
Plan de cours:
Gouvernance corporative– L'impératif stratégique
Corporate Governance – The Strategic Imperative

ADM 993S
Automne2008

(Provisional, some modification may be made to reading list to reflect recent relevant literature)

Prof. Sandra Dow
 Tel: 987-3000, Poste 4893
 E-mail: dow-anvari.sandra@uqam.ca

Course Description

Corporate governance is an important theme found in both the strategic management as well as corporate finance literatures. Research on this topic has significant practical implications for both public policy and financial market functions.

This course examines the issues surrounding corporate governance from a multi-disciplinary perspective. The course is organized around four major themes. In the first part of the course we examine the corporate governance problem using an agency theory framework. Thus we examine the implications arising from the separation of ownership and control. In the second part of the course we examine the role played by different ownership groups in either promoting or constraining good corporate governance. Part 3 of the course examines executive compensation and board of directors composition and their usefulness as mechanisms to constrain agency problems. In the concluding section we examine some broader issues relating to corporate governance and investigate whether there is divergence or convergence of corporate governance regimes.

Course Requirements:

Class Presentation: Each student will be asked to present the readings for two of the class sessions. This presentation should not be a simple summary of the readings. Rather, you should also focus on the overall contribution of each of the articles and draw parallels among them. (30%)

Reading Summaries: When students are not making a presentation, they should prepare a brief (three page) reaction to the readings. Here again, this should not be a summary of each article. Rather, it should focus on the contribution of each article to our understanding of corporate governance, draw links between the articles, comment on assumptions or 'missing links' etc. (30%)

Final Paper: Each student will prepare an theoretical or empirical paper based upon the course topics. (30%)

Participation (10%)

Most readings are available from the following sources :

1. Jstor: On line Access to journals
2. ABI/Inform Global on ProQuest
3. AOM: Academy of Management publications are available on line to members. Student membership is inexpensive and includes subscriptions to four journals and numerous other professional benefits.

Detailed Course Outline

Section I

The corporate governance problem

Session 1: Introduction

1. Jensen, M. and W. Meckling. "Theory of the Firm: Managerial Behaviour, Agency Costs, and Ownership Structure" Journal of Financial Economics, October 1976, pp. 305-360

Session 2 : The conflict between managers and shareholders

1. Eisenhardt, K. "Agency theory: An assessment and review". Academy of Management Review, 1989, 14: pp. 57-74.
2. Hendry, J. "The principal's other problems: Honest incompetence and the specification of objectives". Academy of Management Review, 2002, 27(1): 96-112.
3. Davis, J. H., F.D. Schoorman, & L. Donaldson. "Toward a stewardship theory of management". The Academy of Management Review, 1997, 22(1): 20-47
4. Lane, P., Cannella, B., Lubatkin, M. 1999. Ownership structure and corporate strategy: One question viewed from two different worlds. Strategic Management Journal, 20(11): 1077-1086

Session 3: Agency Theory : The implications of the conflict

1. Jensen, M.C. "Agency costs of free cash flow: corporate finance and take-overs" American Economic Review, 1976, p 323-329.
2. Jensen, M.C . "Agency Costs of Over-Valued Equity". Financial Management, Spring 2005, Volume 34, Issue 1, page 5.
3. Jeffrey J Reuer, Roberto Ragozzino. "Agency hazards and alliance portfolios". Strategic management journal 2006, 27 (1), p. 27
4. Rajesh K Aggarwal, Andrew A Samwick. "Why do managers diversify their firms? Agency reconsidered". The Journal of Finance. Cambridge: Feb 2003. Vol.58, Iss. 1; pg. 71, 48 pgs.
5. David J Denis, Diane K Denis, Atulya Sarin. "Agency theory and the influence of equity ownership structure on corporate diversification strategies". Strategic Management Journal. Chichester: Nov 1999. Vol.20, Iss. 11; pg. 1071.
6. Gompers, Paul, Joy Ishii, and Andrew Metrick. "Corporate Governance and Equity Prices". Quarterly Journal of Economics February 2003, Vol. 118, No. 1, Pages 107-155

