Contents

List of figures x
About the authors xi
Preface xii
Introduction xiii

PART I  ON CORPORATE CONTROL AND GOVERNANCE PROCESSES IN FINANCIAL CAPITALISM

1 A theoretical platform 3
   1.1 The purpose of this work 3
   1.2 Setting the scene: early twenty-first century financial
capitalism 4
   1.3 An extensive empirical case study 7
   1.4 Actors and institutions 10
   1.5 Two perspectives on the corporation 14
   1.6 Towards a revised theory of corporate governance 17
   1.7 Shareholder rationales differ 21
   1.8 Institutional differences create arbitrage opportunities 24
   1.9 A few concluding remarks 31

PART II  A CASE OVERVIEW

2 The Old Mutual–Skandia case: actors and context 39
   2.1 A changing context 39
   2.2 A turbulent period 40
   2.3 Skandia in the early twenty-first century 41
   2.4 Old Mutual up to the millennium 42
   2.5 The main ingredients in our narration 44
   2.6 Book overview 47

PART III  A TARGET COMPANY: SKANDIA BEFORE APRIL 2004

3 A success – and a crash 55
   3.1 Skandia 2003 – a troubled company 55
3.2 Shareholding restrictions 55  
3.3 Skandia’s successful unit-linked business 57  
3.4 The embedded-value method 60  
3.5 A crash 62  
3.6 A tarnished brand 64  

4 Skandia Life UK 68  
4.1 A strained relationship 68  
4.2 The acquisition of Bankhall 71  
4.3 A power struggle 72  

5 A takeover target 74  
5.1 Changes in shareholding and board composition 74  
5.2 A nomination committee 76  
5.3 Passive shareholders 78  
5.4 Turning the page with a new chair 80  
5.5 Trying to form a future 81  
5.6 A cancelled merger plan 82  
5.7 A bonus scandal 84  
5.8 Further shareholder changes 85  
5.9 Skandia – a post-crisis company 86  

PART IV THE ACTORS IN THE SKANDIA TAKEOVER: SKANDIA 2004  

6 A new CEO, board and shareholder composition 91  
6.1 A new CEO: Hans-Erik Andersson 91  
6.2 A new set of shareholders 93  
6.3 The new board of directors 96  

7 Rebuilding Skandia 107  
7.1 A platform 107  
7.2 The AGM on 15 April 2004 108  
7.3 A change of leadership 109  
7.4 Governance ambiguities 113  

8 Working for a stand-alone case or heading for a structural deal? 116  
8.1 Internal problems 116  
8.2 Presenting the ‘Glue plan’ 119  
8.3 Project Pegasus 122  
8.4 Skandia goes for stand-alone 125  
8.5 Reporting the second quarter 2004 127  
8.6 Shareholder activity 129  
8.7 Skandia’s CEO still in the driving seat 131
Contents

9 New kinds of shareholders enter the scene 136
  9.1 Christer Gardell looks for allies 136
  9.2 Skandia becomes a target 138
  9.3 Chair Bernt Magnusson: Skandia open to sale 140
  9.4 Activist Gardell acts 143

10 Old Mutual 147
  10.1 The history of Old Mutual 147
  10.2 Old Mutual expands abroad 149
  10.3 An emerging interest for Skandia 150

PART V OLD MUTUAL GOES FOR SKANDIA
(DECEMBER 2004 TO AUGUST 2005)

11 Growing unease on the Skandia board 159
  11.1 The Skandia board meeting on 22 December 2004 159
  11.2 Christmas activities 160
  11.3 Skandia’s Turbo plan 162
  11.4 Board dispute about the Morgan Stanley agreement 163
  11.5 A first visit from Old Mutual 166
  11.6 Growing tension on the Skandia board 168
  11.7 Icelandic support for Cevian 171
  11.8 Settlement with former chair Lars Ramqvist 172
  11.9 Old Mutual prepares a bid 176

12 An indicative bid leaks out 179
  12.1 New attempts to control the businesses in the UK 179
  12.2 Old Mutual enters the arena 180
  12.3 Structuring a cross-border bid 182
  12.4 Old Mutual’s proposal leaks out 185
  12.5 Sceptical media 188
  12.6 A board agreement on the Turbo plan 191

13 Summer of due diligence 195
  13.1 Different opinions regarding Old Mutual’s indicative bid 195
  13.2 The suitors 198
  13.3 A difficult board meeting 202
  13.4 A letter from Fidelity 205
  13.5 Lengthy due diligence 207
  13.6 Attempting to sell parts of Skandia 208

14 Old Mutual’s friendly bid 213
  14.1 Trouble with financing the bid 213
## PART VI OLD MUTUAL ACQUIRES SKANDIA
**(SUMMER 2005 TO SPRING 2006)**

