

Corporate Governance

Academic year 2017-2018

Course Manual

Course

Course code: 6012B0266; course load: 6EC; semester 2 (February – March)

Learning objectives

Upon completion of the course, the student will:

- have an understanding of key corporate governance matters, including the role of boards, shareholders, employees, gatekeepers, regulators and the market
- be familiar with some elements of the legal framework: corporate law, securities law, accounting rules, design of and compliance with corporate governance codes, etc.
- be familiar with the economic environment: firm ownership structure, market dynamics, etc.
- have a view on contemporary issues in the corporate governance debate: shareholder activism, executive compensation, etc.

Structure of the course

This course consists of 6 weeks of education, in which there are two meetings per week:

- Lectures: Mondays (13.00-15.00 in **M1.01**) – Dates: February 5 through March 19 (no lecture on February 26)
- Lectures: Wednesdays (13:00 -15:00 in **REC C1.04**) – Dates: February 7, 14 and 21 (no lecture on February 28)
- Lectures: Thursdays (13:00 – 15:00 in **REC C0.01**) March, 8, 15 and 22

This is an intensive course. Good preparation and active participation throughout is expected.

Teachers

Mr. dr. Jaap Barneveld (FdR) – lectures (jaap.barneveld@debrauw.com)

Prof. dr. Arnoud Boot (ABS) - lectures

Prof. dr. Philip Wallage (ABS) – coordination and lectures (Ph.Wallage@uva.nl)

Secretariat: Sidonie Rademaker (ACLE@uva.nl)

Literature

Textbook: Thomsen & Conyon, Corporate Governance. Mechanisms and Systems, McGraw-Hill, 2012. ISBN 978-007713259-0. Various readings, see weekly schedule.

Individual assignment

The individual *assignment* needs to be submitted by e-mail (ACLE@uva.nl) ultimately Friday March 9, 2018. Details about the assignment will be presented on Blackboard. Furthermore, you are expected to send in *homework* as mentioned in the weekly schedule before class (ph.wallage@uva.nl).

Course site

All relevant information will be made available on the course's Blackboard site (<http://blackboard.uva.nl>).

Examination

The course is completed with a written exam with questions about the material covered in the course (written material and lectures).

The exam takes place on March 27, 2018, from 18.00 – 21.00 hours (Location: Borchland Severiano Ballesteros)

Evaluation

A three-hour written examination (85%) with open and multiple choice questions. Furthermore, part of the mark will be determined by the assignment (15%). The result of this assignment will remain valid only for the resit in the academic year in which the course was taken. The form of the resit will be the same as the first exam. The grade for the written examination must be at least 5.0 to pass the course.

Weekly schedule

- Lectures: Mondays (13.00-15.00 in **M1.01**) – Dates: February 5 through March 19 (no lecture on February 26)
- Lectures: Wednesdays (13:00 -15:00 in **REC C1.04**) – Dates: February 7, 14 and 21 (no lecture on February 28)
- Lectures: Thursdays (13:00 – 15:00 in **REC C0.01**) March, 8, 15 and 22

Week	Date	Subject	Study material (TC = Thomsen & Conyon)	Lecturer
Week 1	Mo 5/2	What is CG and Theories of CG	<ul style="list-style-type: none"> • Chapter 1, 2 (TC) • Fama & Jensen (1983), <i>Separation of Ownership and Control</i> 	PW
Week 1	Wo 7/2	The Mechanisms of CG and International CG	<ul style="list-style-type: none"> • Chapter 3, 4 (TC) • Armour et al. (2017), <i>Agency Problems and Legal Strategies</i> 	JB
Week 2	Ma 12/2	Informal Governance and CSR	<ul style="list-style-type: none"> • Chapter 5, 6 (TC) • Kish-Gephard et al. (2010), <i>Bad Apples, Bad Cases and Bad Barrels</i> • Wilhelm (2005), <i>Ethical Reasoning for the Business Classroom: A Decision-Making Framework</i> • 2016 Netherlands Corporate Governance Code, Introduction and chapter 1 (link) ✓ Homework: Wells Fargo Case 	PW
Week 2	Wo 14/2	Corporate Ownership and Board Theories, Structure	<ul style="list-style-type: none"> • Chapter 7, 8 (TC) • Goshen & Hamdani (2016), <i>Corporate control and Idiosyncratic Vision</i> • 2016 Netherlands Corporate Governance Code, chapters 2 and 3 (link) ✓ Homework: Facebook case 	JB
Week 3	Ma 19/2	Board Behavior	<ul style="list-style-type: none"> • Chapter 9 (TC) • Van Ees et al (2009), <i>Toward a Behavioral Theory of Boards and Corporate Governance</i> • Bower and Paine (2017), <i>The Error at the Heart of Corporate Leadership</i> • 2016 Netherlands Corporate Governance Code, chapter 4 (link) ✓ Homework: Uber Case 	PW
Week 3	Wo 21/2	Executive Compensation	<ul style="list-style-type: none"> • Chapter 10 (TC) • Tingle (2017), <i>How Good Are Our "Best Practices" When It Comes to Executive Compensation? A Review of Forty Years of Skyrocketing Pay, Regulation, and the Forces of Good Governance</i> 	JB

Week 4	Ma 5/3	International Systems (US and UK)	<ul style="list-style-type: none"> • Chapters 11 (TC) • Coffee (2005), <i>A Theory of Corporate Scandals: Why the USA and Europe Differ</i> • FRC (2017), <i>Developments in Corporate Governance and Stewardship</i> 2016 	PW/AB
Week 4	Do 8/3	Ownership, Institutional Investors and Activist Shareholders	<ul style="list-style-type: none"> • Chapters 12 (TC) • Bebchuk et al. (2013), <i>The Myth That Insulating Boards Serves Long-Term Value</i> • Wachtell (2017), <i>Dealing with Activist Hedge Funds and Other Activist Investors</i> ✓ Homework: BlackRock Case ✓ Forward your individual assignment CG before March 9, 23.00hrs to acle@uva.nl 	JB
Week 5	Ma 12/3	Corporate governance and financial markets	<ul style="list-style-type: none"> • Chapters 12, (TC) • Boot, A.W.A., (2009), <i>Footloose Corporations, Have Financial Markets destabilized firms?</i> • Fuller, J and M. Jensen (2010), <i>Just Say no to Wall Street, Putting a Stop to the Earnings Game, Journal of Applied Corporate Finance</i> • Healy, P. M. and K.G. Palepu (2003), <i>The Fall of Enron, Journal of Economic Perspectives, 17 (2), 3-26.</i> 	AB
Week 5	Do 15/3	Fraud and Bounded Rationality	<ul style="list-style-type: none"> • Kahneman (2003), <i>Maps of Bounded Rationality: Psychology for Behavioral Economics</i> • ACFE (2016), <i>Report to the Nations on Occupational Fraud and Abuse</i> • COSO (2016), <i>Fraud, Risk Management Guide, Executive Summary</i> 	PW
Week 6	Ma 19/3	Corporate Governance in Practice and Theory International Systems (Germany and China)	<ul style="list-style-type: none"> • Chapter 13, 15, 18 (TC) • NACD (2017), <i>2018 Governance Outlook (Page 1-14 and 20-25)</i> • Filatotchev and Wright (2017), <i>Methodological issues in governance research: An editor's perspective</i> 	PW
Week 6	Do 22/3	Wrap up and Q&A	<ul style="list-style-type: none"> • Wrap up and Q&A 	PW

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