Session 4 : The Principal – Principal Conflict

1. Dyck, Alexander & Luigi Zinglaes. "Private benefits of Control: An International Comparison. Journal of Finance. The Journal of Finance. Cambridge: Apr 2004. Vol. 59, Iss. 2; p. 537 (64 pages)
2. La Porta, Rafael, Florencio Lopez-de-Silanes, Andrei Shleifer, Robert W. Vishny. "Law and finance". The Journal of Political Economy, 1998, vol. 106, Iss.5 pp 1113.
3. La Porta, R., F. Lopez de Silanes, and A. Shleifer. "Corporate ownership around the world". Journal of Finance, 1999, 54, pp. 471-517.
4. Rafael La Porta, Florencio Lopez-de-Silanes, Guillermo Zamarripa. "Related Lending". The Quarterly Journal of Economics, 2003, Vol 118, iss. 1, pp. 231.

5. Craig Doidge. "U.S. cross-listings and the private benefits of control: evidence from dual-class firms". Journal of Financial Economics. Amsterdam: Jun 2004.Vol.72, Iss. 3; pg. 519

Section 2: The Impact of Ownership Structure

Session 5 : Ownership and agency theory

1. Claessens, S., Djankov, S., Fan, J., and L. Lang (2002). "Disentangling the incentive and entrenchment effects of large shareholdings". Journal of Finance, 57: 2741-2771.
2. Holderness, C. and D. Sheehan (1988). "The role of majority shareholders in publicly-held corporations". Journal of Financial Economics, 20(1): 317-346.
3. Maury, B. and A. Pajuste (2005). "Multiple Large Shareholders and Firm Value". Journal of Banking and Finance, 29 (7): 1813-1834.
4. Catherine M Daily, Dan R Dalton, Nandini Rajagopalan. "Governance through ownership: Centuries of practice, decades of research". Academy of Management Journal. Briarcliff Manor: Apr 2003.Vol.46, Iss. 2; pg. 151
5. Dan R Dalton, Catherine M Daily, S Trevis Certo, Rungpen Roengpitya. "Meta-analyses of financial performance and equity: Fusion or confusion?" Academy of Management Journal. Briarcliff Manor: Feb 2003.Vol.46, Iss. 1; pg. 13
6. Stijn Claessens, Konstantinos Tzioumis. "Ownership and Financing Structures of Listed and Large Non-listed Corporations". Corporate Governance. Oxford: Jul 2006.Vol.14, Iss. 4; pg. 266

Session 6 : Institutional ownership

1. Woitke, Tracie. "Agents watching agents? Evidence from pension fund ownership and firm value." Journal of Financial Economics, 2002, 63 (2), pp. 99-131.
2. Hoskisson, R. E., M.A. Hitt, R.A. Johnson, & W. Grossman, W. "Conflicting voices: The effects of institutional ownership heterogeneity and internal governance on corporate innovation strategies". Academy of Management Journal, 2002, 45(4), pp. 697-716
3. Kang, D. (2000). The impact of activist institutional investors on performance in public corporations: a study of the U.S. Fortune 500, 1982-1994. Academy of Management Best Conference Paper 2000.
4. Wahal, S. (1996). "Pension fund activism and firm performance.". Journal of Financial and Quantitative Analysis, 31(1): 1-23.
5. Smith, M. (1996). "Shareholder activism by institutional investors: evidence from Calpers". The Journal of Finance, LI (1).

Session 7: Inside Ownership

1. Wright, P., S. Ferris, A. Sarin and V. Awasthi. "The impact of corporate insider, blockholder, and institutional equity ownership on firm risk taking." Academy of Management Journal, 1996, 39(2), pp. 441-463.
2. Morck, R., A. Shleifer, & R.W. Vishny. "Do managerial objectives drive bad acquisitions?" Journal of Finance, 1990.
3. Novaes, Walter. "Capital Structure Choice When Managers are in Control: Entrenchment or Efficiency?" Journal of Business, 2003, Vol. 76, pp. 49.
4. Morck, R., A. Shleifer, and R. Vishny. "Management ownership and market valuation: An empirical Analysis", Journal of Financial Economics, 1988, 20, pp. 293-313
5. Manohar Singh, Wallace N Davidson III. "Agency costs, ownership structure and corporate governance mechanisms." Journal of Banking & Finance. Amsterdam: May 2003.Vol.27, Iss. 5; pg. 793