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>A divided board</td>
<td>227</td>
</tr>
<tr>
<td>15.1</td>
<td>The Fourth National Pension Fund states its position</td>
<td>227</td>
</tr>
<tr>
<td>15.2</td>
<td>Different opinions on Old Mutual’s qualities</td>
<td>230</td>
</tr>
<tr>
<td>15.3</td>
<td>Two camps emerge on the Skandia board</td>
<td>232</td>
</tr>
<tr>
<td>15.4</td>
<td>A second shareholder meeting</td>
<td>235</td>
</tr>
<tr>
<td>15.5</td>
<td>A week of media speculation</td>
<td>237</td>
</tr>
<tr>
<td>15.6</td>
<td>Soft irrevocables from shareholders</td>
<td>242</td>
</tr>
<tr>
<td>15.7</td>
<td>The public bid</td>
<td>243</td>
</tr>
<tr>
<td>16</td>
<td>A controversial bid</td>
<td>247</td>
</tr>
<tr>
<td>16.1</td>
<td>Old Mutual’s bid for Skandia</td>
<td>247</td>
</tr>
<tr>
<td>16.2</td>
<td>Early reactions to the bid</td>
<td>249</td>
</tr>
<tr>
<td>16.3</td>
<td>Initiating a board document</td>
<td>252</td>
</tr>
<tr>
<td>16.4</td>
<td>Emerging shareholder activity</td>
<td>252</td>
</tr>
<tr>
<td>16.5</td>
<td>Old Mutual top management meets the Skandia board</td>
<td>254</td>
</tr>
<tr>
<td>16.6</td>
<td>A cascade of arguments</td>
<td>256</td>
</tr>
<tr>
<td>17</td>
<td>Trying to keep Skandia independent</td>
<td>260</td>
</tr>
<tr>
<td>17.1</td>
<td>Activities in and around the Swedish AP funds</td>
<td>260</td>
</tr>
<tr>
<td>17.2</td>
<td>A critique of Morgan Stanley</td>
<td>263</td>
</tr>
<tr>
<td>17.3</td>
<td>The conflict with the Brits continues</td>
<td>264</td>
</tr>
<tr>
<td>17.4</td>
<td>Publishing the Turbo plan</td>
<td>265</td>
</tr>
<tr>
<td>17.5</td>
<td>A delicate political issue</td>
<td>266</td>
</tr>
<tr>
<td>18</td>
<td>A hostile bid</td>
<td>269</td>
</tr>
<tr>
<td>18.1</td>
<td>Public relations problems</td>
<td>269</td>
</tr>
<tr>
<td>18.2</td>
<td>Short selling Skandia shares</td>
<td>270</td>
</tr>
<tr>
<td>18.3</td>
<td>Planning for a blocking minority</td>
<td>271</td>
</tr>
<tr>
<td>18.4</td>
<td>Board vote and press conference</td>
<td>272</td>
</tr>
<tr>
<td>18.5</td>
<td>Swedish institutions acting in concert</td>
<td>275</td>
</tr>
<tr>
<td>18.6</td>
<td>Lowering the acceptance hurdle?</td>
<td>276</td>
</tr>
<tr>
<td>18.7</td>
<td>The question of national interest</td>
<td>277</td>
</tr>
<tr>
<td>19</td>
<td>Hedge funds intervene</td>
<td>281</td>
</tr>
<tr>
<td>19.1</td>
<td>Paulson &amp; Co. takes a strong position in Skandia</td>
<td>281</td>
</tr>
<tr>
<td>19.2</td>
<td>Skandia’s chair Bernt Magnusson resigns</td>
<td>282</td>
</tr>
</tbody>
</table>
Contents

19.3 Active hedge funds 283
19.4 Swedish institutional investors sell out 284
19.5 Playing by a new set of rules 286
19.6 The defence document 289
19.7 Bid reactions in South Africa 291

20 Facing a new reality 295
20.1 In search of a ‘white knight’ 295
20.2 Skandia Liv 296
20.3 Swedish minority rights 298
20.4 A letter from Skandia chair Lennart Jeansson 299
20.5 Skandia road show 300
20.6 A new nomination committee 302
20.7 Emerging markets’ rally 303
20.8 Raising the bid? 306

21 Old Mutual acquires Skandia 310
21.1 Waiving the 90 per cent threshold 310
21.2 A winning strategy 312
21.3 The minority organizes its opposition 315
21.4 Old Mutual’s final plan 316
21.5 Old Mutual in control 318
21.6 Further selling of Skandia shares 320
21.7 Epilogue 322

PART VII CONCLUSIONS

22 Some conclusions on corporate control and governance processes in financial capitalism 329
22.1 Chapter overview 329
22.2 General observations 331
22.3 Differing views of the purpose of a limited company 335
22.4 The financial rationale dominates the scene 345
22.5 The functioning of the Skandia board and related agencies 361
22.6 Institutional competition 374
22.7 Where do we go from here? 382

Appendix A methodological note 389
References 395
Name index 413
Subject index 417