

**John Molson School of Business
Concordia University
Montréal Québec Canada**

COMPARATIVE CORPORATE GOVERNANCE

ADMI 852-AA

MSCA 652-AA

Fall 2016

Tuesday 5:45PM-8:15PM

Classroom: MB-S2.105

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COURSE OVERVIEW AND OBJECTIVES

Corporate governance defined broadly is the study of power and influence over decision making within the corporation. Comparative corporate governance examines how institutions in different social and economic contexts influence this relationship and its consequences for the ownership, management, and strategic competitiveness of firms. Comparative corporate governance scholars address several questions such as: How is corporate governance practised in different countries? Why are corporate governance practices similar or different across countries? Can we identify international best practices of corporate governance? To what extent are corporate governance best practices transferable across international contexts? How do different systems of corporate governance embody different economic, social, and political trade-offs among corporate stakeholders? Who benefits from specific corporate governance practices: shareholders, executives or labor? What factors explain the stability, change, or potential convergence of corporate governance practices over time and space?

Currently, there is little agreement among policy communities and scholars on the answers to many of these questions. We approach the questions from managerial, economic, legal, political, sociological and cultural perspectives. Using both conceptual and empirical studies, we also focus on a range of substantial issues, including corporate governance in family firms and in emerging market business groups. We also examine the relationship between corporate governance and firm capabilities.

Seminar objectives are to:

- provide an overview of the current state of the academic understanding of comparative corporate governance,
- understand the role and process of theory-building in organizational research,

- critically investigate some of the major conceptual, empirical, and practical works in the field, and
- advance the state of knowledge of corporate governance by developing a potentially publishable article.

The course should equip you to think conceptually about understanding synthesizing and framing research issues in academic conversations, policy communities and management practitioners in different national and organizational contexts. The course will help develop your expertise in communicating new ideas to your peers in a manner that will both encourage further interchange of knowledge and lead to acceptance of those ideas. Finally, students will have the opportunity to apply these skills to conceptual issues confronting scholars in management disciplines such as organizational theory, international business, strategy, and entrepreneurship.

TEACHING METHODOLOGY

The primary teaching method for this course will be group discussions and presentations. You are expected to attend all classes and be well prepared to discuss the assigned readings. In addition to weekly readings, each of you will be expected to prepare a review of a classic book, develop a theoretical article, and make presentations to the class on those assignments. We will jointly determine the specific assignments.

BRIEF COURSE SCHEDULE

Class #/Date	Topic
1 /Sept6	Course Overview and Organization
2 /Sept13	Agency & TCE Theories of Governance
3 /Sept 20	The Law & Finance Perspective
4 /Sept 27	The Shareholder Value Conception of the Firm and its Consequences
5 /Oct 4	The Capitalist Class
6/Oct 11	Book Review Presentations
7/Oct 18	Convergence & Divergence in Corporate Governance
8 /Oct 25	The Varieties of Capitalism Perspective
9 / Nov1	Corporate Governance and Social Responsibility
10 /Nov 8	Corporate Governance in Family Firms
11 /Nov 15	Emerging Market Business Groups
12 /Nov 22	Corporate Governance in Asia or State ownership around the world
13 / Nov 29	<i>Final project Presentations/</i>

EVALUATION:

Class Contributions	30%
Book Review and Presentation	20%
Term Paper Theory Article	50%
Total	100%

CLASS CONTRIBUTIONS (30%)

This course is organized as a seminar. You will get out of it what you put in. Regular attendance and participation are critical to successful completion of this course. You are expected to come to each class prepared to discuss the required readings for that day and to contribute through constructive and value-added discussion. Roughly the first 1.5 hours of each class will be devoted to a discussion of the assigned articles. You will be asked to share their ranking (from best to worst) of these papers in terms of the contribution they feel each made to the field's knowledge base, and the reasons why they ranked them as they did.

If for some reason you are not prepared, and cannot provide a ranking and the rationale, you should let me know before the start of the class.

