

**Evaluation of the
Swedish House of Finance**
-
A Finance Centre
at
The Stockholm School of Economics

1. Introduction

On 16 June 2017, Chairman of the Centre Board, Gabriel Urwitz, the Centre Director, Anders Anderson, colleagues from the Swedish House of Finance (SHoF), finance industry representatives, academic partner representatives (University and IFN), and PhD students had a formal interview with the evaluators of the international evaluation team established by VINNOVA to evaluate the Centre's performance in Stage 2. At the formal interview the evaluators, Bauke Visser and Mary O'Kane (generalists), and An Yan and Ludovic Phalippou (experts) addressed matters such as research, results and impact, organisation and management, finance, interaction between industry partners and the University, and educational activities. The evaluation team thanks all members of the Centre and the VINNOVA team for their efforts in providing information prior to the evaluation and for the frank and lively discussion at interview.

The Centre is funded under the Programme for Financial Market Research. As noted in the Guidelines, the purpose of this Programme is to strengthen the international competitiveness of Swedish financial market research and its relevance to public and private actors in the financial sector. The aims of the programme are to:

- Establish internationally competitive research milieus which can attract world-leading competence and form national competence centres.
- Strengthen the interaction between researchers and public and private financial market actors to promote growth and policy development within the area.
- Enhance the financial sector's supply of superior competence, qualitatively and quantitatively."

This evaluation is for Stage 2 of a centre funded under the Programme. As also noted in the Guidelines, "The second stage evaluation will have a greater emphasis on the actual results compared to the first, because after six years there needs to be some evidence of additionality of being a Centre. The grant stipulates that the centres should both improve scientific output and the relevance to private and public financial actors".

The evaluation team finds that the Centre is performing well, successfully addressing all three aims of the Programme and producing impact and output appropriate for the end of Stage 2. It has excellent research output and good research training. Centre partners and public and private financial market actors more generally strongly appreciate the way the Centre provides a platform of useful activities including high quality seminars that stimulate lively intellectual debate on current topics in finance. The evaluation team suspects that the impact of the Centre is probably greater than the Centre itself realises or is able to articulate. Having a better understanding of this impact will be important when raising funding for the period when the VINNOVA funding finishes in 2020. See recommendation in Section 10 below.

2. Long-term Vision, Mission and Strategy

The Centre has an appropriate and clear fundamental objective and a sensible strategy for realising it. This strategy is underpinned by the three important guiding values of integrity, citizenship and excellence. The Centre has translated the three aims of the overall Programme for Financial Market Research into five goals: (1) bridge among academic,

practitioners, and policy makers, (2) data centre, (3) PhD program, (4) seminar, conference, and visitor program, and (5) recruitment and retention. The evaluation team assesses that the Centre has already attained some of these goals and is on the right track to achieve the others.

The Centre provides a thoughtful self evaluation of how well it is addressing the VINNOVA success criteria for finance centres.

3. How the Centre addressed the recommendations of the previous Review

The Centre has addressed the recommendations of the previous evaluation quite well. Overall the Centre appears to be structured better and to have extended its reach and influence to a wider range of Swedish higher education institutions with consequent significant benefit for a larger number of PhD and Masters students.

The Centre, particularly through the efforts of its restructured board, has made a promising start in addressing the difficult matter of financial sustainability. It is well advanced developing and starting to roll out a plan of action to attract 10 years of financing for beyond 2020.

4. Centre Partners

The Centre has successfully developed its Academic Partner Program to stimulate and strengthen financial research in Sweden as a whole. It has now seven academic partners with three joining during Stage 2: Royal Institute of Technology in Stockholm, Uppsala University, and Umea University. It has been working with other universities in Sweden even if they are not enrolled in its Academic Partner Program.

The Centre has attracted some high-profile public and private industry partners, including the Ministry of Finance. It understands that expanding its list of industry partners is necessary for the sustainability of the Centre's research activities in the long run. The evaluation team commends the Centre on its effort to emphasize this need on its agenda and actively pursue alternatives to address this need.

The evaluation team also commends it on its initiative to conduct a survey to better understand the needs and the expectations of their academic and industry partners.

5. Research Quality and Productivity

The Centre has continued to be very productive in Stage 2. It has a fundamental objective to create a hub for world class financial research in Sweden and has overall achieved this objective.

The Centre's research group is large and it actively and consistently hosts many guests, including temporary research visitors, seminar speakers, etc. The evaluation team is convinced that it has reached critical mass to conduct top research in all its core research areas. Not many departments have as many active and internationally visible researchers at any point in time.

In this section, we focus on three of the five Centre goals, building a data centre, organizing a seminar, conference and visitor program, and developing a recruitment and retention policy to attract world-class talent.

The Centre has built an impressive infrastructure, including a fine data centre and a research support programme that includes a financial bonus for publishing in top journals as a means to attract and retain talent. With a view to long-term sustainability, the evaluation team advises the Centre to take two actions. First, it should consider the effectiveness of the

heavy investment in standard but pricey commercial financial databases. For example, which good publication would have been impossible without the Centre paying for a CRSP license? Second, a publication bonus, financed with public money, is uncommon in Sweden. Long-term viability will require financial support from external partners, private and public. Thus, any evidence that shows that without this bonus faculty would have left the country or would not have come in the first place should be useful. The evaluation team doubts whether the publication bonus, given its size, can really matter. Perhaps it's the public recognition of the achievement, rather than the bonus per se, that counts.

