

Approved
Academic Council of educational program “Economics: Research Program”
Protocol number 01 «05» February 2018

Academic Council of educational program “Applied Economics”
Protocol number 01 «01» February 2018

Academic Council of educational program “Corporate Strategic Finance”
Protocol number n\а, « 26» June 2018.

Corporate Governance

Author	Olga Lazareva, PhD, olazareva@hse.ru
Credits	3
Contact Hours	40
Self-study Hours	74
Course	Masters’ level, 2 nd year

Section 1. General information about the course

Corporate governance is a relatively young and rapidly growing sub-field within the fields of economics and finance. It refers to the various aspects of governance of a modern corporation. Large variety of business organizational forms, complexity of their governance structures, conflicts of interests arising within these structures make it important to study the process of governance of a modern corporation as a separate phenomenon.

Aim of the course is to familiarize students with the theory and practice of the modern corporate governance. During the course we will discuss the results of the latest and most important research in the area of the corporate governance. Students will learn about the current practices and recent reforms of corporate governance in Russia and around the world. Also students will see how the modern econometric methods are applied in empirical studies on corporate governance.

Section 2. Course goals, learning objectives, expected learning outcomes

During the course we will study:

- theoretical background behind corporate governance research: agency theory, theory of the firm etc.
- modern CG practices in developed economies and emerging markets: different models, structure and participants of CG process, the role and the level of development of corporate law
- problems of corporate governance specific to Russian economy: characteristics of Russian corporations, evolution of corporate ownership structure, the state of Russian corporate law, stock market and corporate investments, Russian model of corporate governance

Prerequisites: undergraduate-level knowledge of microeconomics and econometrics, fluent English

Section 3. Course Outline

	Topic/Focus/Activity
1	Introduction: CG definition and participants
2	Topic 1. Theoretical foundation of CG
3	Topic 2. The role of shareholders
4	Topic 3. The role of the board of directors
5	Topic 3. The role of the board of directors
6	Topic 4. The role of top-managers (CEO)
7	Topic 4. The role of top-managers (CEO)
8	Topic 5. The role of stakeholders and corporate social responsibility
9	Topic 6. Measuring the quality of CG and CG ratings
10	Topic 7. Comparative CG and the Russian model of CG

The classes will be held in a mixed format: each class will include lecture material, Q&A sessions, group discussions, presentations etc.

Section 4. Texts, readings and other informational resources

Course is mainly based on the English-language research papers published in leading international economics and finance journals (listed below for each topic). They can be accessed through HSE electronic library: <https://library.hse.ru/e-resources>

1. Core readings list

- Lucian A. Bebchuk & Michael S. Weisbach, 2010. "The State of Corporate Governance Research," *Review of Financial Studies*, vol. 23(3), pages 939-961, March.
- Boris Durisin and Fulvio Puzone, *Maturation of Corporate Governance Research, 1993–2007: An Assessment*, *Corporate Governance: An International Review*, 2009, 17(3): 266–291.
- Becht M., Bolton P., Roell A. (2002) *Corporate Governance and Control*. (Literature survey prepared for the Handbook of the Economics of Finance, eds. G.Constantinides, M.Harris, R.Stulz, North-Holland).
- Tirole, Jean, 2001, *Corporate governance*, *Econometrica*, Vol.69. No.1, p. 1-35
- Shleifer A. and Vishny R., 1997, *A Survey of Corporate Governance*, *The Journal of Finance*, Vol.LII, No.2
- Zingales L., 1997, *Corporate Governance*, (for *The New Palgrave Dictionary of Economics and the Law*)
- Demsetz, Harold, and Lehn, Ken, 1985, *The Structure of Corporate Ownership: Causes and Consequences*, *Journal of Political Economics* 93, 1155-1177
- Jensen, Michael, and Meckling, William, 1976, *Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure*, *Journal of Financial Economics* 3, 305-360
- Berle, Jr., A. A. and Gardiner C. Means, "Corporations and the Public Investor," *The American Economic Review*, vol. 20 no. 1 (Mar., 1930) 54-71.

2. Additional readings by topic:

Introduction: CG definition and participants

- Vicente Cuñat & Mireia Gine & Maria Guadalupe, 2012. "The Vote Is Cast: The Effect of Corporate Governance on Shareholder Value," *Journal of Finance*, American Finance Association, vol. 67(5), pages 1943-1977, October.

