Recommendations on Corporate Governance were issued in 2001, and therefore it would be interesting to see when the companies first time used the Recommendations on Corporate Governance. But there are too few useful answers to question 13 to give a valid tendency in figure 4. The respondents mainly do not know in which year the company introduced the use of recommendations in the company. Though is this situation not a surprise as there is a relatively high turnover on the CEO position. The electronic questionnaire was addressed to the CEO, and therefore is not unusual that the respondent do not know the exact history of the company.

Table 10: Results from Q14. Which parts of Recommendations on Corporate Governance has the company used?

<table>
<thead>
<tr>
<th>Composition and organisation of the governing bodies</th>
<th>59,4% (19)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The tasks and responsibilities of the governing bodies</td>
<td>71,9% (23)</td>
</tr>
<tr>
<td>Openness and transparency</td>
<td>46,9% (15)</td>
</tr>
<tr>
<td>Remuneration of members of the governing bodies</td>
<td>28,1% (9)</td>
</tr>
<tr>
<td>Accounting and control</td>
<td>62,5% (20)</td>
</tr>
</tbody>
</table>

Note: the categories has been simplified from 9 to 5

For each option the percentage is calculated relative to the total number of respondents

In the figures from table 10, there is a clear clumping of answers. 15 respondents answered yes to use both “The tasks and responsibilities of the governing bodies” and “Accounting and control”. There are also 13 respondents who answered to use both “Composition and organisation of the governing bodies” and “The tasks and responsibilities of the governing bodies”. Generally the answers of the respondents included either “The tasks and responsibilities of the governing bodies” and “Accounting and control”, with the exemption of those respondents choosing “Composition and organisation of the governing bodies” and “Openness and transparency” together as answer.

An interesting finding in this question is that there are only 5 respondents who answered that their company use all parts of the Recommendations on Corporate Governance. This number was somehow expected to be higher.
The general observation in this question is that there is a tendency towards that the companies are choosing in packages regarding the use of the Recommendations on Corporate Governance. So an indication of a selective approach when the companies are choosing which specific parts of the Recommendations on Corporate Governance the companies wants use.

Table 11: Results from Q15. What results has the company achieved by using Recommendations on Corporate Governance?

<table>
<thead>
<tr>
<th>Result</th>
<th>Percentage</th>
<th>Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acknowledgement from stakeholders</td>
<td>34,4%</td>
<td>(11)</td>
</tr>
<tr>
<td>Easier to attract investors</td>
<td>0,0%</td>
<td>(0)</td>
</tr>
<tr>
<td>Increased focus on economy and results</td>
<td>9,4%</td>
<td>(3)</td>
</tr>
<tr>
<td>Strengthen the internal control</td>
<td>21,9%</td>
<td>(7)</td>
</tr>
<tr>
<td>Clearer management structure</td>
<td>28,1%</td>
<td>(9)</td>
</tr>
<tr>
<td>Increased transparency in the company</td>
<td>25,0%</td>
<td>(8)</td>
</tr>
<tr>
<td>No measurable effect</td>
<td>34,4%</td>
<td>(11)</td>
</tr>
<tr>
<td>Other</td>
<td>3,1%</td>
<td>(1)</td>
</tr>
</tbody>
</table>

Note: For each option the percentage is calculated relative to the total number of respondents

It is very remarkable that none of the respondents answered it was easier to attract capital when using the Recommendations on Corporate Governance, which is surprising considering that it is common believed that it should have some influence(Københavns Fondsbørs’ komité for god selskabsledelse 2005). It is of-course possible that none of the respondent companies is or has been lacking capital. Furthermore, that only 3 answered more focus on economy and results as result of using the Recommendations Corporate Governance is also rather suggestive.

Besides that, more than 1/3 of the respondents answered “No measurable effect” as result of using the Recommendations on Corporate Governance. Though did 1 of the respondent answering “No measurable effect” also answer yes to the positive option “Strengthen the internal control”. While it can mentioned that only 1 respondent ticked off 4 positive options and only 1 respondent ticked off 3 positive options.
6.2 Descriptive statistical analysis

For the descriptive statistical analysis simple linear regression will be applied. The program PASW Statistics 18 (formerly known as SPSS) will be used to perform the regressions on the data. The program has been chosen because StudSurvey offers an export function where the data can be exported into a syntax in PASW Statistics 18. The program contains an easy way of creating new variables from the existing data, and furthermore produces satisfactory outputs that are suitable for the use in a thesis.

