

THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO
BRYAN SCHOOL OF BUSINESS AND ECONOMICS
Department of Accounting and Finance
MBA 723: Corporate Governance
Summer 2015 ONLINE

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Note that **email** is the best way to reach me.

Office Hours: *By appointment*. I am usually around in my office most of the time so feel free to send me an email to set up an appointment. I will try to check my email frequently but there are a couple days in the summer where I am in meetings all day or traveling so I may be unable to respond quickly to email. Likewise, on weekends I may be slower to respond to email. But in general, you should treat this as an interactive course. If you have a question about the notes or the readings, then send me an email. Likewise, you should use the discussion board to ask questions for me and your classmates to answer. **Depending on student schedules, I am willing to set up a regular online question and answer period or set up some times to meet in smaller groups online or on campus if students prefer but my experience is that in summer this course is composed of students from several different programs with different schedules making it difficult to find a single time that works well for all. I am also available for individual meetings as needed either in person or online.**

PURPOSE OF COURSE:

This course focuses on current issues in and theories of corporate governance. The course topics include the examination of internal and external corporate controls, stakeholder theories and international governance comparisons.

STUDENT LEARNING OUTCOMES:

1. Demonstrate an understanding of the corporate governance framework including agency problems.
2. Identify and understand the role of internal and external forces in controlling agency problems.
3. Evaluate the differences and interrelationships between shareholder supremacy and stakeholder models of corporate governance.
4. Evaluate the interplay between ethics and incentives in designing governance systems.
5. Assess the importance of organizational culture on organizational decision making.
6. Demonstrate and understanding of how and why governance issues differ for non-profit organizations.
7. Evaluate how and why governance practices differ around the world.
8. Apply the tools and concepts learned in the course to analyze recent corporate scandals and evaluate potential corporate governance reform proposals.

EVALUATION AND GRADING:

The course is based heavily on the readings and discussion of those readings. It is critical that you participate in the discussions and ask well thought out questions and provide thoughtful answers to the questions posed by the instructor and other students to achieve an acceptable grade on the discussion portion of the course. The homework assignments and exam will require a thorough understanding of the readings and the questions posed through the class discussion.

The following criteria will apply to the grading of all assignments including the final exam and the weekly discussion board questions.

A: Work that demonstrates not only a clear understanding of the material under study, but also a superior ability to utilize that material in the assignment. All criteria are met. The student's work goes beyond the task and contains *additional, unexpected or outstanding features*.

B: Work that demonstrates a good understanding of the material under study, and utilizes the material well in the assignment. The student *meets the assignment criteria*, with few errors or omissions.

C: Work that fails to demonstrate a basic or technical understanding of the material under study, and fails to use relevant material in the assignment. Work may not address one or more criteria or may not accomplish what was asked.

F: Work that is incomplete, inappropriate and/or shows little or no comprehension of the material under study.

Determination of Final Course Grades

Homework Assignment 1	25%
Homework Assignment 2	25%
Weekly Discussion Board Questions*	20%
Final Exam	30%

The grading scale is as follows:

A 92% and above
A- 90 – 91.99%
B+ 88 – 89.99%
B 82 -87.99%
B- 80 – 81.99%
C+ 78 – 79.99%
C 70 – 77.99%
F < 69.99%

*You are required to post a minimum of 1 question for at least 7 of the 11 sections on the course section for a total of 7 questions. In addition you are required to post answers to 2 of the questions posted by your classmates for at least 7 of the 11 sections for a total of 14 responses. You may post more questions and answers (and are encouraged to be active) but I am more

interested in the quality of your questions and not the quantity of your questions beyond the minimum number. **You must post your questions on the days the sections are listed on the course outline further below in the syllabus to receive credit. You must post your responses to questions within two days of the last day of the dates listed for a topic.** For example, you must post questions for Section 4 on May 21st and May 22nd and responses between May 21st and May 24th for them to count toward your grade. However, you may continue to post any questions you have and responses to questions after these periods to further learning. You must post a minimum of 7 questions (in 7 different sections) and 14 responses to questions (in at least 7 different sections) during the required time windows for those sections. Each one you fail to post, fail to post on time, or fail to post in minimum number of sections will reduce your class participation grade by approximately 4.75 (1/21) points

The purposes of these questions are to take the place of classroom discussion so I expect thoughtful questions and answers. By requiring the questions on the specific days of the topics, I hope to duplicate the spontaneity and interaction of the classroom without forcing you to be logged in at a fixed time for classroom discussion. I want to try and provide the maximum flexibility during the summer but still encourage as much interaction as possible.