The evaluation team considers the Centre's seminar, conference and visitor program outstanding.

As to the content of research, faculty involved with the Centre focuses on five core research areas, corporate and entrepreneurial finance, banking and financial intermediation, corporate governance, asset pricing, and household finance. The latter area, which has a strong tradition in Sweden, may be under threat as the unique detailed data used so far stopped being collected in 2007. Researchers related to the Centre seem to be actively working to address this issue. Given the wealth of Swedish data collected and organized by the Centre, it is indeed important to keep those detailed household level data coming in. Any support to galvanize this effort should have a disproportionate reward. The Centre has been productive in all these research areas, publishing a total of 15 A-ranked publications in 2014-2016, a remarkable accomplishment, even after discounting for the fact that the Centre spans various institutions.

The Centre has worked diligently to improve gender balance. It has being ranked at the top based on the percentage of female faculty not only among European finance departments but also compared to the competitive schools in the U.S. This is a remarkable achievement. Note that all finance departments in the world are struggling with this issue and hiring and retaining established female faculty member in this field is more difficult than ever.

6. Output and Impact - output from and impact of the Centre in the form of results with particular focus on impact on Centre partners and other private and public financial actors

The Centre has successfully promoted its research among its academic peers both locally in Sweden and globally. Its research has been published in high quality and high impact academic journals. It has been active in inviting high profile researchers around the world to present in its seminar series and to visit for a short term. It has also actively sponsored its researchers to participate in conferences and workshops. More importantly, it has been effectively using website, social media, and newsletters to disseminate its research and enhance its impact. It is not a surprise that the Centre has been recognized as one of the top research centres in Europe.

The evaluation team is impressed by the Centre's continued efforts to maintain and strengthen its Academic Partner Program. It has been using this program to help its academic partners with faculty recruiting, research incentive, and PhD education. Overall, it has fulfilled its obligation as the national centre to promote active finance research in Swedish universities.

It has created a sound infrastructure for industry collaborations. Its board has been supportive of the Centre's top quality research and is strategic on industry outreach. Its management team has been active organizing practitioner seminars. Its faculty has been leveraging its industry partnerships to gain institutional knowledge from industry and to provide expert opinions to industry.

Among its industry collaborations, the most important one is the Ministry of Finance. The evaluation team is pleased to know that the Centre has initiated regular seminars with the Ministry and the Finansinspektionen. It has developed a reputation for being the forum of policy discussion among private and public financial actors.

The evaluation team does feel that the Centre should articulate better how research conducted at the Centre on the one hand, and the Centre's outreach activities and partners on the other benefit from each other. After all, it is this mutual relationship that is at the heart of aims of the Programme. The evaluation team notices that, at interview, representatives of the Centre were much more able to provide telling examples of this relationship than prevailed from the report.

It is important for the Centre to leverage its industry collaborations to accelerate its fundraising effort.

7. Organisation and Management of the Centre

As in Stage 1, the Centre has benefitted from a strong management team in this second stage. Thanks to an important restructuring of the governance structure - the integration of SIFR and SHoF - the brand of the Centre has gained clarity. Over time, this should improve the Centre's muscle, something that will serve the Centre right now that it has to step up its fund raising activities. The evaluation team is confident that the Board will vigorously pursue a strategy that guarantees financial sustainability of the Centre and the national PhD programme after the end of the current VINNOVA grant in 2020.

8. Training Personnel of High Competence

Thanks to its data centre, its (academic) partnerships, its financial incentives and its national PhD training program in finance, the Centre has become a major attractor for finance researchers from around the world. As a result, it has become a hub for financial research in Sweden. This is beneficial to Sweden as a whole, an explicit VINNOVA goal.

As the main organizer of the national PhD programme in finance, the Centre also contributes significantly to the strength of PhD training in Stockholm and beyond. It should be applauded for its effective use of visiting senior faculty. The outcome is a PhD program in finance that is incomparable in Europe. Some well-trained PhD students find their way into Swedish academia where they, in turn, train future generations of undergraduate and graduate students. This strengthens the quality of education and research and should improve public policy and private sector effectiveness.

The Centre posits itself as a neutral place for informed, research-grounded, discussions about all things financial. This keeps private sector employees and civil servants up-to-date concerning research that matters for their strategy and policy formulation.

The Centre should be applauded for *Women in Finance*, a project that aims, first, to understand what drives the underrepresentation of women in finance, and second, to attract women to study finance, start a career in finance or undertake research in that area.

9. Long term development during stage 3 and beyond

The Centre's plans for the next phase are appropriate and in line with strategy.

As noted above, the Board has taken a strong lead in planning how to finance the Centre in the period beyond 2020. The evaluation team commends the efforts to date and notes that while the plans are ambitious, the issue is being tackled purposefully and with reasonable resources devoted to it.

10. Recommendation

We offer a single recommendation.

Recommendation: That the Centre prepare a set of stories that publicize, first, the impact it has (had) on external partners, private and public, and, second, the impact the interaction with stakeholders has had on the shape and relevance of the SHoF research program over time. These stories be used to engage with stakeholders in general and raise funds more specifically.

Recommendation to VINNOVA

The Centre is producing good results with significant impact on Centre partners and industry more generally. It has established suitable governance and management structures and is in a good position to put into place plans for long-term sustainability. Given this, the **evaluation team recommends continued funding of the Centre.**

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