MBA/ACCT 742  
Corporate Governance and Ethics  
Fall 2012  

Enterprise Hall 278 – Mondays (10:30 a.m. – 1:10 p.m.)

Instructor: J K Aier  
Office: Enterprise Hall 112  
Telephone: (703) 993-4546  
Email: jaier@gmu.edu  

Office hours: Regular: Mondays 2:00 p.m. - 3:00 p.m.  
By Appointment: Call or email to arrange other time  

Course website: https://mymason.gmu.edu  

COURSE MATERIALS  
Required:  
- Corporate Governance Matters by David Larcker and Brian Tayan (L&T)  
- Course packet from McGraw-Hill website (M-pkt)  
- Additional readings from course website on Blackboard (BB)  

COURSE DESCRIPTION  
This course focuses on developing an understanding of corporate governance issues and ethical decision-making. The course topics include an examination of both internal, external, and international governance issues and ethical analysis in the current business environment. Examples of topics covered include studying the corporate governance role of boards of directors, managers, stockholders, CEO succession, setting of executive compensation, financial reporting issues, and learning frameworks for ethical decision-making.  

COURSE OBJECTIVES  
- To develop an understanding of the corporate governance framework  
- To understand the role of internal and external corporate governance stakeholders  
- To identify frameworks for ethical analysis and decision-making  
- To understand the interplay between ethics and incentives  
- To examine best practices in corporate governance and ethical decision-making
ASSURANCE OF LEARNING

**MSA:** Our students will identify an ethical dilemma in a scenario case and apply an ethics model or framework to propose and defend a resolution

**MBA:** Our graduates will demonstrate the ability to integrate knowledge from all functional areas of business into a meaningful firm-level perspective

**GRADING**

Your final grade will be determined based on the following work.

<table>
<thead>
<tr>
<th>Work</th>
<th>Points</th>
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<tbody>
<tr>
<td>Group case assignments</td>
<td>350</td>
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<tr>
<td>Group reading assignments</td>
<td>100</td>
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<tr>
<td>Class participation and professionalism</td>
<td>100</td>
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<tr>
<td>Midterm</td>
<td>200</td>
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<tr>
<td>Final exam</td>
<td>250</td>
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<tr>
<td><strong>Total points</strong></td>
<td>1000</td>
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Final grades will be assigned using the plus or minus designation (e.g., A, A-, B+, B, B-, C, and F). As a general guideline, the following are the cut-off points for the letter grades: A: 95%. A-: 92%. B+: 88%. B: 85%. B-: 82%. C: 75%. However, the instructor has the right to modify the cut-off points depending on class performance.

**Group assignments:**

Groups will consist of 3-4 students.

**Cases:**

- Each group will formally present one case before the class. The formal group presentation should last about 30 minutes. The presenting group will also submit a written report that includes (a) an executive summary and (b) a detailed analysis of all questions assigned for the case.
- Additional details on case assignments will be provided separately.
- All groups must submit a written report on the Ethics case and the Satyam case.

**Readings:**

- This is an assignment based on the textbook chapters and assigned readings.
- More details on reading assignments will be provided separately.

**Participation and professionalism:**

Class participation points will be earned in two ways: (1) your participation in case discussions and (2) by speaking up in class—making thoughtful comments or asking questions, or by answering questions and by sharing with the class interesting experiences, thoughts, etc. It is critical that you learn to become involved in dialogue and speak up so you can represent yourself well in meetings and groups.

A critical component of class participation and professionalism is the ability to listen to the thoughts and comments of your fellow students. Professional behavior and amiable attitude is expected.
Exams:
The midterm and final exams will consist of a combination of multiple choice questions, short answer questions, and/or essay type questions. More specific details will be provided before the exam dates. As a start, the group reading assignments should be the basis to prepare for the exams. Exams must be taken on the scheduled date and time. Any absence needs prior approval from me with official documentation.

