Rutgers University Winter/Spring 2012
School of Management and Labor Relations

**Course Syllabus: Corporate Governance**

Instructor: Joseph R. Blasi, J. Robert Beyster Professor, Levin Building Room 200B, 732-445-5444 (direct) 732-445-4722 (assistant, Elena) or if no answer 445-5973 (messages for my secretary). Email: blasi@rci.rutgers.edu

Time: Thursdays, 7:20 p.m. – 10 p.m., Levin Room 103 (The first class is on Thursday January 19.)

Course Description

This course reviews the theories and practice of corporate governance. Among the topics covered are: the history of the corporation, boards of directors, the division of profit sharing and various forms of employee ownership and equity ownership among insiders, regulation, shareholder activism, the impact of takeovers and mergers and acquisitions on governance, ethical issues such as conflicts of interest and insider trading, international corporate governance, and policy developments likely to impact the corporation. It provides an introduction to the scientific evidence regarding corporate governance practices and economic performance. Each lecture will begin with the history and development of the topic under consideration. Cases and examples will be presented during the lectures and for team discussion. Special attention is paid in each session to the role of the human resource management professional and the implications for the field of human resource management.

Readings

Monks, Robert A.G. and Nell Minow. Corporate Governance. New York: John Wiley & Sons, 2011. Paperback only. ISBN-10: 0470972599 or ISBN-13: 978-0470972595 Available from the Livingston Bookstore or the publisher or at online booksellers. Please note this is the newest edition of the book.

The Wall Street Journal.

Note: Student subscription forms for the term will be available at the first class. This is recommended but not required.

Empirical studies on corporate governance for student research summaries, as assigned. All readings will be available on Sakai.

Approach

The lectures will not review the readings. They will be an opportunity to clarify the readings with questions and discussion. They will mainly cover additional material in the context of explaining the major points of the readings. Thus, it is important to do a close reading of all required class materials. A powerpoint covering the notes for each lecture will available on Sakai before each class and you should print it out and bring it to class for additional note-taking. Students will receive instruction and coaching on the use of a variety of on-line resources relevant to the topic. Students will do several research summaries of empirical studies as a basis for discussion in the class. Each class will include a lecture, ample time for questions, a team meeting on a specific question or case, and, in some classes, a film or visitor to talk about a particular case or problem. Class participation will count for 30% of the entire grade and will be taken very seriously in this class so please try to ask questions and make comments on a regular basis. A roll will be taken at each class. It is your responsibility to sign the roll. Students may be excused from one class. Because of the limited number of sessions, you should be sure that you can attend the classes. Students will be asked to do reading of relevant research papers and to hand in summaries that they present.

Evaluation and Grading

The 100 points in a grade will be distributed as follows: 32% final paper (a 15 page paper and a powerpoint presentation), 28% mid-term report (a seven page paper and a powerpoint presentation), 5% for handing in satisfactory research summaries and proposals on reports and final paper, 5% for the presentations, and 30% class participation including attendance. Grades will be distributed as follows: A+: 98-100, A: 95-97, A-: 92-94, B+: 88-91, B: 85-87, B-: 80-84, C+: 76-79, C: 73-75, C-: 70-72, Failing grade: Below 70. Students may miss one class without any effect on

their grade. Plagiarism, including the use of other student's work or "purchased papers" or electronically available papers constitutes a serious violation of the ethical standards for the University and this class.

Office Hours and Consultations

The instructor will be available for office hours for 1/2 hour immediately preceding class and following the class meeting until the last student has left in order to assist you in solving course-related problems or discussing issues related to your studies and career. There will also be a 10 minute mid-session break for each class in which you can also consult the professor. Extended office hours will be scheduled for consultation on the mid-term book report. Students can also make appointments with the instructor in class or by email if these times are not suitable. The Instructor will sometimes schedule a second set of office hours if there is more student demand.

Classroom Conduct

It is important for a serious learning experience to have a quiet and respectful environment in the classroom. The following will not be permitted in class: a. cell phones, pagers, and text messaging devices which should be turned off and put away out of sight; b computers should be turned off and put away; c. napping; d. chit-chatting; e. reading the newspaper; f. studying for or doing homework for other courses; g. arriving at class late on a consistent basis; h. leaving class early on a consistent basis.; i. other behavior that disrupts the learning environment.. When you do any of these things it is hard to argue you are participating in class and points will be deducted from your participation score.

