



北京大學  
汇丰商学院

Peking University HSBC Business School

# FIN536 Corporate Governance Module IV, 2016-2017

## Course Information

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**Instructor: Daniel Sungyeon Kim**

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Office Hour: Mon & Thu 9:00am-10:00am (or by appointment via email)

**Teaching Assistant:**

Phone:

Email:

**Classes:**

Lectures: Mon & Thu 10:30-12:20pm

Venue: PHBS Building, Room 331

**(Course Website: [www.danskim.com](http://www.danskim.com))**

## 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.

**Textbooks:**

*Corporate Governance* by Monks, Robert A.G. and Nell Minow (MM)

*A Real Look at Real World Corporate Governance* by David Larcker, Brian Tayan (LT)

**Reference Text:**

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

*Corporate Governance* by Kenneth Kim, John R. Nofsinger, Derek J Mohr, 2010 3/E, Prentice Hall

**2. Learning Outcomes****2.1 Intended Learning Objectives / Outcomes**

<b>Learning Goals</b>	<b>Objectives/Outcomes</b>	<b>Assessment</b>
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**

<b>Assessment task</b>	<b>Weighting</b>
Mid-term Exam	30%
Final Research Proposal	30%
Presentation and Assignment	30%
Class participation	10%
Total	100%

**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

<i>Class Number</i>	<i>Topics Covered</i>
1 (Apr 27)	<p><u>Introduction of the course</u></p> <p><u>Introduction of corporate governance I</u>            The role and purpose of the corporation            Theoretical aspects of corporate governance            Agency theory and separation of ownership and control</p> <p><u>Reading:</u>            MM Chapter 1</p>
2 (May 3)	<p><u>Introduction of corporate governance I</u>            Corporate Governance Mechanism            International Corporate Governance</p> <p><u>Seven myths of corporate governance</u></p> <p><u>Reading:</u>            MM Chapter 1</p> <p>Bebchuk and Weisbach (2010), The State of Corporate Governance Research, RFS</p> <p>Shleifer and Vishny (1997), A Survey of Corporate Governance, JF</p> <p>Larker and Tayan (2011), Seven Myths of Corporate Governance</p>
3 (May 4)	<p><u>Shareholders and Shareholder Activism I</u>            Ownership structure and firm performance            The role of institutional investors            Proxy fights and takeover bids</p> <p><u>Case Study</u>            Chrysler Takeover Attempt</p> <p><u>Reading:</u>            MM Chapter 2</p>
4 (May 8)	<p><u>Shareholders and Shareholder Activism II</u>            Hedge fund activism</p> <p><u>Market for corporate control</u>            The threat of takeover            G-Index</p> <p><u>Reading:</u>            MM Chapter 2</p>

<i>Class Number</i>	<i>Topics Covered</i>
	<p>Brav et al. (2008), Hedge Fund Activism, Corporate Governance and Firm Performance, JF</p> <p>Gantchev, Gredil and Jotikasthira (2014), Governance under the Gun: Spillover Effects of Hedge Fund Activism, WP</p> <p>Klein and Zur (2009), Entrepreneurial shareholder activism: Hedge funds and other private investors, JF</p> <p>Brav et al. (2014), Shareholder Power and Corporate Innovation: Evidence from Hedge Fund Activism, WP</p> <p>Gompers, Ishii, and Metrick (2003), Corporate governance and equity prices, QJE</p>
5 (May 11)	<p><u>Executive incentives I</u> Executive compensation Theory of Financial Contracting</p> <p><u>Reading:</u> MM Chapter 4 LT Part IV</p> <p>Kaplan and Rauh (2009), Wall Street and Main Street: What Contributes to the Rise in the Highest Incomes? RFS</p> <p><b>ASSIGNMENT DUE:</b> Project 1</p>
6 (May 15)	<p><u>Executive incentives II</u> Management ownership and firm performance</p> <p><u>Reading:</u> MM Chapter 4 LT Part IV</p> <p>Kim and Lu (2011), CEO ownership, external governance, and risk-taking, JFE</p> <p>Kim and Ouimet (2014), Broad-Based Employee Stock Ownership: Motives and Outcomes, JF</p>
7 (May 18)	<p><u>Boards of Directors I</u> Director and board structure Who are they? Role, fiduciary duties and responsibilities</p> <p><u>Reading:</u> MM Chapter 3 LT Part I</p> <p>Adams, Hermalin, and Weisbach (2010), The Role of Boards of Directors in Corporate Governance: A Conceptual Framework and Survey, JEL</p>