Session 8: Family Ownership

1. Anderson, Ronald C.; Sattar A. Manse, David M. Reeb. "Founding family ownership and the agency cost of debt", Journal of Financial Economics, May 2003, Volume 68, No. 2, page 263
2. Schulze, W., M.H. Lubatkin, R.N. Dino, & A.K. Buchholtz. "Agency relationships in family firms: Theory and evidence". Organization Science, 2001, 12(2) pp. 99-116
3. Morten Bennedsen, Kasper Meisner Nielson, Francisco Perez-Gonzalez, and Daniel Wolfenzon "Inside the Family Firm: The Role of Families in Succession Decisions and Performance." QJE FORTHCOMING 2007
4. Stijn Claessens, Simeon Djankov, Larry H P Lang. "The separation of ownership and control in East Asian corporations" .Journal of Financial Economics. Amsterdam: Oct/Nov 2000.Vol.58, Iss. 1,2; pg. 81
5. Villalonga, Belen and Raphael Amit. "How do family ownership, control and management affect firm value?" Journal of financial Economics, Volume 80, 2006, pp 385-417.

Session 9 Pyramidal Ownership and Business Groups

1. Tarun Khanna, Krishna Palepu. "Is group affiliation profitable in emerging markets? An analysis of diversified Indian business groups". The Journal of Finance. Cambridge: Apr 2000. Vol. 55, Iss. 2; p. 867 (26 pages)
2. Marianne Bertrand, Paras Mehta, Sendhil Mullainathan. "Ferreting out tunneling: An application to Indian business groups." The Quarterly Journal of Economics. Cambridge: Feb 2002.Vol.117, Iss. 1; pg. 121
3. HEITOR V ALMEIDA, DANIEL WOLFENZON. A Theory of Pyramidal Ownership and Family Business Groups. The Journal of Finance. Cambridge: Dec 2006.Vol.61, Iss. 6; pg. 2637 (actually forthcoming, citation may be incorrect).
4. Randall Morck, Daniel Wolfenzon, Bernard Yeung. J Corporate Governance, Economic Entrenchment, and Growth Journal of Economic Literature. Nashville: Sep 2005.Vol.43, Iss. 3; pg. 655, 66 pgs
5. Tarun Khanna, Krishna Palepu. The future of business groups in emerging markets: Long-run evidence from Chile Academy of Management Journal. Briarcliff Manor: Jun 2000. Vol. 43, Iss. 3; p. 268 (18 pages)

Session 10 Enlarging the Stakeholder Perspective

1. Donaldson, T. & L. Preston. "The stakeholder theory of the corporation: Concepts, evidence, and implications". Academy of Management Review, 1995, 20(1), pp. 65-91.
2. Hill, C. & T. Jones. "Stakeholder-Agency Theory". Journal of Management Studies, 1992, 29(2), pp. 131-155.
3. Jensen, M. "Value maximization, stakeholder theory, and the corporate objective function". Business Ethics Quarterly, 2002, 12(2), pp. 235.
4. Shankman, N. "Reframing the debate between agency and stakeholder theories of management". Journal of Business Ethics, 1999, 19(4), pp. 319-334.
5. Johnson, R. A. & Greening, D. W. "The effects of corporate governance and institutional ownership types on corporate social performance". Academy of Management Journal, 1999, 42(5), pp. 564-576

Section 3: Resolving the Agency Problem

Session 11 Board of directors

1. Dalton, D., C. M. Daily, A.E. Ellstrand, & J. L. Johnson "Meta-analytic reviews of board composition, leadership structure, and financial performance". Strategic Management Journal, 1998, 19(3) pp. 269-290.
2. Carpenter, M. A. & J.D. Westphal. "The strategic context of external network ties: Examining the impact of director appointments on board involvement in strategic decision making". Academy of Management Journal, 2001, 44(4), pp. 639-660.
3. Hillman, A and T. Dziel. "Boards of Directors and Firm Performance: Integrating Agency and Resource Dependence Perspectives. Academy of Management Review, 28, 3 p 383.
4. Conyon, M. & S. Peck. "Board control, remuneration committees, and top management compensation". Academy of Management Journal, 1998, 41(2), pp. 146-157.
5. Ferris, S. P., M. Jagannathan, & A.C. Pritchard. "Too Busy to Mind the Business? Monitoring by Directors with Multiple Board Appointments". Journal of Finance, 2003, 58(3), pp. 1087 - 1112.