The simple linear regression has been chosen as a statistical method because of its strength when doing a descriptive statistical analysis. Simple linear regression is relatively robust and easy to interpret. Therefore the simple linear regression has been considered very suitable for the statistical purpose of this thesis.

The most important outputs from the regressions are displayed as figures directly in the thesis. The remaining outputs from all the regressions can be seen in appendix 4.

Before performing the regressions a new variable has been made. The answers from question 1 have been made into a binary variable. This variable replaces the original form of question 1 throughout the analysis.

_Q_1 Board members in management: the variable take value 0 if no board members are in employed in management and value 1 if 1 or more board members are employed in the management.

The major purpose of the statistical descriptive analysis is to gain insight on what characterise the companies that know/do not know the Recommendations on Corporate Governance, and what characterise the companies that use/do not use the Recommendations on Corporate Governance. Therefore, question 8 and question 9 will be used as dependent variables in most of the simple linear regressions. Question 1 to question 6 will be used as the independent variables in the regressions, as these are the variables that contain information about different characteristics of the companies.

It has been doubted how relevant that question 5 about the central competitive parameter of the companies are for the regressions, because differently from the other independent variables it will contain information from a question where the respondents
could tick off multiple options. Therefore the first regressions are made in order to test Q5 on the dependent variables.

**Figure 5: Testing the importance of Q5 as independent variable**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
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<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.861</td>
<td>.113</td>
<td>16.544</td>
</tr>
<tr>
<td></td>
<td>Q_5 Focus on costs</td>
<td>.121</td>
<td>.094</td>
<td>.125</td>
</tr>
<tr>
<td></td>
<td>Q_5 Technical efficiency</td>
<td>.103</td>
<td>.098</td>
<td>.105</td>
</tr>
<tr>
<td></td>
<td>Q_5 High quality</td>
<td>.053</td>
<td>.097</td>
<td>.055</td>
</tr>
<tr>
<td></td>
<td>Q_5 Innovation</td>
<td>-.466</td>
<td>.103</td>
<td>-.455</td>
</tr>
<tr>
<td></td>
<td>Q_5 High level of service</td>
<td>-.257</td>
<td>.106</td>
<td>-.261</td>
</tr>
<tr>
<td></td>
<td>Q_5 Other</td>
<td>-.250</td>
<td>.194</td>
<td>-.129</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Q_9 Use the Recommendation on Corporate Governance  
b. Selecting only cases for which Q_8 Know the Recommendations on Corporate Governance = Yes

According to figure 5, Q5 is explaining some of Q9. In addition the results of the regression give an adjusted R square of 17.3 % and a p-value for the F-test on 0.1% (appendix 4). For data collected with companies as respondents a value of adjusted R square above 10% should be considered successful, but even regressions with smaller values in adjusted R square can have relevance. In contrast to figure 5 a similar regression that can be seen in appendix 4 with Q8 as a dependent variable results in an invalid model looking at adjusted R square and the p-value for the F-test. These results are indicating that Q5 is important for the explanatory power in regressions with Q9 as an independent variable, but not with Q8 as an independent variable. These circumstances do that all the regressions in the following part of the analysis have been performed both with Q1 to Q6 as independent variables, and in a similar variant just excluding Q5.

In order to find out what characterise the companies who know/do not know the Recommendations on Corporate Governance the regression beneath will contain a model with Q8 as the dependent variable.
Figure 6: Regression testing for characteristics of the companies who know/do not know the Recommendations on Corporate Governance

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
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</thead>
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<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1,742</td>
<td>.232</td>
<td></td>
<td>7,520</td>
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<tr>
<td>Q_1 Board members in management</td>
<td>.168</td>
<td>.069</td>
<td>.173</td>
<td>2,434</td>
</tr>
<tr>
<td>Q_2 Founder or founder's family</td>
<td>-.077</td>
<td>.067</td>
<td>-.079</td>
<td>-1,148</td>
</tr>
<tr>
<td>Q_3 CEO connection to owner family</td>
<td>-.084</td>
<td>.077</td>
<td>-.087</td>
<td>-1,098</td>
</tr>
<tr>
<td>Q_4 Foreign board members</td>
<td>-.060</td>
<td>.081</td>
<td>-.047</td>
<td>-.738</td>
</tr>
<tr>
<td>Q_6 Export</td>
<td>.103</td>
<td>.060</td>
<td>.107</td>
<td>1,724</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Q_8 Know the Recommendations on Corporate Governance

