

**THE UNIVERSITY OF CALGARY  
THE HASKAYNE SCHOOL OF BUSINESS**

**MGST 493  
Corporate Governance and Control  
Course Outline Block Week September 2013**

<b>INSTRUCTORS</b>	Blake C. Fleming	Bruce Randall
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<b>OFFICE HOURS</b>	By appointment only	

**LECTURE LOCATION** PF 128

**LECTURE TIME** TuWeThFrSa 8:30 – 17:30; class times will vary by day over Block Week but within this time window; please see below for details.

**COURSE DESCRIPTION** Recent experiences in Canada, the US and around the world have highlighted the effect that poor corporate governance can have on firm performance and survival. Increasingly, investors and lenders are examining a firm's corporate governance and control systems before committing capital to that firm. The intent of this course is to allow students to gain an improved awareness of the importance of corporate governance and compensation systems in developing effective business enterprises.

This is an introductory course, and provides an overview of some important issues. Students wishing to become qualified as corporate directors should consider various specialized programs that prepare for this role. Search for “Canadian directors course”.

This is a practical course. Your instructors have significant experience at the Board level, both as officers and directors of Canadian corporations, and as corporate counsel. Both have experience in industry, and in the non-profit sector. We teach using a combination of lecture, assignments, readings, and cases. Learning is by doing, and consequently the workload in this course will be significant.

**COURSE OBJECTIVES**

1. Introduce the concept of capital formation, whereby economic surplus is organized and assembled to undertake investments that

- generate employment and returns for stakeholders.
2. Introduce the various forms of partnership and corporate structure developed to facilitate capital formation
  3. Review the notion of “agency problems” in a firm or organization – where managers and owners are not the same people, and consequently may have different incentives and payoffs.
  4. Introduce “corporate governance”, the institutions and practices designed to protect investors and other stakeholders. Review the role of a board of directors in mitigating agency problems.
  5. Review the types of executive compensation structures that have been developed to align management interests with those of shareholders, and highlight the limitations of such systems.

The teaching method is mostly through problem investigation and discussion. We plan eight sessions over five days to cover these topics, which is only enough for an overview. The goal is to leave students with a clear understanding of the importance of the issues, and possible consequences when they are mismanaged. In order to permit time for constructive discussion of the issues in class, students are expected to review readings, video, and books off-line before the lectures.

Here is how we plan to proceed:

**Session 1:** Tuesday September 3 8:30 a.m. to 11:30 a.m. Lecture: Instructors present the basic corporate governance concepts. This is supplemented by three readings, which students should review in advance of the lecture.

**Session 2:** Tuesday September 3 1:30 p.m. to 4:30 p.m. Class discussion and lecture. What goes wrong? Students are expected to review the on-line video “Bigger than Enron” beforehand so we can discuss issues in class. This video is available on line (search on the internet and find a version that is free and works with your browser).

Instructors will discuss the “agency problem” and the role of corporate advisors.

There will be a review of how to write a short business memo.

Introduce Assignment #1, addressing the governance framework around two different real estate investments. Two-page business memo due 1:30 p.m. Wednesday Sept 4.

**Session 3:** Wednesday Sept 4 1:30 p.m. to 4:30 p.m. Class presentations and discussion. Students hand in their 2 page case write-up of Assignment #1 at the beginning of class. Students present their ideas on this assignment in class. Discussion.

**Session 4:** Thursday September 5 8:30 a.m. to 11:30 a.m. Lecture.

Introduction to executive compensation structures as a method for aligning management and shareholders. Pay for performance. There are three readings that students should review prior to this lecture.

Introduce Assignment 2A Credit Suisse (A); one-page business memo due 8:30 a.m. Friday.

**Session 5:** Thursday September 5, 1:30 p.m. to 3:30 p.m. Panel discussion of Canadian corporate governance issues as perceived by recent professional immigrants to Canada. Comparison to international governance processes.

