Subject to revision

Accounting 690
International Corporate Governance
Summer Session I 2009

Instructors: Shirley J. Daniel, Ph.D., Office BUSAD B-201, Ph. 956-3249
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Office Hours: Monday and Wednesday 4 to 5 p.m. and by appointment

Class meeting time and location:
Monday and Wednesday from 5:30 to 9:00 p.m. BusAd 201

Required Readings in lieu of textbook: Harvard Business School Publishing Cases and Readings can be purchased from the HBSP website at the link provided on the Laulima course website. The instructor has uploaded suggested resource readings on the Laulima course website. In addition, there are numerous web resources that can be found, some of which are noted below in syllabus. Students should use these resources for their class projects, class discussions and preparation for exams. The instructor reserves the right to recommend additional readings and materials to enhance the learning experience and discussion of recent corporate governance developments during the semester.

Link to HBS cases for purchase:
http://harvardbusinessonline.hbsp.harvard.edu/relay.jhtml?name=cp&c=c51533
http://harvardbusinessonline.hbsp.harvard.edu/b01/en/courseplanning/student/student_index.jhtml?jsessionid=ZTOBHEE4UBY2EAKRGWDSELQBKE0YIISW?c=c51533&_requestid=13350

Useful websites for the discussions:

The corporate library site – contains links to standards and reports for various countries and regions

Asian Corporate Governance Association
http://www.acga-asia.org/index.cfm

European Confederation of Directors’ Associations
http://www.ecoda.org

Institutional Shareholder Services
http://www.issproxy.com/index.jsp
Glass Lewis & Co.
http://www.glasslewis.com/

World Bank Corporate Governance resources links
http://rru.worldbank.org/PapersLinks/Codes-Best-Practice/

Governance Metrics International
http://www.gmiratings.com/(5l0wmn55z44lm0y4gnyyelii)/About.aspx#top

Audit Integrity
http://www.auditintegrity.com/

National Association of Corporate Directors
http://www.nacdonline.org/

New York Stock Exchange (corporate governance)
http://www.nyse.com

NASDAQ (corporate governance)
http://www.nasdaq.com/about/CorporateGovernanceResources.stm

SEC
http://www.sec.gov/

OECD (corporate governance)
http://www.oecd.org/topic/0,2686,en_2649_37439_1_1_1_1_37439,00.html

KPMG Audit Committee Institute
http://www.kpmg.com/aci/

Equilar 2009 CEO compensation study published in New York Times


Frederick Cook & Company (exec compensation consulting).
http://www.fwcook.com/surveys.html

Watson Wyatt Worldwide (HR consultants)
http://www.watsonwyatt.com/research/reports.asp
Course Description:

Now more than ever, international investors and managers need to understand the context of international business. Accountants, consultants, lawyers, officers and board members need to understand their fiduciary, legal and ethical oversight responsibilities. In light of recent regulatory changes, reduced public confidence, and the current financial crisis, becoming an educated and responsible manager or financial executive requires specialized knowledge and skills. This course is designed for graduate students in business and accounting to help students recognize and understand the complex and critical issues of international corporate governance, financial reporting and ethical conduct. Course topics include:

- The basic structure of corporate governance in the U.S., major European markets, and Asia, particularly China and Japan.
- Various roles of internal and external stakeholders, regulators and gatekeepers in each world region.
- Standards and best practices of corporate governance in each world region.
- Shareholder rights and responsibilities
- Director selection, rights and responsibilities
- Executive rights, responsibilities and compensation
- Governance reforms and other recent developments in each region

Course Format:

Student preparation outside of class will require student self-study, web-based and library based research, and assigned readings. In-class sessions will include lectures, guest speakers, class discussions of cases and reading assignments, and student group presentations.

Grading Breakdown and Expectations:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class participation/case discussions</td>
<td>20</td>
</tr>
<tr>
<td>Four group presentations and short papers describing Corporate Governance standards and best practices and evaluating the corporate governance practices of 3 companies from the 3 different world regions against these standards. (4@15)</td>
<td>60</td>
</tr>
<tr>
<td>Final Examination</td>
<td>20</td>
</tr>
</tbody>
</table>

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Total * 100
Tentative Course Schedule and Assignments

