ACCT/MBA 742
Corporate Governance and Ethics
Fall 2013

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

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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 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>
</tr>
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<tbody>
<tr>
<td>Group case analysis</td>
<td>150</td>
</tr>
<tr>
<td>Group reading assignments</td>
<td>100</td>
</tr>
<tr>
<td>Group project</td>
<td>150</td>
</tr>
<tr>
<td>Participation and professionalism</td>
<td>100</td>
</tr>
<tr>
<td>Midterm</td>
<td>250</td>
</tr>
<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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</tbody>
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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, I retain 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 submit a written report and formally present one case before the class. Additional details on case assignments will be provided separately.

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

**Project:**
- More details on the project will be provided separately.

**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.

**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. Walking in late, leaving early without permission, cell phone rings are examples of unacceptable professionalism and would affect your grade negatively.

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.

STUDENT RESPONSIBILITIES
Class materials:
Instruction is delivered through a mixture of lectures and cases. You are expected to have read the assigned readings and cases to the best of your ability for every class. The amount of effort you put into studying the assigned materials before class would determine the quality of your class participation as well as how much you learn about the course topics.

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. Any such recordings will be permitted for individual course related use only.

Communication:
Students must activate their GMU email accounts 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” policy for Honor Code violations. The principle of academic integrity is taken very seriously and violations will be 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 ODS at http://ods.gmu.edu.

UNIVERSITY RESOURCES
Emergency information: Please visit 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 26

**Topic:** Business 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)
- “Conceptualizing a Framework for Global Business Ethics” by William J. Kehoe (M-pkt)

Class #2: September 9

**Topic:** Corporate Social Responsibility

**Readings:**
- “The Shareholders vs. Stakeholders Debate” by Jeff Smith (M-pkt)
- “Corporate Social Responsibility: Whether or How?” by Craig Smith (M-pkt)
- “Path to Corporate Responsibility” by Simon Zadek (M-pkt)
- “Creating Shared Value” by Michael Porter and Mark Kramer (M-pkt)
- “Pepsico’s Turning Point: Establishing a Role in a Sustainable Society” case – class discussion (M-pkt)

**Due:**
Group reading assignment - 1

Class #3: September 16

**Topic:** Introduction to Corporate Governance

**Readings:**
- Chapters 1 and 2 – (L&T)
- The OECD Principles of Corporate Governance (BB)
- “Corporate Governance and Performance around the World: What We Know and What We Don’t” by Inessa Love (BB)
- “Codes of Corporate Governance - A Review” by Nolan Haskovec (BB)
- “International Corporate Governance” by Diane Denis and John McConnell (BB)

**Due:**
Group reading assignment – 2
Group project part 1

Class #4: September 23

**Topic:** Board Structure, Composition and Responsibilities

**Readings:**
- Chapters 3, 4 and 5 – (L&T)
- “Diversity on Corporate Boards” by Deborah Rhode and Amanda Packel (BB)

**Due:**
Group reading assignment - 3
Group project part 2

Class #5: September 30

**Topic:** Board Structure, Composition and Responsibilities

**Case Presentations:**
1: Governance from Scratch: The Pepsi Bottling Group IPO (M-pkt)
2: China Netcom: Corporate Governance in China (M-pkt)

**Due:**
Group reading assignment - 4
Class #6: October 7 (Monday classes meet on Tuesday)

Midterm exam

Class #7: October 15 (Monday classes meet on Tuesday)

Topic: ERM and CEO Succession Planning

Readings:
- Chapters 6 and 7 – (L&T)
- “Enterprise Risk Management” by KPMG (BB)
- “Thought Leadership in ERM” by COSO (BB)
- “Organizational Complexity and Succession Planning” by Lalitha Naveen (BB)

Due:
- Group reading assignment – 5
- Group project part 3

Class #8: October 21

Topic: ERM and CEO Succession Planning

Case Presentations:
- 3: Sydney IVF: Stem Cell Research (M-pkt)
- 4: Governance Challenges at Good Hands Healthcare (M-pkt)

Due:
- Group reading assignment – 6
- Group project part 4

Class #9: October 28

Topic: CEO Compensation and Equity Incentives

Readings:
- Chapters 8 and 9 – (L&T)
- “Corporate Governance, Compensation Consultants and CEO Pay levels” by Christopher Armstrong, Christopher Ittner and David Larcker (BB)
- “Lucky CEOs and Lucky Directors” (BB)

Due:
- Group reading assignment – 7
- Group project part 5

Class #10: November 4

Topic: CEO Compensation and Equity Incentives

Case Presentations:
- 5: Al Dunlap at Sunbeam (M-pkt)
- 6: Executive Remuneration at Reckitt Benckiser plc. (M-pkt)

Due:
- Group reading assignment – 8
- Group project part 6
Class #11: November 11

**Topic:** Financial Reporting and Corporate Control

**Readings:**
- Chapters 10, 11 and 12 – (L&T)
- “Corporate Governance and Corporate Scandals” by Anup Agarwal and Sahiba Chadha (BB)
- “Hedge Fund Activism, Corporate Governance, and Firm Performance” by Alon Brav, Wei Jiang, Frank Partnoy and Randall Thomas (BB)

**Due:**
- Group reading assignment – 9
- Group project part 7

Class #12: November 18

**Topic:** Financial Reporting and Corporate Control

**Case Presentations:**
- 7: Target Corporation: Ackman versus the Board (M-pkt)
- 8: Accounting Fraud at WorldCom (M-pkt)

**Due:**
- Group reading assignment – 10
- Group project part 8

Class #13: November 25

15-5-5 presentations

Class #14: December 2

**Topic:** Corporate Governance Ratings

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

**Due:**
- Group reading assignment - 11
- Group evaluation forms

December 16

Final exam