

DEPARTMENT.....: Accounting and Finance (CFC)  
 PROGRAM.....: CMCD  
 COURSE.....: Corporate Governance  
 PROFESSOR.....: Wesley Mendes  
 DAY/HOUR.....: Thursdays, 03:00 pm - 06:50 pm

SEMESTER/YEAR..... 1<sup>st</sup>/2017

**SYLLABUS**

**OBJECTIVES AND CONTENTS**

This course examines the evolution of corporate governance model in different institutional contexts. The meaning of and distinction between corporate governance and management, why understanding corporate governance is important, and how corporate governance matters are addressed from an internal and external perspective. This course focuses primarily on for-profit, publicly traded corporations. Students are challenged to understand the system and structure in which corporations function and to think critically about the framework for effective corporate governance. This will include an understanding of the structural relationships determining authority and responsibility for the corporation and their associated complexities. Due to time limitations, we will not cover in depth all of the empirical, methodological and theoretical backgrounds related to Corporate Governance in different and specific fields, e.g. Non-Profit Organizations or Credit Cooperatives.

**FORMAT**

This course is a theoretical and empirical evidence course and will be conducted in Portuguese. Lectures and Corporate Governance readings will help you learn the economic intuition behind each paper discussed. Course readings will expose you to a theoretical framework that supports Corporate Governance knowledge and literature. Course assignments will require you to use the literature analyzed in the course. Each one of the seven classes will have the following structure: Introduction to the topic that will be given by means of a 40 minute presentation, and three or four papers presented by students. We will have a 15 minute break after the first presentation. Two of our sessions will start with a 30 min quizz. In addition, before each session you will be asked to send your assignment (in respect to each paper discussed) in electronic version. In the end you will need to write a Research Paper as well. I strongly suggest you do not procrastinate.

**CONTENT**

- Origins and development of Corporate Governance
- Corporate Governance: Mechanisms, Processes & Corruption
- The Corporate Governance Life Cycle
- Types of Investors
- Corporate Governance, Strategy and Stakeholders
- Corporate Governance around the world
- Emerging Issues in Corporate Governance

**GRADING**

Presentation/papers discussion:	25
Assignments:	10
Exercises:	10
Quizzes:	40
Final Exam:	40
Research paper:	25
<b>Total</b>	<b>150</b>

The Research Paper (10 days after the course ends) is a document describing a specific Corporate Governance topic. The paper should be structured according to the format as follows (or even with preliminary results):

- *Introduction*: this section should give an overview of the existing literature, highlighting and describing the original features of the research paper;
- *Scope and research questions*: this paragraph should define (and describe) the scope of the paper and identify the (innovative) research issues to which the paper should provide answers;
- *Methodology*: this section should present a description of the research methods that will be used to compile the paper. The method has to be illustrated taking into account the analysis of the data requirements needed for the research work.
- *Reference list*: a list of the literature (effectively) examined in connection with the paper.

You can identify possible research topics from reading the materials suggested in class or from the following articles by Aguilera et al. (2016), Cuomo et al. (2016), Filatotchev et al. (2013), Huse et al. (2000 and 2011):

- Aguilera, R., Florackis, C., Kim, H. (2016). Advancing the Corporate Governance Research Agenda. *Corporate Governance: An International Review*, 24(3), 172-180.
- Cuomo, F., Mallin, C., Zattoni, A. (2016). Corporate Governance Codes: A Review and Research Agenda. *Corporate Governance: An International Review*, 24(3), 222-241.
- Filatotchev, I., Jackson, G., Nakajima, C. (2013). Corporate governance and national institutions: A review and emerging research agenda, *Asia Pacific Journal of Management*, 30(4), 965-986.
- Huse, M. (2000). Boards of directors in SMEs: A review and research agenda. *Entrepreneurship & Regional Development*, 12(4), 271-290.
- Huse, M., Hoskisson, R., Zattoni, A. Viganò, R. (2011). New perspectives on board research: changing the research agenda. *Journal of Management & Governance*, 15(1), 5-28.

#### **ACADEMIC HONESTY POLICY AND OFFICE HOURS**

Inappropriate conduct (such as cheating in exams and quizzes) is taken seriously, according to the Policy and Ethics Code of FGV. Just in case, if you find it is necessary to find me outside of class time, I may not be available 24/7. Therefore, the service to students could be held on the rest of the week, provided it has been scheduled in advance | Email: [wesley.mendes@fgv.br](mailto:wesley.mendes@fgv.br).