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic/lecture materials</th>
<th>HBS cases and related reading assignments. To be supplemented by country readings on My UH and your own web research</th>
<th>In-Class activities</th>
</tr>
</thead>
</table>
| Wednesday May 27   | Review course requirements and assignments. Basics of corporate structure and governance in the U.S. Overview of OECD, SEC, NACD and various country guidelines. | Reading: “Models of Corporate Governance: Who’s the Fairest of Them All?” Rock Center for Corporate Governance, David F. Larcker and Brian Tayan **CG-11**  
Reading: “Corporate Reform in the U.S.” **HBS note 9-304-091** | Discuss course expectations.  
Form 6 student groups, pick companies and industry groups.  
Student groups organize and set their work plans.  
In class video  
Discuss the current financial crisis |
| Monday June 1       | Review the corporate governance rating systems by CALPERS, ISS, GMI, Glass Lewis. Shareholder rights and responsibilities and Director selection, Director rights and responsibilities. Recent developments in | Reading: Professor David F. Larcker and Brian Tayan The Rock Center for Corporate Governance, “CORPORATE GOVERNANCE RATINGS: GOT THE GRADE. WHAT WAS THE TEST?” **CG-08** | **Guest speaker:** Gregg Nasky, Goodsil, Anderson, Quinn, and Stiffel.  
Student groups continue to develop their rating systems |
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| U.S. corporate governance | Wed June 3  
Auditor responsibilities  
Review of Proxy information and information for U.S. firms selected for individual project  
Executive rights, responsibilities, performance and compensation | Review PCAOB website  
Reading: “Five elements of corporate governance to manage strategic risk,” Drew Kelly and Kendrick, BH 189  
Case: “Shareholder Activitism at Friendly Ice Cream.” HBS 9-108-024 | Guest speaker:  
Tertia Freas, Audit Partner, Deloitte and Touche  
Discussion of Friendly Ice Cream case |
| Monday June 8  
Corporate Governance in the UK and the EU  
Executive Compensation in Europe | Reading: “Corporate Governance in the post-Sarbanes-Oxley period: compensation disclosure and analysis (CD&A)” Dalton and Dalton, BH266  
Website resources for executive compensation from Equilar, Watson Wyatt Worldwide and Frederic W. Cook (see URLs above) | Student Group presentation 1: Present your group’s Corporate governance rating standards  
Lecture and Video: http://www.pbs.org/wgbh/pages/frontline/blackmoney/view/  
Student groups work to assess their U.S. company corporate governance |
| Wednesday June 10  
International models of corporate governance and trends  
Corporate Governance in Germany | Review readings and the OECD Principles of Corporate Governance and compare models from the US with the U.K., Germany and the EU.  
“Mannesmann AG” HBS 9-401-013 | Guest speaker:  
Management – Maury Myers, former CEO, Waste Management, Director HEI.  
Discussion of Mannesmann Case |
<table>
<thead>
<tr>
<th>Date: Monday June 15</th>
<th>Topic: Corporate Governance practices in Europe.</th>
<th>See MyUH for various readings on European and Asian corporate governance.</th>
<th>Guest speaker - management: International CEO, Dr. Allen Zecha. Student group presentation 2: Present your corporate governance rating for the U.S. company you were assigned.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date: Wednesday June 17</td>
<td>Topic: Mergers and Acquisitions Corporate Governance Practices in Asia – Japan</td>
<td>Reading: “Corporate Governance Reforms in Japan and South Korea,” Ahmadjian and Song – (see MyUH for this and other readings about Japanese CG).</td>
<td>Guest Speaker – John Price Student group presentation 3: Present your corporate governance rating for the European company you were assigned.</td>
</tr>
<tr>
<td>Date: Wednesday June 24</td>
<td>Topic: Corporate governance in Korea, India and the rest of Asia.</td>
<td>“Corporate governance reforms in China and India: Challenges and Opportunities,” Rajagopalan and Zhang BH 264</td>
<td>Guest Speaker: CFO – Jim Ajello Student group presentation 4: Present</td>
</tr>
</tbody>
</table>
### Monday June 29

- **Shareholder activism**
- **Hedge Funds**

| “Protecting Global Financial Market Stability and Integrity: Strengthening SEC Regulations of Hedge Funds” by Thomas C. Pearson and Julia Lin Pearson. (see MyUH website) |

| **Guest Speaker:** Investors – Panel of Hedge fund managers  
**Moderator:** Professor Tom Pearson,  
**Panelists:** Bob Howe, Geomatrix HK, Akamai Capital LLC, and others TBA |

| Class covered by guest faculty - Tom Pearson  
PBS Frontline videos:  
Madoff video April 2009  
June 16 Breaking the Bank. |

### Tuesday July 1

| Final Exam |

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your corporate governance rating for the Asian company you were assigned.
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Class discussion questions and final exam study hints

Discussion weeks 1 and 2
Summarize the agencies and guidelines involved in corporate governance in the U.S. What are considered as the major components of best corporate governance practices in the U.S.? Which U.S. firms are considered leaders in good corporate governance? Why?

- What is unique about outside investors and why do they need protection through corporate governance regulations? Do current best practices in corporate governance in the U.S. sufficiently protect shareholders?
- Compare the services offered by ISS, Glass Lewis, and Governance Metrics, Inc. based on their websites. How do the firms and services differ?
- Do corporate governance rating agencies and proxy services, such as ISS, serve a useful purpose? Do they have a conflict of interest when they provide consulting services to help companies improve their CGQ ratings?
- Do you think that the executive certification of reports required by the Sarbanes-Oxley Act has added value or credibility to the financial reports of U.S. firms?
- Do you think auditor opinions of internal controls has improved the quality of financial reports in the U.S.? Do you think that European firms should adopt regulations similar to SOX?

