



Research Area  
Technology,  
Innovation, Marketing,  
Entrepreneurship

**RWTH**AACHEN  
UNIVERSITY

# CORPORATE GOVERNANCE

## Course Outline and Reading List

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**TIME** Research Area | Innovation, Strategy and Organisation Group (**ISO**)

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## Course Overview

Course Name:	<b>Corporate Governance</b> (16ws-39302)
Degree Programmes:	(1) Master BWL (2) Master Wirtschaftsingenieurwesen (3) Master Wirtschaftswissenschaften
Lecturer:	Univ-Prof. Torsten-Oliver Salge, Ph. D.
Contact:	Leona Brust, M.Sc. (brust@time.rwth-aachen.de, +49 241 80 99199) www.time.rwth-aachen.de/iso
Location and Time:	Kackertstrasse 7, Room B037 Wednesdays, 8.30am to 1pm, 6 sessions (19 October, 2 November, 9 November, 16 November, 23 November, 30 November)
Content Description:	This module provides an introduction to corporate governance and corporate social responsibilities. This involves exploring the role of moral values, external institutions, internal structures, incentive systems and organizational culture as important means to guide managerial behaviour. As part of this module, participants will have the opportunity to become familiar with both empirical research and current debates in the field of corporate governance.
Qualification Objectives:	After participating in this module, students should be in a position to: <ul style="list-style-type: none"> <li>(1) understand and critically discuss key concepts in the area of corporate governance and corporate social responsibility,</li> <li>(2) understand and critically discuss state-of-the-art research papers in the field of corporate governance,</li> <li>(3) engage in key debates that shape field of corporate governance.</li> </ul>
Literature:	See readings below
Course Examination:	(1) Student presentation in groups (35%) (2) Individual written exam (65%)
Participation Requirements:	Solid command of English
Group Size:	up to 45 participants
Workload:	28 hours of lecturing and 122 hours of individual preparation
Type of Teaching Event:	Lecture with integrated exercise and group coaching sessions
Language:	English
Credits:	5

## 1 COURSE ORGANISATION

The course is structured into three parts. Part A comprises 6 video briefings. Part B and C consist out of six three-hour sessions, each of which is subdivided into the two parts. Part B will be dedicated to the discussion of a research paper that all participants will need to have read in preparation of the session. In Part C, groups of students will engage in structured debates of a controversial issue related to the content of the respective session. The table below depicts the preliminary schedule.

### Preliminary Schedule for Corporate Governance

	<b>Session 1</b>	<b>Session 2</b>	<b>Session 3</b>	<b>Session 4</b>	<b>Session 5</b>	<b>Session 6</b>
	19/10/2016	02/11/2016	09/11/2016	16/11/2016	23/11/2016	30/11/2016
<b>Part A</b> Concept Briefings 	<b>Briefing 1</b> Introducing the Module	<b>Briefing 2</b> Embracing Social Responsibility	<b>Briefing 3</b> Building External Institutions	<b>Briefing 4</b> Establishing Internal Structures	<b>Briefing 5</b> Designing Incentive Systems	<b>Briefing 6</b> Concluding the Module
<b>Part B</b> Research Discussion 		<b>Research 1</b> Stakeholder Pressures and CSR	<b>Research 2</b> Media as Watchdog or Lapdog	<b>Research 3</b> Director Dismissal	<b>Research 4</b> Leadership and Employee Voice	<b>Research 5</b> Governing Collaborative Networks
<b>Part C</b> Group Debates 		<b>Debate 1</b> CSR Business Case	<b>Debate 2</b> Whistleblowing Rewards	<b>Debate 3</b> Female Quota	<b>Debate 4</b> Stock Options	<b>Debate 5</b> University Rankings

This course will be managed via the e-learning platform L<sup>2</sup>P. All lecture slides, student presentation slides and readings will be deposited here. In addition, we will communicate all important pieces of information (e.g. ppt-Template, group allocation, room changes, course and exam preparation) only via L<sup>2</sup>P. It is hence essential for you to sign up for our L<sup>2</sup>P course room.