#### **COURSE REQUIREMENTS**

The course does not have any formal pre-requisites. However, I expect you to have good knowledge of basics of financial decisions, including funding and investment. Students are expected to review the assigned reading materials before each session, work on the assigned problems/questions, and to participate in the class discussions. You should be prepared to spend significant time to digest the material and to work on the assignments. Timely submission of the assigned work is critical. Please kindly use Dropbox/Eclass. Late submissions will not be accepted.

#### **DURING CLASS**

In a typical finance class (including Corporate Governance), every individual contribution to the class is an important part of every individual experience. I will reward outstanding classroom contribution that advances the learning goals of the class through generosity in close cases between final grades. I want to encourage you to attend fully to the classroom experience and to speak up and practice the communication skills that are critical to effective management. An outstanding contributor is always prepared, builds on others' comments, and makes insightful, relevant contributions. Experience has taught me (and lots of other professors) that students who use their laptops during class to multitask, e-mail, day trade, work on projects and so forth get less out of the course, are more dissatisfied with it, and perform less well than students who devote their full attention to the classroom experience. Please do not use your laptops or other internet or electronic devices (mobile as well) during class, unless I specifically ask you to do so

(which I will). I will provide you with hard copy of lecture notes and slides for use in class to take notes. In addition, I will post slides after the weekend. You may take notes in class and then condense and organize them with the electronic versions of the notes if you wish to use this device to reinforce learning.

**BEST PREPARATION METHOD**

You should invariably read the assigned chapters, journal articles and other supplementary materials before you come to class and go over the assigned exercises. After the end of each session, you should review handouts, your notes and highlights in your readings.

**COURSE SCHEDULE AND READING LIST**

The sessions are given based on slide presentations, which will be available before each class on Eclass, including course notes. The content considers a variety of sources including various textbooks, cases, journal articles, working papers, and other professors’ lecture notes. There is no single required “textbook” but the course will mostly follow the sequence of [WSKF]’s book. Notes will be provided based on appropriate references for each lecture on the exhibit below, where the relevant readings for each lecture are shown. Students are expected to read this material prior to the lecture. Additionally, all lectures will contain student presentations of papers related to the current week’s lecture topic and/or case discussion. A list of papers to be presented is given below. Each session will cover different (but related) papers. All the students must read all the papers for each session. Each student will make a ~30 minute PowerPoint presentation that discusses the paper, and each presentation will be followed by in-class discussion. The purpose of the assignment is twofold: i) a key way people in academia will come to know (and access) you. So, it’s a good idea to get some practice now; and ii) think critically about the papers. To ensure participation following each presentation, each student must also write up one concern about each of the presented papers and hand these in at the beginning of the class (Assignments). Each student who is giving the presentation will state his concern at the beginning of the discussion. The comments should be very short [2-3 sentences] and designed to do one of the following two things: (a) express his thought about the biggest problem of the paper, and/or (b) identify his concern he might overlook. I may call students to answer a specific question about the paper. If the answer is ‘weak’, this will affect his/her grade negatively. This is done to try to reduce moral hazard and avoid free-ride attitude. The guidelines for a good discussion are as follows (you do not have to strictly follow this order, but it may help you in preparing your presentation):

- Briefly describe what the paper does and its findings;
- Make your point about the assumptions and/or identification strategy;
- Suggest improvements;
- Identify eventual gaps or weaknesses. Be critical. You may use your own judgement or the literature related to the subject. In this case, you will be asked to make explicit the papers you referred to.