The regressions in figure 6 has an adjusted R square on 5.6% and a value for the F-test on 0.2%. The variable “Q_1 Board members in management” has a significant p-value, indicating that companies who has 1 or more board members employed in the management are more likely to know the Recommendations on Corporate Governance. Also the variable “Q_6 Export” is significant with a level of significance at 90%, which is indicating that companies who export are more likely to know the Recommendations on Corporate Governance. As mentioned previously it was found that Q5 has no real influence as independent variable when testing on Q8, and the same regression as in figure 6 also including Q5 as an independent variable do not provides much difference in the result. All the options in Q5 are insignificant and “Q_1 Board members in management” is still significant with almost same numbers. The only difference is that the p-value of “Q_6 Export” has a value of 11.6% and therefore is not significant. But the adjusted R square is higher for figure 6 than in the other regression.

The next regression that is performed has the purpose of testing what characterise the companies that use/do not use Recommendations on Corporate Governance. Therefore the model contains Q9 as the dependent variable.
The regression in figure 7 has a adjusted R square on 17.1% and a value for the F-test on 0.5%. This makes it to one of the most valid models in the analysis. The variable “Q_5 Innovation” has a p-value that cannot get lower technically and therefore a clear indication of that if a company has innovation as a central competitive parameter then it is less likely that they use the Recommendations on Corporate Governance. In addition the results also indicate that companies with High level of service as a central competitive parameter are less likely to use the Recommendations on Corporate Governance. Again considering the results under a level of significance at 90% the variable “Q_6 Export” is significant and indicating that companies that export are less likely to use the Recommendations on Corporate Governance. It can be mentioned that the same regression as in figure 7 excluding the variables from Q5 creates a very invalid model.
The results from figure 6 and 7 regarding the variable “Q_6 Export” is rather surprising. It was not expected that the companies that export, would be less likely to know the Recommendations on Corporate Governance and also be less likely to use the Recommendations on Corporate Governance. The companies that export would be expected to be more experienced and developed than those companies who do not export. An experience they were thought to have reached through their interaction in an international environment.

Also the significant result from figure 7 on the variable “Q_5 Innovation” was unexpected. A simple count show that of those 32 respondents answering yes to Q9 18 ticked off innovation as central competitive parameter, while in comparison 11 of the 62 respondents answering no to Q9 ticked off innovation. Therefore the result indicating that companies with innovation as a central competitive parameter are less likely to use the Recommendation on Corporate Governance is quite surprising. Because the innovative companies was perceived to be more modern and inclined to use a rather new management tool as the Recommendation on Corporate Governance. But as mentioned the regression indicated something different.

As it was mentioned previously in the chapter the major purpose of the statistical descriptive analysis is to gain insight on what characterise the companies that know/do not know the Recommendations on Corporate Governance, and what characterise the companies that use/do not use the Recommendations on Corporate Governance. However, in this last part of the statistical analysis there will be performed a range of additional regressions with the hope of finding other tendencies in the collected data.

To perform the first of the additional regressions one of the variables in the data has been transformed. The answers in Q15 have been made into the following binary variable:

Q_15 No effect vs. effect: Value 1 if the respondents expressed a positive effect of using the Recommendations on Corporate Governance and value 0 if they answered “No measurable effect”.
Figure 8: Regression testing companies that experienced no measureable effect against companies that experienced a positive effect of using the Recommendations on Corporate Governance.

The regression in figure 8 has insignificant results and the adjusted R square and the p-value for the F-test adds to the conclusion of an invalid model. It was hoped that the regression could bring information about the difference between companies that had positive experience with using the Recommendations on Corporate Governance and those who did not. The invalidity of the model also has to be considered in the light that it is based on 32 observations, which can give problems when working with binary variables.

Before another regression could be made the answers from Q12 was transformed into the following binary variable:

### Coefficients\(^{a,b}\)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
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</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.309</td>
<td>1.018</td>
<td>.304</td>
</tr>
<tr>
<td></td>
<td>Q_1 Board members in management</td>
<td>.029</td>
<td>.294</td>
<td>.029</td>
</tr>
<tr>
<td></td>
<td>Q_2 Founder or founder's family</td>
<td>-.077</td>
<td>.277</td>
<td>-.080</td>
</tr>
<tr>
<td></td>
<td>Q_3 CEO connection to owner family</td>
<td>.068</td>
<td>.370</td>
<td>.059</td>
</tr>
<tr>
<td></td>
<td>Q_4 Foreign board members</td>
<td>.078</td>
<td>.304</td>
<td>.068</td>
</tr>
<tr>
<td></td>
<td>Q_5 Focus on costs</td>
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<td>-.230</td>
</tr>
<tr>
<td></td>
<td>Q_5 Technical efficiency</td>
<td>.100</td>
<td>.276</td>
<td>.098</td>
</tr>
<tr>
<td></td>
<td>Q_5 High quality</td>
<td>.050</td>
<td>.228</td>
<td>.053</td>
</tr>
<tr>
<td></td>
<td>Q_5 Innovation</td>
<td>.108</td>
<td>.266</td>
<td>.113</td>
</tr>
<tr>
<td></td>
<td>Q_5 High level of service</td>
<td>.222</td>
<td>.287</td>
<td>.222</td>
</tr>
<tr>
<td></td>
<td>Q_5 Other</td>
<td>-.177</td>
<td>.377</td>
<td>-.109</td>
</tr>
<tr>
<td></td>
<td>Q_6 Export</td>
<td>-.201</td>
<td>.252</td>
<td>-.210</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Q_15 No effect vs. effect
b. Selecting only cases for which Q_9 Use the Recommendation on Corporate Governance = Yes
Q_12 Advantage vs. Stakeholder request: Value 1 if the respondents answered to see a great advantage in using the recommendations and value 0 if the respondents said that they use the Recommendations on Corporate Governance “By request from the stakeholders”.

Figure 9: Regression testing companies that use the Recommendations on Corporate Governance because they see a great advantage in using them against companies that use them by of request form the stakeholders

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
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<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-.314</td>
<td>2.189</td>
<td>-.143</td>
</tr>
<tr>
<td>Q_1</td>
<td>Board members in management</td>
<td>.592</td>
<td>.615</td>
<td>.495</td>
</tr>
<tr>
<td>Q_2</td>
<td>Founder or founder's family</td>
<td>-.473</td>
<td>.490</td>
<td>-.426</td>
</tr>
<tr>
<td>Q_3</td>
<td>CEO connection to owner family</td>
<td>.280</td>
<td>.600</td>
<td>.210</td>
</tr>
<tr>
<td>Q_4</td>
<td>Foreign board members</td>
<td>.674</td>
<td>.730</td>
<td>.505</td>
</tr>
<tr>
<td>Q_5</td>
<td>Focus on costs</td>
<td>.173</td>
<td>.426</td>
<td>.164</td>
</tr>
<tr>
<td>Q_5</td>
<td>Technical efficiency</td>
<td>.394</td>
<td>.575</td>
<td>.374</td>
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<tr>
<td>Q_5</td>
<td>High quality</td>
<td>-.088</td>
<td>.513</td>
<td>-.088</td>
</tr>
<tr>
<td>Q_5</td>
<td>Innovation</td>
<td>.006</td>
<td>.544</td>
<td>.006</td>
</tr>
<tr>
<td>Q_5</td>
<td>High level of service</td>
<td>-.740</td>
<td>.720</td>
<td>-.726</td>
</tr>
<tr>
<td>Q_5</td>
<td>Other</td>
<td>-.756</td>
<td>.614</td>
<td>-.478</td>
</tr>
<tr>
<td>Q_6</td>
<td>Export</td>
<td>.118</td>
<td>.688</td>
<td>.112</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Q_12 Advantage vs. Stakeholder request
b. Selecting only cases for which Q_9 Use the Recommendation on Corporate Governance = Yes

Just as in the previous regression the model in figure 9 has no significance in the results. Again it has to be mentioned that the model is performed with 18 observations. 1 observation had to be removed as the respondent had answered with a tick off in both options.
To create the last regression in the descriptive statistical analysis the answers from Q10 had to be transformed into the following binary variable:

**Q_10 Not suitable for the company vs. rest:** Value 1 if the respondents answered “They are not suitable considering the company's situation and value 0 if answer in other option than that.

---

Figure 10: Regression testing the companies that do not use the Recommendations on Corporate Governance because they are not suitable considering the company’s situation against the rest of the companies that do not use the recommendations