Link:

<https://www3.elearning.rwth-aachen.de/ws16/16ws-39302/Dashboard.aspx>

All lectures, discussions and student presentations will be in English language. As for the final exam, questions will be formulated only in English, but students will be able to choose whether to respond in English or German.

The final grade is composed of two elements (Evaluation Option A):

- |                                     |            |
|-------------------------------------|------------|
| (1) Student presentation in groups: | 35 percent |
| (2) Individual written exam:        | 65 percent |

Please note that both elements need to be passed if the course is to be passed.

## 2 GROUP ASSIGNMENT

A key component of this course is the group assignment, which counts for 35 percent of your final mark together with your overall participation in class. For this group assignment, each student will be assigned to a group typically consisting of three to five members. Two groups will prepare each debate. The format is as follows:

- (1) The lecturer introduces the debate (5 min)
- (2) Group 1 presents arguments for proposition 1 (e.g. A female quota should be introduced for supervisory boards) (15 min)
- (3) Group 2 presents arguments for a contrasting proposition 2 (e.g. A female quota should NOT be introduced for supervisory boards) (15 min)
- (4) Groups 1 and 2 jointly moderate the general discussion with the audience, as part of which they identify and evaluate possible solutions (20 min)

The key challenge for each group is to present a persuasive argument in support of a proposition specified by the lecturer. For this purpose, groups should draw on organizational theories, empirical research, newspaper articles and case studies from actual practice. You are asked explicitly to present a one-sided argument making the case for your specific proposition without attempting any reconciliation between the two contrasting positions. The argument should be presented on up to 15 PowerPoint slides. When preparing your slides, you need to use the PowerPoint template that is available for download on L<sup>2</sup>P. The final slides need to be sent to [brust@time.rwth-aachen.de](mailto:brust@time.rwth-aachen.de) by **2pm** on the day BEFORE your presentation in both pptx and pdf format. You will also need to save both files on a memory stick and bring it with you to class along with a printout of your slides. The language for the presentation and the discussion with the audience is English. Groups will be formed by the lecturer and students will be informed about their group and topic via L<sup>2</sup>P by 20/10/2015 (4pm), provided they have signed up for the L<sup>2</sup>P course by 19/10/2016 (4pm). To offer some support during the preparation of your argument, each group is entitled to an optional 30-minute coaching session with Leona Brust and Sebastian Schäfer (B149). The precise schedule for the debates is as follows.

### Schedule for Debates

	Date	Topic	Groups	Coaching Session
Debate 1 Session 2	02/11/2016	CSR Business Case	Group 1: Pro Group 2: Contra	Group 1: 24/10/2016 (4pm) Group 2: 24/10/2016 (4.30pm)
Debate 2 Session 3	09/11/2016	Whistleblowing Rewards	Group 3: Pro Group 4: Contra	Group 3: 31/10/2016 (4pm) Group 4: 31/10/2016 (4.30pm)
Debate 3 Session 4	16/11/2016	Female Quota	Group 5: Pro Group 6: Contra	Group 5: 07/11/2016 (4pm) Group 6: 07/11/2016 (4.30pm)
Debate 4 Session 5	23/11/2016	Stock Options	Group 7: Pro Group 8: Contra	Group 7: 14/11/2016 (4pm) Group 8: 14/11/2016 (4.30pm)
Debate 5 Session 6	30/11/2016	University Rankings	Group 9: Pro Group 10: Contra	Group 9: 21/11/2016 (4pm) Group 10: 21/11/2016 (4.30pm)

### 3 PROPOSITIONS AND READINGS FOR DEBATES

The following table specifies the propositions to be supported by the respective groups as well as some suggested readings to get into the topic. All readings are available on L<sup>2</sup>P.

