NHH celebrates its 75th anniversary

On 7 September 1936, the Norwegian School of Economics and Business Administration was formally opened by King Haakon VII. It was a day to remember for Norway and the city of Bergen.

10 ‘A forceful programme’

Ambitions are high as NHH celebrates its 75th anniversary. High profile business leaders are cooperating with NHH on an action programme that aims to make NHH one of the best business schools in Europe by 2021. ‘A forceful programme,’ says Idar Kreutzer.

18 Among the world’s 100 best Executive MBA programmes

Last autumn, the Norwegian School of Economics and Business Administration was included for the first time on the exclusive list of the world’s 100 best Executive MBA programmes. The Financial Times is behind the ranking.

21 Justice and moral behaviour

Our perception of inequality and of what constitutes fair distribution develops dramatically during our adolescent years. In May, an article by four researchers at NHH on the development of our sense of justice and moral behaviour was printed in Science, one of the world’s most prestigious journals.
30 Inaccurate personality tests

In Norway, there are no restrictions on the use of personality tests in recruitment processes. Between 40 and 50 different personality tests are in circulation. Half of them would not be certified by Veritas.

‘I am very sceptical about tests in general, first and foremost because tests are not very accurate when it comes to predicting who will do the best work’, says Professor William Brochs-Haukedal.

42 Establishes Center for Service Innovation

NHH has received a grant of up to 80 million NOK from the Research Council of Norway to establish a Centre for Service Innovation. The centre will have status as a Centre for Research-based Innovation (SFI).

46 Author kills off NHH alumnus

Asle Skredderberget, business economist from NHH. Photo: Siv Dolmen.
Seventy-five years since the opening of NHH

On 7 September 1936, the Norwegian School of Economics and Business Administration was formally opened by King Haakon VII. It was a day to remember for Norway and the city of Bergen.

Text: Bjørn L. Basberg, Professor in Economic History at the Department of Economics

A great crowd turned up at Muséplass square to see the King, accompanied by the Minister of Trade, the Mayor of Bergen, several members of the Storting, the rector of the University of Oslo, and, last but not least, Kristofer Lehmkühl. The day started with an opening ceremony and matriculation in the school’s new building. The City of Bergen then hosted a luncheon at the restaurant at the top of Mount Fløyen. The day concluded with a grand celebratory dinner at Handelens og Sjøfartens Hus.

There was cause for celebration. More than 20 years had elapsed since the original initiative, and it had not been an easy battle.

**Tanks school and a commercial high school**

Internationally, the first business colleges started to emerge in the 1890s. In Scandinavia, Stockholm and Helsinki founded such schools in 1909 and Copenhagen in 1917. It was only natural that similar plans were laid in Norway. Different types of education in commerce, bookkeeping etc. had existed for a long time. In 1875, Christiania Handelsgymnasium ("Christiania commercial high school") was founded and became Norway’s most prominent educational institution in the field.

Bergen established similar programmes at Tanks school in 1899 and at the
newly established Bergen Handelsgymnasium (‘Bergen commercial high school’) in 1904. The first plans to establish a higher educational institution were laid by circles attached to these schools.

An important milestone in this context was the appointment of a committee in 1909 under the auspices of Den norske Handelsstands Fellesforening in Kristiania (Oslo). It was tasked with studying the possibilities for establishing a business school in Norway. The committee, which presented its recommendation in 1914, concentrated on the academic structure for an institution of higher education in business. It consciously chose not to discuss its location, leaving that up to the Storting in full knowledge that it would be a difficult decision, as Kristiania, Bergen and Trondheim were all potential candidates.

Success for Bergen
Bergen did not waste time trying to influence the location issue. The idea of a business school had been put forward even before Bergen Handelsgymnasium was formally founded. Following the committee’s recommendation in
1914, a concrete initiative was launched in 1915 to establish Foreningen til oprettelse av Norges Handelshøyskole (association for the establishment of a Norwegian school of business in Bergen).

The chairman of the select committee – from its establishment on 24 January 1916 – was cabinet minister Kristofer Lehmkuhl, later often referred to as the father of the school. Merchant Johan R Rogge should also be mentioned as one of the driving forces. Together with Lehmkuhl, he had actively participated in the work of establishing Bergen Handelsgymnasium, and he had also been a member of the national committee. Bergen’s initiative was successful. Even before the association was founded, many supporters were mobilised, and not only from Bergen. Money was raised, including contributions from the King and Queen. Some felt that the question of the school’s location was decided long before the matter was considered by the Storting.

This proved to be the case. On 1 June 1917, the Storting decided that Norges Handelshøyskole was to be located in Bergen.

Architectural competition in 1919
The initiators acted quickly. The Storting assumed that the City of Bergen would make land available on which to build
The school. A site was secured in 1918, when ship-owner Haakon J Wallem donated a big area in Breiviken. The first architectural competition was announced in 1919. However, many years would elapse before the school could open.

The most important reason for this was that the Storting found itself unable to back up its decision with sufficient funds. The original decision was made at the end of the first world war. Then came the post-war depression, followed by years of economic hardship for the nation.

The same applied to the City of Bergen’s economy, which resulted in continuous delays in the building of a new road to the building site, which at that time was far from the city centre. The planning of a programme of study continued, however. In order to make headway, the association purchased a villa at Muséplass, across the square from Bergen Museum. This was where Norges Handelshøyskole finally opened on 7 September 1936.

Sixty students were admitted. They came from all over Norway and were selected from 236 applicants. This was many more than expected. The study programme took two years and led to a so-called Handelsdiplom ('business diploma') exam.
The obligatory courses were business administration and economics. In addition, the students could choose from several elective courses: three language courses, law, economic geography and history. Eight teachers had been appointed – one for each course.

No rector

There was one obvious thing missing from the newly established school, namely a rector. However, the school’s council, which the rector would eventually chair, was in place.

The council was chaired by Kristofer Lehmkuhl as the association’s representative. The composition of the council as a whole is interesting, however, as it shows that the Norwegian School of Economics and Business Administration had both national and local support. The ministry was represented, as was the University of Oslo, the country’s only university.

Local support was secured through the two representatives of the association and one representative of Bergen Museum, which was the city’s most prominent academic institution at the time. During the school’s first year, the position of rector was naturally a main concern, and it was decided that the position would go to Professor Ingvar Wedervang. He was the university’s representative on the council and was granted leave of absence from his position as Professor of Economics at the University of Oslo. He took up the position at the start of the academic year in 1937. With the exception of three years during the war, he was the school’s rector right up until 1956 and was therefore a major influence during these important years in the school’s history.

The plot of land in Breiviken had not been forgotten. The building of a new school was a regular item on the school’s agenda from its first year of operation. There would be many frustrating years in which the necessary government funding was not secured. It was only towards the end of the 1950s that concrete building plans were drawn up, and the building was finally opened in September 1963. The school was once again opened by the King, but this time the king was Olav V. A lot had changed since the school’s inception. That autumn, twice as many students (126) had been admitted to the study programme, which had been extended to three years in 1946. The title of its graduates also changed. From 1953, graduates could call themselves siviløkonomer (‘business economists’) - the title that would eventually become NHH’s trademark.

NHH Alumnus and Adjunct Professor Finn E Kydland wins the Nobel Prize for Economics in 2004, together with Professor Edward C Prescott of Arizona State University.
With SNF and AFF

Looking back at the years that have elapsed since the school opened in 1936, there have been many major changes. The number of students and staff at the school has increased significantly. The number of courses has naturally increased considerably, though you can still get a sense of the original structure. Research has a more central role at the school, and its international connections have been strengthened.

Activities relating to continuing and further education, externally financed research (SNF) and management training programmes (AFF) also mean that the NHH group now has a much wider reach than in the beginning.

The length of the main study programme has been further extended to the current five-year programme, with Bachelor’s and Master’s programmes similar to those at other universities and university colleges. The siviløkonom title is about to become history. Norwegian education as a whole has changed. For many years, NHH was the only Norwegian institution offering higher education in business administration. In the 1960s, the regional colleges emerged on the scene. In time, several institutions became entitled to educate siviløkononmer.

Bedriftsøkonomisk Institutt – the Norwegian School of Management BI – gradually developed into an institution on an equal footing, based in Oslo. The international scene has also changed. Students no longer have any qualms about setting off around the world to study.

From the start, NHH was an elite institution that had few, but very capable students. Over several generations, many of its graduates have gone on to leading positions in business and industry and in society as a whole. Today, the school admits over 400 new students every year, and the environment has thus changed dramatically. Nevertheless, NHH has kept much of its distinctive character. As an independent and autonomous institution, the school is still small. It is favoured with capable students who are attractive in the job market, and the school also attracts capable researchers and teachers.

In 1963, NHH moves to a new, purpose-built campus at Breiviken, outside the centre of Bergen, making it possible for an increase in the size of the faculty and a major expansion in research. The photo shows Rector Jan I Haaland and Managing Director Ole Hope.

In 2010, Katarina Östergren was appointed as a professor at NHH. Ms Östergren works in the Department of Accounting, Auditing and Law. This is NHH’s eleventh female professor – an impressive development. The first female professor at NHH was Siri Pettersen Strandenes, appointed in 2002.
Ambitions are high as NHH celebrates its 75th anniversary. High-profile business leaders are cooperating with NHH on an action programme that aims to make NHH one of the best business schools in Europe by 2021. ‘A forceful programme,’ says Idar Kreutzer.

The business committee has given NHH its full support in its ambition to use the anniversary to strengthen the school’s position internationally. Idar Kreutzer, CEO of Storebrand ASA, chairs the committee that has drawn up the action programme.

Together with several high-profile business leaders in the group, coordinator Victor D Norman and Rector Jan I Haaland succeeded in getting a concrete action programme in place. It has three key elements: recruitment and qualification, market and relations, and thematic priority areas. The programme is entitled NHH 2021 (see the fact box).

Recently launched

Rector Jan I Haaland presented the action programme at the Autumn Conference organised by NHH in Oslo on 13 October. The day before, the school had met with Minister of Trade and Industry Trond Giske to inform him about the initiative.

‘This is a good example of productive cooperation between the business sector and NHH. As business leaders, we feel certain that the action programme will be important to the school and contribute to competence development in future,’ says Idar Kreutzer.

‘Why is it important to cooperate with academia?’

Text: Sigrid Folkestad  Photo: Hallvard Lyssand
'I believe that dialogue and cooperation between the business sector and academia lead to an important transfer of competence and exchange of experience. Besides, the business community has always recruited many NHH graduates, and I studied at NHH myself. I thought this was a good opportunity to give something back to the school. NHH is an important institution in Norway, and agreeing to chair the committee was not a difficult decision.'

After talking with Jan I Haaland, Mr. Kreutzer was quickly convinced that this was something he should devote time and energy to.

‘If it had simply been a sort of fund raising committee for a party, I wouldn’t have been interested. The project Mr Haaland presented was something completely different. NHH wanted to use the anniversary as the foundation for an academic initiative to take the school a step further. The aim of programme was to form the basis for raising the school’s profile both nationally and internationally, and NHH wanted to use this opportunity to define new ambitions.

No reminiscing
Rector Jan I Haaland thinks the anniversary is a perfect opportunity to show the world that the school is thinking ahead and not just reminiscing over previous achievements.

‘This action plan will contribute to realising NHH’s visions and strategy. NHH shall be a business school of a high international standard and a driving force for social and business development,’ says Mr Haaland, and adds:

‘The business committee is very enthusiastic about contributing to strengthening NHH. It is surprising and gratifying that they are willing to spend so much time and energy on us. I think we have drawn up a very good action programme and I am very excited about seeing this work put into practice.’

Minister of Trade and Industry Trond Giske stresses that the research topics are very important and relevant. The Ministry of Trade and Industry therefore wishes to participate in this kind of knowledge development.

‘There are many reasons why the turbulent economic situation and the international crisis affected Norway less than we might have feared. The Government understood the gravity of the situation early on. We adopted packages of measures for the municipalities and business and industry and made sure that the economic activity level was maintained,’ says Mr Giske.

‘Knowledge gained from research in economics helped us do the right things – and in the right way. Now that
one of our most prominent and key research communities wants to develop further in the ministry’s field, and since the research topics are relevant to the policy areas we are responsible for, it is only natural for the Ministry of Trade and Industry to participate in this knowledge development. I have therefore ensured that we will contribute NOK 1 million to the programme Crisis, restructuring and growth this year. This programme and the other topics are all important to innovation and business policy.

‘What does the business sector get out of such cooperation, Idar Kreutzer?’

