

CORPORATE GOVERNANCE (22E00500, 6 ectS)

SYLLABUS

Version 23.4.2020

Instructor's contact information	Course information
Seppo Ikaheimo and Vikash Sinha seppo.ikaheimo@aalto.fi ; vikash.sinha@aalto.fi ; After lectures or as agreed https://people.aalto.fi/seppo.ikaheimo https://people.aalto.fi/vikash.sinha	CEMS, M.Sc. course in accounting 2020, V Course is held in English https://mycourses.aalto.fi/course/view.php?id=23611

1. OVERVIEW

The course underlines the major problems of corporate governance with principle-agency and stewardship approaches and how institutions of corporate governance are solutions for these problems. The course aligns the theoretical thinking with empirical and practical solutions within the field of corporate governance. The course offers the diversity of solutions and helps to understand the country and company specific practices of corporate governance.

The major topics cover the big picture of corporate governance and the main institutions of corporate governance including board of directors, investor relations, auditing and internal control, executive compensation, ownership and external corporate governance. After the course, you will understand the importance of these institutions and the logic how they work.

2. PREREQUISITES

Bachelor's degree. The course is an advanced MSc level course.

3. LEARNING OUTCOMES

You will be able to use the concepts of corporate governance in every day thinking, understand the role of good governance in the corporate success, understand the relationship between the company management, board of directors and shareholders and the reasons for the variety in corporate governance practices both within one country and between countries and the recent trend of convergence in corporate governance practices, understand the importance of various institutions of corporate governance and the logic how they work and evaluate the quality of corporate governance practices.

In addition, you have the ability to work independently writing analytical essays based on given material and apply it empirically; work effectively in a team in order to contribute appropriately to the production of a group output, report and presentation; participate in group and one-to-one discussion, use scientific argumentation skills in the discussions and write a short research report based on academic papers and empirical material.

4. ASSESSMENT AND GRADING

1. Diaries, lectures 28 h and group work (60 %)
 - a. learning diaries max 25 points
 - b. group presentation max 15 points
 - c. group report max 20 points
 - d. class room activity may have an additional positive influence on your grade
2. Exam (40 %), i.e. max 40 points

Grading: 0-5

5. ASSIGNMENTS

Diaries (max 25 points)

For four lectures, students write a personal report (diary) based on the pre-readings and the analysis of your case company. You may write as many diaries as you want and points of all diaries are considered.

In learning diaries, do not simply repeat what the authors said, but try to explain in your own words what the main issues were and analyze your case company with the help of pre-readings.

When you prepare the learning diaries, consider following perspectives:

- What were the main issues in the pre-readings? max 2 pages
- How does your case company look like from the perspective of this material? max 2 pages
- How does this relate to your earlier knowledge?
- Did some issues remain unclear? What would you like to know more about?
- Do you disagree on something? Why?
- Present two questions, which you would like us to address during the lecture. max 1 page for last four bullet points

The reports should be 3-5 pages and returned no later than two days prior to lectures of the topic at 8:00 am to Assignment section of course home pages.

Diaries will be graded and returned prior to the lecture. We will benefit your case companies in class room discussions.

In your diary you should use Times New Roman Font 12 with 1,5 line spacing.

Diaries are graded as follows:

- 5 points Excellent
- 4 points Very good
- 3 points Good
- 2 points Satisfactory
- 1 point Acceptable

Classroom activities

Class room work including interactive lectures by Seppo, guest lectures, probably some mini cases and group presentations by students. During the lectures we will use students' companies as illustrative cases on the discussed topic. With these case companies students bring practice into the lectures. Guest lectures bring a flavor of real practices.

The class room activity will be comprehensively evaluated and may have a positive effect on your grade. In class participation critical and constructive thinking and high quality argumentation are highly respected.

Group presentation (max 15) and report (max 20 points)

In the groups of about four persons you will make a presentation and report on a topic you have selected. The group will prepare a presentation, which must be returned no later than at 8:00 am at your presentation day. At the same time you have to return preliminary version of your report which you may still update. **The final report must be returned May 25th at 6 pm.** Please note that the final group report will be checked for plagiarism through turnit-in software.

The group presents the results during the lecturers according to the agreed time schedule. All members should be involved in the presentation. The student who does not participate in presentation do not receive any points on presentation.

In the presentation (maximum 15 points) (see also guidance for reports), following aspects are respected: use clear English and be properly prepared; understandability and clarity; combination of abstract theories and real world examples; level of professionalism in the presentation

Group presentation:

- The total time for each presentation is 20 minutes. The maximum time for presentation is 15 minutes and the rest of the time is devoted to discussion.
- The presentation should not be only a representation of each article separately. Make a synthesis of articles and generate perspectives and ideas and also combine theory with practice!

The group will prepare a report (maximum 20 points) of 25-35 pages. In the report, use Times New Roman, Font 12 and 1,5 line spacing.