REQUIRED TEXTS/READINGS/REFERENCES:

Text: Kenneth Kim, John Nofsinger and Derek Mohr, *Corporate Governance* 3rd edition (2010), Prentice Hall.

The text just went out of print but you can still find new copies and used copies are available for \$25 to \$35 online. Plus you should be able to rent it from the bookstore for the summer term for fairly cheap.

Readings: Selected additional readings (some required and some optional) posted in Canvas (see reading list at end of Syllabus).

USE OF CANVAS LEARNING MANAGEMENT SYSTEM

This is my first time using Canvas for a course so I am sure there will be some problems on my end. If there are issues, don't panic. I will fix them. One concern I do have is communication. I will use email and announcements. The emails will automatically go to your Canvas Inbox and your UNCG gmail account. Announcements will also go to your UNCG gmail account. However, Students have the ability to control their own notification settings in Canvas. If you change your notifications from once a day, then you should make sure that you otherwise are logging into the course on a daily basis. You will be receiving some communication from me if not every day at least every other day. I try to post announcements about what we are doing every week at the start of that week, an announcement to introduce every new section of the course as well as the purpose and highlights of the section, and miscellaneous announcement about other items related to the course.

FORMAT OF CLASS

Online Learning: This is an online class where all of your learning will be done through use of

the textbook and materials available online. The nature of the material for this course is well suited for learning in this manner. However, there is a lot of reading required and it is important that you do not fall behind. This is particularly true given the short summer session. The best way to learn the material is to read and participate in the group discussion. *There are no opportunities for extra credit in this class.* In addition, unlike a face to face course, there is no fixed time you must be sitting in the classroom or logged into the computer to participate (i.e. Monday from 6:00 pm to 9:30 pm). This does not mean that it is a self-paced course. You must follow the schedule given below and post discussion board questions on the specified days for each course section.

Assignments and Final Exam:

There will be two assignments, a cumulative final exam and required participation in the online discussion group. The two assignments will consist of short essay questions. **The assignments and the final exam will be open book and open notes. Because the assignments are open book and notes, I do not expect you to simply repeat what is in the notes or the book but expand upon that material and provide your own individual answer that is supported by the course material.** No late assignments will be accepted and there are no make-ups.

Assignment	Due Dates:
Assignment 1	Monday, May 25th
Assignment 2	Monday, June 8th
Final Exam	Friday, June 19th

With the exception of the *Final Exam*, which I can not change, I have made the assignments due on a Monday to provide the maximum use of a weekend to work on the assignment. In addition, for the assignments I will provide ample time to work on the questions. If it is due on a Monday night at 10 pm, then it will be available on the morning of the previous Wednesday. I will open the Final exam open on the morning of Thursday June 11th so you have over a full week to work on it. The final is cumulative in nature as well so most questions are such that you can go ahead and start on them even though we have a week of material left at that point.

As noted above, there is no opportunity to make-up a missed assignment. The weight attributable to a missed assignment will be allocated to the final exam. Please try to notify me at least 48 hours prior to the due date. Failure to notify me within 24 hours after the scheduled assignment will result in an F grade (score of zero). At the time of notification, I will determine whether to consider the absence excused or unexcused and follow University policy. In the event you miss an assignment or exam for medical reasons, you must provide me with written verification.

Other Comments:

Online Learning: This is an online class where all of your learning will be done through use of materials available online and the text.