<i>Class Number</i>	<i>Topics Covered</i>
	<p>Hermalin and Weisbach (1998), Endogenously Chosen Boards of Directors and Their Monitoring of Management, AER</p> <p>Ahern and Dittmar (2012), The changing of the boards: The impact on firm valuation of mandated female board representation, QJE</p>
8 (May 22)	<p><u>Board of Directors II</u>  Board Structure and Consequences  Independent director  Sarbanes-Oxley Compliance</p> <p><u>Reading:</u>  MM Chapter 3  LT Part I</p> <p>Adams and Ferreira (2007), A Theory of Friendly Boards, JF</p> <p>Masulis and Mobbs (2011), Are all insider directors the same?, JF</p>
9 (May 24)	<p><u>Controlling Shareholders I</u>  Controlling-minority shareholder structure  Dual-class stock, corporate pyramids, or cross-holdings  Family-owned firms and governance</p> <p><u>Reading:</u>  MM Chapter 2</p> <p>Bebchuk, Kraakman and Triantis (2000), Stock Pyramids, Cross-Ownership, and Dual Class Equity: The Creation and Agency Costs of Separating Control From Cash-Flow Rights, CCO</p>
10 (May 25)	<p><u>Controlling Shareholders II</u></p> <p><u>Reading:</u>  MM Chapter 2</p> <p>Bertrand and Mullainathan (2002), Ferreting Out Tunneling: An Application to Indian Business Groups, QJE</p> <p>Almeida and Wolfenzon (2006), A Theory of Pyramidal Ownership and Family Business Groups, JF</p>
11 (Jun 1)	<p><u>Controlling Shareholders III</u>  Decoupling of Economic and Voting Ownership  Empty voting</p> <p><u>Reading:</u>  MM Chapter 2</p> <p>Hu and Black (2007), Hedge funds, insiders, and the decoupling of economic and voting ownership: Empty voting and hidden ownership, JCF</p>

<i>Class Number</i>	<i>Topics Covered</i>
(Jun 5)	<b>MIDTERM</b>
12 (Jun 8)	<p><u>Creditors</u> Institutional lenders as corporate monitors Credit rating agencies</p> <p><u>Auditors</u></p> <p><u>Case Study</u> Governance Failure at Satyam</p> <p><u>Reading:</u> MM Chapter 3 LT Part II</p>
13 (Jun 12)	<p><u>International corporate governance</u> Law and Corporate Governance Cross-country difference vs. Firm-level difference Cross-Border investment by foreign investors Investor protection and home bias</p> <p><u>Reading:</u> MM Chapter 5</p> <p>Leuz, Lins and Warnock (2008), Do foreigners invest less in poorly governed firms? RFS</p> <p>Reese and Weisbach, (2002), Protection of minority shareholder interests, cross-listings in the United States, and subsequent equity offerings, JFE</p>
14 (Jun 15)	<p><u>Corporate Citizenship</u> Stakeholder view of the firm International aspects of corporate citizenship CSR and Stakeholder Value Maximization</p> <p><u>Reading:</u> Deng, Kang and Low (2014), Corporate Social Responsibility and Stakeholder Value Maximization: Evidence from Mergers”, JFE</p>
15 (Jun 19)	<p><u>Case Study</u> Baosteel Group: Governance with Chinese Characteristics</p> <p><b>ASSIGNMENT DUE:</b> Models of Corporate Governance: Who’s the Fairest of Them All?</p>
(Jun 25) <b>8:30-12:20</b>	<b>PRESENTATION</b>