



# FIN 536

## Corporate Governance

### Module III, 2021-2022

#### Course Information

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Office Hour:

**Classes:**

Lectures: Mon & Thu 10:30 AM-12:20 PM

Venue: Room 231

**Course Website:**

PHBS Course Management System (CMS): [cms.phbs.pku.edu.cn](https://cms.phbs.pku.edu.cn). Search for the course "Corporate Governance -2022M3" and enrol with the code of "CG22M3".

All students must register into CMS because all the course materials will be distributed through the course website. Note: Please enter your name in ENGLISH when you register on CMS because the system does not recognize Chinese characters.

## 1. Course Description

### 1.1 Context

*Course overview:*

This course introduces students the devices, institutions, and mechanisms by which corporations are governed. The aim is to examine the foundation for evaluating the assertion that a particular company has "good" or "bad" governance. We focus on the most interesting and important governance components, such as the board of directors, executive compensation, the market for control, the role of large block-holders, shareholder engagement, etc. The discussions are based on cases, articles and book chapters, with particular attention paid to companies in the U.S. and China.

*Prerequisites:*

This course presumes that students have taken basic courses in economics and finance.

### 1.2 Textbooks and Reading Materials

Lecture notes, cases, and other reading materials will be posted on the course web page.

**Reference Books:**

Larcker, David, and Brian Tayan. *Corporate governance matters: A closer look at organizational choices and their consequences*. Pearson education, 2015.

Macey, Jonathan R. *Corporate governance: Promises kept, promises broken*. Princeton University Press, 2010.

### Reference Articles:

Edmans, A., Gabaix, X., & Jenter, D. "Executive compensation: A survey of theory and evidence." *The handbook of the economics of corporate governance*, 1 (2017): 383-539.

Yermack, David. "Shareholder voting and corporate governance." *Annu. Rev. Financ. Econ.* 2, no. 1 (2010): 103-125.

Jiang, Fuxiu, and Kenneth A. Kim. "Corporate governance in China: A survey." *Review of Finance* 24, no. 4 (2020): 733-772.

Edmans, A., & Holderness, C. G. (2017). Blockholders: A survey of theory and evidence. *The handbook of the economics of corporate governance*, 1, 541-636.

## 2. Learning Outcomes

### 2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment (YES with details or NO)
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	√
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	√
2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	√
	2.2. Students will be able to apply leadership theories and related skills.	√
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it.	√
	3.2. Our students will practice ethics in the duration of the program.	√
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	√
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	√
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	√
	5.3. Our students will demonstrate competency in critical thinking.	√

### 2.2 Course specific objectives

The objectives of this course are to give students the capacity to understand the theory and analyse, in real world situations, the issues related to corporate governance, and to enhance their analytical and critical thinking abilities.

### 2.3 Assessment/Grading Details

Here is the tentative grading scheme. *Please note that the scheme is **subject to change**.*

Adjustments may be made depending on how many students select the course.

The weights for the student's overall grade are:

Group project	30%
Individual essay/report	30%
Case assignment	20%
Class participation	20%
Total	100%

**Group project:** You will be asked to form a group and pick a real-world company. The group project is to analyse the current corporate governance practice of this firm, identify the inefficiencies, and propose a reform plan. Each group needs to submit a project report (with no more than 10 pages) and give a presentation (in 15~20 minutes) during the last two classes. Evaluation will be based on your teamwork outcomes. More details will be given in class.

**Individual essay/report:** Choose one of the following two tasks to work on.

Task A: Write an essay (3 to 5 pages) and submit it at the end of the course. You need to pick at least two of the topics that we cover in the course (including the ones under "other issues" listed in Section 3), and make an argument related to their relation. For instance, you can pick the topics of "shareholder voting" and "block-holders," and argue that "shareholder voting is not an efficient governance mechanism in presence of one controlling block-holder." You can support your argument with data analysis, review of other people's works, case analyses, etc. The grade is based on my evaluation of how clear and convincing your point is, the quality of your writing, how innovative and interesting your arguments are, etc.