**Session 6:** Friday September 6 8:30 a.m. to 10:30 a.m. Students hand in one-page write-up of Credit Suisse (A). Class presentations and discussion. At 10:30 a.m. students given Assignment 2B, which is Credit Suisse parts B and C. One page write-up due 2:30 p.m. Friday.

**Session 7:** Friday September 6 2:30 p.m. to 4:30 p.m. Students hand in one-page write-up on Assignment 2B. Class presentations and discussion.

**Session 8:** Saturday September 7 8:30 a.m. to 11:30 a.m. Students hand in Assignment 3, which is a 2 page book review on a book selected from the list below. Student presentations and discussion follow. Course conclusion and wrap-up.

There is no final exam. Marks will be based on the three written assignments outlined above.

#### **REQUIRED TEXTBOOK AND/OR MATERIALS**

Assigned readings, and the case for this course are listed below together with references to IVEY, and Harvard business school case publishing websites. Students are responsible for acquiring the case and the readings. In addition, students are expected to select, acquire and read one of the books on the book list provided below.

This approach to providing cases and readings is undertaken to ensure compliance with copyright rules.

Recommended reference textbook:

**David Larcker & Brian Tayan, “Corporate Governance Matters: A Closer Look at Organization Choices”**

This textbook discusses corporate governance as applied to publicly traded US corporations. It provides a good overview of many issues, but details of differences between Canadian and US corporate governance are not discussed. You are not required to purchase this textbook.

Book list:

You should acquire one book from the following list and read it. You will be asked to prepare a two-page book review that discusses corporate governance and/or executive compensation issues raised in this book. You will have an opportunity to discuss this in the final session on Saturday Sept 7.

- a. David Einhorn, "Fooling Some of the People All of the Time"
- b. Andrew Ross Sorkin, "Too Big to Fail"
- c. Bethany McLean & Peter Elkind, "The Smartest Guys in the Room"
- d. Bethany McLean & Joe Nocera, "All the Devils are Here"
- e. Niall Ferguson, "The Great Degeneration"

We recommend that you acquire and read your book well before the class starts in September. Topics covered in these books provide good context for the course material covered in class."

For more information, please contact:

Zara Hossain ([hossainz@ucalgary.ca](mailto:hossainz@ucalgary.ca); 403.220.8527), or

Barbara Merlihan ([Barbara.merlihan@haskayne.ucalgary.ca](mailto:Barbara.merlihan@haskayne.ucalgary.ca); 403.220.3818)

#### **ABOUT YOUR INSTRUCTORS:**

Blake Fleming graduated from Carnegie Mellon University in 1979 from the Tepper School of Business (then named GSIA) with a Master of Science in Industrial Administration. He joined Dome Petroleum as a Business Analyst. More recently he was Sr. Vice President and Chief Operating Officer at Esprit Exploration Ltd, and prior to that Vice President, Hunter North Business Unit at Canadian Hunter Exploration Ltd. He has served as a director of three private companies. Much of his career has been spent as a senior business advisor analysing commercial problems within the oil & gas sector. Currently he is retired.

Bruce Randall is currently Executive Director of CRIEC, a non-profit organization dedicated to mentoring and encouraging professional immigrants to find meaningful employment in Alberta. By background Bruce is a lawyer, educated at McGill in both common and civil law. He has been involved in private and corporate practice in Alberta, Ontario and Quebec. His corporate experience includes acting as internal counsel for Forzani's where he advised the CEO and the Board on various corporate governance issues.

#### **CLASS PREPARATION & BLACKBOARD**

Students are expected to read the assigned readings before class, and be prepared for class discussion. Important information and additional readings for **MGST 493** are posted on Blackboard. Students should regularly check

the Announcements section of Blackboard for ongoing notices.

This is a practical course. Students learn about corporate governance issues by reading, by preparing the assignments, and through in-class discussion and feedback from the instructors and other students. If you do the assigned work and participate in class you should expect to improve your understanding of the issues involved.