Preparing for class: Detailed notes of the reading material are recommended to enable regular participation in the discussion. When developing your notes, try to answer the following questions about each reading:

- What question is the author trying to address? How important is this question?
- What assumptions does the author make? How valid are these assumptions?
- How does the author address the research question? If this is an empirical piece, is the methodology appropriate?
- What conclusions does the author draw? Are these conclusions justified in light of the empirical evidence the author presents? How important are these conclusions?
- What level of analyses is the author addressing?
- How could this work be extended or refined?
- How is this work related to other articles assigned for the same class session?

Class Contribution Grade Calculation:

Every member of the class is expected to be a co-producer in the class discussion. Listen carefully to one another, and attempt to build on or constructively critique prior comments. An effective participant:

- Participates in each ranking
- Is a good listener
- Makes points relevant to the ongoing discussion
- Makes comments that add to our understanding of the reading or article
- Is willing to challenge ideas that are being expressed.
- Integrates materials from past classes and other courses.

Each student will be asked to submit a one-page peer evaluation and grade out of 20 based on these five criteria for all students in the class (including self-evaluation). These scores will be averaged with one assigned by me to determine the 30% Class Contribution grade.

BOOK REVIEW (20%, due in week 6, October 11th)

You will review one classic book on comparative international corporate governance. The specific book for each student will be determined jointly by the student and instructor. The review should include a summary, critique, and integration with literature. The review should be no more than seven (7) double-spaced pages, including references, etc.

THEORETICAL OR EMPIRICAL ARTICLE (50% presentation due in class Nov 29, week 13. Written version due December 5th)

Students and instructor will jointly determine the specific topic of the article. This paper should be written following the style guidelines of the *Academy of Management Review*.

In general, the paper should:

- a. define a problem area,
- b. review the relevant literature,
- c. construct a conceptual model, and
- d. Develop propositions (potentially testable hypotheses) that derive from the model.

The final session of the course will be devoted to student presentations of their original articles. You will have 15 minutes to present your papers. Time permitting, you will also be expected to field questions from the instructor and the remainder of the class on their presentation. Provide a hard & soft copy of the PPT. A short article describing the overall structure of the theory paper is:

SEMINAR SCHEDULE & DETAILED READINGS

Week 1, September 6: Course Overview, Organization & Preliminary Survey of the Field

Aguilera, R.V., & Jackson, G. (2010). Comparative and international corporate governance *Academy of Management Annals*, Vol. 4: 485-556: Routledge

Writing an academic article discussion.

Week 2, September 13: Agency & Transactions Costs Theories of Governance

Eisenhardt, K. (1989). Agency theory: An assessment and review. *Academy of Management Review*, 14: 57-74.

Williamson, O. E. (1991). Comparative economic organization: The analysis of discrete structural alternatives. *Administrative Science Quarterly*, 36, 269-296.

Williamson, O.E. (2007). Corporate boards of directors: In principle and in practice. *Journal of Law, Economics, and Organization*, 42(2): 247-271.

Lan, L. L., & Heracleous, L. (2010). Rethinking agency theory: The view from law. *Academy of Management Review*, 35(2), 294-314.

Week 3, September 20: The Law & Finance Perspective

Either: La Porta, R., Lopez-de-Silanes, F. Shleifer, A., & Vishny, R.W. (1998). Law and finance. *Journal of Political Economy*, 106: 1113-55.

Or: Shleifer, Andrei, Florencio Lopez-de-Silanes, and Rafael La Porta. "The economic consequences of legal origins." *Journal of Economic Literature* 46, no. 2 (2008): 285-332): 3-27.

Critiques

Aguilera, R., & Williams, C. (2009). 'Law and finance': Inaccurate, incomplete, and important. *Brigham Young University Law Review*, Forthcoming: 09-20.

Coffee, J. C. (2005). A theory of corporate scandals: Why the USA and Europe differ. *Oxford Review of Economic Policy*, 21(2), 198-211

Donaldson, T., & Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review*, 20(1), 65-91

Week 4, September 27: The Shareholder Value Conception of the Firm and its Consequences

Lazonick, W., & O'Sullivan, M. (2000). Maximizing shareholder value: a new ideology for corporate governance. *Economy and society*, 29(1), 13-35.

