

COURSE CODE

Corporate Governance

Module 1, 2015-2016

Course Information

Instructor: Seungjoon Oh

Office: PHBS Building, Room 749

Phone: 86-755-2603-2740

Email: sjoonoh@phbs.pku.edu.cn

Office Hour: Monday 2:00pm-3:00pm (or by appointment via email)

Teaching Assistant:

Phone:

Email:

Classes:

Lectures: Tue & Fri 3:30-5:20pm

Venue: PHBS Building, Room 231

(Course Website:)

1. Course Description

1.1 Context

Course overview:

This course will teach the fundamental theories and practice of corporate governance. This course covers the history of the corporation, boards of directors, the division of profit sharing and various forms of employee ownership and equity ownership among insiders, regulation, shareholder activism, the impact of takeovers and mergers and acquisitions on governance, ethical issues such as conflicts of interest and insider trading, international corporate governance, and policy developments likely to impact the corporation. Class will be a mix of lecture, case and topic discussion.

Prerequisites:

The course presumes that students have taken basic courses in accounting, economics, finance and econometrics before taking this course. Students are recommended to have completed the following courses: "*Corporate Finance*".

1.2 Textbooks and Reading Materials

Lecture notes, assignments, academic articles and other useful information will be posted on the course web page.

Reference Text: *Corporate Governance Matters: A Closer Look at Organizational Choices and Their Consequences* by Larcker and Tayan, 2011

Reference Text: *Corporate Governance* by Kenneth Kim, John R. Nofsinger, Derek J Mohr,

Reference Text: *Corporate Governance* by Monks, Robert A.G. and Nell Minow New York: John Wiley & Sons, 2011, 5th edition.

2. Learning Outcomes

2.1 Intended Learning Objectives / Outcomes

Learning Goals	Objectives/Outcomes	Assessment
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	
2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	
	2.2. Students will be able to apply leadership theories and related skills.	
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it.	
	3.2. Our students will practice ethics in the duration of the program.	
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	
	5.3. Our students will demonstrate competency in critical thinking.	

2.2 Course specific objectives

2.3 Assessment/Grading Details

Assessment task	Weighting
Mid-term Exam	100
Final Research Proposal	100
Presentation and Assignment	20
Class participation	30
Total	250

Final Paper:

Each student should submit a research proposal on a topic selected in consultation with the instructor (no more than 10 double-spaced pages) by the final class session. The paper is to be

an original work prepared for this class. Prospective paper topics may also be discussed in the class and distributed by your instructor.

2.4 Academic Honesty and Plagiarism

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

3. Topics, Teaching and Assessment Schedule

Week	Topic
1-2	<p>Introduction of corporate governance</p> <p>The role and purpose of the corporation Theoretical aspects of corporate governance Agency theory and separation of ownership and control Corporate Governance Mechanism International Corporate Governance Seven Myths of Corporate Governance</p> <p><u>Reading List</u> Bebchuk and Weisbach (2010), The State of Corporate Governance Research, 2010 Review of Financial Studies Larker and Tayan (2011), Seven Myths of Corporate Governance Shleifer and Vishny (1997), A Survey of Corporate Governance, Journal of Finance</p>
2-3	<p>Shareholders and Shareholder Activism</p> <p>Ownership structure and firm performance The role of institutional investors Proxy fights and takeover bids Hedge fund activism</p> <p><u>Case Study</u></p>

