



APPLIES TO ACADEMIC YEAR 2014/2015

GRA 6542 Corporate Governance

Programme

Master of Science in Business (Finance), Master of Science in Financial Economics, Specialization Course

Responsible for the course

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Department

Department of Financial Economics

Term

According to study plan

ECTS Credits

6

Language of instruction

English

Introduction

This course addresses the situation where the firm's stakeholders (such as its owners, creditors, management, employees, and society at large) disagree on how to use the firm's resources. Such a setting of potential conflicts of interest between stakeholders creates a corporate governance problem. This setting may produce agency costs for the firm and for society as a whole. We will primarily study the corporate governance problem in terms of principal-agency relationships between the owners, the creditors, the board, and the management team. Empirical findings on corporate governance problems and their solutions throughout the world will be an important part of the course. We use this empirical focus both to motivate the real-world relevance of corporate governance and to help the student see the link between theory and practice.

Learning outcome

The major objective of the course is to train the student in understanding what a corporate governance problem is, how it can be discovered, how serious it is, and how it can be handled. A key learning outcome is to successfully use rather simple theoretical and empirical insights to reduce the value drain caused by weak governance.

Prerequisites

An undergraduate course in corporate finance and an undergraduate course in econometrics.

Compulsory reading

Books:

Goergen, Marc. 2012. International corporate governance. Pearson

Articles:

Journal articles, working papers, excerpts from textbooks, and lecture handouts

Other:

A list of compulsory readings will be provided on It's learning or in class.

During the course there may be hand-outs and other material on additional topics relevant for the course and the examination.

Recommended reading

Course outline

1. The corporate governance problem: What is it, where does it come from and how serious is it? What is the link between corporate governance and corporate finance?
2. Ownership structure: Does it matter if owners are small or large, whether they are individuals or institutions, and whether they are long-term or short-term? Why are large owners both a problem and a blessing for small owners and vice versa? Can firms survive without owners? How does the ownership structure interact with the firm's Corporate Social Responsibility (CSR)?
3. The market for corporate control: Do takeover threats reduce the corporate governance problem? Do mergers reduce agency costs, or are they just driven by them?
4. Fund activism: Do private equity funds, mutual funds, hedge funds, and pension funds influence the governance of the firms they invest in, or are they too small and incompetent to matter?
5. Board composition: Should boards be large or small, dominated by owners or managers, homogenous or heterogenous?

6. Compensation: How does fixed pay vs. performance pay influence the corporate governance problem? Are CEOs paid excessively?
7. Owners and creditors: How can owners hurt the creditors' best interests? What will creditors do to prevent this from happening? Who pays for this agency problem?
8. Private firms: How does the nature of the corporate governance problem differ between public (listed) and private (nonlisted) firms? Why do firms choose to stay private rather than go public?
9. Family firms: What is the major governance problem for firms controlled by a family?
10. Regulation: Should politicians interfere with corporate governance? For instance, does it make sense to have the Norwegian system of mandating at least 40% of each gender in the boardroom, and to ensure that 1/3 of the directors are employees? Why have more than 50 stock exchanges around the world issued recommendations for how to execute corporate governance?

Computer-based tools

It's learning, Text editor

Learning process and workload

A course of 6 ECTS credits corresponds to a workload of 160-180 hours.

The instruction consists primarily of presentations and discussions of the readings assigned to the topics listed above. Students are expected to have read the material before each class meeting.

Please note that while attendance is not compulsory in all courses, it is the student's own responsibility to obtain any information provided in class that is not included on the course homepage/It's learning or text book.

Examination

The course grade will be based on the following activities and weights:

50% class work (in the form of a mix of some/ all of the following: hand in of case write ups, projects, and homework; case presentations and class participation; quizzes midterm exam) and

50% final written exam (two hours).

To get a final grade in the course, students need to complete and achieve a passing grade in all parts of the evaluation.

In this course class attendance is mandatory. Absences can result in a lower score. Specific information regarding student evaluation beyond the information given in the course description will be provided in class. This information may be relevant for requirements for term papers or other hand-ins, and/or where class participation can be one of several elements of the overall evaluation.

This is a course with continuous assessment (several exam elements) and one final exam code. Each exam element will be graded using points on a scale (e.g. 0-100). The elements will be weighted together according to the information in the course description in order to calculate the final letter grade for the course. You will find detailed information about the point system and the cut off points with reference to the letter grades on the course site in It's learning.

Examination code(s)

GRA 65421 continuous assessment accounts for 100% of the final grade in GRA 6542.

Examination support materials

A bilingual dictionary and BI-approved exam calculator.

Examination support materials at written examinations are explained under examination information in the student portal @bi. Please note use of calculator and dictionary in the section on support materials.

Re-sit examination

It is only possible to retake an examination when the course is next taught.

The assessment in some courses is based on more than one exam code.

Where this is the case, you may retake only the assessed components of one of these exam codes.

Where this is not the case, all of the assessed components of the course must be retaken.

All retaken examinations will incur an additional fee.

Additional information

Honor code

Academic honesty and trust are important to all of us as individuals, and represent values that are encouraged and promoted by the honor code system. This is a most significant university tradition. Students are responsible for familiarizing themselves with the ideals of the honor code system, to which the faculty are also deeply committed.

Any violation of the honor code will be dealt with in accordance with BI's procedures for cheating. These issues are a serious matter to everyone associated with the programs at BI and are at the heart of the honor code and academic integrity. If you have any questions about your responsibilities under the honor code, please ask.