*Your instructors may not necessarily cover all of the materials, but it is responsibility of the student to understand the concepts presented in the readings and lectures. If you are unsure of any of the concepts, please take the initiative to ask the instructor during or after class.*

## **CONTACTING YOUR INSTRUCTOR**

Students requiring assistance are encouraged to speak to their instructor during class or immediately after. Should you wish to meet with the instructor outside of office hours, please email the instructor to make an appointment.

## **PROPER BUSINESS USE OF EMAIL**

Email is commonly used by students to communicate with their instructor. However, it does limit the effectiveness of the communications and may not be the best way for instructors to answer student questions, especially those requiring an explanation of concepts covered in this course or some personal concerns. Therefore the instructor may request a telephone call or personal meeting. *Your instructor will inform you as to his/her expectations about emails.*

## **INTERNET & ELECTRONIC COMMUNICATION DEVICES**

Any surfing of the Internet during lectures that is not directly related to the class discussion is distracting and strictly forbidden. Additionally, the use of any electronic devices (e.g., cellular phones/smartphones) for e-mailing, text-messaging, etc. is strictly prohibited. Please turn OFF your phone before the beginning of each lecture.

## **GRADE DISTRIBUTION** (insert in table your course distribution & rename items below as applicable)

Class Participation	10%
Assignment #1 (real estate governance case)	30%
Assignment #2 (Credit Suisse)	30%
Assignment #3 (Book Review)	30%
Final Exam	n/a
	100%

## **Class Participation**

Students are expected to attend class sessions and actively participate in class discussions. We will call on students to present their response to the assignments in class.

## **Assignments**

Assignments are marked both for content and for writing quality.

There are three written assignments. First is a two page write-up on a real estate governance issues. Assignment 2 consists of two one-page write-ups on aspects of the Credit Suisse case (Parts A,B,C) . Assignment 3 is a two-page book review on governance/compensation issues raised in a book selected from the list shown. In each instance students are encouraged, to work in small discussion groups of their own choosing. Students are

expected to write and submit their papers individually, but if appropriate may jointly prepare supporting documents or analysis, to be attached as an appendix to their individual write-ups. Grading will be based both on writing proficiency and on the problem analysis.

#### **GRADE SCALE**

The Haskayne School of Business endeavours to ensure consistency of final grades across courses and sections. Variations in distribution will always be considered by the instructor where called for by the performance in each individual class. The student does not have any 'right' to a certain grade, but is responsible for earning grades. The instructor has unfettered discretion to evaluate student performance and assign all grades.

#### **EMERGENCY EVACUATION PLAN**

In the event of an emergency, the building must be evacuated and all individuals are to meet at a predetermined location. Additional information on the emergency procedures and the list of rendezvous points can be found here <http://www.ucalgary.ca/emergencyplan/asemblypoints>.

#### **UNIVERSITY REGULATIONS**

##### **Academic Accommodation:**

The Disability Resource Centre offers services to students with documented disabilities ranging from learning deficit, learning disabilities, chronic health issues, hearing and visual impairment, disabilities and temporary impairment due to accident, illness or injury. It is the student's responsibility to request academic accommodations. If you are a student with a documented disability who may require academic accommodation and have not registered with the Disability Resource Centre, please contact their office at 220-8237. Students who have not registered with the Disability Resource Centre are not eligible for formal academic accommodation. You are also required to discuss your needs with your instructor no later than fourteen (14) days after the start of this course.

##### **Academic Honesty:**

Academic honesty is the cornerstone in the development of knowledge. A single offence of cheating, plagiarism or other academic misconduct on term work, tests or final examinations or assignments can lead to disciplinary probation, suspension or expulsion from the Faculty by the Dean. If a student allows his/her name to stand on group work when in fact there is essentially no contribution made, then that student is guilty of academic misconduct. Please refer to the current University Calendar for further details.