Discussion week 3 and 4
Summarize the agencies and guidelines involved in Corporate governance in the U.K., Germany and the E.U. What are the major differences you see between European and U.S. corporate governance guidelines? Which do you think are better? Are there European firms that are considered models for good corporate governance?

- What do you think about executive compensation in the U.S. compared to Europe? Do you think that executives in the US are paid too much?
- What do you think separation of the role of CEO and Chairman, which is more common in the U.K. compared to the U.S.?
- Do German corporate governance practices reflect a broader view of stakeholders than those in the U.S.?

Discussion week 5 and 6
Summarize the agencies and guidelines involved in Corporate governance in Japan, Korea, and China. What are the major differences and similarities you see with the U.S. and European guidelines and practices? Are there any firms that are considered leaders in good corporate governance in Asia?
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- What are some of the government and capital market infrastructure realities in China that will influence the practice of corporate governance regardless of the regulations?
- What factors would you consider if you were asked to serve on the board of directors of a firm in China?
- Japan has launched an initiative called J-SOX to develop standards modeled after the U.S. Sarbanes-Oxley Act. What is the current status of J-SOX? Does it make sense for Japan to emulate the U.S. in this way?
- Japanese firms are often accused of following form over substance. How might this impact corporate governance practices?

Paper hand-in due dates and in class presentations:

June 8 – **Group assignment 1** (3 to 5 pages plus powerpoint (if any) and 10 minute class presentation) – After familiarizing yourself with best practices for corporate governance, develop a corporate governance rating system that you will use to evaluate the practices of the 3 firms you will be assigned. Describe the system, justifying the components and how they will be operationalized. Prepare a powerpoint presentation and/or handout for the class to describe your system.

June 15 – **Group assignment 2** (3 to 5 pages plus 10 minute class presentation) – Review the websites, financial reports and proxy statements for the U.S. firm you have been assigned and rate their corporate governance practices using the system you developed in assignment 1. Prepare a presentation for the class explaining your rating/evaluation of the strengths and weaknesses of the firm’s corporate governance practices.

June 17 – **Group assignment 3** (3 to 5 pages plus 10 minute class presentation) – Review the websites, financial reports and proxy statements for the European firm you have been assigned and rate their corporate governance practices using the system you developed in assignment 1. Prepare a presentation for the class explaining your rating/evaluation of the strengths and weaknesses of the firm’s corporate governance practices.

June 24 – **Group assignment 4** (3 to 5 pages plus 10 minute class presentation) – Review the websites, financial reports and proxy statements for the Asian firm you have been assigned and rate their corporate governance practices using the system you developed in assignment 1. Prepare a presentation for the class explaining your rating/evaluation of the strengths and weaknesses of the firm’s corporate governance practices.

**Case discussion leadership and participation** - Various Dates: Each group will be assigned as a discussion leader for one of the class cases. All students will be expected to participate in all case discussions, but you should be particularly prepared to lead the discussion and challenge the class for the case you are assigned.
Final Exam: Multiple choice and short answer, July 1.

Possible Group project assignments

<table>
<thead>
<tr>
<th>Industry/product (choose any 3 from different countries)</th>
<th>US firm*</th>
<th>European firm*</th>
<th>Asian firm*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cameras</td>
<td>Kodak (US)</td>
<td>Leica Camera AG (Germany)</td>
<td>Canon (Japan)</td>
</tr>
<tr>
<td>Automotive</td>
<td>Ford Motor or GM</td>
<td>Fiat group (Italy) or BMW (Germany)</td>
<td>Tata motors (India) Or Hyundai (Korea)</td>
</tr>
<tr>
<td>Beer/beverages</td>
<td>Fosters (Australia)</td>
<td>Heinekin Holdings N.V. (Netherlands)</td>
<td>Kirin Holdings Company LTD (Japan) or Asia Pacific Breweries, LTD (Singapore)</td>
</tr>
<tr>
<td>Heavy equipment</td>
<td>Terex</td>
<td>Volvo Group (Sweden)</td>
<td>Komatsu (Japan)</td>
</tr>
<tr>
<td>Chemicals</td>
<td>Dow Chemical</td>
<td>BASF (Germany)</td>
<td>SABIC (Saudi Arabia)</td>
</tr>
<tr>
<td>Defense contractors</td>
<td>Northrop Grumman</td>
<td>SAAB AB Technologies (Sweden)</td>
<td>Mitsubishi Heavy Industries (Japan)</td>
</tr>
<tr>
<td>Semiconductor</td>
<td>AMD</td>
<td>CML Microsystems (UK)</td>
<td>Mosel Vitelic (Taiwan)</td>
</tr>
<tr>
<td>Confectionary/snacks</td>
<td>Hersheys</td>
<td>Cadbury (UK)</td>
<td>Meiji Dairies Corporation (Japan)</td>
</tr>
<tr>
<td>Home appliances</td>
<td>Whirlpool Corporation</td>
<td>Electrolux (Sweden) or BSH Bosch und Siemens Hausgeräte GmbH (Germany)</td>
<td>LG (Korea)</td>
</tr>
</tbody>
</table>

*some exceptions to country home base were made due to consolidation in the industry or financial problems with firms.