Topic 1. Theoretical foundation of CG

- Jensen, Michael, and Meckling, William, 1976, *Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure*, *Journal of Financial Economics* 3, 305-360
- Tirole, J. *The theory of corporate finance*. Princeton University Press, 2006. - 644 c.

Topic 2. The role of shareholders

- La Porta R, Lopez-de-Silanes F, Shleifer A. 1999. *Corporate ownership around the world*. *Journal of Finance* 54(2):471–517

- Holderness C. 2009. The myth of diffuse ownership in the United States. *Rev. Financ. Stud.* 22(4):1377–408.
- Klaus Gugler, Natalia Ivanova, Josef Zechner, Ownership and control in Central and Eastern Europe, *Journal of Corporate Finance*, Volume 26, June 2014, Pages 145-163
- Becht, M., Franks, J., Mayer, C., & Rossi, S. (2008). Returns to shareholder activism: Evidence from a clinical study of the Hermes UK Focus Fund. *The Review of Financial Studies*, 22(8), 3093-3129.
- Aggarwal, R., Erel, I., Ferreira, M., and Matos, P. "Does Governance Travel Around the World? Evidence from Institutional Investors." *Journal of Financial Economics*, Vol 100 Issue 1 (April 2011): 154-182.
- Nougayrède, Delphine, Outsourcing Law in Post-Soviet Russia (June 25, 2014). *Journal of Eurasian Law* 2013, Vol. 3 Nr. 6 . Available at SSRN: <http://ssrn.com/abstract=2433771>
- Straska M., Waller H. G. Antitakeover Provisions and Shareholder Wealth: A Survey of the Literature // *Journal of Financial and Quantitative Analysis*. – 2014. – T. 49. – №. 04. – C. 933-956.

Topic 3. The role of the board of directors

- Miriam Schwartz-Ziv and Michael Weisbach, 2011, What do Boards Really Do? Evidence from Minutes of Board Meetings, NBER Working Paper No. 17509. Available at: www.nber.org
- Iwasaki, I., 2008, The determinants of board composition in a transforming economy: Evidence from Russia, *Journal of Corporate Finance* 14, 532-549
- Libman et al (2014) The Birth Of An Entrepreneurial Board In Emerging Markets: A Russian Case. HSE Working paper, Management / MAN, December 2014, pages 1-33
- Alope Ghosh, Antonio Marra, Doocheol Moon, 2010, Corporate Boards, Audit Committees, and Earnings Management: Pre- and Post-SOX Evidence, *Journal of Business Finance & Accounting*, Volume 37, Issue 9-10, pages 1145–1176
- R Duchin, JG Matsusaka, O Ozbas , 2010, When are outside directors effective?, *Journal of Financial Economics* 96, 2010
- Black, B.S., Kim, W., 2012. The effect of board structure on firm value: a multiple identification strategy approach using Korean data. *Journal of Financial Economics* 104.
- Fauver, Larry and Hung, Mingyi and Li, Xi and Taboada, Alvaro G., Board Reforms and Firm Value: Worldwide Evidence (2014). Available at SSRN: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2607785

Topic 4. The role of top-managers(CEO)

- Steven N. Kaplan, 2012, Executive Compensation and Corporate Governance in the U.S.: Perceptions, Facts and Challenges, NBER Working Paper No. 18395. Available at: www.nber.org
- Murphy, Kevin J., forthcoming, Executive Compensation: Where we are, and how we got there, in George Constantinides, Milton Harris, and René Stulz, eds.: *Handbook of the Economics of Finance*
- M. Goergen, L. Renneboog, 2011, Managerial compensation, *Journal of Corporate Finance* 17 (2011) 1068–1077_
- Fernandes N. et al. Are US CEOs Paid More? New International Evidence // *Review of Financial Studies*. – 2013. – T. 26. – №. 2.
- Gayle, George-Levi, and Robert A. Miller. 2009. "Has Moral Hazard Become a More Important Factor in Managerial Compensation?" *American Economic Review*, 99(5): 1740–69.