‘The business community needs qualified candidates and access to internationally recognised academic environments. It makes sense to support the development of one of Norway’s most prominent competence-based institutions. This cooperation also gives us greater insight into and understanding of the special needs of a leading educational and research institution.

Stimulates research

Mr Kreutzer believes that the business sector’s cooperation with and feedback to an institution like NHH is important to the research environment. Mr Kreutzer stresses that he and the rest of the business community are very aware that the business sector’s short-term needs should not influence the research community’s long-term agenda.

‘We have great respect for research, but when the universities and university colleges are preparing their research agendas, it is a good idea for them to know what is important to society and the business sector. That is useful information for the research community.’

‘Now you’re touching on the question of whether the business sector influences research?’

‘What the business sector wants is to stimulate research, not influence it. We fully understand the importance of basic research and the need for independent research. Research and competence-building are very important to the development of society. That is particularly clear in a country like Norway,’ the CEO says.

‘We have to provide a framework and incentives that can help important research environments to grow stronger and form the basis for the jobs of the future.’

Looking beyond

‘The business committee was appointed in connection with the anniversary. The programme has now been given the title NHH 2021. It covers a range of important research topics. Did you envisage it being this comprehensive both in relation to content and time?’

‘I was pleasantly surprised by how concrete and clear it proved to be, and how forceful its impact looks like being.’ Mr Kreutzer says that all the committee members agreed that their work would be guided by the ambition of looking to the future and creating something much more than an anniversary celebration.

‘There are three big priority topics. Is there anything you find particularly interesting?’

‘I think all of these three areas are interesting. We considered many alternative priority areas, and these are the three areas that really encompass the topics that are important to NHH. I also think they are important topics to Norway as a whole. These are research areas in which we have a real opportunity to make our mark internationally.’

What the business sector wants is to stimulate research, not influence it. We fully understand the importance of basic research and the need for independent research.

Idar Kreutzer
‘Money will be raised?’
‘Definitely. That’s part of the project. Crisis, restructuring and growth has its own financing process. As for the FOCUS programme, we have secured funding for a pre-project. Our goal was to raise NOK 1 million for that, and we have now succeeded in that.’

Ten Norwegian businesses contributed NOK 100,000 each to FOCUS. As regards the Centre for Service Innovation, DnB NOR and Storebrand have financed it together with other corporate partners. In December, the NHH group was awarded a total of NOK 80 million over a ten-year period by the Research Council of Norway to establish and run the centre as a so-called SFI centre (Centre for Research-based Innovation).

A competent nation
The business committee’s ambition is to lift NHH to a higher European level. If it succeeds in doing so, what will it mean to the companies that contribute?’

‘It would mean a lot. The direct effect is higher status for the institution, which will have access to even better experts and students. The result of that is that we in the business community will be able to recruit these capable students and that we will have a more competent expert environment to draw on,’ says Mr Kreutzer.

Mr Kreutzer believes that the indirect effect is that countries with outstanding competence environments in different fields attract bright people, which in turn attracts capital to fund innovation. ‘They develop enterprises and ideas, which in turn attract bright people. That helps to create a virtuous circle. If there is one overriding vision behind our work, it is to contribute to making Norway a nation known for its expertise, where bright people from all over the world can come and help develop tomorrow’s competence,’ Mr Kreutzer concludes.

Exciting
‘I find this really exciting. NHH 2021 can give the entire NHH group a real boost,’ says Per Heum, Managing Director of the Institute for Research in Economics and Business Administration (SNF). SNF is the entity in the NHH group that organises externally financed applied research. Mr Heum believes it is the right choice to make such thematic investments in selected academic fields where researchers across the NHH group can be involved.

‘SNF and the NHH group both have a strong wish to contribute to strengthening business-oriented research and to obtaining funding for applied research from important players in the fields in which research is conducted. The NHH 2021 initiative will definitely contribute to this,’ says Mr Heum.

NHH 2021: An action programme
1: Recruitment and qualification to strengthen the academic staff.
2: Measures for boosting NHH’s presence and visibility in the executive and corporate markets.
3: Three thematic priority areas aimed at boosting the NHH Group academically and in relation to the market:

Crisis, restructuring and growth was established in 2009. It is a five-year research, teaching and dissemination programme on the causes of the financial crisis, its impact on restructuring needs and prospects for growth in the time ahead. The work is headed by Professor Victor D Norman and is being carried out in cooperation with the authorities, various organisations and individual companies.

Focus (Future-Oriented Corporate Solutions) is a wide-ranging programme based on challenges relating to valuation, strategy and management in knowledge-based enterprises. The programme is headed by Associate Professor Inger Stensaker and is being carried out in cooperation with a number of companies.

The Centre for Service Innovation’s work is based on the fact that the service sector is the biggest and fastest growing part of the economy. Future growth and value creation are critically dependent on innovation and increased productivity in the service sector. NHH and several partners are establishing a centre for service innovation that has clear research ambitions. The programme is headed by Professor Per Egil Pedersen.

Member of the business committee
Idar Kreutzer, CEO, Storebrand (Chair)
Elisabeth Berge, Secretary General, Ministry of Petroleum and Energy
Helge Lund, CEO, Statoil
Erik Mamelund, Country Managing Partner, Ernst & Young
Katrine Trovik, Division Director, DnB NOR
Jens Ulltveit-Moe, President and CEO, UMOE
Victor D Norman, Professor, NHH (Internal Coordinator)
Rector Jan I Haaland
Must be able to handle uncertainty

What is the most efficient solution for companies who want to grow and develop in a future where restructuring is the new norm? NHH’s new business-oriented FOCUS programme will search for the answers.

Text: Hallvard Lyssand  Photo: Kristian Helgesen/Arkiv

How should businesses tackle a future in which the world is increasingly internationalised, where ownership structures are constantly changing, where the boundaries between industries and between organisations are becoming less and less clear and where employees are increasingly multicultural and highly qualified?

These are some of the fundamental questions that will be investigated in the NHH group’s new research programme FOCUS (Future-Oriented Corporate Solutions), which is also an important part of the action programme NHH 2021.

The goal is to challenge existing theories and to develop new theories and models to help businesses to handle uncertainty and make them better equipped to deal with the challenges of the next decade.

Interdisciplinary

‘FOCUS is an innovative programme based on the recognition that we need an interdisciplinary programme that focuses on the challenges businesses will face in the years ahead,’ says Associate Professor Inger Stensaker of the Department of Strategy and Management.

Associate Professor Stensaker heads the programme and is part of a core team consisting of five researchers from the Institute for Research in Economics and Business Administration (SNF) and various departments at NHH.

‘We have initiated a pre-project that will run until spring 2011 and form the basis for the main programme. The goal is to get groups from different fields to work together, and so far, about 30 researchers are involved,’ says Associate Professor Stensaker.

‘In terms of organisation, we have looked to NHH’s five-year programme Crisis, restructuring and growth and how they have managed to mobilise on an broad basis from different parts of the NHH group and bringing different perspectives to bear on one problem. Another example is the Beyond Budgeting project, where the Department of Strategy and Management and the Department of Accounting, Auditing and Law joined forces in a collaboration with Statoil. We also have experience of cooperating with the business community from both the action research project in connection with the Statoil-Hydro merger and the GOLD project,’ she adds.

Not contract research

Cooperation with business and industry is an important part of FOCUS. The business committee that has been established in connection with NHH’s 75th anniversary in 2011 has actively contributed ideas for topics and research questions and has secured funding for the pre-project.

‘SNF has contributed NOK 500,000 to the pre-project. In addition, we have ten business partners who are contributing NOK 100,000 each. The companies also wish to contribute directly, however, and we are going to hold a working seminar with them and organise other forms of ‘sparring’ to arrive at practical and relevant research topics,’ says Associate Professor Stensaker.

However, she stresses that this will not be contract research.

‘We will not deliver anything to the companies, but they will report back to us if they find our work interesting. In the long term, it could also be an option to cooperate on research and collect data in the companies, as has been done previously in the research projects GOLD and Beyond Budgeting.

Good questions

In connection with the pre-project, however, more groundwork still needs to be done.

‘We have formulated four key questions that we believe have to be answered if
businesses are to tackle the challenges they will face in 2021.’

- How can important and correct long-term strategic decisions be made with regard to valuation and financing when companies’ assets are mostly intangible?
- How can efficient management and control of enterprises be ensured?
- How can the capacity for change be developed in the organisation?
- How can competitive advantages be created based on highly qualified employees?

‘Through the pre-project that will run until spring 2011, we will lay the foundation for the ensuing main project by mapping existing research relating to the four chosen key questions and identifying the challenges and problems associated with current theories.

We must also prepare concrete research questions and proposals for how they can be researched,’ Associate Professor Stensaker explains.

‘It is about a matter of pinpointing the most pertinent questions and deciding what to focus on. And it is important to keep up-to-date,’ she continues.

Systematic and analytical

‘But the companies already exist and compete in the changing world you describe, and they have to work actively on changes all the time. Can research keep up with and even be one step ahead of developments?’

‘Sometimes, businesses are quicker than researchers and come up with things on their own, which is fine and certainly does not make the field less interesting. A lot of what we work on has been picked up from businesses, but we have a systematic and analytical approach when it comes to understanding the solutions the companies choose and their possible consequences,’ Associate Professor Stensaker points out.

‘Our point of departure is to look at what is happening in society and find out what it means for businesses. We are aware of some development trends, such as more and more qualified employees, more multicultural working environments, new forms of cooperation and new types of relations with customers. But there is a lot we don’t know. Our job will be to think up future solutions for businesses, understand them when we see them and thereby answer the question of how businesses can become more efficient in 2021.’
A good leader?
This autumn, the Norwegian School of Economics and Business Administration (NHH) was included for the first time on the exclusive list of the world's 100 best Executive MBA programmes. The Financial Times is behind the ranking.

In 2010, other management training programmes at NHH and the Administrative Research Institute (AFF) have also demonstrated their strength and quality. The Solstrand Programme, the AFF Young Leaders programme and NHH’s Corporate Finance programme were included in the international assessment, and both institutions are ranked among the top 50 in the world in the Financial Times’ annual ranking of Executive Education programmes.

Ill: Willy Skramstad
Among the best in the world in executive education

NHH has for the first time made it onto the exclusive list of the world’s 100 best Executive MBA programmes. The Financial Times is behind the ranking.

Text: Sigrid Folkestad

The ranking shows that NHH is now number 92 of the 100 institutions on the list of the world’s best Executive MBA programmes – master’s programmes for highly educated participants with extensive work experience.

An Executive MBA programme is different from an ordinary MBA programme in that the participants have considerably more work experience. The participants study part-time, while an ordinary MBA student often studies full-time.

NHH offers Executive studies with several specialisations.

‘Our place on the list is great recognition for NHH’s executive education programme. The competition at the top is tough, and only the best schools are included in the ranking. Many business schools all over the world compete for inclusion among the very best. Several thousand institutions offer similar programmes. Being included among the 100 best might not sound that fantastic, but it really is,’ says Elisabeth Løvenholm, Head of the Executive Education Office.

MASTRA, the master’s degree programme in strategic management, is the basis for NHH Executive Education’s current high ranking. The Financial Times’ EMBA 2010 is based on a questionnaire survey of candidates who graduated three years ago, in addition to the educational institutions’ own reports.

Sixteen criteria form the basis for the final ranking. Graduates’ pay and career development is most important (55 per cent). The number of international students and employees and the number of women also count (25 per cent). Knowledge production measured in the number of doctoral degrees and research publications come in addition (20 per cent).

Executive Education has two classes of MASTRA students at all times, with 32 participants in each class.

‘The MASTRA students come from all...’

Elisabeth Løvenholm, Head of the Executive Education Office, NHH.
Trine Lise Bjørvik started the Master of Business Administration programme (MBA) at the Norwegian School of Economics and Business Administration in 2006. After finishing her studies, she was offered a directorship in a bank. ‘It was definitely because of the study programme,’ she says. Today, Ms Bjørvik is an offshore installation manager on the Goliat field in the Barents Sea.

Trine Lise Bjørvik will need all her expertise and work experience, because in the next three years she will help build up the organisation for the operator Eni, the Italian-based company that has been awarded the contract for the operation of the platform in the controversial area off the coast of Hammerfest.

From Statoil
‘The platform will produce oil once it is

This ranking acknowledges the work we do, but it is not just something for us to boast about.

Elisabeth Løvenholm

areas of Norwegian business and industry, both large and small enterprises. A few are from the public sector, but most work in private enterprises. The students are both women and men, but we would like to have more women in the MASTRA programme.’