##### **Plagiarism:**

Plagiarism involves submitting or presenting work as if it were the student's own work when it is not. Any ideas or materials taken from another source written, electronic, or oral must be fully and formally acknowledged. Plagiarism includes but is not limited to:

- (a) The work submitted or presented was done, in whole or in part, by an individual other than the one submitting or presenting the work (this includes having another impersonate the student or otherwise substituting the work of another for one's own in an examination or test),
- (b) Parts of the work are taken from another source without reference to the original author,
- (c) The whole work (e.g., an essay) is copied from another source, and/or,

- (d) A student submits or presents work in one course which has also been submitted in another course (although it may be completely original with that student) without the knowledge of or prior agreement of the instructor involved.

While it is recognized that scholarly work often involves reference to the ideas, data and conclusions of other scholars, intellectual honesty requires that such references be explicitly and clearly noted. Plagiarism is an extremely serious academic offence.

It is recognized that clause (d) does not prevent a graduate student incorporating work previously done by him or her in a thesis or dissertation.

**Software Policy:**

Faculty, students and staff of the University of Calgary are expected to use software in a lawful manner in accordance with the Canadian law of copyright and the software's specific license conditions.

**Copyright and Photocopying:**

All material used in this course is for the sole use of the individual and should not be recopied either in print or digital format. For copyright guidelines and University of Calgary policies please visit: <http://library.ucalgary.ca/copyright>. All copyright related questions can be directed to the Copyright Office: [copyright@ucalgary.ca](mailto:copyright@ucalgary.ca).

**Recording Lectures:**

Recording of lectures and labs is permitted for individual private study, only at the discretion of the instructor. Any other use of recording constitutes Academic Misconduct and may result in suspension or expulsion. Both the student and the instructor must sign the appropriate Release Form to facilitate recording lectures or labs.

**Other Information:**

**Counselling and Student Development Centre:**

The Counselling Centre focuses on three major areas: personal counselling, career development and academic success. Should you require assistance, please phone 220-5893 or review the website at: <http://www.ucalgary.ca/counselling/>

**Student Accessibility Services (SAS)**

Student Accessibility Services exists to create an accessible and inclusive educational environment for those students with permanent disabilities or temporary impairments.

<http://www.ucalgary.ca/access>

**Students' Union Representative:**

Email: [haskayne1@su.ucalgary.ca](mailto:haskayne1@su.ucalgary.ca)  
[haskayne2@su.ucalgary.ca](mailto:haskayne2@su.ucalgary.ca)

**Freedom of Information and Protection of Privacy Act:**

For information on the Freedom of Information and Protection of Privacy Act please visit <http://www.ucalgary.ca/secretariat/privacy>

**Safe Walk:**

<http://www.ucalgary.ca/security/safewalk>

**Office of the Ombudsperson:**

<http://www.su.ucalgary.ca/page/quality-student-life/health-lifestyle/student-ombuds>

## **Haskayne Undergraduate Statement of Student Responsibility**

### ***RESPONSIBILITY is:***

Respect for Everyone I care about, impact and represent So I make a Positive impact  
On my Neighbors, peers, colleagues and family. Staying responsible Is what keeps me grounded By reminding me the way I Live is Influenced by The actions of others; my actions impact You - today and in the future.

### ***As a Haskayne School of Business Student:***

- When faced with tough choices, I have a responsibility to ensure that alternatives are explored, their consequences understood, and priorities are set based on ethical values so that 'win-win' solutions are possible
- I am accountable for my actions and responsible for their consequences - both in the short and long term
- I will be consistent in my actions, words and intentions so they reflect commitment to my ethical and responsible core values
- I can play a role in respectfully raising awareness among others and encouraging my peers and colleagues to find positive solutions to ethical challenges
- I will develop and sustain lasting relationships through open and honest communication and demonstrating personal integrity
- I have the responsibility to strive for a career and life that embody my passions and reflect my sound values while living to an ethical standard
- It is my responsibility as a student to develop to my full potential and in turn make a positive contribution to the world around me. It is my social responsibility to help my fellow students, coworkers and members of the community at large to fully realize their potential as well
- I am responsible for shaping a positive world for future generations, including the management of my own ecological footprint and respect for the environment in my decisions and actions
- I have a responsibility to embrace, encourage and sincerely accept diversity. Diversity of opinion, background, and belief is a competitive advantage and helps build a positive future