- Murphy, Kevin J., and Jan Zábajník, 2008, Managerial Capital and the Market for CEOs. Available at SSRN: <https://ssrn.com/abstract=984376>
- Custodio, Fereira, Matos, 2013, Generalists versus specialists: Lifetime work experience and chief executive officer pay, *Journal of Financial Economics* 108 (2013) 471–492
- Kaplan, S. N., and J. Rauh. 2009. Wall Street and Main Street: What Contributes to the Rise in the Highest Incomes? *Review of Financial Studies*, 22
- Bebchuk, L. A., & Fried, J. M. (2005). Pay without performance: Overview of the issues. *Journal of applied corporate finance*, 17(4), 8-23.
- Lilian Ng, Valeriy Sibilkov, Qinghai Wang, Nataliya Zaiats, Does shareholder approval requirement of equity compensation plans matter? *J corp fin* vol 17 iss 5 2011, Pages 1510-1530
- Lee Biggerstaff, David C. Cicero, Andy Puckett, Suspect CEOs , unethical culture, and corporate misbehavior, *Journal of Financial Economics*, Volume 117, Issue 1, Pages 1-224 (July 2015)
- Kaplan, Minton, 2012, How Has CEO Turnover Changed?, *International Review of Finance*, 12:1, 57-87

Topic 5. The role of stakeholders and corporate social responsibility

- Reinhardt, Stavins, Vietor, 2008, Corporate Social Responsibility Through An Economic Lens, NBER Working Paper 13989. Available at: www.nber.org
- Kitzmueller, Markus, and Jay Shimshack. 2012. "Economic Perspectives on Corporate Social Responsibility." *Journal of Economic Literature*, 50(1): 51-84.
- Richard Borghesi, Joel F. Houston, Andy Naranjo, Corporate socially responsible investments: CEO altruism, reputation, and shareholder interests, *Journal of Corporate Finance*, Volume 26, June 2014, Pages 164-181

Topic 6. Measuring the quality of CG and CG ratings

- Gompers, Ishii, Metrick (2003) Corporate Governance and Equity Prices, *The Quarterly Journal of Economics* (2003) 118 (1): 107-156.
- Bebchuk, Lucian A. and Cohen, Alma and Wang, Charles C. Y., Learning and the Disappearing Association between Governance and Returns (April 2010). NBER Working Paper No. w15912. Available at: www.nber.org

Topic 7. Comparative CG and the Russian model of CG

- La Porta, López-de-Silanes, A. Shleifer and R. Vishny), Law and Finance, *Journal of Political Economy*, December 1998
- La Porta, R., F. Lopez-de-Silanes, and A. Shleifer. 2008. The Economic Consequences of Legal Origin. *Journal of Economic Literature* 46:285–332.
- Claessens, Yurtoglu, 2013, Corporate governance in emerging markets: A survey, Emerging Markets Review Volume 15, June 2013, Pages 1–33, p.9
- Martynova and Renneboog, 2011, Evidence on the international evolution and convergence of CG regulations, *J of corp fin* 17, 1531
- Aggarwal, R., I. Erel, R. M. Stulz, and R. Williamson. 2009. Differences in Governance Practices between U.S. and Foreign Firms: Measurement, Causes, and Consequences. *Review of Financial Studies* , 22(8), 3131-3169.
- Doidge, C., G. A. Karolyi, K. V. Lins, R. M. Stulz, and D. P. Miller. 2009. Private Benefits of Control, Ownership, and the Cross-listing Decision. *Journal of Finance* 64:425–66.

Section 5. Examination/Evaluation

Students will be evaluated on a number of activities and tasks. The successful course completion depends on the active involvement in class activities and timely completion of course tasks. The final grade will include:

- Work in class (discussions, presentations, mini-tests) – 40%
- Empirical homework/essay – 20%
- Final exam – 40%

Section 6. Academic Integrity

The Higher School of Economics strictly adheres to the principle of academic integrity and honesty. Accordingly, in this course there will be a zero-tolerance policy toward academic dishonesty. This includes, but is not limited to, cheating, plagiarism (including failure to properly cite sources), fabricating citations or information, tampering with other students' work, and presenting a part of or the entirety of another person's work as your own. HSE uses an automated plagiarism-detection system to ensure the originality of students' work. Students who violate university rules on academic honesty will face disciplinary consequences, which, depending on the severity of the offense, may include having points deducted on a specific assignment, receiving a failing grade for the course, being expelled from the university, or other measures specified in HSE's [Internal Regulations](#).