

Ph.D. in Economics and Management

Corporate Governance (2018-2019)

(prof. Alessandro Lai – Verona University)

Objectives

The course aims at developing Ph.D. students' knowledge about the theoretical framework of Corporate Governance (CG), making them understanding how and from where the problem of governance arises in states, public and private entities. The solution to this problem should promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.

Focussing on a corporate level, lectures will show how firms are controlled, who actually exercise this control, the way to reduce and manage corporate risk through effective internal control systems, and mechanisms driving the distribution of the created value among shareholders. The historical evolution of theories regarding CG and different geographic topics are both considered, to get tools useful to carry on (or to understand) CG research, and to better understand related methodologies. Governance systems are investigated by considering the main principles and rules concerning organizations as well as the processes that either direct strategic choices and regulate the implementation of corporate strategy.

Finally, the course is broadly devoted to suggest research paths in Corporate Governance, considering the quantitative stream, the qualitative one, as well as the relations with accounting and accounting history research.

Themes and Topics – Syllabus content – References

1. Basic issues in CG

- a. The CG in the post-modern forms of economic and political organizations: the governance of state, public entities and corporates
- b. The international debate about CG
- c. Differences between governance and management
- d. Different forms of corporate control

Papers and readings

- i. OECD (2004), *Oecd 2004 principles of corporate governance*, www.oecd.org/dataoecd/32/18/31557724.pdf
- ii. Shleifer A., Vishney R. (1997), *A Survey of Corporate Governance*, Journal of Finance 52, 737-783
- iii. Gomez P., Harry K. (2005), *Democracy and the Evolution of Corporate Governance* Corporate Governance, Volume 13, Number 6, pp. 739-752

2. The theoretical framework of CG

- a. From the agency cost theory to the stakeholder theory
- b. The institutional theories of the firm
- c. Firm paradigms in economics and management theory
- d. The Italian perspectives of CG

e. International research mainstreams in CG

Papers and readings

- i. Jensen M., Meckling W. (1976), *The Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure*, Journal of Financial Economics 3, 305-360
- ii. Yermack D. (2010), *Shareholder Voting and Corporate Governance*, Annual Review of Financial Economics
- iii. Clarke T. (ed.) (2004). *Theories of corporate governance*. London: Routledge

3. Financial markets, institutional investors and corporate governance: the international context

- a. Anglo-American forms of control and related capitalism
- b. German and Japanese form of control and related capitalism
- c. The “Latin” and Italian path towards capitalism
- d. The SMEs (Small Medium Enterprises) in the Italian market
- e. The division of responsibilities among different supervisory, regulatory and enforcement authorities

Papers and readings

- i. Doidge C., Karolyi G., Stulz R. (2007), *Why do Countries Matter so much for Corporate Governance*, Journal of Financial Economics, 86, pp. 1-39
- ii. Aguilera R.V., Jackson G. (2003), *The cross-national diversity of corporate governance: dimensions and determinants*, Academy of Management Review, Volume 28, Issue 3, pp. 447-465
- iii. Hopt K.J., Hideki K., Baum H. (2005), *Corporate Governance in Context: Corporations, States, and Markets in Europe, Japan, and the U.S.* Oxford: Oxford University Press

4. Key issues in CG

- a. The structure of CG regulation: the body of principles acting worldwide and in single countries
- b. Interaction among boards, committees and statutory auditors in different kinds of governance structures
- c. The role and composition of the board of directors
- d. The role and composition of the auditory systems
- e. The remuneration of directors and senior executives

Papers and readings

- i. Klein A. (2002), *Audit committee, board of director characteristics, and earnings management*, Journal of Accounting and Economics, Volume 33, Issue 3, pp. 375-400
- ii. DeFond M.L., Hung M. (2004), *Investor protection and corporate governance: evidence from worldwide CEO turnover*, Journal of Accounting Research, Volume 42, Issue 2, pp. 269-312
- iii. Hillier D., McColgan P. (2006), *An Analysis of Changes in Board Structure during Corporate Governance Reforms*, European Financial Management, Volume 12, Issue 4, pp. 575-607
- iv. Coles J., Daniel N., Naveen L. (2008), *Boards: Does One Size Fit All*, Journal of Financial Economics, 87, 329-356
- v. Fich E., Shivadasani A. (2006), *Are Busy Boards Effective Monitors*, Journal of Finance, 61, 689-724
- vi. Fich E. (2005), *Are Some Outside Directors Better Than Other? Evidence From Director Appointments by Fortune 1000 Firms*, Journal of Business, 78, 1943-1971