***My ethics become 'real' when I choose to live my life in a way  
that is true to my core values. It is my responsibility to live ethically  
- no one can do it for me***

*This Statement was created with the input of over 400 Haskayne undergraduate students in the 2008 – 2009 academic year. It was officially unveiled March 20, 2009 at the Corporate Social Responsibility and Sustainable Development Program conference on Corporate Tools. This statement applies to all undergraduate students at the Haskayne School of Business, University of Calgary.*

**Class Schedule & Topics:**

Important dates (e.g. Block Week, Lecture start dates, Reading Week, etc.) can be found at the following web site: <http://ucalgary.ca/pubs/calendar/current/academic-schedule.html>

<b>COURSE SCHEDULE (MGST 493 Corporate Governance and Control)</b>		
<b>DATE</b>	<b>TOPIC/ Required Readings</b>	<b>CASE ASSIGNMENT</b>
<b>Sept 3 Morning 8:30 am – 11:30 a.m.</b>	<b>Introduction: Capital Formation and Corporate Governance Model</b> <ul style="list-style-type: none"> <li>1. <i>A survey of Corporate Governance</i> By: Shleifer, Andrei; Vishny, Robert W.. Journal of Finance, June 97, Vol. 52 Issue 2, p. 737, 47p. (JSTOR Database)</li> <li>2. National Policy (NP) 58-201: Corporate Governance Guidelines (See Ontario Securities Commission website)</li> <li>3. National Instrument 58-101 “Disclosure of Corporate Governance Practices”; (See Ontario Securities Commission website)</li> </ul>	
<b>Sept 3 Afternoon 1:30 p.m. to 4:30 p.m.</b>	<b>Problems: What goes wrong?</b> <p>“Bigger than Enron” video</p> <p>“Corporate Counsel as Corporate Conscience: Ethics and Integrity in the Post-Enron Era”, Paul D. Paton, Canadian Bar Review, Vol. 84, No. 3, 2006</p>	
<b>Sept 4 Afternoon 1:30 p.m. to 4:30 p.m.</b>	<b>Problems: What goes wrong?</b>	Real Estate Governance assignment (provided in class Sept 3)
<b>Sept 5 Morning</b>	<b>Executive Compensation</b>	

8:30 a.m. to 11:30 a.m.	<ol style="list-style-type: none"> <li>1. <b>Hall, Brian J.</b> "What You Need to Know About Stock Options" Harvard Business Review, Mar/Apr2000, Vol. 78 Issue</li> <li>2. <b>Dillon, Karen</b>, "The Coming Battle over Executive Pay" Harvard Business Review. (Eastern edition). New York, N.Y.: Sep 10, 2008.</li> <li>3. "Performance-Vested Equity Compensation", IVEY 9B08N018, Neil Brisley &amp; Daisy Li</li> </ol>	
Sept 5 Afternoon  1:30 p.m. to 3:30 p.m.	<b>Panel discussion: Corporate Governance with an international perspective</b>	
Sept 6 Morning  8:30 a.m. to 10:30 a.m.	<b>Executive Compensation design</b>	<p><b>Post-Crisis Compensation at Credit-Suisse (A)</b></p> <p>Clayton S. Rose Aldo Sesia Jr.</p> <p>Harvard Case publishing site; case # 9-311-005</p>
Sept 6 Afternoon  2:30 p.m. to 4:30 p.m.	<b>Executive Compensation design</b>	<p><b>Post-Crisis Compensation at Credit-Suisse (B) and Post-Crisis Compensation at Credit-Suisse (C)</b></p> <p>Clayton S. Rose Aldo Sesia Jr.</p> <p>Harvard Case publishing site; Case #9-311-006 AND Case #9-311-007</p>
Sept 7 Morning  8:30 a.m. to 11:30 a.m.	<b>Wrap up and Book Reviews</b>	<i>Pick from the list!</i>