Task B: Write a summary report (3 to 5 pages) for one academic paper on the topic of corporate governance. You need to pick either a paper that has been published in the *Journal of Finance*, *Review of Financial Studies*, *Journal of Financial Economics*, *Journal of Financial and Quantitative Analysis*, or *Management Science* since 2016, or a working paper that has been included in the conference programs of the *AFA*, *WFA*, *EFA*, or *CICF* since 2019. You need to read the paper carefully, and summarize its research question, motivation (why the research question worth studying), the hypotheses/predictions/theories, research design/strategy, data sources, main findings, overall contribution, and your critical evaluations of the paper (or an idea of extension). The grade is based on my evaluation of whether you have chosen a governance-related paper, whether your understanding of the paper is correct, the quality of your writing, how innovative and interesting your evaluation of the paper is, etc.

**Case assignment:** We plan to discuss five cases in this course. You are obligated in this course to prepare for case discussion by thorough reading and analysis of the assigned materials before the classes. You will be asked to write an individual brief report (within 1 page) on the pre-assigned questions, and submit at least three out of the five reports at beginning of the class in which we discuss the case. Each report will be graded based on its quality. If you submit more than three reports, you will get the average grade of the three ones with the highest scores.

**Class participation:** All students are responsible for attending classes and participating discussions. You will be invited to join discussions and raise questions during each class. For the case studies, there will be in-class group discussions and opinion sharing across groups. The participation grade is half based on my evaluation of your individual performance during classes, and half based on my evaluation of each group's performance during the case discussions.

## 2.4 Academic Honesty and Plagiarism

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures,

or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to PHBS Student Handbook.

### 3. Topics, Teaching and Assessment Schedule

*Below are the topics that we intend to cover in this course.*

- Introduction
  - What corporate governance is
  - US. Vs China Practices
- Topic 1: Board of Directors
  - *Case: "Tyco International: Corporate Governance"*
- Topic 2: Executive Compensation
- Topic 3: Shareholder Voting
  - *Case: "Say on Pay at the Walt Disney Company"*
- Topic 4: The Market for Control
  - *Case: "China Vanke: Battle for Control"*
- Topic 5: Law and Institutions
  - SEC, credit rating agency, derivative lawsuits
  - China issue: trend and specialty
- Topic 6: Block-holders
  - Large shareholder monitoring, ownership concentration
  - China issue: expropriation of minority shareholders
  - China issue: state-owned enterprises
  - *Case: "Baosteel Group: Governance with Chinese Characteristics"*
- Topic 7: Shareholder Impact and Engagement
  - Shareholder pressure and short-termism
  - Activism and the role of hedge fund
  - *Case: "Sharks in the Water: Battling An Activist Investor for Corporate Control"*
  - Debate: shareholder vs. stakeholder governance
- Topic 8: Other Issues (e.g., the role of lenders, insider trading, short-selling, whistle-blowing, corporate social responsibility, IPO and private placement)

*Here is our tentative schedule. Please note that the schedule is **subject to change**.*

Date	Topic
Feb 21, Monday	Introduction
Feb 24, Thursday	Topic 1: Board of Directors
Feb 28, Monday	Topic 1: Board of Directors

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Mar 3, Thursday	Topic 2: Executive Compensation
Mar 7, Monday	Topic 2: Executive Compensation
Mar 10, Thursday	Topic 3: Shareholder Voting
Mar 14, Monday	Topic 3: Shareholder Voting
Mar 17, Thursday	Topic 4: The Market for Control
Mar 21, Wednesday	Topic 4: The Market for Control
Mar 24, Thursday	Topic 5: Law and Institutions
Mar 28, Monday	Topic 5: Law and Institutions
Mar 30, Wednesday	Topic 6: Block-holders
Mar 31, Thursday	Topic 6: Block-holders
Apr 7, Thursday	Topic 6: Block-holders
Apr 11, Monday	Topic 7: Shareholder Impact and Engagement
Apr 14, Thursday	Topic 7: Shareholder Impact and Engagement
Apr 18, Monday	Group Project Presentation
Apr 21, Thursday	Group Project Presentation

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#### 4. Miscellaneous

I will request every student to make a **nameplate** and display it to on the table in each class. This will help me remember your name and organize class discussions.

Please read the case materials and complete the case report by yourself before the class in which we discuss the case, but sit together with your teammates during the class, as there will be group discussions.