- vii. Adams R., Ferreira D. (2009), *Women in the Boardroom and Their Impact on Governance and Performance*, Journal of Financial Economics, 94, 291-309
- viii. Cai J., Garner J., Walking R. (2009), *Electing Directors*, Journal of Finance, 64, 2389-2421

5. The internal control system

- a. Identifying, measuring, managing and monitoring corporate risks
- b. Different models of internal control systems
- c. The compliance risks
- d. The risk management function
- e. The system of internal audit

Papers and readings

- i. Bhimani A. (2009), *Risk management, corporate governance and management accounting: emerging interdependencies*, Management Accounting Research
- ii. DeFond M., Hann R., Hu X. (2005), *Does the Market Value Financial Expertise on Audit Committees of Board of Directors*, Journal of Accounting Research, n. 43, 153-194
- iii. Melis A. (2004), *Corporate Governance Failures. To What Extent is Parmalat a particularly Italian Case?* Corporate Governance: An International Review, Volume 13, No. 4, pp. 478-488
- iv. Srinivasan S. (2005), *Consequences of financial reporting failure on outside directors: evidence from Accounting Restatements and Audit Committee Members*, Journal of Accounting Research, n. 43, 291-334

6. The CG in SMEs

- a. International research about SMEs
- b. The family business
- c. The relationship between family and corporate level
- d. The succession problems in SMEs and family business
- e. Information quality in SMEs and family business

Papers and readings

- i. Carney M. (2005), *Corporate Governance and Competitive Advantage in Family-Controlled Firms*, Entrepreneurship and Practice, Vol. 29, n. 3, 249-265
- ii. Mork R., Yeung B. (2003), *Agency problems in Large Family Business Groups*, Entrepreneurship and Practice, Vol. 27, n. 4, 367-382
- iii. Bartholomeusz S., Tanewski G.A. (2006), *The Relationship between Family Firms and Corporate Governance*, Journal of Small Business Management, Vol. 44, n. 2, 245-267
- iv. Lane S., Astrachan J., Keyt A., McMillan K. (2006), *Guidelines for Family Business Boards of Directors*, Family Business Review, Vol. 19, 2, 147-167

7. CG and value creation

- a. Accountability in CG systems
- b. Compliance, knowledge and performance in an integrated CG View
- c. Relationship among CG, corporate information and value production for stakeholders

Papers and readings

- i. Bushman R. et al. (2004), *Financial accounting information, organizational complexity and corporate governance systems*, Journal of Accounting and Economics, Vol. 37, Issue 2, pp.167-201
- ii. Klein A. (1998), *Firm performance and Board Committee Structure*, Journal of Law and Economics, 41, 275-303
- iii. Chhaochharia V., & Grinstein Y. (2007), *Corporate governance and firm value. The impact of the 2002 governance rules*, The Journal of Finance, Vol.62, No.4, pp.1789-1825
- iv. Ho S., Wong K.S. (2001), *A study of the relationship between corporate governance structures and the extent of voluntary disclosure*, Journal of International Accounting, Auditing, and Taxation, Vol. 10, Issue 2, pp.139-156

8. Doing research about Corporate Governance

- a. CG and quantitative research
- b. CG and qualitative research
- c. Accounting and Governance research
- d. Accounting history and Governance research