D1: CSR Business Case	Proposition:	Organisations should focus more on appearing socially responsible (symbolic action) than on being socially responsible (substantive action).
	Group 1:	Present an argument in support of this proposition (Pro)
	Group 2:	Present an argument against this proposition (Contra)
<hr/> <p>Suggested readings to start with:</p> <p>Carroll, Archie B./Shabana, Kareem M. (2010): The business case for corporate social responsibility: a review of concepts, research and practice. In: <i>International Journal of Management Reviews</i>, 12(1): 85–105.</p> <p>Delmas, Magali A./Burbano, Vanessa C. (2011): The drivers of greenwashing. In: <i>California Management Review</i>, 54(1): 64–87.</p> <p>Devinney, Timothy M. (2009): Is the socially responsible corporation a myth? The good, the bad, and the ugly of corporate social responsibility. In: <i>Academy of Management Perspectives</i>, 23(2): 44–56.</p> <p>Walker, Kent/Wan, Fang (2012): The harm of symbolic actions and green-washing: corporate actions and communications on environmental performance and their financial implications. In: <i>Journal of Business Ethics</i>, 109(2): 227–242.</p>		
D2: Whistle- blowing Rewards	Proposition:	Public authorities should offer monetary rewards to external whistleblowers, i.e. to those that report corporate misconduct to external authorities.
	Group 3:	Present an argument in support of this proposition (Pro)
	Group 4:	Present an argument against this proposition (Contra)
<hr/> <p>Suggested readings to start with:</p> <p>Carson, Thomas L./Verdu, Mary E./Wokutch, Richard E. (2008): Whistle-blowing for profit: an ethical analysis of the federal false claims act. In: <i>Journal of Business Ethics</i>, 77(3): 361–376.</p> <p>Dyck, Alexander/Morse, Adair/Zingales, Luigi (2010): Who blows the whistle on corporate fraud? In: <i>The Journal of Finance</i>, 65(6): 2213–2253.</p>		

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**D3: Female Quota**      Proposition:      Supervisory boards should be required by law to meet a specific female quota, i.e. a minimum percentage of female board members.

Group 5:            Present an argument in support of this proposition (Pro)  
Group 6:            Present an argument against this proposition (Contra)

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Suggested readings to start with:

Adams, Renée B./Ferreira, Daniel (2009): Women in the boardroom and their impact on governance and performance. In: *Journal of Financial Economics*, 94(2): 291–309.

Campbell, Kevin/Mínguez-Vera, Antonio (2008): Gender Diversity in the Boardroom and Firm Financial Performance. In: *Journal of Business Ethics*, 83(3): 435–451.

Hillman, Amy J./Shropshire, Christine/Cannella, Albert A. (2007): Organizational predictors of women on corporate boards. In: *Academy of Management Journal*, 50(4): 941–952.

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**D4: Stock Options**      Proposition:      Stock options should be the dominant variable component of executive board members' compensation package.

Group 7:            Present an argument in support of this proposition (Pro)  
Group 8:            Present an argument against this proposition (Contra)

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Suggested readings to start with:

Deutsch, Yuval/Keil, Thomas/Laamanen, Tomi (2011): A dual agency view of board compensation: the joint effects of outside director and CEO stock options on firm risk. In: *Strategic Management Journal*, 32(2): 212–227.

Sanders, W. Gerard/Hambrick, Donald C. (2007): Swinging for the Fences: The Effects of Ceo Stock Options on Company Risk Taking and Performance. In: *Academy of Management Journal*, 50(5): 1055–1078.

O'Connor, Joseph P./Priem, Richard L./Coombs, Joseph E./Gilley, K. Matthew (2006): Do CEO stock options prevent or promote fraudulent financial reporting? In: *Academy of Management Journal*, 49(3): 483–500.

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**D5: University Rankings**      Proposition:      Instruments such as the Handelblatt-Ranking or the CHE-Ranking should be used to assess the performance of individual researchers and entire universities.