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.596</td>
<td>.627</td>
<td>.951</td>
</tr>
<tr>
<td></td>
<td>Q_1 Board members in management</td>
<td>.088</td>
<td>.182</td>
<td>.087</td>
</tr>
<tr>
<td></td>
<td>Q_2 Founder or founder's family</td>
<td>.205</td>
<td>.180</td>
<td>.204</td>
</tr>
<tr>
<td></td>
<td>Q_3 CEO connection to owner family</td>
<td>-.190</td>
<td>.222</td>
<td>-.179</td>
</tr>
<tr>
<td></td>
<td>Q_4 Foreign board members</td>
<td>-.066</td>
<td>.190</td>
<td>-.051</td>
</tr>
<tr>
<td></td>
<td>Q_5 Focus on costs</td>
<td>-.104</td>
<td>.148</td>
<td>-.104</td>
</tr>
<tr>
<td></td>
<td>Q_5 Technical efficiency</td>
<td>.024</td>
<td>.153</td>
<td>.023</td>
</tr>
<tr>
<td></td>
<td>Q_5 High quality</td>
<td>.053</td>
<td>.154</td>
<td>.051</td>
</tr>
<tr>
<td></td>
<td>Q_5 Innovation</td>
<td>.060</td>
<td>.205</td>
<td>.046</td>
</tr>
<tr>
<td></td>
<td>Q_5 High level of service</td>
<td>-.127</td>
<td>.164</td>
<td>-.124</td>
</tr>
<tr>
<td></td>
<td>Q_5 Other</td>
<td>-.121</td>
<td>.364</td>
<td>-.052</td>
</tr>
<tr>
<td></td>
<td>Q_6 Export</td>
<td>.066</td>
<td>.170</td>
<td>.064</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Q_10 Not suitable for the company vs. rest
b. Selecting only cases for which Q_9 Use the Recommendation on Corporate Governance = No

The simple linear regression performed in figure 10 does not contribute with any additional results in the analysis. Even though there was an expectation of finding something that would characterize the companies that do not that think that the
Recommendations on Corporate Governance are suitable considering the company’s situation.

6.3 Limitations

A range of different circumstances have results in various limitations in the data. The design of the questionnaire has given some limitations in the data. There are situations where questions maybe should have been constructed differently for the answers to be more useful in the analysis.

In general the respondents had a tendency to use the option “Other” too much in their answering in some of the questions. Because of the many answers in the option “Other” it has been considered to manually arrange the data into groups of answers with similarity. Unfortunately there is simply too much difference in the self-written answer to make valid groupings. So no new options in the questions have been made from the data found in the option “Other”. Furthermore, a technical error in StudSurvey made it possible for the respondents to answer “Other” without typing any text. This technical error in StudSurvey resulted in missing content in the extracted data.

If the companies have had much turnover on management positions it could affect that the respondents do not have a full overview of the history in the company, and therefore cannot provide complete answers.

The simple linear regressions in the analysis are all performed with many binary variables in the models. It can be hard to achieve significant results when using binary variables as there has to be a lot of answers taking the value of 1 in the data. If there is not sufficient, it can be hard to catch significances in the data.
7. Perspective

For many reasons corporate governance is an interesting topic. It becomes clear that corporate governance is still in a developing phase where governments and companies try to figure out how to approach and handle corporate governance. In the same way the process of writing this thesis has been a quite a task, because the survey in the thesis has no predecessor to draw back on. Which make it relatively challenging in order to define the area of the thesis. However, the difficulty level is clearly outweighed by the opportunity to contribute with new material on the subject. Denmark has the Committee on Corporate Governance which handles the Recommendations on Corporate Governance. The process of contacting Danish companies to find out whether they know the Committee and its publication was an exciting course peaked by a satisfactory number of 255 respondents.

Working with a topic as corporate governance for a long period challenge the ability to focus and work within the delimitations of the thesis. It is natural to come across many interesting subjects during the work progress. Therefore, there are several subjects that would have been interesting to go more in depth with.

The subject: costs of corporate governance were not included in the thesis but is also quite interesting. Considerations about costs of corporate governance definitely also has relevance in the debate of corporate governance. Though the cost-benefit situation within corporate governance is an interesting matter, it is far too complex to be included in the thesis. Unfortunately, statistically it is very hard to isolate the elements that corporate governance improve in companies, why it is very difficult to prove directly that performance and corporate governance has positive correlation (Thomsen 2008).