Davis, G. F. (2005). New directions in corporate governance. *Annual review of sociology*, 143-162.

Davis, G. F. (2009). The rise and fall of finance and the end of the society of organizations. *The Academy of Management Perspectives*, 23(3), 27-44.

Cobb, J. A. (2016). How firms shape income inequality: Stakeholder power, executive decision making, and the structuring of employment relationships. *Academy of Management Review*, 41(2), 324-348.

Week 5, October 4: The Capitalist Class

Zeitlin, M. (1974). Corporate ownership and control: The large corporation and the capitalist class. *American Journal of Sociology*, 1073-1119

Useem, M. (1982). Classwide rationality in the politics of managers and directors of large corporations in the United States and Great Britain. *Administrative Science Quarterly*, 199-226.

Palmer, D., & Barber, B. M. (2001). Challengers, elites, and owning families: A social class theory of Corporate acquisitions in the 1980s. *Administrative Science Quarterly*, 46, 87-120.

Kaplan, S. N., & Rauh, J. (2013). It's the market: The broad-based rise in the return to top talent. *The Journal of Economic Perspectives*, 35-55.

Keister, L. A., & Lee, H. Y. (2014). The One Percent Top Incomes and Wealth in Sociological Research. *Social Currents*, 1(1), 13-24.

Week 6, October 11: Book Review Presentations

Week 7, October 18: Convergence & Divergence in Corporate Governance

Hansmann, H., & Kraakman, R. (2000). End of History for Corporate Law, The. *Geo. LJ*, 89, 439.

Aguilera, R.V., & Jackson, G. (2003). The cross-national diversity of corporate governance: Dimensions and determinants. *The Academy of Management Review*: 447-465.

Khanna, T., Kogan, E., & Palepu, K. (2006). Globalization and similarities in corporate governance: a cross-country analysis. *Review of Economics and Statistics*, 88: 69-90.

Yoshikawa, T., & Rasheed, A. A. (2009). Convergence of corporate governance: Critical review and future directions. *Corporate Governance: An International Review*, 17(3), 388-404.

Week 8, October 25: The Varieties of Capitalism Perspective

Hall, P.A., & Soskice, D. (2001). Varieties of capitalism: the institutional foundations of comparative advantage. *New York: Oxford University Press*: pp 1-68.

Judge, W. Q., Fainshmidt, S., & Brown III, J. L. (2014). Which model of capitalism best delivers both wealth and equality? *Journal of International Business Studies*, 45(4), 363-386.

Schneider, B.R. (2009). Hierarchical market economies and varieties of capitalism in Latin America. *Journal of Latin American Studies*, 41: 553-575

Carney, M., Gedajlovic, E., & Yang, X. (2009). Varieties of Asian capitalism: Toward an institutional theory of Asian enterprise. *Asia Pacific Journal of Management*, 26(3), 361-380.

Fligstein, N., & Zhang, J. (2011). A new agenda for research on the trajectory of Chinese capitalism. *Management and Organization Review*, 7(1), 39-62.

Week 9, November 1: Corporate Governance and Social Responsibility

Friedman, M. (1970). The social responsibility of business is to increase its profits. *New York Times Magazine*.

Margolis, J. D., & Walsh, J. P. (2003). Misery loves companies: Rethinking social initiatives by business. *Administrative science quarterly*, 48(2), 268-305.

Porter, M. E., & Kramer, M. (2006). Strategy and society: the link between competitive advantage and corporate social responsibility. *Harvard business review*,

Campbell, J. L. (2007). Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility. *Academy of management Review*, 32(3), 946-967.

Aguilera, R. V., Williams, C. A., Conley, J. M., & Rupp, D. E. (2006). Corporate governance and social responsibility: A comparative analysis of the UK and the US. *Corporate Governance: An International Review*, 14(3), 147-158.