Papers and readings – to be selected looking at real research interests

- i. Chiu, P. and J. Monin (2003). "Effective corporate governance: from the perspective of New Zealand fund managers," *Corporate Governance: An International Review*, 11(2): 123–31.
- ii. Choudhury, N. (1988). "The seeking of accounting where it is not: towards a theory of non-accounting in organizational settings," *Accounting, Organizations and Society*, 13(6) 549–58.
- iii. Christopher, J. (2010). "Corporate governance: a multi-theoretical approach to recognizing the wider influencing forces impacting on organizations," *Critical Perspectives on Accounting*, 21(8): 683–95.
- iv. Clarke, T. (1998). "Research on corporate governance," *Corporate Governance: An International Review*, 6(1): 57–66.
- v. Cohen, J., G. Krishnamoorthy and A. Wright (2004). "The corporate governance mosaic and financial reporting quality," *Journal of Accounting Literature*, 23: 87–152.
- vi. Collier, P. M. (2005). "Governance and the quasi-public organization: a case study of social housing," *Critical Perspectives on Accounting*, 16(7): 929–49.
- vii. Collier, P. M. (2008). "Stakeholder accountability: a field study of the implementation of a governance improvement plan," *Accounting, Auditing and Accountability Journal*, 21(7): 933–54.
- viii. Cornforth, C. and C. Edwards (1999). "Board roles in the strategic management of non-profit organisations: theory and practice," *Corporate Governance: An International Review*, 7(4): 346–62.
- ix. Cowen, S. S. and R. L. Osborne (1993). "Board of directors as strategy," *Journal of General Management*, 19(2): 1–13.
- x. Daily, C. M., R. Dalton and A. A. Cannella (2003). "Corporate governance: decades of dialogue and data," *Academy of Management Review*, 28(3): 371–82.
- xi. Davis, G. F. (2005). "New directions in corporate governance," *Annual Review of Sociology*, 31: 143–62.
- xii. Dulewicz, V. (1995). "Appraising and developing the effectiveness of boards and their directors," *Journal of General Management*, 20(3): 1–19.
- xiii. Eng, L. L. and Y. T. Mak (2003). "Corporate governance and voluntary disclosure," *Journal of Accounting and Public Policy*, 22(4): 325–45.
- xiv. Forbes, D. P. and F. J. Milliken (1999). "Cognition and corporate governance: understanding boards of directors as strategic decision-making groups," *Academy of Management Review*, 24(3): 489–505.