Because of the difficulty of quantifying corporate governance, it is very likely that future research of corporate governance could benefit from taking a qualitative approach to the subject. Especially the issues this thesis address would be very interesting to work more with in the future for example by including a qualitative approach in the analysis of companies. The qualitative approach would make it possible to retrieve more of that information that is bypassed when using a questionnaire.
Regarding the results from the analysis it is remarkable that 12.5% of the companies use Recommendations on Corporate Governance. Considering that the companies in the target population of the survey are relatively large Danish companies, it would have been expected that more of them use the Recommendations on Corporate Governance. If not fully then partially. But of-course it has to be considered that all companies, besides those public traded, use the Recommendations on Corporate Governance solely on a voluntarily basis. Reflecting on future development on the use of Recommendations on Corporate Governance among the not-public traded companies, it cannot be rejected that more companies in the future will use them on a voluntarily basis. The many corporate scandals in recent time have increased the authorities focus on corporate governance, and most likely they have considered more legislation on the area. Therefore if the companies initiate a voluntary use of the Recommendations on Corporate Governance they might intervene legal action from the government side. Although a widened use of the Recommendations on Corporate Governance will definitely require an information campaign considering the fact that only 45.9% of the companies know the Committee on Corporate Governance and only 36.5% of the companies know the Recommendations on Corporate Governance.
8. Conclusion

There is no doubt that the focus on corporate governance has been increasing much over the last decades in light of corporate scandals and stricter requirements. The increased focus exists both in the academic world and in the business world. However, in Danish perspective there is not much research within the area. The research that has been made within corporate governance in Denmark has mainly been based on results from surveys of the public limited companies. The purpose of this thesis was to give a snapshot of the widespread and use of the Recommendations on Corporate Governance in the largest non-financial private limited companies in Denmark. These companies are not required by law to take a stand on the Recommendations on Corporate Governance and they therefore belong to the secondary target group of the recommendation. The work in thesis is new of its kind because there is no research of similar kind performed on Danish companies. While this makes the content very interesting it at the same time increase difficulty level as there is no former work to draw back on.

Chapter 2 provided the most relevant theory that lies behind corporate governance. Agency theory and related theories such as asymmetric information was explained in order to understand what mechanism corporate governance deals with. Thereafter the content of chapter 3 described the conditions in Denmark which found the basis for how corporate governance functions. Denmark was described as a country with low corruption, efficient juridical system and characterised by high degree of family ownership and majority shareholders in the companies. In chapter 4 the focus was on the Committee on Corporate Governance. The Committee handles the Recommendations on Corporate Governance and they revised and updated the recommendations as recent as April 2010. It was also determined that the Recommendations on Corporate Governance are in compliance with the OECD Principles of Corporate Governance, and that the recommendations also respect the decisions of the European Union Commission.

The thorough work with creating a good research design was described in chapter 5. The survey was made as an electronic questionnaire sent out through StudSurvey. The target population consisted of 2020 companies that all respected the following criteria: (1) Only Danish private limited companies, (2) Only non-financial companies, (3) Only
companies that are minimum medium sized and (4) Only companies that have an email address as contact information. The electronic questionnaire had 255 respondents equalling a response rate of 14.4%.

All the collected data was analysed and some remarkable results was found. The answers showed that only 45.9% of the responding companies know the Committee on Corporate Governance. Furthermore, only 36.5% of the responding companies know the Recommendations on Corporate Governance. The analysis showed that 12.5% of the responding companies use the Recommendations on Corporate Governance either fully or partially. Of those 32 (12.5%) responding companies that use the Recommendations on Corporate Governance only 3 answered that they experienced “Increased focus on economy and results” while none answered “Easier to attract investors”.

Further analysis was made on the collected data. This was in form of simple linear regressions performed in PASW Statistics 18

The first important regression was performed to answer the question: What characterise the companies that know/do not know the Recommendations on Corporate Governance? The results indicate that companies who have 1 or more board members employed in the management are more likely to know the Recommendations on Corporate Governance. With a significance level of 90% the results also indicate that companies who export are more likely to know the Recommendations on Corporate Governance.

The second important regression was performed to answer the question: What characterise the companies that use/do not use the Recommendations on Corporate Governance? The results indicate that companies who has innovation as a central competitive parameter is less likely to use the Recommendations on Corporate Governance. In addition the results also indicate that companies with high level of service as a central competitive parameter are less likely to use the Recommendations on Corporate Governance. Furthermore, with a significance level of 90% the results also indicate that companies that export are less likely to use the Recommendations on Corporate Governance.

Through the statistical analysis it has been tried to find a clear systematic difference that could explain: What characterise the companies that know/do not know the
Recommendations on Corporate Governance? and What characterise the companies that use/do not use the Recommendations on Corporate Governance?. The statistical results of the analysis have not provided enough evidence to prove the existence of certain patterns. On one hand, it could be that the factors tested in the thesis are the right to explain who know the Recommendation on Corporate Governance and more importantly who use the Recommendations on Corporate Governance. On the other hand, it could simply be coincidental who know and who use the Recommendations on Corporate Governance.
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