Women seem to see the decision to start the programme as a bigger step than men do, and some women decline an offer of admission. The participants are aged between 35 and 40.

‘Is competing internationally important?’
‘Absolutely. We have stiff competition from the business schools in Stockholm and Copenhagen, for instance. The best candidates in Norway consider study options in several countries, not just in Norway. Executive Education aims to offer attractive study programmes, and we wish to recruit the best students. This ranking acknowledges the work we do, but it is not just something for us to boast about.’

‘Our goal is to climb even higher up the list,’ says the Ms Løvenholm.

‘Has the financial crisis affected the number of applicants in the last two years?’
‘Not really. We have had a steady stream of applicants. The courses in both Strategic Management and Management Control have been full despite the financial crisis. This year, we have even more applicants, so we have successfully weathered the financial crisis,’ says Ms Løvenholm.

‘MASTRA was the natural choice’

‘Trine Lise Bjørvik is an offshore installation manager on the Goliat field in the Barents Sea. Photo: Eni.’
completed towards the end of 2013. It is the first oilfield to be developed in the Norwegian part of the Barents Sea, with special focus on the environment and oil spill response,’ says Ms Bjørvik.

The offshore installation manager, who is originally from Andenes in Vesterålen, is familiar with the work her job involves. She was also an offshore installation manager in Statoil from 2000 to 2003, followed by a job onshore as an operations manager, where she worked on change processes in the company. After that, Ms Bjørvik worked in the field of health, safety and the environment.

‘When I was working on HSE in Statoil, I realised I wanted further education – primarily because I felt I needed to learn more and wanted inspiration and academic updating. I had worked for more than 20 years and felt the need to increase my expertise, not only to be able to do my current job better, but to become more attractive in the internal job market.’

She considered several different educational institutions and study programmes. She wanted a well-structured programme with lectures and writing assignments as the programme progressed. She chose NHH’s MASTRA programme.

‘MASTRA was the natural choice, as it is an academically interesting and very well-structured programme. Otherwise, it can be tempting to leave everything to the last minute, which many find too time-consuming. It was important to me to acquire a formal qualification, which is much more valuable than courses and skills upgrading without an exam. My MBA makes me much more attractive on the job market.’

Ms Bjørvik believes that the most valuable aspect of the programme is that it provides a theoretical foundation that makes it easier to analyse and understand what is happening in the market and internally in the business, what the driving forces are and what opportunities there are.

‘With my background as an engineer, the first semester was the most demanding, because I had to learn new terms and acquire basic financial knowledge. Even though it was hard to go back to school after many years of working, it was an exciting learning process that gave me new perspectives, which in turn made my job more interesting. It is up to each individual how they use this insight, but, more expertise will help everyone to do a better job.’

After finishing her studies, Ms Bjørvik was offered a directorship in a bank.

‘It was definitely because of the study programme. The board was looking for someone with HSE competence, and a master’s degree from NHH made me more interesting and underlined my professional qualifications. A board of directors has to consider many different strategic issues, for instance in businesses that are planning an expansion or a merger. Knowledge about financial frameworks and models is useful. I feel that I can contribute, that I understand the game and can ask important questions that contribute to increasing the quality of decisions,’ Ms Bjørvik concludes.
Acceptance for more inequality

Our perception of inequality and of what constitutes fair distribution develops dramatically during our adolescent years. In May, an article by four researchers at NHH on the development of our sense of justice and moral behaviour was printed in Science, one of the world’s most prestigious journals.

Text: Sigrid Folkestad

“The question of how moral judgements influence the behaviour of individuals is one of the most important research topics in social science. Our study contributes to this research field,” says Professor Bertil Tungodden.

The article ‘Fairness and the Development of Inequality Acceptance’ was written by Post Doctoral Researcher Ingvild Almås, Professor Alexander W Cappelen, Associate Professor Erik Ø Sørensen and Professor Bertil Tungodden, all from NHH. They are the first wholly-Norwegian social science research group to be published in Science.
Our studies, including the article in Science, clearly show that most people do not consider all inequality to be unfair, but that, on the contrary, they believe that inequalities that reflect differences in contributions to a production process can be morally justified. Alexander W Cappelen

The NHH researchers have conducted experiments that help to explain what influences individuals’ view of justice and in particular how perceptions of what constitutes acceptable forms of inequality develop in adolescence.

**Moral influences behaviour**

The article’s point of departure is recent research investigating how moral judgements influence people’s behaviour.

‘Many people weigh their self-interest against what they deem to be morally correct. This applies, not least, in situations where resources are to be distributed. The extent to which people have contributed to creating the resources at society’s disposal is often crucial in determining what they consider to be fair distribution,’ says Professor Alexander W Cappelen.

People differ greatly both when it comes to how much emphasis they put on considerations of justice and what they consider to be morally legitimate arguments in the debate about distribution.

‘Our studies, including the article in Science, clearly show that most people do not consider all inequality to be unfair, but that, on the contrary, they believe that inequalities that reflect differences in contributions to a production process can be morally justified.’

The article focuses on the development of two important features of adults’ distribution behaviour: that they differentiate between achievement and luck when considering whether something is fair, and that they take efficiency considerations into account.

To study this, the researchers have conducted a computer-based experiment based on two versions of the dictator game. In the traditional dictator game, the participants are paired up via computers. Each pair is awarded a sum of money, and one of the participants has to decide how the money is to be distributed between them. This dictator game does not tell us much about people’s ideals of justice, because the participants are sharing money that neither of them have earned.

‘To study what people consider to be fair in more realistic situations, we chose to introduce a production phase prior to the experiment’s distribution phase, so that the participants were sharing money that they had earned through work,’ says Professor Cappelen.

How much the participants earned, depended on how much they produced and whether they were randomly assigned a high or low price. They also introduced efficiency calculations – how much money a pair received could depend on how the money was distributed.

**Adolescence**

‘The study clearly shows that people’s perception of what constitutes morally acceptable inequality develops dramatically in adolescence. However, the researchers found that there was no change in how much emphasis people put on justice compared with self-interest. In other words, the pupils became neither more nor less selfish,’ says Professor Cappelen.
It is important to stress that we do not prove these things in our article in *Science*. It only concerns our interpretations of the data we report. These are very important issues, because they relate to the interaction between *institutions* and individual preferences. *Alexander W Cappelen*

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**Biology or environment?**

‘Our findings indicate that both biology and the environment are important. New neurobiological research shows that our brain develops throughout adolescence, while it was previously thought that most of this development took place during childhood. We see that cognitive maturation is important to the development of moral preferences in adolescence.’

The study also indicates that the social environment is important when it comes to explaining the moral development of children and adolescents. During adolescence, children are increasingly introduced to a meritocratic culture: they start getting grades at school, they go from children’s sports to teams being chosen on merit, and they are allowed to take paid work. It is reasonable to assume that this contributes to them perceiving inequality based on individual achievement as more and more acceptable.

‘It is important to stress that we do not prove these things in our article in *Science*. It only concerns our interpretations of the data we report. These are very important issues, because they relate to the interaction between institutions and individual preferences,’ Professor Cappelen concludes.

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The NHH researchers differentiate between three different views of justice in situations where money is earned as a result of both work effort and luck: a strong egalitarian view, where all inequality is considered unacceptable; a meritocratic view, where inequality due to differences in work effort is considered acceptable; and a libertarian view where all inequality, also inequality due to luck, is considered acceptable.

‘We found striking differences between different age groups as regards who supported what view on justice. The vast majority of fifth year pupils were strongly egalitarian and, surprisingly, there were almost no meritocrats at this level. In contrast, meritocracy was the predominant position later in the teenage years, and the number of strict egalitarians fell correspondingly,’ says Professor Cappelen.

The researchers also found that efficiency considerations become increasingly important during the course of adolescence, but this development occurs later and is stronger for boys than for girls. These findings are a new contribution to the literature on children’s development, Professor Cappelen believes. An improved understanding of when moral preferences develop, as well as the differences in the views on justice held by different age groups, is important in relation to several issues, he believes.

It is important, not least, in connection with work aimed at children, including education and leisure activities.
Is the worst yet to come?

The question of whether the financial crisis is over has been a key issue in the economic debate during the past year. Just as we thought the world was getting back on its feet, many economists now claim that we are facing a so-called ‘double dip’. They believe the whole world will see a downturn.

Text: Sigrid Folkestad

In a new report, a number of researchers at NHH present an overview of economists’ understanding of crises in the global economy. The report ‘Crisis, Restructuring and Growth: A Macroeconomic Perspective’ has been produced by researchers Ingvild Almås, Gernot Doppelhofer, Jens Christian Haavd, Jan Tore Klovland, Krisztina Molnár and Øystein Thøgersen.

It is part of a series in NHH’s Crisis, Restructuring and Growth programme under the leadership of Professor Victor D Norman. Associate Professor Gernot Doppelhofer is in charge of the macroeconomics part of the crisis programme.

‘The first part of the report describes our reasons for addressing these topics and the academic literature on the financial crisis. The second part of the report outlines what we at NHH are planning to research in future,’ says Associate Professor Doppelhofer.

Doomsday prophecies

Professor Øystein Thøgersen points out that, although this is a big project consisting of many parts, the researchers are now concentrating on conflicting claims about where we are in the development of the crisis. What will the future bring? The economists place on the so-called ‘UVW curve’ is decided by how optimistic or pessimistic they are about the recovery of the global economy. Are things gradually getting better, are things improving rapidly or are things going straight downhill again?

Many economists believe things are going downhill again, according to Professor Øystein Thøgersen. They say we have been in a transitional period where we thought we were doing better, but that we are now on the verge of a new recession.

‘Whether we are in a phase in which we have put the crisis behind us is a matter for debate. The American economics professor and Nobel Prize laureate Joseph Stiglitz is interesting in this connection. He played an important role in the Clinton administration in the 1990s. He claims that the USA can expect 20 years of recession.

‘If the USA, which is still the world’s
A Macroeconomic Perspective

largest economy, is facing 20 years of zero economic growth or very low growth, that will have an impact on the rest of the world,’ says Professor Thøgersen.

‘At least if you believe those who claim that China is really a bubble. Then the global economy will really go downhill.’

If you believe these doomsday prophecies, we can expect twenty years of recession. Personally, I find it hard to believe those who paint such extreme scenarios.’

The macroeconomic questions

In a post-crisis phase, there are two broad macroeconomic questions that are extremely important, say the researchers behind the report.

One question is what will happen to growth following major recessions involving a great drop in GDP and in employment. This creates a situation where the banking industry and the finance sector cease to function optimally and where the banks do not do what they are meant to, namely to lend capital to business and industry and households.

‘Several researchers make reference to data that shows that, for those affected, average growth will probably decline for many years. Professor Stiglitz is really taking this pessimistic view seriously and says that it will be even worse than any other financial crisis in history.’

Another fundamental question is what will happen to countries that have very high public debts.

‘What happens to countries when their public debt exceeds 90 per cent?’ asks Professor Thøgersen. ‘That represents a dangerous situation. There is a great risk of countries with debts exceeding 90 per cent falling into a downward spiral. Greece, for instance, is in trouble, but since the country is so small, there is no global risk. But there are other countries with very high debts. What should we do – be scared? Will everything go to the dogs? This is an area of macroeconomics where more research is needed,’ says Professor Thøgersen.

‘Historical crises have been solved using different methods than employed today, and the Great Depression taught us a clear lesson,’ says Professor Jan Tore Klovland.

‘In the 1930s, the Federal Reserve was severely criticised for not intervening. This controversy was avoided this time as the Federal Reserve intervened resolutely.’

In the report, Professor Klovland writes about historical crises and the experience of different political and economic reactions.
Back to normal

‘In the media, it is popular to compare the current crisis with the crisis in the interwar period, namely the Wall Street stock market crash in 1929. Much of the policy response to the current crisis is strongly influenced by what we learned during and after the Great Depression. Ben Bernanke, chairman of the United States Federal Reserve, is one of the world’s most prominent scholars in economic history and this type of crisis, and there are great differences in the response then and now. The profession has progressed. This time, the Federal Reserve intervened fully and poured liquidity into the banking system,’ says Professor Klovland.

According to Professor Klovland, one of the interesting questions right now is when central banks around the world will start normalising their activities. The situation must be normalised at some point and the infusion of liquidity supply from central banks will have to stop.

‘In 1937, monetary policy was tightened, and the central bank created a very big recessionary wave. The curve then fell as steeply as in 1929, although the country was saved by rearmament prior to the Second World War, and the crisis did not last long – it was a short, but very deep, crisis.

