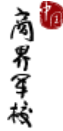




PHBS
北京大学汇丰商学院



FIN 536

Corporate Governance

Module II, 2024-2025

Course Information

Instructor: Fangyuan Ma

Office: PHBS Building, Room 705

Phone: 86-755-2603-4885

Email: fangyuanma@phbs.pku.edu.cn

Office Hour: Monday, Tuesday, and Thursday 15:30 – 16:30 or by appointment

Teaching Assistant: TBD

Email:

Office Hour:

Classes:

Lectures: Mon & Thu 1:30 PM-3:20 PM

Venue: TBD

Course Website:

PHBS Course Management System (CMS): cms.phbs.pku.edu.cn; login through yun.phbs.pku.edu.cn. Search for "Corporate Governance – 2024M2" and enrol with the code of "CG24M2".

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:

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

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

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.

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

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

Brav, A., Malenko, N., & Malenko, A. "Corporate governance implications of the growth in indexing" *Oxford Research Encyclopedia of Economics and Finance*, forthcoming (2024).

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

The course grade will be determined by the following scheme:

Individual essay or report	60%
Group presentation	30%
Class attendance and participation	10%
Total	100%

Individual essay or report: Choose one of the following two tasks:

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 from a list I will provide. 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 your understanding of the paper is correct, the quality of your writing, how innovative and interesting your evaluation of the paper is, etc.

Group presentation: You will be organized into groups of 4 to 6 members, with the exact number determined by course enrolment. Each group will select a real-world case from the suggested list provided at the end of this syllabus, thoroughly read and analyze it, and then deliver a 20-minute presentation in class. The presentation should focus on the governance challenge or debate outlined in the case materials. You will analyze the underlying factors that contributed to this challenge and propose potential improvements. Additionally, you are encouraged to share your novel insights regarding the issue, providing fresh perspectives on how to effectively address the governance challenges presented in the case. You are welcome to utilize various formats, such as presentations with slides, visual displays, or other creative methods to enhance your delivery. Evaluation will be based on both teamwork and the overall quality of your presentation. Each group member will receive the same score unless specific complaints are raised about individual contributions, particularly concerning any issues related to free-riding.

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
- Topic 2: Executive Compensation
- Topic 3: Shareholder Voting
- Topic 4: The Market for Control
- Topic 5: Law and Institutions
 - SEC, credit rating agency, derivative lawsuits
 - China issue: trend and specialty & compliance
- Topic 6: Block-holders
 - Large shareholder monitoring, ownership concentration
 - China issue: expropriation of minority shareholders & SOEs
- Topic 7: Shareholder Engagement
 - Activism and the role of hedge fund
 - The influence of index investment
- Topic 8: Stakeholder governance
 - Debate: shareholder vs. stakeholder governance
- Topic 9: Other Issues (e.g., the role of creditors, auditors, 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	Lecture Topic	Presentation (Topic)
Nov 14, 2024, Thurs	Introduction	Form Groups
Nov 18, 2024, Mon	Topic 1: Board of Directors	Set Presentation Orders
Nov 20, 2024, Wed	Topic 1: Board of Directors	Case 1: Tesla
Nov 21, 2024, Thurs	Topic 2: Executive Compensation	
Nov 25, 2024, Mon	Topic 2: Executive Compensation	Case 2: BBL
Nov 28, 2024, Thurs	Topic 3: Shareholder Voting	
Dec 2, 2024, Mon	Topic 3: Shareholder Voting	Case 3: ISS
Dec 5, 2024, Thurs	Topic 4: The Market for Control	
Dec 12, 2024, Thurs	Topic 4: The Market for Control	Case 4: ZUIG & Zhenxing
Dec 18, 2024, Wed	Topic 5: Law and Institutions	
Dec 19, 2024, Thurs	Topic 5: Law and Institutions	Case 5: Didi
Dec 23, 2024, Mon	Topic 6: Block-holders	
Dec 26, 2024, Thurs	Topic 6: Block-holders	Case 6: Li & Fung
Dec 30, 2024, Mon	Topic 7: Shareholder Engagement	
Jan 2, 2025, Thurs	Topic 7: Shareholder Engagement	Case 7: AmerisourceBergen

Jan 6, 2025, Mon	Topic 7: Shareholder Engagement	Case 8: BlackRock
Jan 9, 2025, Thurs	Topic 8: Stakeholder governance	Case 9: OpenAI
Jan 13, 2025, Mon	Topic 9: Other Issues	Case 10: Evergrande

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.

Everyone should read the case materials before attending the classes involving case studies. There will be discussions engaging everyone after the group presentations.

Here is the list of case materials:

Case 1: "Tesla, Elon Musk, and the SEC: To Tweet or Not to Tweet?"

- Board of Directors – Fiduciary duty of the Board

Case 2: "Bamboo Bridge Logistics: Linking Executive Remuneration to Sustainability Goals"

- Compensation design to incorporate sustainability goals

Case 3: "Shaping the Governance Debate at ISS"

- Regulation debates regarding the proxy advisors

Case 4: "ZUIG's Tender Offer Takeover of Zhenxing Biochem (A&B): Babarians at the Gate"

- Tender offer and anti-takeover defenses

Case 5: "Didi's Ride-Hailing Apps Blocked Days after US IPO"

- Compliance to regulation in China

Case 6: "Li and Fund: Stay Public or Go Private (A) & (B)"

- Agency conflicts between Majority and Minority Shareholders

Case 7: "The Opioid Settlement and Controversy over CEO Pay at AmerisourceBergen"

- Shareholder activism and proxy contests

Case 8: "BlackRock: Linking Purpose to Profit"

- Governance roles of institutional investors

Case 9: "OpenAI: Competitive Strategy and Governance"

- Stakeholder governance and value chain of Generative AI industry

Case 10: "China Evergrande's Real Estate Arm: Inflated CNY563.9bn in Revenue"

- Auditors' responsibility in detecting Fraud & creditors' and shareholders' rights in bankruptcy