1. Read and study the assigned materials for each assigned date in order to keep up.
2. Pay attention to dates and times for discussion board questions, assignments, and the final exam!
3. Do not get behind! Work on this course on a regular basis.
4. Check email and BB Announcements frequently so you don't miss important information.

5. Form a study team online with other students.

ACADEMIC INTEGRITY POLICY:

Each student is expected to complete all requirements of this course in all respects in conformity with UNCG’s Academic Integrity Policy. The paragraph below, which was taken from this policy, highlights students’ responsibilities regarding academic integrity. Students should recognize their responsibility to uphold the Academic Integrity Policy and to report apparent violations to the appropriate persons. Students who do not understand the policy or its application to a particular assignment are responsible for raising such questions with their faculty member.

Please read the Academic Integrity Policy at the following link:

<http://sa.uncg.edu/handbook/academic-integrity-policy/>

Violations of this policy will be strictly enforced. I will pursue the strongest penalty allowed for any violation.

TOPICAL OUTLINE/CALENDAR: (see the Reading List below)

Week	Month	Date	Day	Topic	Chapter(s)	Required Readings	Optional Readings
1	May	11	Mon	Section 1: Introduction, Agency Costs	1		1
1	May	12	Tues	Section 1: Introduction, Agency Costs	1		2,3
1	May	13	Wed	Section 2: Executive Compensation	2		
1	May	14	Thur	Section 2: Executive Compensation	2	1	
1	May	15	Fri	Section 2: Executive Compensation	2	2	
2	May	18	Mon	Section 2: Executive Compensation		3	
2	May	19	Tues	Section 3: Boards of Directors	4		
2	May	20	Wed	Section 3: Boards of Directors(assignment 1 opens)	4	4	4.5
2	May	21	Thur	Section 4: Shareholders	7	5	
2	May	22	Fri	Section 4: Shareholders	7	6	
3	May	25	Mon	Assignment 1 Due			
3	May	26	Tues	Section 5: Market for Corporate Control	8		6
3	May	27	Wed	Section 5: Market for Corporate Control	8		
3	May	28	Thur	Section 6: The Courts and Corporate Governance	8		
3	May	29	Fri	Section 6: The Courts and Corporate Governance	8		
4	June	1	Mon	Section 7: Capital Structure	6	7	
4	June	2	Tues	Section 7: Capital Structure	6		7
4	June	3	Wed	Section 7: Capital Structure (assignment 2 opens)	6		
4	June	4	Thur	Section 8: Financial Reporting and Regulation	3,9	8	
4	June	5	Fri	Section 8: Financial Reporting and Regulation	9	6(repeat)	
5	June	8	Mon	Assignment 2 Due			
5	June	9	Tues	Section 9: Corporate Culture		9	
5	June	10	Wed	Section 9: Corporate Culture		10	
5	June	11	Thur	Section 10: Stakeholder Theory/Non-Profits (Final Exam Opens)	11		
5	June	12	Fri	Section 10: Stakeholder Theory/Non-Profits	11		8
6	June	15	Mon	Section 10: Stakeholder Theory/Non-Profits	11		
6	June	16	Tues	Section 11: International Comparisons/Overview		11	9
6	June	17	Wed	Section 11: International Comparisons/Overview		12	
6	June	18	Thur	Section 11: International Comparisons/Overview			
6	June	19	Fri	Final Exam Due			

READING LIST – All readings whether required or optional are posted in Canvas.
The optional readings are highlighted. Only read an optional reading if you have the time and are particularly interested in this topic. I provide notes for the required readings and optional readings directly in the notes in some cases and at the end of each sections notes in other cases and you should read the notes for both the required and optional readings.

Section 1: Agency Costs

Optional Reading 1: Cheffins, Brian R. “The History of Corporate Governance” (Jan 2012) ECGI Working Paper Series in Law. There is a similar version published in *The Handbook of Corporate Governance*.

Optional Reading 2: Michael C. Jensen and William H. Meckling, 'Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure,' *Journal of Financial Economics*, Vol. 3, No. 4 (1976).