- xv. Gabrielson, J. and M. Huse (2005). "Context, behavior and evolution," *International Studies of Management and Organization*, 34(2): 11–36.
- xvi. Hambrick, D. C., A. V. Wierdel and E. J. Zardac (2008): "New directions in corporate governance research," *Organization Science*, 19(3): 381–85.
- xvii. Hendry, K. and G. C. Kiel (2004). "The role of the board in firm strategy: integrating agency and organisational control perspectives," *Corporate Governance: An International Review*, 12(4): 500–20.
- xviii. Hines, R. D. (1992). "Accounting: filling the negative space," *Accounting, Organizations and Society*, 17(3–4): 313–41.
- xix. Holland, J. (2001). "Financial institutions, intangibles and corporate governance," *Accounting, Auditing and Accountability Journal*, 14(4): 497–529.
- xx. Holland, T. (2002). "Board accountability: lessons from the field," *Nonprofit Management & Leadership*, 12(4): 409–28.
- xxi. Huse, M. (2005). "Accounting and creating accountability: a framework for exploring behavioural perspectives of corporate governance," *British Journal of Management*, 16(S): 65–97.
- xxii. Inkpen, A. and N. Choudhury (1995). "The seeking of strategy where it is not: towards a theory of strategy absence," *Strategic Management Journal*, 16(4): 313–23.
- xxiii. Jensen, M. C. and W. H. Meckling (1976). "Theory of the firm: managerial behaviour, agency costs and ownership structure," *Journal of Financial Economics*, 3(4): 305–60.
- xxiv. Jonsson, E. I. (2005). "The role model of the board: a preliminary study of the roles of Icelandic boards," *Corporate Governance: An International Review*, 13(5): 710–17.
- xxv. Larcker, D.F., S. A. Richardson and I. Tuna (2007). "Corporate governance, accounting outcomes and organizational performance," *Accounting Review*, 82(4): 963–1008.
- xxvi. Leblanc, R. and J. Gillies (2003). "The coming revolution in corporate governance," *Ivey Business Journal*, Sept–Oct: 1–11.
- xxvii. Leblanc, R. and J. Gillies (2005). *Inside the Boardroom: How Boards Really Work and the Coming Revolution in Corporate Governance*, Ontario: John Wiley & Sons Canada.
- xxviii. Leblanc, R. and M. S. Schwartz (2007). "The black box of board process: gaining access to a difficult subject," *Corporate Governance: An International Review*, 15(5): 843–51.
- xxix. Leblanc, R.W. (2004). "What's wrong with corporate governance: a note," *Corporate Governance: An International Review*, 12(4): 436–41.
- xxx. Letendre, L. (2004). "The dynamics of the boardroom," *Academy of Management Executive*, 18(1): 101–04.
- xxxi. Letza, S., X. Sun and J. Kirkbride (2004). "Shareholding versus stakeholding: a critical review of corporate governance," *Corporate Governance: An International Review*, 12(3): 242–62.
- xxxii. Machold, S. and S. Farquar (2013). "Board task evolution: a longitudinal fields study in the UK," *Corporate Governance: An International Review*, 21(2): 147–64.
- xxxiii. McNulty, T. and A. Pettigrew (1999). "Strategists on the board," *Organization Studies*, 20(1): 47–74.
- xxxiv. McNulty, T., A. Zattoni and T. Douglas (2013). "Developing corporate governance research through qualitative methods: a review of previous studies," *Corporate Governance: An International Review*, 21(2): 183–98.
- xxxv. Marginson, D. E. W. (1999). "Beyond the budgetary control system: towards a two tiered process of management control," *Management Accounting Research*, 10(3): 203–30.
- xxxvi. Marnett, O. (2007). "History repeats itself: the failure of rational choice models in corporate governance," *Critical Perspectives on Accounting*, 18(2): 191–210.
- xxxvii. Miller, J. L. (2002). "The board as a monitor of organizational activity: the applicability of agency theory to nonprofit boards," *Nonprofit Management and Leadership*, 12(4): 429–50.
- xxxviii. Mundy, J. (2010). "Creating dynamic tensions through a balanced use of management controls," *Accounting, Organizations and Society*, 35(5): 499–523.
- xxxix. Ng, W. and C. De Cock (2002). "Battle in the boardroom: a discursive perspective," *Journal of Management Studies*, 39(1): 23–49.

