

Fin 536 Corporate Governance

Project 2

Models of Corporate Governance: Who's the Fairest of Them All?

Due at the beginning of 15th lecture

The case "Models of Corporate Governance: Who's the Fairest of Them All?" describes and discusses different corporate governance systems in many countries. After reading the case, please prepare answers to following questions not exceeding 5 pages.

Questions

1. Imagine that you have been commissioned to by your government to design from scratch an entirely new system for corporate governance. Your system is to be the most effective governance system and you are allowed to borrow freely from the standards of any country in the world. What are your recommended best practices? Be specific and make sure to comment on unitary board versus two-tiered board, board composition, independence, committees, auditor requirements, and other factors mentioned in the case.
2. Do you believe standards of governance should be required through legal mandate (as in China and Germany) or adopted at the discretion of company based on recommended best practices and pressure from shareholders?
3. How effective do you find the standard of comply-or-explain? Provide an analysis of economic and social forces of this standard.
4. Do you believe employees should have representation on the board? What impact would this have on governance and board discussion? If you ran a major company, would you want employees serving on the board? If so, would they serve in a supervisory or strategic capacity?
5. How effective do you find the keiretsu system, relative to the other models presented in the case? What are the benefits and drawbacks of having customers, suppliers, and banks influence the board of directors? Are representatives from affiliated companies more or less effective board members than independent directors?
6. What is your evaluation of the board and committee structure adopted by Toyota? Do you believe that Toyota has achieved its tremendous success as a company because of its governance structure or in spite of its governance structure?
7. Consider the cases of Michelin, Rosneft, the Wallenberg holdings, and PetroChina. Do you consider it a positive, negative, or neutral factor when a company retains a national identity and national influence?