Protectionism

‘Keeping the financial system afloat is crucial and must be ensured at all costs. However, the dimensions of the recession in the real economy were huge at the time. One third of GDP disappeared. A fall of 30 per cent in GDP is unthinkable in our time.’

‘Why was the Great Depression so severe?’ Professor Thøgersen asks.

‘Because they did not have an active stabilisation policy - neither monetary policy nor fiscal policy. What they did do, was to start trade wars. If we had done now what they did then – i.e. nothing – we would be in as bad a situation,’ Professor Thøgersen maintains.

‘Protectionism contributed strongly to the reduction in world trade. The effects were, to put it mildly, detrimental. Despite this, there are still some interest groups that call for more regulated global trade and stricter customs barriers,’ says Professor Klovland.

Professor Klovland stresses that there are clear differences between the two crises, which are 80 years apart, not least when it comes to policy.

‘At first, the crash of 1929 looked like part of a normal cycle, but then the world saw a double dip, which some argue, perhaps justifiably, we will also see this time. However, the force of the impact will not be as strong. We will not see a similar breakdown in the financial system,’ Professor Klovland believes.

Predictions

Associate Professor Gernot Doppelhofer and several other NHH researchers will research issues relating to the field of predictions.

‘We are looking into a type of perfect storm scenario where several factors interact and reinforce each other. The goal is to find out whether a perfect storm can be predicted.

‘If we look at the historical crises and what we have learned from them, why was it so difficult to issue advance warnings given that the crisis was so extensive?’

‘Well, as Queen Elizabeth has often been quoted as saying: “Since this was so big, why did no one see it coming?”’ says Professor Klovland.

‘The economists saw that the development trend could not continue. We said so, not just us researchers, but the finance industry as well. Countries cannot simply borrow more and more – it is simply not sustainable. But no one can predict when this will trigger an uncontrollable spiral. When do institutions lose faith in one other? It’s all about psychology,’ says Professor Thøgersen.

‘The greater fool theory’

The researchers agree that relatively many people saw that a crisis might be looming, but not when or how it would
affect different countries around the world.

‘Macroeconomics is the theory of human behaviour,’ Professor Thøgersen emphasises. ‘I have lectured on this subject for many years. We have presented graphs showing that the USA’s debt has grown more and more, and said the situation is dangerous. But no one can tell when the bubble will burst. In retrospect, you can say that the real estate bubble in the 1980s and 1990s had to burst, but there and then – at the time – you don’t know exactly when it will happen.’

‘As long as somebody is willing to buy your house, you don’t need to worry. The greater fool theory explains this in part. On the one hand, you understand that the situation cannot continue, but on the other hand, it’s OK as long as other people keep the ball rolling.’

This is how both the stock market and the real estate market work, the researchers believe.

In defence of macroeconomists
The economists believe they have a good understanding of what creates vulnerability to disturbances. Part of the reason why Norway has managed so well is that its politicians have maintained relatively strict discipline in relation to the Norwegian economy. Norway’s oil money could have been spent in other ways, which would have put Norway in a completely different situation when the shock came. We have a huge oil fund and it has been used in a disciplined manner.

‘So, when someone asks why the macroeconomists did not issue a warning, they should look at the bigger picture. Norway’s fiscal rule is clearly the macroeconomists’ creation, and the fact that Norway followed this overcautious fiscal rule put us in a unique position to withstand the financial crisis. Norway had a lot of funds to inject when we needed them. The Norwegian state had no problem financing the banks’ “gold cards”. When the crisis came, the oil price dropped dramatically. Because we only spent the return on the fund, we were not exposed to the shock this would otherwise have represented.’

‘This is an example of how a well-founded rule has been allowed to take effect, and of how politicians have accepted such a rule,’ says Professor Thøgersen.

Future research
Future macroeconomic research within the crisis programme at NHH and SNF will address a number of wide-ranging topics. NHH researchers will investigate what happens to countries when they emerge from the recession and what policy lessons can be learned. What are some countries doing right and what are other countries doing wrong? This is one of the big macroeconomic questions in the crisis programme.

Professor Øystein Thøgersen and Post Doctoral Researcher Ingvild Almås have embarked on a study in which they will look at the world’s different economies. Who has fared poorly and who is back on their feet? The researchers will look into various economic reforms in the USA and China.

‘Important questions in this context include how different political reforms affect these countries and what is happening to the balance between them,’ says Professor Thøgersen. Together with NHH researcher Krisztina Molnár, Associate Professor Gernot Doppelhofer has started work on a paper entitled ‘Jointness of Determinants of Financial Crises’.

‘We will investigate how different factors interact in the run-up to and during the course of a crisis in order to put us in a better position to be able to predict financial crises.’ Their aim is to understand what led to the financial crisis that began in February 2007. The two researchers will look at instances of debt crises, bank crises and currency crises, as well as combinations of the latter two, so-called twin crises. The other part of Associate Professor Doppelhofer and Molnár’s project is entitled ‘Expectations and Crisis’. In this project, they will analyse the connections between expectations and uncertainties and the development of financial crises.

The report ‘Crisis, Restructuring and Growth: A Macroeconomic Perspective’ is available at www.snf.no.

So, when someone asks why the macroeconomists did not issue a warning, they should look at the bigger picture. Norway’s fiscal rule is clearly the macroeconomists’ creation. Øystein Thøgersen
Discouraging for the Language Council

Fifteen years ago, the Language Council of Norway presented a list of English words that they had Norwegianised. Now, a researcher has investigated the actual use of such words in Norwegian newspapers. The Language Council’s suggestions have made little impact,’ says Gisle Andersen, Associate Professor at NHH.

Checked 950 million words
In the mid-1990s, the Language Council issued a study of the relationship between the pronunciation and spelling of words imported from English. Supported by the Ministry of Culture, principles were adopted for how imported words could be written with Norwegian spelling. For instance, words such as ‘polish’ and ‘service’ can also be spelled ‘polisj’ and ‘sørvis’.

An important aspect of this is that all Norwegianised word forms can be used as an alternative to the original word forms. The word forms ‘fight’ and ‘fait’ are both permitted.

Now, Associate Professor Gisle Andersen has investigated how the Language Council’s list of permitted Norwegianisations is faring. He has checked their success and has checked a text corpus consisting of a staggering 950 million words. The researcher has searched for all occurrences of around 40 words that the Language Council suggested should be Norwegianised.

‘The Language Council’s suggestions have had little impact. In almost all cases, users choose the original English spelling,’ says Associate Professor Andersen.

He has investigated the words used in a data corpus from 1998 up to the present day. The problem with the Language Council’s suggestions can be illustrated by a word such as ‘overhead’.

Linguist Gisle Andersen of the Department of Professional and Intercultural Communication has studied whether the official recommendations for the use of Norwegianised words, such as ‘gaid’ (guide) and ‘sørvis’ (service) are actually used. He has looked into the use of English words in a corpus consisting of 950 million words. The results are crystal-clear, and discouraging for the Language Council.

Text: Sigrid Folkestad  III: Willy Skramstad

‘This should definitely have consequences for future language normalization’, says Gisle Andersen, Associate Professor at NHH.
'I question the Language Council’s guidelines for a word such as “overhead”, which they suggest should be Norwegianised to “overhedd”, while no similar changes are proposed for other common compound words including “head”, such as “skinhead” or “headline”. Furthermore, the suggested substitute word for “overhead” – “skriftkaster” – is not a very good one. Nor is it an adequate substitute for other meanings of the word, for example in an economic-administrative context, such as “overhead costs”.

The English word ‘guide’ is also on the list. It has been used 69,765 times in the corpus in the period from 1998 until the present. By comparison, the Norwegianised word ‘gaid’ has been used 11 times. No occurrences of ‘overhedd’ were found. Journalists have only used the Language Council’s Norwegianised spelling of ‘head’ (‘to head’), ‘hedde’, twice.

‘How do you assess the use of the Norwegianisations?’

‘The Language Council’s proposals have encountered massive opposition. So far, they have not succeeded in making us use Norwegian spelling when writing these words imported from English. In almost all cases, users choose the original English spelling.

The Norwegian Newspaper Corpus

In order to carry out the extensive word search, Associate Professor Andersen has used a web-based text corpus, called the Norwegian Newspaper Corpus, which has been developed in cooperation with the research company Uni Digital. The corpus consists of newspaper items written in Norwegian bokmål and Norwegian nynorsk, going back to 1998. The monitor corpus automatically extracts the words in question.

‘The Norwegian Newspaper Corpus consists of approx. 850 million words. It is a valuable source of information about the development of the Norwegian language. We have prepared a method for automatically registering newly coined words, such as the Norwegianised word forms. This enables us to continually observe the increase in new words and changes in how the words are used,’ says Associate Professor Andersen.

‘The Language Council has previously been criticised for not wishing to discuss its word lists. What consequences should these findings have?’

‘This should definitely have consequences for future language normalisation. In my opinion, the most important thing is to look at what is actually happening in the use of the written language. We have to take more account of empirical data and learn from what actually works. Some words become popular, others don’t. The Language Council has not taken actual use seriously enough, and that is a shame.’

The NHH researcher nevertheless stresses that Norwegianisation can be a good thing.

‘We have to remember that the suggested words are still relatively new and that such normalisation processes take time. No one wants to return to the time when we wrote ‘citron’ and ‘jealousie’, Associate Professor Andersen believes.

A little less concerned

‘But you are perhaps not too worried about the Norwegian language?’

‘I am not worried about everyday Norwegian at all. I think it will survive, despite the amount of words imported from English. I also believe that English words can in some cases enrich our everyday language and make it more nuanced.’

Associate Professor Anderson stresses that there are several examples of successful adaptation. Words such as ‘punk’ (‘punk’), ‘hipp’ (‘hip’) and ‘rapp’ (‘rap’) are all on the Language Council’s list. ‘Rapp’ has been written 9,894 times in Norwegian newspapers, more than twice as many times as the English variant ‘rap’.

‘It is very important to map how language develops through actual use. But that doesn’t mean that everything is just fine,’ he says. ‘It is particularly important to develop Norwegian specialised language so that Norwegian terminology can be developed as an alternative to English terminology.’
In Norway, there are no restrictions on the use of personality tests in recruitment processes. Between 40 and 50 different personality tests are in circulation. Half of them would not be certified by Veritas.

‘I am very sceptical about tests in general, first and foremost because tests are not very accurate when it comes to predicting who will do the best work. Another reason is that they categorise people in a clichéd manner,’ says William Brochs-Haukedal, professor at NHH and dean of the Executive Education Office.

‘The industry is full of cowboys. There are very many untrustworthy players among test suppliers and test users,’ says Øyvind Sæther from Veritas.
Personality tests

Every day, job seekers have to take uncertified personality tests, usually conducted and analysed by people with limited knowledge of the use of tests. Nor has there been a thorough analysis of which needs they are intended to cover.

In Norway, there are no restrictions on the use of personality tests in recruitment processes. Between 40 and 50 different personality tests are in use to a greater or lesser extent. Anyone can buy and use individual tests, but only five personality tests are certified by Det Norske Veritas (DNV). Personality tests are used most frequently, while intelligence tests are less common.

The quality of the tests and the test users varies enormously. Even if the test is approved, its accuracy and usefulness depend on how it is used, and thereby on those applying the test.

‘Personality has become more important’

The question is whether personality tests can actually contribute to the right person being appointed to the right position. How can you be sure to avoid behaviour that damages the company’s reputation?” asks professor and psychologist William Brochs-Haukedal, dean of the Executive Education Office at NHH. A revised edition of his book Arbeids- og lederpsykologi (2010), which provides an introduction to psychological theory, has recently been published.

‘In workplaces today, more attention is paid to personality. This is due to the new realities of working life and team-based organisational structure, which requires employees to work more closely together. This is one of the reasons why companies devote so many resources to tests.

A test has to be used as part of a package that includes interviews, business simulation and, preferably, a probation period,’ believes Professor Brochs-Haukedal.

‘I am very sceptical about tests in general, first and foremost because tests are not very accurate when it comes to predicting who will do the best work.

William Brochs-Haukedal

Professor William Brochs-Haukedal, NHH.
This is misuse of power. It is a form of abuse. But as long as unemployment is high or there are many people vying for a position, many applicants are willing to put up with it. I think this is a real problem. William Brochs-Haukedal
More than half the tests used today would probably not be certified. They are too poorly documented. Øyvind Sæther
Employees and students turned out in force when Norway’s Central Bank Governor Svein Gjedrem gave the annual Lehmkühl speech at NHH.