Following aspects are appreciated both in the report and presentation:

- The quality of content means both to academic and practical relevance of the content.
- The logic of structure refers to the flow of storyline
- The clarity of argumentation stands for the understandability of presented statements.
- The capability to integrate the topic to the broader setting of corporate governance bundle.
- The depth of analysis indicates with the criticalness and shortcomings of theory and practice.

The presentations (first number) and reports (second number) are graded with the following scale:

- | | |
|----------------------|--------------|
| • 14-15/18-20 points | Excellent |
| • 12-13/16-17 | Very Good |
| • 10-11/13-15 | Good |
| • 8-9/11-12 | Satisfactory |
| • 1-7/1-10 | Acceptable |

- As a base case, all members in the group will get the same points both from presentation and report. In order to give fair points for each group member, also other grading methods are possible.

Exam (max 40 points)

In the exam, there will be five questions and students may answer to four of them. If five are answered, best answer will be eliminated in grading.

The exam covers all the reading material, lecturing material, possible mini cases, guest lectures, student presentations and student reports.

Some of the questions require ability to apply knowledge to evaluate and solve practical problems.

This year the examination will be conducted using My Courses. More information on the exam procedure will be later announced.

6. REQUIRED READINGS

- Agarwal V., Taffler R.J., Bellotti X. & Nash E.A., 2016, Investor relations, information asymmetry and market value. *Accounting and Business Research*, 46, 31-50. (diary)
- Aguilera R.V., Filatotchev I., Gospel H. & Jackson G., 2008, An Organizational Approach to Comparative Corporate Governance: Costs, Contingencies, and Complementaries. *Organization Science*, 19:3, 475-492. (diary)
- Connelly B.L., Hoskisson R.E., Tihanyi L. & Certo S.T. 2010, Ownership as a form of corporate governance. *Journal of Management Studies*, 47, 1561-1589 (diary).
- Fernandes N., Ferreira M.A. & Murphy K.J. Frydman C. & Jenter D., 2013. Are U.S: CEOs Payed More ? New International Evidence. *Review of Financial Studies*, 26:2, 323-367 (diary).
- Hermalin B.E. & Weisbach M.S., 2003. Boards of Directors as an Endogeneously Determined Institution: A Survey of the Economic Literature. *Economic Policy Review*, 9, 7-26 (diary).
- Mikes A. & Kaplan R. 2013, Towards a Contingency Theory of Enterprise Risk Management. Harvard Business School, Working Paper 13-063 (diary).
- Renders A., Gaeremynck A. & Sercu P., 2010, Corporate-governance ratings and company performance: A cross-European study. *Corporate Governance: An International Review*, 18, 87-106 (diary).
- Roe M.J., 2004, The institutions of corporate governance. Harvard Law School, Discussion Paper 488, only pages 1-16.

In addition, group reports.

7. SCHEDULE

Teaching will be online and Zoom will be the software. One guest lecture on risk management might be conducted using Microsoft Teams. We will provide you further information on the Microsoft team session later.

Session	Date	Topics	Pre-readings	Assignment Due Date
Lecture 1: Intro	April 15, 12:15 – 16:00	Getting organized; Introduction to the corporate governance		
Lecture 2: Institutions	April 17, 12:15 – 16:00	Basic concepts, the institutions of corporate governance	Roe (2004)	
Lecture 3: Bundle perspective	April 22, 12:15 – 16:00	Diversity of corporate governance internationally and between firms	Aguilera et al. (2008)	Diary 1: April 20 at 8:00 am
Group-specific meetings	April 29	Group report preparations		
Lecture 4: Ownership and Investor Relations	May 6, 12:15 – 16:00	Diversity of ownership Role of Investor Relations	Connelly et al. (2010) Agarwal et al. (2013)	Diary 2 and 3: May 4 at 8:00 am
Lecture 5: Board of directors and Executive compensation	May 8, 12:15 – 16:00	The role of Board of Directors and Inside the board room Executive compensation and firm value	Hermalin & Weisbach (2003) Fernandes et al. (2013)	Diary 4 and 5: May 7 at 8:00 am
Lecture 6: Risk management and Corporate governance quality	May 13, 12:15 – 16:00	Risk management in context	Mikes & Kaplan (2013) Renders et al. (2010)	Diary 6 and 7: May 11 at 8:00 am
Lecture 7: Group presentations	May 20, 12:15 – 16:00	All groups give a presentation		Group presentation and preliminary report May 20 at 8:00 am
Lecture 8: Group presentations	May 22, 12:15 – 16:00	All groups give a presentation		Group presentation and and preliminary report May 22 at 8:00 am

8. COURSE WORKLOAD

Classroom hours	32 h
-----------------	------

Class preparation	64 h
Group work	36 h
Exam preparation	25 h
Exam	3 h
Total	160h (6 op)

9. ETHICAL RULES

Aalto University Code of Academic Integrity and Handling Thereof>

<https://into.aalto.fi/pages/viewpage.action?pageId=3772443>