Optional Reading 3: Eugene Fama, “Agency Problems and the Theory of the Firm,” *Journal of Political Economy*, Vol 88, No 2, (1980).

Section 2: Executive Compensation

Reading 1: Michael C. Jensen and Kevin J. Murphy, 'CEO Incentives: It's Not How Much You Pay, But How,' *Harvard Business Review* (May/June, 1990), pp. 138-153.

Reading 2: Brian J. Hall and Kevin J. Murphy, “The Trouble with Stock Options,” *Journal of Economic Perspectives* (Summer 2003), pp. 49-70.

Reading 3: Lucian Arye Bebchuk and Jesse M. Fried, “Executive Compensation as an Agency Problem, *Journal of Economic Perspectives* (Summer 2003), pp. 71-91.

Section 3: Boards of Directors

Reading 4: Benjamin Hermalin and Michael Weisbach, “Boards of Directors as an Endogenously Determined Institution: A Survey of the Economic Literature”, *Economic Policy Review*, Vol. 9, No. 1, (April 2003) pp. 7-26.

Optional Reading 4: Eugene F. Fama and Michael C. Jensen, “Separation of Ownership and Control”, *Journal of Law and Economics* Vol. 26, No. 2 pp. 301-325 (1983).

Optional Reading 5: Eugene F. Fama and Michael C. Jensen, “Agency Problems and Residual Claims”, *Journal of Law and Economics* Vol. 26, No. 2 pp. 327-349 (1983).

Section 4: Shareholders

Reading 5: Mark J Roe, "The Political Roots of American Corporate Finance," *Journal of Applied Corporate Finance*, Vol. 9, No. 4, Winter 1997, 8-22.

Reading 6: Gillan, S. and L. Starks “Evolution of Shareholder Activism in the United States.” *Journal of Applied Corporate Finance*, Vol. 19, No. 1, Winter 2007, 55-73.

Section 5: Market for Corporate Control

Optional Reading 6: Henry G. Manne, “Mergers and the Market for Corporate Control,” *The Journal of Political Economy* April(1965), 110-120.

Section 6: The Courts and Corporate Governance

None

Section 7: Capital Structure and Private Equity

Reading 7: Michael C. Jensen, “The Agency Costs of Free Cash Flow: Corporate Finance and Takeovers,” *American Economic Review*, Vol. 76, No. 2 (May, 1986)

Optional Reading 7: Michael C. Jensen, “The Eclipse of The Public Corporation,” *Harvard Business Review* (Sept-Oct 1989).

Section 8: Financial Reporting and Regulation

Reading 8: Ross L. Watts and Jerold L. Zimmerman, “Agency Problems, Auditing, and the Theory of the Firm: Some Evidence,” *Journal of Law and Economics*, Vol. 26, No. 3 (Oct., 1983), 613-633.

Reading 6 Repeated: Mark J. Roe, "The Political Roots of American Corporate Finance," *Journal of Applied Corporate Finance*, Vol. 9, No. 4, Winter 1997, 8-22. (**Already used in section 4 above**).

Section 9: Corporate Culture

Reading 9: Herbert Simon, "Organizations and Markets," *Journal of Economic Perspectives*, 1991 25-44.

Reading 10: Eric Flamholtz, Corporate Culture and the Bottom Line,” *European Management Journal* Vol. 19, No. 3, pp. 268–275, 2001

Section 10: Stakeholders

Optional Reading 8: Bradford Cornell and Alan Shapiro, “Corporate Stakeholders and Corporate Finance,” *Financial Management*, 1987, 5-14.

Section 11: International Differences/ Overview

Reading 11: Michael C. Jensen, 'The Modern Industrial Revolution, Exit, and the Failure of Internal Control Systems,' *The Journal of Finance*, (July, 1993).

Reading 12: David Larcker and Brian Tayan “7 Myths of Corporate Governance”, Stanford Closer Look Series, 2011

Optional Reading 9: Andrei Shleifer and Robert W. Vishny, “A Survey of Corporate Governance,” *The Journal of Finance* Vol. 52, No. 2 (Jun., 1997), pp. 737-783