The topic of the lecture was Economic upturns and downturns, crises and central government finances – can states meet their commitments? and it was a packed Aula hall that greeted Central Bank Governor Svein Gjedrem on Friday. The speech was also broadcast directly to Terje Hansen’s auditorium, which was also filled to the last seat.

Norway’s Central Bank Governor Svein Gjedrem (left) and Rector Jan I Haaland.
Does the state have to pay its debts?
Taking the financial crisis as his point of departure, the governor of Norway’s central bank, Norges Bank, talked about why nations meet their debt commitments after times of crises and recessions. It is not necessarily apparent that that will always be the case, according to Mr Gjedrem.

‘If the state does not feel legally obliged to pay back what it has borrowed, it could be tempting to not pay back loans. The following question has therefore been raised in economics literature: Why should a state pay back what it owes? Or, conversely: If states can renege on their commitments, why do investors lend money to states? We observe that most countries choose to pay their debts. That must mean that it costs not to pay,’ he said.

Unlike private loans, there are no international institutions that can collect on such debts. The alternative is therefore to impose sanctions on a country that owes money. Examples of such sanctions are trade embargoes or confiscating the country’s property abroad. As an example, Gjedrem made reference to when Great Britain seized control of Egypt when the country had problems servicing its debts after the building of the Suez Canal.

‘Countries default on their debts more often than we think,’ Mr Gjedrem pointed out. Nevertheless, it is quite uncommon, and, in the post-war period, only developing countries and emerging economies have done so. For Norway’s part, we must go all the way back to 1816 to find the last time we were unable to handle our national debt.

‘A separate forum, the Paris Club, has been established. It meets regularly to find solutions when a state has difficulties settling a debt to another state. The Paris Club consists of 19 creditor nations, including Norway. One solution requires the debt-ridden country to carry out reforms as part of a programme organised by the International Monetary Fund. Since 1956, the Paris Club has negotiated 417 agreements to reduce the national debt in 87 countries. The Paris Club specialises in negotiating loans to countries that do not have access to the normal international loan markets, often poor countries,’ said the central bank governor.

‘It can easily go wrong’
At the end of his speech, Mr Gjedrem talked about the status of Norway’s current central government finances. Because of our oil revenues, we are in a unique position when it comes to debt, but we still have commitments through the national insurance system. The central bank governor therefore issued a warning in conclusion.

‘We can’t go on increasing our use of oil revenues for very much longer. The recovery of oil and gas will decrease. At the same time, we have been through a period where the need for welfare services has remained at a stable level. There has been no significant change in the ratio of people in employment to the elderly and children. The demographics will not be as advantageous in the decades to come. Although we have developed good institutions for managing our oil assets, it is too soon to say whether our handling of this wealth is sustainable. It can easily go wrong. And although there has been considerable pressure to use even more oil money, there is good reason to believe that future generations will look back and wish more money had been set aside,’ he concluded.

Norwegian Rain awarded grant
After the Lehmkuhl lecture, the association Foreningen for NHH i Bergen awarded its annual grant from the Lehmkuhl fund. This year, NOK 25,000 was awarded to Alexander Helle, who, since graduating from NHH, has received a great deal of attention for his clothes collection Norwegian Rain.

‘He has shown an outstanding ability to promote practical Norwegian rainwear. The concept has received international press coverage, for instance in Vogue,’ said Per Hagelien on behalf of the association at the award ceremony.
The financial elite at NHH Summit

Holmenkollen 9 November: Some of Norway’s most high-profile business leaders and agenda setters took part in an exclusive NHH conference. The programme’s main title was Perspectives in light of the financial crisis.

Text: Sigrid Folkestad  Photo: Håkon Eikesdal

Svein Richard Brandtzæg, President and Chief Executive Officer of Hydro (left), Inge K Hansen, an independent adviser, former CFO and acting CEO of Statoil and Stein Erik Hagen, Chairman of the Board of Orkla, where he is a large owner.
The seminar targeted selected top executives from Norway’s biggest companies, as well as important agenda setters. The idea of gathering top executives for a seminar under the auspices of the Norwegian School of Economics and Business Administration (NHH) came from Idar Kreutzer, CEO of Storebrand. He chairs the business committee at NHH, which was established in connection with the school’s 75th anniversary next year. The NHH Summit demonstrates the school’s wish to establish stronger links with the Norwegian business community; it is an arena in which academic heavyweights and the financial elite can meet at a conference with a highly targeted programme.

Professors Øystein Thøgersen and Thore Johnsen were responsible for the programme, while the Executive Education Office was responsible for coordinating and preparing the NHH Summit. The seminar focused on three topical issues in three sessions: ‘The Future of Capitalism’, ‘Global Perspectives: Emerging markets versus the old, industrial world’ and ‘Challenges for the Norwegian Government Pension Fund – Global’.
New research projects

In 2010, the Institute for Research in Economics and Business Administration (SNF) was promised funding of more than NOK 33 million for four new research projects. ‘This is very important to SNF,’ says Managing Director Per A Heum.

Text: Sigrid Folkestad

Professors Kjell Gunnar Salvanes (pictured), Alexander W Cappelen and Lars Sørgard, all of whom are from the Department of Economics, have succeeded in securing more than NOK 33 million for four new research projects.

They have recently been promised funding for projects to be carried out at SNF. Two of the projects are included in the Research Council of Norway’s Research Programme on Welfare, Work and Migration, and the other two are projects in the field of competition policy.

‘This is very important to SNF. We have previously had considerable activity in several of these research areas, not least in the field in which Professor Kjell Gunnar Salvanes has been engaged, and these funds make it possible to continue this work,’ says Per A Heum, Managing Director of SNF.

Globalisation and the labour market

Professor Kjell Gunnar Salvanes’s research project ‘Globalisation, innovation and the Norwegian labour market’ has been promised a total of NOK 18 million in funding from the Research Council of Norway.

The primary goal of this research project is to study how shocks in the economy have consequences for both companies and employees and how restructuring and closures affect employees, working conditions and the labour market.

In addition to Professor Salvanes, who is the project manager, postdoctoral fellow Ragnhild Balsvik (NHH), Professor Kjell Erik Lommerud (UiB) and Professor Jarle Møen (NHH) will work on the project.

Moral preferences, work and welfare policy

The other research project in the welfare programme that will now receive funding is ‘Moral preferences, labour markets and welfare policy’. It is headed by Professor Alexander W Cappelen, who is also from the Department of Economics. This project has been awarded NOK 8.5 million.

The goal of this research project is to analyse how moral preferences affect funding and efficiency in welfare policy and the distribution mechanisms in the labour market, and vice versa: namely how these institutions shape moral preferences.

‘Improving competition policy’

Professor Lars Sørgard will receive NOK 5 million from the Research Council of Norway (FRISAM) to initiate a project on competition policy. The project has three main topics: the basis for competition policy, its formulation and its effects.

‘Competition policy’

Professor Lars Sørgard has also received funding for another research project. It will focus on central issues in competition policy, namely market demarcation and prioritisation between different competition cases. The project has been allocated NOK 1.65 million from the Ministry of Government Administration, Reform and Church Affairs.

Per Heum is very pleased that the Ministry of Government Administration, Reform and Church Affairs and the Research Council of Norway are contributing funding for Professor Lars Sørgard’s specialist field. ‘It is great that our focus on competition policy will now receive a boost, because this is also a research area in which SNF has previously invested a great deal,’ says Mr Heum.
People

**Stig Tenold** has become a professor. He is a business economist (siviløkonom) from NHH and took a dr.oec degree at NHH in 2000 with the thesis *The Shipping Crisis of the 1970s: Causes, Effects and Implications for Norwegian Shipping*. He has been an Associate Professor at the Department of Economics since 2001. His main research areas are maritime history, maritime economics, economic growth in Eastern Asia and the history of trade.

**Lasse B Lien** has been promoted to professor. He is a business economist (siviløkonom) from NHH and became dr.oec in 2003 with the thesis *The Survivor Principle Meets Corporate Diversification*. Since 2003, he has been an Associate Professor in the Department of Strategy and Management, and his main research areas are strategic analysis, business strategy and organisational economics.

**Svein Ulset** has been promoted to professor. He has worked as Associate Professor in the Department of Strategy and Management since 1999. He worked at SNF before that. He is a business economist (siviløkonom med høyere avdeling) from NHH. He also has a cand.polit degree from the University of Bergen. He took his doctoral degree at NHH in December 1990, with the thesis *Styringsmekanismer for forsknings- og utviklingsprosjekter. En empirisk studie av kontrakter og styringsmekanismer for IT-baserte FoU-prosjekter (‘Control mechanisms for research and development projects. An empirical study of contracts and control mechanisms for IT-based research and development projects’).* His research fields cover business strategy, organisation, international organisation and management, and telecommunications economics.

**Katarina Östergren** has been appointed as a professor at NHH. Ms Östergren works in the Department of Accounting, Auditing and Law. Her specialised fields are financial management, management, strategy and budgeting.

She took a dr. philos degree at Umeå University in 1995. Before coming to NHH, Ms Östergren worked at Umeå School of Business at Umeå University, for PricewaterhouseCoopers and as a researcher at the Rokkan Centre at the University of Bergen, with which she is still affiliated. Ms Östergren started working at NHH in 2005 and is head of the Department of Accounting, Auditing and Law.

**Tiago Pinheiro** has recently taken up a position as Assistant Professor at NHH’s Department of Accounting, Auditing and Law. 29 year old Tiago Pinheiro from Portugal joined the Department of Accounting, Auditing and Law in August.

After completing his undergraduate studies at the University of Porto, he qualified for a PhD at the University of Chicago.

"My main research interests are in information and reputation problems, especially when applied to accounting and finance settings. I’m also interested in other topics in corporate finance and asset pricing,” he says.

During his final year at Chicago, Pinheiro applied for positions in different institutions, and he first met NHH representatives at AFA’s annual conference.

**Assistant Professor Michael Kisser** is the latest addition to the faculty at The Department of Finance and Management Science.

Michael Kisser arrived at NHH two weeks ago to take up a tenure track position as Assistant Professor of finance.

The Austrian has a PhD from the Vienna Graduate School of Finance, where he studied for the last five years.

Kisser was offered the position at NHH after a long and thorough international recruitment process that started with a large number of interviews at the AFA Conference in Atlanta in January and went on through the winter and early spring with more than a dozen candidates giving Job Market Talks and meeting the faculty at the department.

"The Finance Department at NHH offers an attractive research environment, both through the people who work here and the connections to institutions abroad," Kisser says when asked what attracted him to NHH.

His own primary research interests are corporate financing and investment decisions, while his secondary interests are financial intermediation and financial crisis.
Extending endowed professorship

*DnB NOR will extend the endowed professorship in Financial Economy at NHH for a further five years. The professorship will be held by Karin S Thorburn of the Department of Finance and Management Science.*

The extension of the endowed professorship was announced during NHH Forum 2010, which was organised by NHH in collaboration with DnB NOR.

‘DnB NOR has funded an endowed professorship in Financial Economy for the last five years. This investment has been a positive experience for us, and we wish to extend the arrangement for a further five years,’ says CEO Rune Bjerke.

‘The objective is to contribute financially so that both research and teaching in these fields can be strengthened and cooperation between the bank and NHH further developed. It is also important to us that NHH is one of the most important institutions in terms of recruiting the bank’s future key employees. Their expertise and qualifications are contingent on a strong academic environment,’ he continues and concludes:

‘In the bank’s view, Professor Karin S Thorburn is a highly competent candidate for the endowed professorship.’

‘NHH greatly appreciates that DnB NOR is renewing the endowed professorship in Financial Economy,’ says Rector Jan I Haaland.

‘DnB NOR has great expertise in finance, and NHH has an excellent research environment in this field. I am convinced that this collaboration will strengthen the finance department at NHH and be mutually beneficial to both parties,’ Professor Haaland concludes.

Karin S Thorburn was appointed Professor of Finance at the Department of Finance and Management Science in autumn 2009. She has a PhD from the Stockholm School of Economics and came to NHH from a position at the Tuck School of Business in Dartmouth, USA. She will take up DnB NOR’s endowed professorship once the board has formally considered the matter at its meeting on 16 September.

Among other things, Professor Thorburn carries out research on bankruptcies, takeovers, bidding strategies, corporate governance and environmental economics.