Session	Date	Topics	Readings & Papers	Presentations	Exercise due
1	09Feb	Origins and development of Corporate Governance	[T]1 (p. 8-20); [C&B]1; [S&G] [WSKF]3; Reading list Class#1	Class #1	[T]TBD
2	16Feb	Corporate Governance: Mechanisms, Processes & Corruption	[C&B]2; [WSKF]6-8; [T]II(B); Reading list Class#2; [L&T]3-5; [WJ&T]	Class #2	[T]TBD; Solution for [H&S] case
3	23Feb	Quiz #1   The Corporate Governance Life Cycle	[WSKF]16,18,19, 22; [W&T]; Reading list Class#3	Class #3	[T]TBD
4	09Mar	Types of Investors	[WSKF] 23-25; Reading list Class#4	Class #4	Solution for [P&W] case
5	16Mar	Corporate Governance, Strategy and Stakeholders	[WSKF]29,31,32; Reading list Class#5	Class #5	[T]TBD
6	23Mar	Quiz #2   Corporate Governance around the world	[WSKF]20, [MX&M]; [T]I(F); [L&T]2, Reading list Class#6	Class #6	[T]TBD
7	30Mar	Emerging Issues in Corporate Governance	[WSKF]27; [T]IX(A&B); Reading list Class#7	Class #7	[T]TBD
8	06Apr	FINAL EXAM - 1 <sup>st</sup> call	*****	*****	Profit ach’d [S]
9	20Apr	FINAL EXAM - 2 <sup>nd</sup> call	*****	*****	*****

Notes: [T] = Teall; [S] = Schweitzer; [C&B] Clarke & Branson; [WSKF] = Wright, Siegel, Keasey, & Filatotchev; [W&T] = Wasserman & Tjan; [WJ&T] Wang, Jan, & Thomas; [L&T] = Larcker & Tayan.

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**BOOKS, CASES and SIMULATION**

- [C&B] Clarke, T., & Branson, D. (2012). *The Sage Handbook of Corporate Governance*, Sage.
- [H&S] Heisz, M. & Scarrow, D. (2009). *Understanding the Sarbanes-Oxley Act and Its Impact*. Harvard Business Publishing. Case No. 909B13-PDF-ENG.
- [L&T] Larcker, D., & Tyan, B. (2016). *Corporate Governance Matters: A Closer Look at Organizational Choices and Their Consequences*, Old Tappan/NJ: Pearson Education, 2<sup>nd</sup> ed.
- [MX&M] McFarlan, F.W., Xu, J., & Manty, T.Y. (2009) Corporate Governance in China: Current Practice, Key Problems. Note No. 309058-PDF-ENG.
- [P&W] Perkins, S., & Waikar, S. (2013). *Case: Citigroup's Shareholder Tango in Brazil*. Case No. KEL328-PDF-ENG.
- [S] Schweitzer, M.E. (2014). Negotiation Simulation: OPEQ. Simulation No. WH0002-HTM-ENG.
- [S&G] Serafeim, G., & Grewal, J. (2016). ESG Metrics: Reshaping Capitalism? Note No. 116037-PDF-ENG.
- [T] Teall, J.L. (2007). *Governance and the Market for Corporate Control*, Arbington, UK: Routledge Publishers.
- [WSKF] Wright, M., Siegel, D.S., Keasey, K., Filatotchev, I. (2014). *The Oxford Handbook of Corporate Governance*, Oxford : Oxford University Press. [acesso BKAB-SP: bkabsp.000085478]
- [WJ&T] Wang, C.C.Y., Jan, S., Thomas, K. (2016). *Board of Directors: An Introductory Note*. Note No. 114096-PDF-ENG.
- [W&T] Wasserman, N., Tjan, A.K. (2014). *Board Design and Management: Considerations for Startups*. Note No. 814098-PDF-ENG.

**PAPERS THAT WILL BE DISCUSSED ON TOPICS AROUND CORPORATE GOVERNANCE**
**Class #1: Origins and development of Corporate Governance**

- Cheffins, B.R. (2015). The Rise of Corporate Governance in the UK: When and Why. *Current Legal Problems*, 68(1), 387-429.
- Donaldson & Preston, (1995). The stakeholder theory of the corporation: Concepts, evidence and implications. *Academy of Management Review*, 20(1), 65-91.
- Hart, O. (1995). Corporate Governance: Some Theory and Implications. *The Economic Journal*, 105(430), 678-689.
- Jensen, M. (2002). Value Maximization, Stakeholder Theory, and the Objective Function. *Business Ethics Quarterly*, 12(2), 235-256.
- Turbull, S. (1997). Corporate Governance: Its scope, concerns and theories, Corporate Governance: *An International Review*, 5(4), 180-205.