Class Schedule

| Date | Topic | Reading Assignment(s) |
|---|---|---|
| Thursday Jan 19 | History and Theories of the Corporation<br>Case Study: General Motors | Monks & Minow, 1-103<br>Monks & Minow,, 411-450 |
| Thursday Jan 26 | Shareholders<br>Case Study: Microsoft<br>How To Read a Corporate Proxy? | Monks & Minow, 104-142 |
| Thursday Feb 2 | Case Study: Enron, Film | Monks & Minow, 223-241 &<br>Monks & Minow, 279-294 |
| Thursday Feb 9 | Boards of Directors<br>Case Study: Lehman Brothers | Monks & Minow, 242-271 |

Supplementary online resources:

The Business Roundtable

http://www.businessroundtable.org//taskForces/taskforce/index.aspx?qs=1495BF159F9

National Association of Corporate Directors

http://www.nacdonline.org/

Directors and Boards Magazine

http://www.directorsandboards.com/

| | | |
|---|---|---|
| Thursday<br>Feb 16 | Executive Compensation as a Governance Issue<br>Workshop: How To Read A Proxy | Monks & Minow, 295-329<br>Online reading: www.SEC.gov |
| Thursday<br>Feb 23 | Shareholder Activism: Institutional Investors, Public Pension Funds, Union Pension Funds, and Activist Investors<br>Case Study: To be announced | Monks & Minow, 143-178 |

Supplementary online resources:

The Conference Board

http://www.conference-board.org/knowledge/governance.cfm

The Council of Institutional Investors in the United States.
http://www.cii.org/

Example of An Active Investor: Mr. Carl Icahn

http://www.icahnreport.com/

Office of Investment, AFL-CIO
http://www.aflcio.org/corporatewatch/capital/corporategovernance.cfm

Policy and Advocacy Program on Corporate Governance, Harvard Law School:
http://www.law.harvard.edu/faculty/bebchuk/policy.shtml

Thursday
March 1
Mid-term Paper Due and Presentation of Mid-term Powerpoints Today

Thursday
March 8 Corporate Governance Standards
Case Study: ISS Shareholder Services and Governance Metrics International
Reports will be posted to Sakai
For background, see:
Web sites:
http://www.riskmetrics.com/
http://www.thecorporatelibrary.com/

Supplementary online resources:

U.S. Securities and Exchange Commission

www.sec.gov

The New York Stock Exchange

http://www.nyse.com/regulation/listed/1101074746736.html

The NASDAQ

http://74.125.45.104/search?q=cache:riGM3Pu3NI0J:www.nasdaq.com/about/CorpGovSummary.pdf+NASDAQ+corporate+governance&hl=en&ct=clnk&cd=2&gl=us&lr=lang_en

PriceWaterhouseCoopers Sarbanes-Oxley Compliance

http://www.pwc.com/extweb/service.nsf/docid/BE3AE945AE3901F085257013005ADD5E

**Spring Break Is March 10-March 18**

Thursday
March 22 Employee Ownership, Profit Sharing, and Broad-based Stock Options
Introduction, Shared
Capitalism At Work Book by
Kruse, Freeman, Blasi

(available online at: Sakai)

Case Study: Procter & Gamble Readings at www.pg,com
Case Study: Southwest Airlines Readings at www.southwest.com

Thursday
March 29 Changes in the Corporation: Public vs Private Companies and Takeovers, Mergers, Spinoffs, Acquisitions, Privatization, Nationalization, & Startups
Case Study: Citicorp Monks & Minow, 272-278, 463-487

Thursday
April 5 International Corporate Governance Monks & Minow, 351-380
Country Case Study: China Also read:

Investor Protection: Origins, Consequences, and Reform. Rafael LaPorta, Florencio Lopez-deSilanes, Andrei Shleifer, and Robert Vishny. 1999. National Bureau of Economic Research Working Paper #7428.

Online resource:
Asian Corporate Governance Association
http://www.acga-asia.org/content.cfm?SITE_CONTENT_TYPE_ID=40

Thursday Corporate Ethics
April 12

Readings:

J. S. Demski, "Corporate Conflicts of Interest," Journal of Economic Perspectives, Volume 17, Number 2, Spring 2003, pps. 51-72.

L. Tjioe, "Insider Trading," Annual Review of Banking and Financial Law, Volume 25, 2006, p. 195.

Thursday
April 19 Corporate Social Responsibility and The Sustainable Corporation
Case Study: To be announced
The Pyramid of Corporate Social
Responsibility by
Archie B. Carroll
Monks & Minow, 398-410

Thursday
April 26 Presentation of Final Projects by Powerpoint

Thursday
May 3 Final Papers are Due by email and in hard paper copies in the instructor's mailbox

END