‘It is great that DnB NOR supports the academic environment and research. For us researchers, it is also important of course to keep in touch with the business community,’ says Professor Thorburn.
“The programme has improved my in-depth understanding of business development”
Tone Evje, Senior Advisor, Norwegian Ministry of Industry and Trade

“Makes challenging theories relevant and accessible”
Ole Næs, Advisor Strategy Development, Norsk Tipping AS

Executive MBA programmes at NHH

“The programme has given me increased confidence”
Rima Venturin, Senior Advisor, Telenor ASA

“Insights from the classroom are being put into action immediately”
Øistein Jensen, Director, PwC

Norges Handelshøyskole
NORWEGIAN SCHOOL OF ECONOMICS AND BUSINESS ADMINISTRATION

www.nhh.no/executive
Silje Vallestad, business economist from NHH, with her children Oda, August og Alvin. When her oldest child wanted a mobile phone, she got an idea. She developed a new mobile application that enables parents to exercise control over their children’s mobile phones.
NHH has received a grant of up to 80 million NOK from the Research Council of Norway to establish a Centre for Service Innovation. The centre will have status as a Centre for Research-based Innovation (SFI).

Service innovation is an important part of NHH’s ambitious program NHH 2021, where the aim is to make NHH one of the best business schools in Europe.

‘This grant goes to show how important service innovation is when it comes to future competitiveness, and implies a major strengthening of research and cooperation with the business world in the field,’ says head of program, Professor Per Egil Pedersen.
The goal is to strengthen the innovation system at company level, so that it focuses more on service innovation as a source of value creation and economic growth. This will be done by increasing the ability of the centre’s partners to succeed in service innovation. They will then be seen as role models. From the point of view of the Research Council of Norway, the objective of the scheme is to generate innovation and value creation through cooperation between the business community and good research environments.

NHH has received a grant from the Research Council of Norway to establish a Centre for Service Innovation. The centre will have status as a Centre for Research-based Innovation (SFI). Professor Per Egil Pedersen (left), from NHH’s Department of Strategy and Management, together with head of department Tor Fredriksen and Professor Herbjørn Nysveen (right) submitted an outline proposal to the Research Council.

‘Many people focus too much on the product and find creating new business areas and developing services challenging. Service innovation creates new opportunities for every enterprise,’ says Professor Per Egil Pedersen, head of the Centre for Service Innovation (CSI).

Text: Sigrid Folkestad
'The centre’s goal is to achieve national recognition for its bridge-building innovation projects and international recognition for academic innovation. The centre will thereby become a world-leading centre of excellence that represents best practice in research-based service innovation,’ says Professor Pedersen.

A year ago, he submitted an outline proposal together with head of department Tor Fredriksen and Professor Herbjørn Nysvæn, and they are delighted with Research Council’s decision.

With funds from the Research Council, corporate partners and NHH, SNF and the other involved research partners combined, the CSI research program has a total amount of 163 million NOK at its disposal over eight years.

**Bipper**

Silje Vallestad, entrepreneur and business economist from NHH, has travelled all over the world to sell Bipper, a mobile application for concerned parents of small children. This is an example of innovation in services.

In 2010, Silje Vallestad and her company, Bipper Communication AS, launched a completely new mobile phone service.

Bipper is a new security solution for children’s mobile phones. Via the internet, parents can programme and control their children’s mobile phones, which have to be equipped with special SIM cards that can communicate with the web service.

The service enables parents to control who their children talk to, when the mobile phone can be used and how much it can be used. This means that parents can regulate how many text messages their children can send and how many call minutes they have.

The safety alarm is another service. By pressing a key, up to five people on the children’s contact list will be notified. Bipper Location is a third service. It can locate the child’s mobile phone, shown on the parents’ mobile phone or on a PC, and if the alarm is synchronised with the map, the recipients will be able to see where the child is when the alarm is triggered.

‘What is most important to parents, safety or money?’
‘For mothers, it is safety. Fathers think more about money,’ Silje Vallestad jokes.
She emphasises that this is a very rough summing up of the results of discussions in a focus group. The group with male participants were asked to decide what they thought of the new parent-operated service.

**Idealistic projects**

The Bipper culture is built up around Ms Vallestad. She is presented on the website and in interviews as a young mother of three who has developed a completely new service. The investors have been very interested in this aspect. ‘It is a nice story and a true story, and it is something parents can relate to.’

The other story about Bipper Communication AS is based on Ms Vallestad’s idealism. She has worked on idealistic projects ever since she was a teenager. In relation to the investors, she has insisted that the company be run on different principles from other companies, and the investors have had to accept this. A big slice of the income will go to a fund that will work on inspiring children and young people to become involved in work in the community. The fund will also support disadvantaged children around the world.

‘The fund is an important cornerstone of the company. This cause is close to my heart and what I really look forward to starting work on.’

![Silje Vallestad, entrepreneur and business economist from NHH, has travelled all over the world to sell Bipper.](image-url)
Asle Skredderberget made his debut as an author this autumn with the novel *Metallmyk*, published by Gyldendal publishing house. We met him just a few hours before his launch party at the Italian coffee bar Dolce Vita in Oslo. This is where the novel’s protagonist, the Norwegian-Italian Milo Cavalli, often sits by the window, drinking an espresso. Milo is an investigator for the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim). He is given the job of finding out who murdered an equity analyst in Optima Finans, who was also a fellow student of Milo’s from NHH.

Mr Skredderberget needs to get home. The babysitter couldn’t make it, another one has been found at the last minute and his wife is waiting at home. They are going to a party together. He speaks Italian to the man behind the bar. They are putting the final touches to the launch party. Mr Skredderberget puts on his helmet and jumps on the scooter parked outside.

**Makes his debut with Metallmyk**
Asle Skredderberget is a business economist and has worked as a journalist for *Finansavisen*, *Dagens Næringsliv* and TV2. He is currently information director for Yara. He travels all over the world, as Yara International sells mineral fertilisers to 120 countries and has 7,600 employees. He is very busy these days. He has just returned from an assignment in Ghana and is leaving for Brussels at six the following morning.

‘People must be fed up of overachievers who have to have the best jobs, write books and succeed in everything they do. But I don’t know, I don’t feel like an overachiever, I’m not the hero type.’

‘According to the critics, you have succeeded. *Dagens Næringsliv* thought you should write more crime novels?’

‘That was great. I woke up at five, because I knew they were printing a review that Saturday, but I had no idea what was coming. I don’t have the paper delivered to my house, so I went out to buy one. I was at the kiosk by seven.’

Mr Skredderberget graduated from NHH in 1996, specialising in finance. He started working in *Finansavisen* right away. That was usually where business economist graduates who wanted to write ended up. Political journalism had dominated the field, but several journalists started to take note of Trygve Hegnar’s theory that it is easier to turn an economist into a
journalist than to turn a journalist into an economist.

‘I worked as a financial journalist for more than ten years. During that time, financial journalism became increasingly important. People have become obsessed with money, and perhaps business economists who work as journalists have helped to increase people’s understanding.

In Metallmyk, Mr Skredderberget writes about money and weapons. The broker who is murdered turns out to have business connections with a weapons manufacturer.

‘It is about finance and weapons, but it is not a typical man’s book. It is about some very powerful forces in society.’

‘What forces?’
‘What money can make people do. That’s what I’m interested in – what money does to people. I wanted to give people a glimpse of the finance world that I have experienced during the ten years I worked in those circles.’

Mr Skredderberget has often been asked whether the characters in his novel are caricatures or whether the milieus he portrays are exaggerated. He denies this. One of the characters in Metallmyk, the stockbroker ‘Frikk’, is based on a real person. He was one of Mr Skredderberget’s sources when he worked as a journalist.

‘To him, almost everything is about money. I had to tone him down to make him believable. People wouldn’t believe the novel if I had portrayed him as he really is. I have received some feedback from people, who I call second-rate finance people, claiming that my characters are caricatures of people. But I also got an SMS from ‘Frikk’, that read: “A very good book, Asle, but next time, be even tougher.” The toughest brokers, and investors, know that reality is always a lot worse.

**Children’s books and collections of poetry**

‘Why did you start writing?’
‘I have always written. Over the years, I have had both collections of poetry and children’s books rejected. I have a drawer full of mediocre and melancholic poems.’

At one point in his career, Mr Skredderberget was offered a job as investigator in Økokrim. It was an exciting offer, but it was a temporary position, and he felt he had to decline the job for several reasons. That was
when he got the idea for his main character Milo, an Økokrim investigator. A little later he worked on some news items about the growth in Norwegian weapons exports for TV2. This gave Mr Skredderberget enough material to write a crime novel. Milo, the world of finance and weapons manufacturing.

Mr Skredderberget intends to write more crime novels about Milo, and he plans to write an independent novel about business, finance and PR. He wants to describe what is going on in workplaces.

‘People spend an incredible amount of time at work. Work really means a lot to people. Fiction cannot only be about people staring at a wall and missing their father. I mean, there are so many crazy and fun things happening in the realm of the workplace.’

Mr Skredderberget has worked for Yara for a year and a half. He works at the international level. Yara has branch offices in 50 countries and sells products to 120 countries. He really travels too much, but he finds his assignments are big and meaningful.

‘Our work revolves around how we can feed a growing population without destroying the environment. There is no greater challenge out there. I don’t know if it would be as much fun working in a bank or in insurance and having to deal with consumer issues and challenges of that kind. There is something very tangible about industry, and Yara is the best in its field. I find it really enjoyable.’

‘How did you manage to combine your job with writing?’

‘I started writing the novel when I was living in Nesodden beside the fjord outside Oslo. The ferry to Oslo took 22 minutes each way, and I spent that time writing. I had 44 minutes to write on the boat every day. When I got home, after everyone had gone to bed, I wrote the text on my PC and edited it.’

Tomas Espedal’s Imot kunsten (Against Art)

Mr Skredderberget has read everything by Karl Ove Knausgård. Ute av verden (Out of the World) and A Time to Every Purpose Under Heaven are his favourites.

‘Any other books you would like to mention?’

‘Tomas Espedal from Bergen. I am a fan of his. His last book, Imot kunsten (2009) (Against Art), and Tramp: Or the Art of Living a Wild and Poetic Life (2006) are fantastic. My family in Nordnes in Bergen are real working class people and my maternal grandfather worked at the shipyard, so I can identify with the environment and people in his books.’

‘Did you enjoy being a student in Bergen?’

‘I had a lot of fun. I met a lot of great people. It was a very active and interesting environment. I loved the freedom, of doing something other than attending lectures and studying in the reading room. Like going to the cinema in the morning, for instance.’

Writing full time...

Mr Skredderberget went on an exchange to Italy, a stay that has left its mark in the form of language, friendships and his interest in Italian culture and history, but most of all in the character Milo Cavalli, the result of many hours of hard work as well as the author’s time in Italy. During his studies in Milan he took some time off to travel around the country.

‘You don’t have that freedom now?’

‘Thanks for reminding me,’ Mr Skredderberget laughs.

‘Unless you can live by writing?’

‘Not many people can do that. I would like to have some of Tom Kristensen’s readers; he went to NHH as well. He sells a lot of books and makes a living from it. Jo Nesbø went to NHH and he sells a huge amount of books. My previous boss at TV2, Tom Egeland, also lives by writing.’

‘But I am going to write another book. So my writing may gradually turn into something I can make a living from.’

‘So your goal is to become a full-time writer?’

‘Well, what is my goal, really?’

‘To become a full-time writer?’

‘Yes, alright. We’ll go with that for now.’
Norwegian Fish Auctions
Tor Hugo Hauge defended his doctoral thesis Friday 5 February with his thesis An Empirical Analysis of a Discriminatory, Closed, Simultaneous, Multi-Object Auction.

Auctions as a sales mechanism is modelled by use of game theory. Several auction formats are in use. The different formats may produce different market clearing prices. Some formats may give rise to inefficient allocations, i.e., that the object does not go to the bidder with the highest valuation.

In the thesis, both theoretical and empirical questions are addressed. Empirically, a particular auction market, the sales of pelagic fish catches by Norges Sildesalgslag, is analyzed. The auction is characterized by several catches being sold simultaneously, bidders submit sealed bids, and winning bidders pay a price equal to their bids. In addition, bidders may give priorities to their different bids and set quantity limits that come into effect if a bidder wins more catches than he can handle in the short term.

One topic concerns how prices are determined in the market. The effect of specific explanatory variables, like the number of bidders, on the market price, is analyzed. A distinction is made between product-specific and market-specific variables. Elasticities for the most important explanatory variables are computed.