Group 9:            Present an argument in support of this proposition (Pro)  
Group 10:           Present an argument against this proposition (Contra)

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Suggested readings to start with:

Willmott, Hugh (2011): Journal list fetishism and the perversion of scholarship: reactivity and the ABS list. In: *Organization*, 18(4): 429–442.

Rowlinson, Michael/Harvey, Charles/Kelly, Aidan/Morris, Huw (2011): The use and abuse of journal quality lists. In: *Organization*, 18(4): 443–446.

Dunne, Stephen/Harney, Stefano/Parker, Martin (2008): Speaking out: the responsibilities of management intellectuals: a survey. In: *Organization*, 15(2): 271–282.

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## 4 READING LIST

During the course four research papers published in the prestigious Academy of Management Journal will be discussed in small groups. It is hence required to read these articles ahead of the respective session. These four articles are also directly relevant for the exam and are available for download on L<sup>2</sup>P.

### Required Readings

<b>Session 2</b> 02/11/2016	Surroca, Jordi/Tribo, Josep A./Zahra, Shaker A. (2013): Stakeholder pressure on MNEs and the transfer of socially irresponsible practices to subsidiaries. In: Academy of Management Journal, 56(2): 549-572.
<b>Session 3</b> 09/11/2016	Bednar, Michael K. (2012): Watchdog or Lapdog? A Behavioral View of the Media as a Corporate Governance Mechanism. In: Academy of Management Journal, 55(1): 131–150.
<b>Session 4</b> 16/11/2016	Cowen, Amanda P./Marcel, Jeremy J. (2011): Damaged goods: board decisions to dismiss reputationally compromised directors. In: Academy of Management Journal, 54(3): 509–527.
<b>Session 5</b> 23/11/2016	Detert, James R./Burriss, Ethan R. (2007): Leadership behavior and employee voice: is the door really open? In: Academy of Management Journal, 50(4): 869–884.

Some of the optional readings listed below but NOT necessarily available on L<sup>2</sup>P might be of interest to those who would like to explore a topic further. These readings are NOT directly relevant for the exam.

### Optional Readings

<b>Session 1</b> 19/10/2016	Benz, Matthias/Frey, Bruno S. (2007): Corporate governance: what can we learn from public governance? In: Academy of Management Review, 32(1): 92–104.
<b>Session 6</b> 30/11/2016	Dhanaraj, Charles/Parkhe, Arvind (2006): Orchestrating innovation networks. In: Academy of Management Review, 31(3): 659-669.
<b>Background Readings</b>	Von Werder, Axel (2008): Führungsorganisation: Grundlagen der Corporate Governance, Spitzen- und Leitungsorganisation, 2. Auflage, Wiesbaden: Gabler.  Malik, Fredmund (2008): Die richtige Corporate Governance, 2. Auflage, Frankfurt: Campus.

## 5 COURSE EXAMINATION

The individual exam for this course, counting for 65 percent of your overall mark, is likely to be structured as follows (obviously, only the structure announced on the exam day will apply):

### **Part 1: Corporate Governance Foundations**

- Max. 30 points - probably 3 questions
- Definitions and brief explanations of key concepts and theories in the field of Corporate Governance

### **Part 2: Corporate Governance Research**

- Max. 30 points - Scenario with probably 3 sub-questions
- Application of theoretical knowledge to particular scenario from Corporate Governance research (Need to develop own research design)

A maximum of 60 points can hence be obtained. A minimum of 30 points will be required to pass the exam. The individual written exam will be formulated in English language and students may decide to answer in either English or German. It is acceptable to switch language between questions (e.g. answer question 1 in English and question 2 in German). However, you may not switch languages within the same question. The exam is currently scheduled to take 60 minutes. Besides non-electronic dictionaries (e.g. German-English), one A4 page (double-sided) may be taken into the exam. No other aids are permitted.

A sample exam will be made available on L<sup>2</sup>P in January. Any exam-related questions can be discussed in our concluding lecture, which is dedicated solely to feedback, revision and exam preparation.

**We hope you will enjoy the course and look forward to working with you!**