Session 12 Executive Compensation

1. Bertrand, Marianne, and Sendhil Mullainathan "Are CEOs rewarded for luck? The ones without principals are." The Quarterly Journal of Economics, 2001, 116 (3), pp. 901-932.
2. Miller, J., D.B. Wiseman, & L.R. Gomez-Mejia, L. R. "The fit between CEO compensation design and firm risk". Academy of Management Journal, 2002, 45(4), pp. 745-757.
3. Jensen, M. & K. Murphy. "Performance and top management incentives". Journal of Political Economy, 1990, 98(2), pp. 225-264.
4. McGuire, J. & E. Matta. "CEO Stock Options: The Silent Dimension of Ownership". Academy of Management Journal, 2003, 46(2), pp. 255-268.
5. Core J.E., W. Holthausen & D.F. Larcker. "Corporate Governance, chief executive officer, compensation, and firm performance." Journal of Financial Economics, 1999, 51, pp. 371-406
6. Bebchuk, Lucien A. and Jesse M. Fried. "Pay without Performance". Journal of Applied Corporate Finance, Vol. 17, Number 4, Fall 2005.

Section 4: Corporate Governance – Broader Issues

Session 13 Additional Influences on Corporate Governance

1. Jonathan L. Johnson, Alan E. Ellstrand, Dan R. Dalton, Catherine M. Dalton. The influence of the financial press on stockholder wealth: the case of corporate governance Strategic Management Journal. Chichester: May 2005. Vol.26, Iss. 5; pg. 461, 11 pgs
2. Pagano, Marco and Paolo Volpin. “Managers, Workers, and Corporate Control”, Journal of Finance Apr 2005. Vol. 60, Iss. 2; p. 841
3. Djankov, S., M. Caralee, et al. (2003). "Who Owns The Media?" Journal of Law and Economics **46**(2): 341-381.
4. Franklin Allen. O. “Corporate Governance in Emerging Economies” Oxford Review of Economic Policy. Oxford: Summer 2005. Vol.21, Iss. 2; pg. 164.
5. Mara Faccio. “Politically Connected Firms”. The American Economic Review. Nashville: March 2006. Vol.96, Iss. 1; pg. 369.
6. Larry Fauver and Michael E. Fuerst “Does good corporate governance include employee representation? Evidence from German corporate boards”. Journal of Financial Economics, Volume 82, Issue 3, December 2006, Pages 673-710.

Session 14 Convergence et divergence – Issues in Corporate Governance

1. Denis, D. K. & J.J. McConnell. “International corporate governance”. Journal of Financial and Quantitative Analysis, 2003, 38(1), pp. 1-36
2. Aguilera, R. V. & Jackson, G. 2003. “The cross-national diversity of corporate governance: Dimensions and determinants”. Academy of Management Review, 28(3): 447-465.
3. Tarun Khanna, Joe Kogan, Krishna Palepu. Globalization and Similarities in Corporate Governance: A Cross-Country Analysis”. The Review of Economics and Statistics. Cambridge: Feb
4. Pedersen, T. and S. Thomsen (1997). "European patterns of corporate ownership: A twelve-country study." Journal of International Business Studies; **28**(4): 759-778. 2006. Vol.88, Iss. 1; pg. 69
5. Klapper, Leora F. & Inessa Love. “Corporate Governance, Investor Protection & Performance in Emerging Markets”, Journal of Corporate Finance, 2004, Vol. 10, pp 703-728.
6. Shleifer, A., and R. Vishny, 1997, “A survey of corporate governance”, Journal of Finance, 1997, Vol. 52, pp. 737-783.

Session 15 Wrap-up (generally following the end of term, Date TBA)