	<p>"Kerkorian vs: Chrysler: How Much Cash is Too Much?"</p> <p><u>Reading List</u></p> <p>Brav, Jiang, Partnoy and Thomas (2008), "Hedge Fund Activism, Corporate Governance and Firm Performance", Journal of Finance</p> <p>Gantchev, Gredil and Jotikasthira (2014), "Governance under the Gun: Spillover Effects of Hedge Fund Activism", working paper</p> <p>Klein, A., and Zur, E. (2009) Entrepreneurial shareholder activism: Hedge funds and other private investors, Journal of Finance</p> <p>Brav, et al. (2014), Shareholder Power and Corporate Innovation: Evidence from Hedge Fund Activism, Working Paper</p>
3-4	<p>Management</p> <p>Executive compensation Management ownership and firm performance Theory of Financial Contracting Stock options</p> <p><u>Reading List</u></p> <p>Kim and Lu (2011), CEO ownership, external governance, and risk-taking, Journal of Financial Economics</p> <p>Kim and Ouimet (2014), Broad-Based Employee Stock Ownership: Motives and Outcomes, Journal of Finance</p> <p>Kaplan, S. N., and J. Rauh. (2009), Wall Street and Main Street: What Contributes to the Rise in the Highest Incomes? Review of Financial Studies</p>
4-5	<p>Boards of Directors</p> <p>Director and board structure Who are they? Role, fiduciary duties and responsibilities Board Structure and Consequences Independent director Sarbanes-Oxley Compliance</p> <p><u>Reading List</u></p> <p>Adams and Ferreira (2007), A Theory of Friendly Boards, Journal of Finance</p> <p>Adams, Hermalin, and Weisbach (2010), The Role of Boards of Directors in Corporate Governance: A Conceptual Framework and Survey, Journal of Economic Literature</p> <p>Hermalin and Weisbach (1998), Endogenously Chosen Boards of Directors and Their Monitoring of Management. American Economic Review</p> <p>Ahern, K. R., & Dittmar, A. K. (2012). The changing of the boards: The impact on firm valuation of mandated female board representation. The Quarterly Journal of Economics, 127(1), 137-197.</p>
5-6	<p>Controlling Shareholders</p> <p>Controlling-minority shareholder structure Dual-class stock, corporate pyramids, or cross-holdings Family-owned firms and governance Decoupling of Economic and Voting Ownership Empty voting</p> <p><u>Reading List</u></p> <p>Ferreting Out Tunneling: An Application to Indian Business Groups (2002) by</p>

	<p>Bertrand, Mehta, and Mullainathan, QJE A Theory of Pyramidal Ownership and Family Business Groups (2006) by Ameida and Wolfenzon, Journal of Finance Lucian Bebchuk, Reinier Kraakman and George Triantis (2000), Stock Pyramids, Cross-Ownership, and Dual Class Equity: The Creation and Agency Costs of Separating Control From Cash-Flow Rights, Concentrated Corporate Ownership Hu and Black (2007), Hedge funds, insiders, and the decoupling of economic and voting ownership: Empty voting and hidden ownership, Journal of Corporate Finance</p>
6-7	<p>Auditors and Creditors</p> <p>Accountants and Auditors Institutional lenders as corporate monitors Credit rating agencies</p> <p><u>Case Study</u> Corporate Accounting Fraud: A Case Study of Satyam Computers Limited</p>
7-8	<p>International Corporate Governance</p> <p>Law and Corporate Governance Cross-Country comparison Cross-country difference vs. Firm-level difference Cross-Border investment by foreign investors Investor protection and home bias Country case study: China</p> <p><u>Reading List</u> Leuz, Lins and Warnock (2008), Do foreigners invest less in poorly governed firms?, Review of Financial Studies Reese and Weisbach, (2002) Protection of minority shareholder interests, cross-listings in the United States, and subsequent equity offerings”, Journal Financial Economics</p>
8-9	<p>Corporate Citizenship</p> <p>Stakeholder view of the firm International aspects of corporate citizenship CSR and Stakeholder Value Maximization</p> <p><u>Case Study</u> Public Outrage Over Factory Conditions Spurs Labor Deal, NYTimes, 2013 For Pepsi, a Business Decision With Social Benefit, NYTimes, 2011</p> <p><u>Reading List</u> Deng, Kang and Low (2014), Corporate Social Responsibility and Stakeholder Value Maximization: Evidence from Mergers”, Journal of Financial Economics</p>