**Class #2: Corporate Governance: Mechanisms, Processes & Corruption**

- Adams, R.B., Ferreira, D. (2007). A Theory of Friendly Boards. *Journal of Finance*, 62(1), 217-250.
- Cornett, M.M., Marcus, A.J., Tehranian, H. (2008). Corporate governance and pay-for-performance: The impact of earnings management. *Journal of Financial Economics*, 87(2), 357-373.
- Cremers, K.J.M., Nair, V.B. (2005). Governance Mechanisms and Equity Prices. *Journal of Finance*, 60(6), 2859-2894.
- Khanna, V., Kim, E.H., Lu, Y. (2015). CEO Connectedness and Corporate Fraud. *Journal of Finance*, 70(3), 1203-1252.
- Wintoki, M.B., Linck, J.S., Netter, J.M. (2012). Endogeneity and the dynamics of internal corporate governance. *Journal of Financial Economics*, 105(3), 581-606.
- Yermack, D. (2004). Remuneration, Retention, and Reputation Incentives for Outside Directors. *Journal of Finance*, 59(5), 2281-2308.

**Class #3: The Corporate Governance Life Cycle + Quiz #1**

- Bernstein, S., Korteweg, A., Laws, K. (2016). Attracting Early-Stage Investors: Evidence from a Randomized Field Experiment. *Journal of Finance*, Forthcoming. doi:10.1111/jofi.12470
- Filatotchov, I. Bishop, K. (2002). Board composition, share ownership, and 'underpricing' of U.K. IPO firms. *Strategic Management Journal*, 23(10), 941-955.
- Hellmann, T., & Puri, M. (2002). Venture Capital and the Professionalization of Start-Up Firms: Empirical Evidence. *Journal of Finance*, 57(1), 169-197.

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**Class #4: Types of Investors**

- Ferreira, M.A., Laux, P.A. (2007). Corporate Governance, Idiosyncratic Risk, and Information Flow. *Journal of Finance*, 62(2), 951-989.
- Giannetti, M., Simonov, A. (2006). Which Investors Fear Expropriation? Evidence from Investors' Portfolio Choices. *Journal of Finance*, 61(3), 1507-1547.
- Khanna, T., & Palepu, K. (1999). The Right Way to Restructure Conglomerates in Emerging Markets. *Harvard Business Review*, 4, 125-134.
- McCahery, J.A., Sautner, Z., Starks, L.T. (2016). Behind the Scenes: The Corporate Governance Preferences of Institutional Investors. *Journal of Finance*, 71(6), 2905-2932.

**Class #5: Corporate Governance, Strategy and Stakeholders**

- Casamata, C., Guembel, A. (2010). Managerial Legacies, Entrenchment, and Strategic Inertia. *Journal of Finance*, 65(6), 2403-3436.
- Gibbs, P.A. (1993). Determinants of corporate restructuring: The relative importance of corporate governance, takeover threat, and free cash flow. *Strategic Management Journal*, 14(S1), 51-68.
- Kaynes, K.T., Hillman, A. (2010). The effect of board capital and CEO power on strategic change. *Strategic Management Journal*, 31(11), 1145-1163.
- Zhu, D.H., Chen, G. (2015). Narcissism, director selection, and risk-taking spending. *Strategic Management Journal*, 36(13), 2075-2098.

**Class #6: Corporate Governance around the world + Quizz #2**

- Enriques, L., & Volpin, P. (2007). Corporate Governance Reforms in Continental Europe. *Journal of Economic Perspectives*, 21(1), 117-140.
- Schiehll, E., Martins, H.C. (2016). Cross-National Governance Research: A Systematic Review and Assessment, *Corporate Governance: An International Review*, 24(3), 181-199.
- Schaede, U. (1994). Understanding Corporate Governance in Japan: Do Classical Concepts Apply? *Industrial and Corporate Change*, 3(2), 285-323.

**Class #7: Emerging Issues in Corporate Governance**

- Grossi, G., Papenfuß, U., Tremblay, M.S. (2015). Corporate governance and accountability of state-owned enterprises: Relevance for science and society and interdisciplinary research perspectives. *International Journal of Public Sector Management*, 28(4/5), 274-285.
- John, K., De Mais, S., Paci, A. (2016). Corporate Governance in Banks. *Corporate Governance: An International Review*, 34(3), 303-321.
- Turbull, S. (2002). The Science of Corporate Governance. *Corporate Governance: An International Review*, 10(4), 261-277.
- Vinten, G. (1997). Corporate Governance in a Charity. *Corporate Governance: An International Review*, 5(1), 24-28.