APPLIES TO ACADEMIC YEAR 2016/2017

GRA 6542 Corporate Governance

Programme
Master of Science in Business (Finance), Master of Science in Finance, Specialization Course

Responsible for the course
Bogdan Stacescu

Department
Department of Finance

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. The potential conflicts of interest between stakeholders create a corporate governance problem and can produce welfare losses for the firm and for society as a whole. We will primarily study the corporate governance problem in terms of principal-agent relationships between the owners, the creditors, the board, the management team and other stakeholders. We revise theoretical models about corporate governance and examine the ways in which they can be tested using available data. Empirical findings on corporate governance problems and their solutions in various parts of 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 the theoretical and empirical insights gained during the course to reduce the value drain caused by weak governance.

The course also aims to enhance students' ability to analyze complex problems and to organize information efficiently in real-life situations.

Prerequisites

All courses in the Masters programme will assume that students have fulfilled the admission requirements for the programme. In addition, courses in second, third and/or fourth semester can have spesific prerequisites and will assume that students have followed normal study progression. For double degree and exchange students, please note that equivalent courses are accepted.

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? How do firms convey information to outsiders - and why do we still have asymmetric information issues in spite of that? What is the link between corporate governance and corporate finance?

2. Endogeneity issues in the study of corporate governance issues. How do we measure the effect of corporate governance - and how do we make sure the relationship is causal?
3. 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)?
4. 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?
5. 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?
6. Board composition: Should boards be large or small, dominated by owners or managers, homogenous or heterogenous?
7. Compensation: How does fixed pay vs. performance pay influence the corporate governance problem? Are CEOs paid excessively?
8. 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?
9. Shareholders vs. stakeholders: Should the company focus narrowly on "shareholder value" or should other stakeholders also be explicitly considered? How important are corporate social responsibility and socially responsible investing?
10. 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?
11. Family firms: What is the major governance problem for firms controlled by a family?
12. 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

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:
60% final written examination (2 hours)
20% mid-term written examination (1 hour)
10% class participation (participation in class and presentation)
10% assignment (in connection with the presentation)

Form of assessment	Weight	Group size
Class participation	10%	Individual
Assignment	10%	Group of max 3 students
Written examination 1 hour	20%	Individual
Written examination 2 hours	60%	Individual

Specific information regarding student assessment will be provided in class. This information may be relevant to requirements for term papers or other hand-ins, and/or where class participation can be one of several components of the overall assessment. This is a course with continuous assessment (several exam components) and one final exam code. Each exam component is graded using points on a scale from 0-100. The final grade for the course is based on the aggregated mark of the course components. Each component is weighted as detailed in the course description. Students who fail to participate in one/some/all exam components will get a lower grade or may fail the course. You will find detailed information about the points system and the mapping scale in the student portal @bi. Candidates may be called in for an oral hearing as a verification/control of written assignments.

Examination code(s)
GRA 65421 continuous assessment accounts for 100% of the final grade in GRA 6542.

Examination support materials
BI approved exam calculator
Bilingual dictionary

Permitted examination support materials for written examinations are detailed under examination information in the student portal @bi. The section on support materials and the use of calculators and dictionaries should be paid special attention to.

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. All retaken examinations will incur an additional fee. Please note that you need to retake the latest version of the course with updated course literature and assessment. Please make sure that you have familiarised yourself with the latest course description.

Additional information
Honour code. Academic honesty and trust are important to all of us as individuals, and are values that are integral to BI's honour code system. Students are responsible for familiarising themselves with the honour code system, to which the faculty is deeply committed. Any violation of the honour code will be dealt with in accordance with BI’s procedures for academic misconduct. Issues of academic integrity are taken seriously by everyone associated with the programmes at BI and are at the heart of the honour code. If you have any questions about your responsibilities under the honour code, please ask. The learning platform itslearning is used in the teaching of all courses at BI. All students are expected to make use of itslearning.