Group member evaluation:
To assess the nature and extent of work contributed by each member of a group, group members will grade each other and this grade could influence your overall course grade. If there is a significant disparity among ratings assigned to a particular group member, I will compute an average of the ratings assigned by the fellow group members. This average rating will be multiplied by the points earned by the group to determine the group work points for that particular group member in question.

STUDENT RESPONSIBILITIES
Class notes:
Instruction is delivered through a mixture of lectures and cases. You are expected to have prepared the assigned readings, group work, and cases to the best of your ability for every class. The greatest determinants of how much you know and retain from this class will be the amount of effort you put into studying the assigned materials before class. You may use laptops/ipads/kindles to take notes in class and access lecture notes/assigned readings. Please obtain prior permission if you plan to audio/video record class lectures and discussions.

Communication:
Students must activate their GMU email accounts (either the existing “MEMO” system or a new “MASONLIVE” account) to receive important University information, including messages related to this class. See http://masonlive.gmu.edu. All announcements and class materials including syllabus, grades and other relevant information will be available on Blackboard.

ACADEMIC INTEGRITY
GMU is an Honor Code University; please see the University Catalog for a full description of the code and the honor committee process. I have a “zero tolerance” for Honor Code violations. The principle of academic integrity is taken very seriously and violations are treated gravely. For more information on GMU honor code, please visit the following website: http://academicintegrity.gmu.edu/.

ACCOMMODATIONS FOR STUDENTS WITH DISABILITIES
If you are a student with a disability and you need academic accommodations, please notify me and contact the Office of Disability Services (ODS) located in Student Union Building I Room 4205 at (703) 993-2474. All academic accommodations MUST be arranged through the ODS. http://ods.gmu.edu.
UNIVERSITY RESOURCES

Emergency information: Please visit the website https://alert.gmu.edu to sign up for this service.

Writing Center: A114 Robinson Hall; (703) 993-1200; http://writingcenter.gmu.edu
Counseling and Psychological Services: (703) 993-2380; http://caps.gmu.edu
University policies: The University Catalog, http://catalog.gmu.edu, is the central resource for university policies affecting student, faculty and staff conduct in university affairs.
Course Schedule

Class #1: August 27

Topic: Ethics
Readings:
- Ethics: Time to Revisit the Basics by Gregory D. Foster (M-pkt)
- How (Un)ethical Are You? by Mahzarin R. Banaji, Max H. Bazerman, and Dolly Chugh (M-pkt)
- Sailing in Rough Seas case – class discussion (M-pkt)

Class #2: September 10

Topic: Business Ethics and Corporate Social Responsibility
Readings:
- Conceptualizing a Framework for Global Business Ethics by William J. Kehoe (M-pkt)
- Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility by Michael E. Porter and Mark R. Kramer (M-pkt)
- Danville Airlines case – class discussion (M-pkt)
Due:
Group reading assignment -1

Class #3: September 17

Topic: Introduction to Corporate Governance
Readings:
- Chapter 1 – (L&T)
- The State of Corporate Governance Research by Lucian Bebchuk and Michael Weisbach (BB)
- Seven Myths of Corporate Governance (BB)
Due:
Group reading assignment -2
Ethics Case: ExxonMobil and the Chad/Cameroon Pipeline (A) (M-pkt)

Class #4: September 24

Topic: Corporate Governance in the World
Readings:
- Chapter 2 – (L&T)
- International Corporate Governance by Diane Denis and John McConnell (BB)
Due:
Group reading assignment -3
Group Case #1: Governance from Scratch: The Pepsi Bottling Group IPO (M-pkt)

Class #5: October 1

Topic: Board Responsibilities
Readings:
- Chapter 3 – (L&T)
- The Board of Directors – Roles and Responsibilities by Brefi Group (BB)
- Perspectives from the Boardroom – 2009 by Jay Lorsch (BB)
Due:
Group reading assignment -4
Group Case #2: PetroChina: International Corporate Governance with Chinese Characteristics (M-pkt)
Class #6: October 9 (Monday classes meet on Tuesday)