The rules of the auction specify that bidders are allowed to set quantity limits and give priorities to their bids. It is shown that the possibility of giving priorities to bids, a novel feature in the literature, may reduce total expected revenue and lead to inefficiencies. The empirical analysis, however, reveals that other effects counter this possibility. Thus, the auction format seems to work well in practice.

Principal supervisor: Professor Rógnvaldur Hannesson, NHH

Risk Taking and Insurance
Karl Ove Aarbu defended his thesis Empirical Essays on Risk Taking and Insurance for the PhD degree at NHH 18 November.

Risk is an integral part of life. Most people do not reflect too much about the different risks they face throughout the day or a week, maybe because all kinds of activities contain some risk and we are therefore used to it. Moreover, at least in modern societies, the fact that most of our activities and belongings are insured implies that the consequence of an adverse event is manageable. This thesis probes deeper into these issues.

The first chapter of the thesis maps the heterogeneity of risk aversion in the Norwegian population. This is the first study that explores the heterogeneity of risk preferences among Norwegians. Risk aversion is measured as the complement of the maximal relative downside income risk a person is willing to bear with 70 percent chance in return for a doubling of their income with 50 percent chance. The higher this fraction is, the more risk averse is the respondent. Observing for each respondent the range to which their fraction belongs, an ordered probit model is used to estimate the effects of socioeconomic characteristics on risk aversion.

The second part addresses the demand for treatment insurance in Norway. In Scandinavia, the provision of health care services has been, almost entirely, the responsibility of the public health care system. However, in the last five to seven years there has been remarkable growth in the private health care market. These health care services are normally obtained through the purchase of treatment insurance. A theoretical model for insurance demand is developed. This model identifies primary drivers for individual demand for treatment insurance. The model is brought to a survey data set that is combined with aggregate county data on treatment queues. The overall results indicate that public waiting lists affect the demand for privately bought insurance, while employer-provided insurance does not seem to be affected.

Strong preference for treatment insurance is found among smokers and the self-employed. Finally, income is an important determinant of insurance demand.

The last part addresses asymmetric information in the home insurance market. In order to detect the existence of asymmetric information the so-called positive correlation test is applied to a dataset containing approximately 500 000 home insurance contracts. In addition to the standard formulations of the positive correlation test a new method that encompasses joint modelling of frequency and severity is estimated. The results from these formulations show that frequency of claims increases in cover while claim costs are independent of cover.

Principal supervisor: Professor Fred Schroyen, NHH

Strategic management accounting

As a management accounting concept, strategic management accounting (SMA) has existed for years. Despite its long presence in the accounting literature and the many reviews on the topic, SMA is still depicted as elusive. As the first study of its kind, this dissertation goes back to the roots of management accounting, develops a new analytical framework, and based on this analytical framework, concretizes and analyzes the notion of SMA from a cornerstone management accounting perspective.

The main aim is to identify, define, and clarify the conceptual foundation of what the accounting literature has termed SMA by presenting SMA at a more detailed level than shown in previous studies.

In high-ranking accounting journals, the academic development of SMA seems to have followed two main avenues. In the first avenue, SMA has been developed to fulfill a managerial need for quantified information. In this study, this research stream is reviewed as a set of management tools. The study identifies which management tools are headed under the SMA label, what type of quantified information they are technically construed to provide, what managerial help can be obtained from using them, and their novelty in comparison with conventional approaches used in management accounting.

The study also discusses the theoretical foundation that has inspired and underpinned the development of these management tools and whether SMA has become part of what Horngren et al. (2009) see as conventional wisdom in management accounting. Underpinned by contingency theory, the second avenue the development of SMA has followed discusses the relevance of management tools due to different generic strategies executed by firms.

Based on Han and Wildes (2001, 1999) and Treacy and Wiersema (1995, 1991) and their definition of a product-differentiator and customer-intimacy company, this study examines how the customer is treated by two high-performing companies executing different generic strategies. The findings reveal not only several “relevance differences”, but some “relevance equalities” as well.

Supervising committee
Professor Trond Bjørnenak, NHH (principal supervisor) Professor Christian Ax, Handelshøgskolen i Göteborg Regional labour markets
May David McArthur defended his thesis Regional labour markets and spatial interaction mechanisms for the PhD degree at NHH 25 May.

This thesis consists of nine papers looking at how regional labour markets interact with one another, and how they respond to exogenous shocks. An understanding of these processes is important both for the development of effective regional policy and to understand how other policies will impact upon the distribution of people or jobs. A good example of such a policy is a major change to transport infrastructure. Indeed, this has been particularly relevant in the south western region of Norway, where most of the data utilised in the thesis is taken from. In this region, numerous topographical barriers, such as fjords and mountains, inhibit spatial interaction between proximate regions. Some of these barriers are effectively removed through the use of bridges or tunnels. Such large changes to the spatial structure of a region can be expected to have an effect on the distribution of the population, housing markets, spatial interaction and economic activity in general. These are the issues which are the central focus of the thesis.

Modelling such complex interactions poses significant methodological challenges. An important contribution of the thesis is the use of innovative and novel methods. A key model developed and utilised is a micro-simulation model of a two-region economy. The main feature of this model is that it allows the simultaneous analysis of commuting and migration. The ability to achieve this in a convincing manner is something which was lacking in the literature. The model was used to explore the effect of congestion and road pricing on the interaction between two labour markets. Other methods utilised include formal concept analysis, fuzzy reasoning, panel data with fixed effect vector decomposition, hedonic analysis, equivalence testing, and gravity models. All of these methods contribute to a better understanding of the functioning of regional labour markets, and of how to model such problems.

Principal supervisor: Professor Jan Uwe, NHH
Agglomerations and Economic Policy
On Friday 21 May Benedicte Danielsen Norman defended her thesis Essays on Agglomerations and Economic Policy for the PhD degree at NHH.

In all industries across the world, governments try to attract firms and people to their cities or regions through economic policies at their disposal. The exact policy instruments available to local governments differ from country to country, but they typically comprise public goods and services and some tax instruments (property taxes in some countries, local income or sales taxes in others). This thesis is concerned with the effects of economic geography, industrial structure, factor rewards and private sector productivity – of such policies.

The thesis consists of three essays.

The first paper, “Agglomeration, tax competition and local public goods supply,” provides a general, two-region framework for studying tax and public service competition between regions when there are both agglomeration gains and fiscal externalities and when local public policy is decided by majority voting. Individuals can move costlessly between the regions, but residential preferences make labour mobility less than perfectly elastic; and the analysis is restricted to the case where migration is sufficiently inelastic (relative to the agglomeration gains) to create viable agglomerations in both regions.

The paper compares the equilibrium set of policies that will be pursued by the two regions if they have complete policy autonomy with the set of policies which would give a first-best allocation of resources.

There are two sources of inefficiency with local policy autonomy. One is a cost-of-democracy wedge arising because policy in a democracy will reflect the preferences of the median, rather than the average, voter. The other is a policy-competition wedge arising because local policies will be designed to attract more people; so the preferences of the marginal resident will be given greater weight than those of the average one.

The paper argues that the combined effect of the two may differ depending on the mobility of individuals between the regions. If most people have relatively weak residential preferences (what the paper calls the “American” case), the two wedges pull in the same direction. If the majority have strong residential preferences (the “European” case), the two wedges pull in opposite directions with the presumption then being that the distortion created by local policy autonomy will be smaller.

The second paper, “Public goods production and private sector productivity”, looks at the implications for the private sector of the use of resources in the public sector. It is sometimes argued that local governments should try to foster knowledge-intensive industrial agglomerations by establishing more public jobs for highly educated individuals – the presumption being that this will attract more highly educated people to the region and thus benefit the private sector as well.

The paper shows that this line of reasoning is wrong. More public jobs for highly skilled workers will lower their wages and thus make it less attractive for such individuals to move to a region.

The third paper, “The price of decentralisation”, addresses the fundamental question of whether a market economy promotes too much or too little centralisation.

While many politicians argue that unregulated markets lead to too much centralisation in big cities, the new economic geography literature argues the opposite: With real and pecuniary gains from agglomeration, a market economy will give both too few and too small agglomerations – in other words too few and too small cities.

The paper extends and modifies this well-known result in two ways. One is by including local governments as agents; the other is by looking at equilibrium with both large and small cities in addition to rural areas.

Principal supervisors: Professor Jan I. Haaland and Associate Professor Linda Orvedal, NHH

Fairtrade certified Latin American co-operatives from 2001-2005 find that the correlation between democratic and economic success indicators is positive, not negative. Hence it is more likely that democracy has a positive impact on the economic achievements of the co-operatives.

Principal supervisor: Professor Kjell Bjørvatn, NHH

Managing ambiguity
On Friday 24 September Hilde Fjellvær defended her thesis Dual and unitary leadership: Managing ambiguity in pluralistic organizations for the PhD degree at NHH.

In a qualitative study of hospitals, universities, cultural organizations and newspapers she identifies and characterizes three main types of executive role constellations – unitary, dual and hybrid. The study contributes to existing research by identifying and describing the variety of executive role constellations across different types of pluralistic organizations. The study shows that organizations frequently develop hybrid constellations despite governmental reforms initiating a formal unitary or dual structure. Finally the study develops a framework for analysis of executive role constellations.

Initially multiple executive role constellations such as dual leadership was introduced as an approach to manage tension due to multiple groups, domains and professions. This pluralism leads to the presence of competing logics. The study contributes to existing research on institutional and competing logics by investigating and identifying a multiplicity of logics across context. Further the study identifies sets of competing logics within and across contexts. These are competing profession logics, competing mission logics, mission versus bureaucratic logic, and mission versus money logic.

The last part of the study focuses on how leaders and organizations can manage the ambiguity and tension resulting from competing logics. One approach is to use structural solutions such as structural separation or structural integration. Dual leadership represents the form er, and unitary leadership the latter. Next, leaders can adopt different modes of integrating competing logics by choosing a dominant logic, to cycle between logics or to balance between logics. Finally the study identifies how leaders employ a range of relational, structural or cognitive practices to overcome problems of competing logics. The type of practices used varies with type of executive role constellation.

Principal supervisor: Professor Arend Greve, NHH
Power markets
On Friday 14 May Lars Magne Nonås defended his thesis Optimization topics within power markets, inventory systems with transshipments and election systems for the PhD degree at NHH.

Lars Magne Nonås has developed and applied optimization models within three different fields:

Congestion management in power markets Nonås identifies and describes implicit relaxations and restrictions that are being used in the power flow model of the Nordic power market. He extends previous work in this area by analysing the effects of these simplifications on the market outcome and compares them to the theoretical “ideal” network model (nodal pricing model). The simulation results show that clearing prices of the “second best” model will most likely be inefficient and thus also result in a substantial increase of congestion management costs.

Inventory system with transshipments
In the second part, Nonås studies the use of transshipments as a tactical policy in a single-period multi-location inventory system with uncertain demand. Transshipments are allowed as recourse actions in order to reduce the cost of shortage or surplus inventory after demands are realized.

Election systems
In Norway the parliament is based upon a number of multi-seat constituency elections. Each of these elections are based on proportional representations with respect to the number of votes and seats obtained by each of the political parties locally. The seats in the parliament will then consist of the total number of seats for each party won in the constituency elections. In addition, one supplementary seat pr constituency is distributed between the parties based on the national number of votes. The intention of the election system is to have some type of proportionality between the number of votes and seats won by each of the parties both for the local constituencies and for the parliament.

Based on different proportionality measures, the simulations show that today’s two-stage sequential model from 2005, performs better than the previous sequential model. Nonås also shows that a relaxed version of today’s model (where there are no upper limits on the number of supplementary seats per constituency) performs better than today’s model. In addition to the traditional two-stage sequential models, he also presents an LP model that outperforms all the above mentioned models in most of the election outcomes in the simulations.

Principal supervisor:
Professor Nørvåld Monsen, NHH

Essays on Asset Pricing
Lars Ovigstad Sørensendefended his thesis Essays on Asset Pricing for the PhD degree at NHH on Thursday 25 March.

The dissertation consists of three essays. The first two articles assess the impact of oil prices on international equity markets. In the first article, the predictability of international stock markets using lagged oil price changes as the predictor is examined. There is a statistically significant negative relation between lagged oil price changes and stock returns in the G7 countries. There is no such relation for the Norwegian stock market. Using a novel approach, the article highlights the sources of the predictability and shows that it is predominantly due to some very significant events, such as the oil crisis in 1973, the OPEC collapse in 1985-86, and the first Gulf war in 1990-91.

The paper argues that without these events, there would be no predictive relation between the oil and stock markets and, based on this, does not recommend a trading strategy following the signal from a linear forecasting regression.

