

1. Summary

Kraka Advisory has analysed ownership models for the Lundbeck Foundation

The Lundbeck Foundation has asked Kraka Advisory to analyse the significance of the foundation model as an ownership model compared with other types of ownership. In this report, we therefore examine how companies with different ownership types perform based on economic and social parameters that characterise sustainable business conduct.¹

Three types of long-term ownership were analysed

The analysis includes four different types of ownership: foundation-owned companies, cooperative societies, family-owned businesses, and other enterprises. For the first three, we use the term companies with long-term ownership. They have several characteristics in common when it comes to sustainable business conduct.

Examples of ownership types

Several large Danish companies have long-term ownership. For example, Novo Nordisk, Maersk, Carlsberg and Lundbeck are foundation-owned since the majority of the shares with voting rights are owned by a commercial foundation. Danish Crown, Arla and Coop are cooperative societies, owned by their members, i.e., suppliers or customers. Finally, family-owned businesses such as Bestseller, Hummel and Linak are owned and run by a family. Examples of companies classified as companies that do not have long-term ownership are Danske Bank, Vestas, DSV and Genmab.

The results are ...

Each type of ownership is evaluated separately in relation to the analysis parameters. The results are summarised below.

... more innovation ...

- **Innovation**
Companies owned by foundations stand out positively from other types of companies by being more innovative, based on the number of patent applications. Foundation-owned companies have 62 % more patent applications than companies that do not have long-term ownership. Furthermore, former employees in foundation-owned companies in the pharmaceutical industry are more likely to become self-employed when they leave the company compared to employees in companies that do not have long-term ownership (61 % higher likelihood of becoming self-employed).

... more employee satisfaction ...

- **Employee satisfaction**
All three types of long-term ownership typically have more dedicated employees; They remain with the company for a longer period than employees in companies that do not have long-term ownership. Employees are more satisfied in cooperative societies (13 % more employees are highly satisfied) and in foundation-owned companies (10 % more who are highly satisfied) than in companies that do not have long-term ownership. In addition, employees in cooperative societies work fewer hours than those employed in companies that do not have long-term ownership, without this having any negative impact on productivity.

... better working environment ...

- **Working environment**
18 % more employees in cooperative societies and 16 % more employees in foundation-owned companies feel that their workplace involves them to a high degree in decisions regarding working environment in comparison with companies that do not have long-term ownership.

¹ We apply the term sustainability in a broad sense, covering economic, social and governance factors.

... more diversity ...

- Diversity
Both foundation-owned companies and family-owned businesses have more diversity in their management. For example, family businesses and foundation-owned companies have 193 % and 49 % more women, respectively, on their boards than companies that do not have long-term ownership. Furthermore, foundation-owned companies are better at attracting specialists from abroad.

... more equality ...

- Equal pay
All types of companies with long-term ownership have a smaller gender pay gap compared to companies that do not have long-term ownership. The lower inequality ranges from 4 % to 7 % less than in companies that do not have long-term ownership. In the case of foundation-owned companies, the gender pay gap is also smaller.

... without negatively affecting society's bottom line

Overall, the report shows that companies with long-term ownership generally perform better than other companies on parameters such as diversity in management, innovation, employee satisfaction, equal pay and the ability to attract specialists from abroad – all without any negative impact on productivity. In other words, companies with long-term ownership adds value to society in a broader perspective while being just as profitable as other companies.

Several data sources were used in the analyses

We make use of both company-level and individual-level data sources. At a company level, we use accounting figures from Danish companies, company information, group information and information about patent applications as well as quality of the patents. On an individual level, we use public sector administrative register data relating to demographics, labour market affiliation, income, pension payments, education, entrepreneurship, and board duties. In addition, we couple register data with two surveys on working environment and working hours.

The results support each other as well as the research

The results in this report are mutually consistent as well as consistent with research literature. It is no surprise that companies with a generally high level of investment invest in both innovation and their employees. Furthermore, there is consistency between the analysis of the working environment and the analysis of the stability of the workforce; It is to be expected that a better working environment is a contributing factor to employee retention and, thus, to workforce stability.

Foundation ownership can benefit many companies

Thanks to the long-term investment perspective of foundation-owned companies, this type of ownership is beneficial in specific situations. Foundation ownership is particularly advantageous for companies that invest heavily in innovation, since innovation takes time, and a long-term ownership perspective provides companies with a reliable source of funding. On the other hand, foundation ownership is of no benefit if the aim is rapid resale. Foundation ownership can also be combined with other types of ownership. For example, Novo Nordisk, Carlsberg and Lundbeck are all owned by foundations and at the same time registered as listed companies. There are also examples of other combinations. Leo Pharma, for instance, is today owned by the LEO Foundation and a private equity firm.

Ownership type has huge significance for society

The ownership of Danish companies has huge significance for society. A healthy working environment can help reduce healthcare costs, reduce the number of sick days, and contribute to later retirement from the labour market. Diversity is also important for the economy since it helps promote broader development of the talent base as well as a better relationship to both employees and customers. Although the percentage of women in management and on the boards of the four analysed ownership types has a long way to go before reaching 40 %, companies with long-term ownership have made more progress in terms of hiring women to their boards. Furthermore, foundation-owned companies have a lower gender pay gap than the three other ownership types.