Week 10, November 8: Corporate Governance in Family Firms

Anderson, R.C., & Reeb, D.M. (2003). Founding-family firm ownership and firm performance: Evidence from the S&P 500. *Journal of Finance*, 58(3): 1301-1328.

Gedajlovic, E., Carney, M., Chrisman, J. J., & Kellermanns, F. W. (2012). The Adolescence of Family Firm Research. *Journal of Management*, 38(4), 1010-1037.

Gomez-Mejia, L. R., Cruz, C., Berrone, P., & De Castro, J. (2011). The bind that ties: Socioemotional wealth preservation in family firms. *Academy of Management Annals*, 5(653-707.).

Carney, M., & Nason, R. (2016). Family business and the 1%. *Business and Society*.

Week 11, November 15: Emerging Market Business Groups

Carney, M., Gedajlovic, E.R., Heugens, P.P., Van Essen, M., & Van Oosterhout, J. H. (2011). Business group affiliation, performance, context, and strategy: A meta-analysis. *Academy of Management Journal* 54(3): 437-460.

Granovetter, M. (2005). "Business groups and social organization", The Handbook of Economic Sociology, Second Edition: 429-450. N. J. Smelser, & R. Swedburg (Eds.). Princeton University Press

Khanna, T., & Yafeh, Y. (2007). Business groups in emerging markets: paragons or parasites? *Journal of Economic Literature*, 45:331-372.

Morck, R., & Yeung, B. (2003). Agency problems in large family business groups. *Entrepreneurship Theory and Practice*, 27(4): 367-383.

Week 12, November 22: Corporate Governance in Asian Contexts

Ahmadjian, C.L., & Robbins, G.E. (2005). A clash of capitalisms: Foreign shareholders and corporate restructuring in 1990s Japan. *American Sociological Review*, 70(3), 451-471.

Hamilton, G.G., & Biggart, N.W. (1988). Market, culture and authority: A comparative analysis of management and organization in the Far East. *American Journal of Sociology*, 94: S52-S94.

Young, M., Peng, M., Ahlstrom, D., Bruton, G. D., & Jiang, Y. (2008). Corporate governance in emerging economies: a review of the principal-principal perspective. *Journal of Management Studies*, 45(1), 196-220.

Van Essen, M., van Oosterhout, J. H., & Carney, M. (2012). Corporate boards and the performance of Asian firms: A meta-analysis. *Asia Pacific Journal of Management*, 29(4), 873-905.

Week 13, November 29: Term Paper Presentations

Potential books on corporate governance for the first assignment. Other titles are possible; please discuss with me.

Acemoglu, D., & Robinson, J. (2012). *Why nations fail: the origins of power, prosperity, and poverty*: New York, Crown Business.

Coffee, J.C. (2006) *Gatekeepers: The Professions and Corporate Governance*. Oxford University Press.UK

Davis, Gerald F. *The vanishing American corporation: Navigating the hazards of a new economy*. Berrett-Koehler Publishers, 2016.

Davis, G. (2009). *Managed by the Markets: How Finance Re-Shaped America: How Finance Re-Shaped America*, Oxford University Press, UK.

Djelic, M. L., & Quack, S. (Eds.). (2010). *Transnational communities: Shaping global economic governance*. Cambridge University Press.

Fligstein, N. (2001). *The architecture of markets: An economic sociology of twenty-first-century capitalist societies*: Princeton University Press.

Gourevitch, P. A., & Shinn, J. (2005). *Political power and corporate control: The new global politics of corporate governance*: Princeton University Press.

Guillen, M.F. (2001). *The Limits of Convergence: Globalization and Organizational Change in Argentina, Korea and Spain*. Princeton University Press.

Morck, R. K. (2007). *A history of corporate governance around the world: Family business groups to professional managers*: University of Chicago Press.

Roe, M.J. (2003). *Political Determinants of Corporate Governance: Political Context, Corporate Impact*. Oxford University Press, USA.

Whitley, R. (2007). *Business Systems and Organizational Capabilities: The Institutional Structuring of Competitive Competences*. Oxford University Press.