In the second article, the relation between oil and stock markets is examined using structural vector autoregressions. The paper documents a positive reaction to unexpected oil price shocks in countries that produce and export oil and a stronger negative reaction in stock markets in countries that consume and import oil. The difference appears to be mainly due to the different market capitalization weights of the oil sector on the stock exchanges in the local markets. The article also emphasizes the importance of controlling for the business cycle when assessing the impact of oil price shocks on stock markets.

The third article examines the risk-adjusted returns on Norwegian equity mutual funds between 1982 and 2008 on a new data set that is free of survivorship bias. Controlling for the factors in the Fama-French model, there is no statistically significant evidence of risk-adjusted abnormal performance for an equal-weighted portfolio of mutual funds. Bootstrapping methods disentangling skill from luck find only weak signs of skill in the right tail of the cross-sectional distribution of alphas, but several inferior fund products in the left tail. There is no persistence in the performance of either winners or losers and consequently difficult for investors to find an ex ante criterion for picking the winner funds.

Principal supervisor:
Associate Professor Jørgen Haug, NHH

Norwegian economic and trade policy 1912-1939
In November 2010 Monica Mjøs Varholm defended her thesis Essays on Norwegian economic and trade policy 1912-1939 – The consequence of war and crisis on state and policy for the PhD degree at NHH.

Varholm discusses how the increased tolerance level for taxes was utilised to finance some of the new social reforms that were implemented in the interwar years, reforms and services later associated with the welfare state.

The agricultural sector remained one of the most important sectors in the Norwegian economy in the interwar period, and a sector facing serious structural problems. The emergence of the regulation and protection system that forms the basis for the support offered to this sector even today is discussed. This system of protection was expanded during the interwar years, but it was introduced before the war, and the experiences from the war regulations clearly influenced the regulations implemented later in the period.

Principal supervisor:
Professor Sigbjørn Tønild, NHH

Public sector and accounting issues in Hong Kong
On Tuesday 19 October Na Zhou defended her thesis Development of public sector and accounting issues in Hong Kong since the 1970s for the PhD degree at NHH.

Hong Kong was a British colony for over 150 years before it in 1997 was returned to China as a Special Administrative Region. The governing principle behind the handover was formulated as “One country, two systems”. The combination of a market-oriented economy in Hong Kong and the communist political system in China makes Hong Kong unique.

The thesis investigates the development of public sector accounting in Hong Kong since the 1970s. The thesis consists of three essays. In the first essay, Zhou studies how accounting reforms have interacted with the context in which they occur. The main finding is that before the handover in 1997, accounting reforms were the main focus of Hong Kong’s public sector reforms. The patterns of the reforms were significantly determined by the external environment (United Kingdom). After 1997, the internal environment (the Hong Kong political system) has played a greater role, and the focus on the accounting reforms has been reduced to a great extent.

In the second essay, Zhou investigates the development of Hong Kong’s public financial management reforms based on the New Public Financial Management (NPFM) framework. She finds that the NPFM reforms in Hong Kong are broad in scale, but not comprehensive in their degree of implementation.

In the third essay, Zhou carries out a functionalist analysis of Hong Kong’s governmental accounting and financial reporting system, and discusses some potential problems caused by the current dual accounting system. The thesis contributes with new knowledge about Hong Kong’s public sector accounting development. By applying accounting theories in a new context, namely Hong Kong, the thesis contributes as regards a theoretical generalization perspective.

Principal supervisor:
Professor Nørvåld Monsen, NHH
Middle Management

In May Ole Hope defended his thesis Middle Management Responses to Change Initiatives for the PhD degree at NHH.

As organizations continue to pursue planned change initiatives, researchers attempt to increase our understanding about how to successfully implement planned change as well as explain the high failure rates.

Top executives and middle managers play significant but different and complementary roles in strategic change. Top executives focus on expected outcomes, boundary conditions, resource deployment, creating clarity and a shared understanding of these, while middle managers interpret what makes sense and what should be done, and not the least, manage details.

Ole Hope’s work explores how middle managers influence change outcome through their involvement in power, organizational politics and discourse. He focuses on how middle managers have an impact on others’ sensemaking and sensingegiving, and how these processes influence the change outcome. To enhance our understanding of what influences sensemaking and sensegiving in strategic change, Hope has approached strategic change through the lens of power and politics and discourse.

The findings show that a more balanced view of middle managers’ strategic contributions, including both pessimistic and optimistic perspectives, provides greater insights into exactly how middle managers work to influence change outcome. Middle managers play an important role in strategy, but this project shows that their contributions may be serving the interests of the company in some instances and the self-interests of the middle managers in others. This suggests that while there is an increasing focus on the middle manager as a key resource for implementing change, we should not forget the findings from the more pessimistic view when evaluating middle managers’ contributions in the making of strategy.

Principal supervisor:
Associate Professor Inger Stensaker, NHH

Evaluation of public programs

On Thursday 24 June Olav Andreas Kvistad defended his thesis Three papers on evaluations: The “what if” in the evaluation of public programs for the PhD degree at NHH.

Three papers on related topics concerning methodologies and practices of the evaluations of public programs constitute the dissertation.

The first paper demonstrates the applicability of observational methods for the assessment of the program level contributions of two Financial Schemes and two Governmental intervention programs from the predecessors of Innovation Norway in the early nineties. The raison d’être for all four initiatives is a presumed market failure and the public benefits from compensating an assumed funding gap when positive externalities are expected. The paper is based upon the view that matching routines are nonparametric pre-processing methods that facilitate further analysis. A combination of covariate matching and difference-in-differences analysis is employed for finding the best possible estimates for the effects of the programs under scrutiny. The analyses suggest that at least two of the four initiatives produce positive contributions and produce lasting impacts that are observable for a considerable period following participation.

The second paper concerns a leadership-training program for SMEs. Over a period of eight to fourteen years after key managers completed the program we have traced the effects of the program on the performance of participating firms. Transition rate methods are applied in order to assess the survival of participating firms. The key findings are that there is an impact of the training program with respect to survival is negligible and that overall effect can be decomposed into a positive impact upon the mature participating firms and a catastrophic negative effect on the newcomers; the newly established firms that participated.

The third paper discusses the methodological cleavages within the evaluation community. The history of evaluation has produced a number of sub-fields based on different parent disciplines. Strong paradigmatic commitment to own sub-discipline and corresponding rejection of competing world-views may lower the overall trust in evaluations. Since New Public Management predominantly is based on a popular notion of economics, this is the history of how pluralism meets monism. The conclusion is that the methodological heterogeneity of evaluation research may be deteriorating with respect to public trust in social science based evaluations.

Principal supervisor:
Professor Kjell Gronhaug, NHH

Fisheries Economics

Sturla F. Kvamsdal defended his thesis Spatial Analysis in Fisheries Economics for the PhD degree at NHH Friday 26 March.

The dissertation builds on the foundations laid down by Gordon and Schaefer in the 1950’s. Since their groundbreaking work, resource size and time has been too important axes of analysis in fisheries economics. Since the 1990’s, the spatial dimension has gained growing attention and is by some economists currently seen as the most important area of research in fisheries economics. All four essays in the dissertation revolve around the spatial dimension of fisheries economics.

The two first essays discuss marine reserves. The first develops a deterministic model of a fishery with a reserve and discusses the implied cost of the reserve if the fishery is otherwise managed optimally. Costs are density dependent, demand is downward sloping, and densities drive migration of fish between areas. The cost is found to be increasing and convex (increasing at increasing rates) in the size of the reserve. The cost, defined as share of profits foregone, is less than the share of habitat in the reserve. The second essay introduces exogenous and unexpected shocks to the model developed in the first essay. Different distributions of shocks are considered. The reserve is found valuable when shocks are one-sided, that is, when the substrate in the reserve is protected from shocks. The third essay asks: Could spatial measures in fisheries be of interest on the mere ground of uncertainty? The spatial measures in question consist of the ability to fish different areas at different rates; when the substock in the reserve is protected from shocks. The fourth essay analyzes empirical evidence of spatiotemporal endangered species interactions in a U.S. drift gillnet fishery. The analysis challenges the prevailing understanding that the expected level of interactions is a case of so-called pure uncertainty. A Kalman filter is applied to estimate the underlying rate of interactions. The essay also discusses an alternative management scheme of the fishery which controls the interaction level while promoting profitability in the fishing fleet.

Principal supervisor:
Professor Rögnvaldur Hannesson, NHH
Competition or co-operation?: a required shift in the metaphysics of economics. I The Collaborative Enterprise - Creating Values for a Sustainable World.
Ove Jakobsen og Knut J. Ims

Ethical decision making in organizations: the role of leadership stress. Published in Journal of Business Ethics.
Svein Tvedt Johansen

Iverssetting av strategi gjennom ledelse og styring. I Lededård, Gro og Signy Irene Vabo (red.): Ledelse og Styring.
Tore Hillestad

A mediation analysis of achievement motives, goals, learning strategies and academic achievement. I British Journal of Educational Psychology.

What's the Problem? A Problem Based Approach to the Reform of the Norwegian Drug Rehabilitation Sector. Published in Marine Resource Economics.


The tyranny of non-aggregation versus the tyranny of aggregation in social choices: a real dilemma. Published in Economic Theory.
Bertil Tungodden, Marc Fleurbaey

The value of Pacific sardine as forage fish. Published in Marine Policy.
Røgnvald Hannesson, Samuel F. Herrick

Katarina Østergren, Ulrika Winblad, Karsten Vrangbæk


The Role of Problem Finding and Problem Selling in New Product Development. Published in International Journal of the Economics of Industries.
Hans K. Hvide, Tore Leite

Laurence M. Jacob

Re-examining Norwegian monetary policy in the 1930s. Published in Managering crises and superior stock market performance. I International Review of Industrial Operational Research.

Company taxation and tax spillovers: Separate accounting versus formula apportionment. I European Economic Review.
Søren Bo Nielsen, Pascalis Raimondos-Møller, Guttorm Schjelderup

Agnar Sandmo

Measuring heterogeneity in the returns to education using an education reform. Published in European Economic Review.
Arild Aakvik, Kjell Gunnar Salvanes

Company Taxation and Merger Incentives in International Oligopoly: on Political Economy Coordination with Strategic Trade. Published in Journal of Industry, Competition and Trade.
Kjell Erik Lønnerud, Trond E. Olsen. Odd Rune Straume

Discrimination on competitive advantage and superior stock market performance. I Managerial and Decision Economics.

Pål, H. Volberda, Marjorie A. Lyles.

The challenge of rising skill premium for redistributive taxation. I International Tax and Public Finance.
Kjetil Bjorvatn, Alexander W. Cappelen

Cost allocation in collaborative forest transportation. I European Journal of Operational Research.
Mikael Frisk, Maud Göthe-Lundgren, Kurt Jörnsten, Mikael Rønnqvist

Kenneth Fjell, Øystein Foros, Debasis Pal

Erik B. Sørensen, Bertil Tungodden, Alexander W. Cappelen

Wage formation and bargaining power during the Great Depression. I The Scandinavian Journal of Economics.

Market shares in two-sided media industries. I Journal of Institutional and Theoretical Economics.
Hans Jarle Kind, Frank Stähler

Lorán Chollette, Jing Chen, Rina Ray

Optimal debt contracts under costly enforcement. I Economic Theory.
Hans K. Hvide, Tore Leite

Setting the Stage for a Successful ITIL Adoption: A Delphi Study of IT Experts in the Norwegian Armed Forces. I Information systems management.
Jon Iden, Lars Langeland

Røgnvald Hannesson

Eirik Davøing, Odd Nordhaug
**Norwegian School of Economics and Business Administration**

**NHH** was founded in 1936 and, together with its affiliated institutes Institute for Research in Economics and Business Administration (SNF) and the Administrative Research Institute (AFF) they form the largest and most prestigious centre for research and education within the fields of economics and business administration in Norway.

NHH strives to be amongst the foremost in Europe in its fields, and EQUIS accreditation reinforces a strongly held belief that excellence in research is a prerequisite for excellence in teaching.

The vast majority of the academic staff holds PhDs and the faculty includes the Nobel Prize winner Professor Finn E. Kydland.

NHH is the first choice for Norwegian students and for Norwegian business community. The school have over 2,800 full-time students, most of whom continue from their Bachelor studies in economics and business administration onto one of the Master of Science (MSc) options at NHH.

Other programmes include international doctoral programme in accounting, economics, finance and strategy and management.

NHH also has the longest established Executive MBA programme in Norway, with specializations including strategic management, brand management, public management and management control.