- xl. Nicholson, G. J. and G. Kiel (2003). "Board composition and corporate performance: how the Australian experience informs contrasting theories of corporate governance," *Corporate Governance: An International Review*, 11(3): 189–205.
- xli. Papadakis, V. M., S. Lioukas and D. Chambers (1998). "Strategic decision-making processes: the role of management and context," *Strategic Management Journal*, 19(2): 115–47.
- xlii. Parker, L. D. (2001). "Reactive planning in a Christian bureaucracy," *Management Accounting Research*, 12(3): 321–56.
- xliii. Parker, L. D. (2003). "Financial management strategy in a community welfare organisation: a boardroom perspective," *Financial Accountability and Management*, 19(4): 341–74.
- xliv. Parker, L. D. (2007a). "Boardroom strategizing in professional associations: processual and institutional perspectives," *Journal of Management Studies*, 44(8): 1454–80.
- xlvi. Parker, L. D. (2007b). "Internal governance in the nonprofit boardroom: a participant observer study," *Corporate Governance: An International Review*, 15(5): 923–34.
- xlvii. Parker, L. D. (2007c). "Financial and external reporting research: the broadening corporate governance challenge," *Accounting and Business Research*, 37(1): 39–54.
- xlviii. Parker, L. D. (2008a). "Boardroom operational and financial control: an insider view," *British Journal of Management*, 19(S): 65–88.
- xlix. Parker, L. D. (2008b). "Towards understanding corporate governance processes: life at the top," *Indonesian Management and Accounting Research*, 7(1): 1–15.
- 1. Parker, L.D. (2017). "Corporate governance", in Roslender R. (ed.), "The Routledge Companion to Critical Accounting": 283-300.
- li. Pesqueux, Y. (2005). "Corporate governance and accounting systems: a critical perspective," *Critical Perspectives on Accounting*, 16(6): 797–823.
- lii. Pettigrew, A. M. (1992). "On studying managerial elites," *Strategic Management Journal*, 13(S2): 163–82.
- liii. Roberts, J. (2001). "Trust and control in Anglo-American systems of corporate governance: the individualizing and socialising effects of processes of accountability," *Human Relations*, 54(12): 1547–72.
- liv. Rose, J. M., C. R. Mazza, C. S. Norman and A. M. (2013). "The influence of director stock ownership and board discussion transparency on financial reporting quality," *Accounting, Organizations and Society*, 38(5): 397–405.
- lv. Samra-Fredericks, D. (2000). "Doing 'Boards-in-Action' research – an ethnographic approach for the capture and analysis of directors' and senior managers' interactive routines," *Corporate Governance: An International Review*, 8(3): 244–57.
- lvi. Snow, C. C. and J. B. Thomas (1994). "Field research methods in strategic management: contributions to theory building and testing," *Journal of Management Studies*, 31(4): 457–80.
- lvii. Spira, L. F. and R. Bender (2004). "Compare and contrast: perspectives on board committees," *Corporate Governance: An International Review*, 12(4): 489–99.
- lviii. Stiles, P. (2001). "The impact of the board on strategy: an empirical examination," *Journal of Management Studies*, 38(5): 627–50.
- lix. Stiles, P. and B. Taylor (2001). *Boards at Work: How Directors View Their Roles and Responsibilities*, Oxford, Oxford University Press.
- lx. Subramaniam, N, J. Stewart, C. Ng and A. Shulman (2013). "Understanding corporate governance in the Australian public sector: a social capital approach," *Accounting, Auditing and Accountability Journal*, 26(6): 946–77.
- lxi. Taylor, M. and N. O'Sullivan (2009). "How should national governing bodies of sport be governed in the UK? An exploratory study of board structure," *Corporate Governance: An International Review*, 17(6): 681–93.
- lxii. Turnbull, S. (1997). "Corporate governance: its scope, concerns and theories," *Corporate Governance: An International Review*, 5(4): 180–205.
- lxiii. Uddin, S. and J. Choudhury (2008). "Rationality, traditionalism and the state of corporate governance mechanisms: illustrations from a less developed country," *Accounting, Auditing and Accountability Journal*, 21(7): 1026–51.

- lxiv. Useem, M. and A. Zelleke (2006). "Oversight and delegation in corporate governance: deciding what the board should decide," *Corporate Governance: An International Review*, 14(1): 2–12.
- lxv. Van den Berghe, L. A. A and A. Levrau (2004). "Evaluating boards of directors: what constitutes a good corporate board?" *Corporate Governance: An International Review*, 12,(4): 461–78.
- lxvi. Van den Berghe, L. A. A. and T. Baelden (2005). "The monitoring role of the board: one approach does not fit all," *Corporate Governance: An International Review*, 13(5): 680–90.
- lxvii. Van Hamel, J. A., H. E. van Wijk, H. E., A. J. H. de Rooij and M. Bruel (1998). "Boardroom dynamics – lessons in governance," *Corporate Governance: An International Review*, 6(3): 193–201.
- lxviii. Xie, B., W. N. Davidson and P. J. Dadalt (2003). "Earnings management and corporate governance: the role of the board and the audit committee," *Journal of Corporate Finance*, 9(3): 295–316.

Attending the course – Evaluation of attendants

After *ex cathedra* lectures, some selected papers will be assigned to Ph.D. students, who have to present and discuss them in classroom, in order to be introduced to some latest developments in the field and to be aware of possible research topics.

The evaluation of ph.d. students is based:

- a. 40% on classroom presentation and discussion of papers;
- b. 60% on a paper to be written by each student at the end of the course.

Lecturers

- Alessandro Lai, Ph.D., Professor of Accounting, Verona University
- Other incoming lecturers will share the presentation and discussion of topics
- A tutor may be assigned to Ph.D. students