**Topic:** Board Composition and Compensation

**Readings:**
- Chapter 4 – (L&T)
- The Role of Boards of Directors in Corporate Governance: A Conceptual Framework and Survey by Renee Adams, Benjamin Hermelin and Michael Weisbach (BB)

**Due:**
Group reading assignment -5

**Group Case #3:** One Acre Fund: Outgrowing the Board (M-pkt)

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Class #7: October 15

**Topic:** Board Structure

**Readings:**
- Chapter 5 – (L&T)
- Board Diversity by Daniel Ferreira (BB)
- Different is Better – Why Diversity matters in the Boardroom by Russell Reynolds Associates (BB)

**Due:**
Group reading assignment -6

**Group Case #4:** CCL Industries Inc.: Building and Maintaining an Effective Board (M-pkt)

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Class #8: October 22

**Topic:** ERM and Organization Strategy

**Readings:**
- Chapter 6 – (L&T)
- Enterprise Risk Management by KPMG (BB)
- Thought Leadership in ERM by COSO (BB)

**Midterm Exam**

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Class #9: October 29

**Topic:** CEO succession planning

**Readings:**
- Chapter 7 – (L&T)
- Former CEO Directors: Lingering CEOs or Valuable Resources by Rudiger Fahlenbrach, Bernadette Minton and Carrie Pan (BB)
- Sudden Death of CEO (BB)
- In Touch with the Board by Russell Reynolds Associates (BB)

**Due:**
Group reading assignment -7

**Group Case #5:** Enterprise Risk Management at Hydro One, Paper Case (M-pkt)

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Class #10: November 5

**Topic:** CEO compensation

**Readings:**
- Chapter 8 – (L&T)
- Corporate Governance, Compensation Consultants and CEO Pay levels by Christopher Armstrong, Christopher Ittner and David Larcker (BB)

**Due:**
Group reading assignment -8

**Group Case #6:** Founder-CEO Succession at Wily Technology (M-pkt)
Class #11: November 12

**Topic:** CEO equity incentives

**Readings:**
- Chapter 9 – (L&T)
- Seven Myths of Executive Compensation (BB)
- Lucky CEOs and Lucky Directors (BB)

**Due:**
Group reading assignment -9

**Group Case #7:** *Hydro One Inc.: CEO Compensation (M-pkt)*

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Class #12: November 19

**Topic:** Financial reporting

**Readings:**
- Chapter 10 – (L&T)
- Corporate Governance and Corporate Scandals by Anup Agarwal and Sahiba Chadha (BB)
- An Analysis of the Underlying Causes Attributed to Restatements by Marlene Plumlee and Teri Lombardi Yohn (BB)

**Due:**
Group reading assignment -10

**Group Case #8:** *Executive Compensation at General Electric (A) (M-pkt)*

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Class #13: November 26

**Topic:** Corporate control and stakeholders

**Readings:**
- Chapters 11 and 12 – (L&T)
- The Past, Present and Future of Shareholder Activism by Hedge Funds by Brian Cheffins and John Armour (BB)
- Dodd-Frank’s Say on Pay: Will it Lead to a Greater Role for Shareholders in Corporate Governance by Randall Thomas, Alan Palmiter and James Cotter (BB)
- Ten Myths of “Say on Pay” (BB)

**Due:**
Group reading assignment -11

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Class #14: December 3

**Topic:** Corporate governance ratings

**Readings:**
- Chapter 13 – (L&T)
- What Matters in Corporate Governance by Lucian Bebchuk, Alma Cohen and Allen Ferrell (BB)
- Corporate Governance Ratings and Firm Performance by Mine Ertugrul and Shantaram Hegde (BB)
- Rating the Ratings: How Good are Commercial Governance Ratings? By Robert Daines, Ian Gow and David Larcker (BB)

**Due:**
Group reading assignment-12
Group evaluation forms

**Satyam Case:** *Governance Failure at Satyam (M-pkt)*

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**December 17**

**Final examination:** 10:30 p.m. – 1:15 p.m.