Corporate governance failure has been blamed for accounting fraud, overpaid chief executives, business failures, and the possibility of financial crisis in emerging markets. Boards of directors are responsible for governing the corporation. The difference between good and bad governance can have wide ranging impact on numerous stakeholders of the firm. Enron, WorldCom, Parmalat, and other blow-ups have cost investors and creditors hundreds of billions of dollars, and destroyed careers and reputations. There is a lot at stake in having boards provide proper oversight in a framework of professional corporate governance.

Our classes will revolve around the following questions: What is the role of the board? What are the trade-offs faced by directors that make boards’ jobs so challenging? What are the key mechanisms for maintaining accountability in large organizations? How should management be rewarded? How does ‘good governance’ look for nonprofit, private, or international firms versus publicly traded firms in the U.S.? The course will take the students on a virtual journey into the boardrooms of recognized corporations and organizations that have faced governance crises. We will also explore the effects of recent regulatory changes, such as the Sarbanes-Oxley Act and related SEC and exchange requirements.

Students will gradually master key concepts, structures, and dynamics of corporate governance; learning from both successful and, probably more importantly, flawed examples. By the end of the course, they will know what a good corporate governance system should look like, how to create it, and how to manage it within a context shaped by a multi-layered legal system, impacted by dynamic markets, institutional activists, and a vibrant media.
Teaching Method
Lectures, case studies, and guest discussions are the main teaching tools used in this course. Our guests will provide distinct perspectives on corporate governance in the public, private, non-profit, and international contexts. You will benefit from meeting with them and having ample opportunity to ask questions.

Class Preparation
The student's primary obligation in this course is to attend and prepare for class discussions through a thorough reading and analysis of all the assigned materials. The instructors may revise the readings and/or the class structure to reflect current events or to include updated material. You should therefore monitor Blackboard on a regular basis. The instructors will call on students to answer questions on the cases or other readings, so please be prepared. We also encourage students to raise issues of corporate governance that have been reported on during the prior week.

Our textbook will be The Board Book, by William Bowen (W. W. Norton, 2008) available for purchase at the NYU bookstore or on any of several Internet bookstores. We have already checked Barnes And Noble and Amazon for you.

Finally, it would be very helpful to the instructors if students kept their nameplate in front of them at all times as we will meet only six times. Since class participation is a significant part of the grade, it helps us all to quickly figure out who you are.

Grading
Each student’s grade will be determined as follows:

- **Class participation: 25%**: This class is intended to be topical as well as pedagogical. Corporate governance issues arise all the time. Students benefit from identifying and participating in discussions about the issues. And you can’t participate if you’re not in class.

- **Class Presentation 25%**: We will divide the class into six groups of approximately five students each. Each group should be prepared to make a 15-minute presentation of a corporate governance issue that we will assign. The groups will present their case on the last class on November 4th. We will collect a written copy of each of presentation after class.

- **Final exam 50%**: The final take-home exam will cover the textbook, readings, case discussions, and guest lectures. We are not interested in minutiae; the exam’s focus will be on the “big” ideas emanating from the class. We will discuss the exam further as the semester progresses.

Note: Since corporate governance issues generally arise during the course of any semester, your instructors reserve the right to alter the content of any lecture to reflect current events. In anticipation of that probability, please monitor Blackboard so that you might be aware of potential new readings.
<table>
<thead>
<tr>
<th>Session #1</th>
<th>September 23, 2008</th>
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| **Topics** | • The many facets of corporate governance  
• Why does good governance matter?  
• Role of the board |
| **Guest** | • Arif Joshi, GEM Capital: *Corporate Governance in Emerging Markets* |
| **Readings** | • Bowen: Chapter 1, “Roles of Boards,” p. 19-44  
• Boeing’s 2007 Proxy (abridged) (Bb) |
| **Case:** | • Boeing proxy statement of 2007 |

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<tr>
<th>Session #2</th>
<th>October 7, 2008</th>
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| **Topics** | • Board leadership and composition  
• Key governance trade-offs  
• The audit committee  
• Disclosure, earnings management, and fraud |
| **Guest** | • Morris Offit –Co-Chairman and Co-CEO Offit Capital Management Inc.,  
Director AIG Corp.: *Governance under duress* |
| **Readings** | • Bowen: Chapter 2, “Board Leadership,” p. 45-64  
• “Splitting Up the Roles of CEO and Chairman: Reform or Red Herring?” From Knowledge at Wharton (Bb)  
• Loomis: Lies, Damned Lies and Earnings Management (Bb)  
• Byrne: “Chainsaw Al” (excerpts) (Bb) |
| **Case:** | • The Earnings Game: Interactive case (distributed in class) |

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<tr>
<th>Session #3</th>
<th>October 14, 2008</th>
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| **Topics** | • Board composition  
• Board machinery  
• Governance for non-profits |
| **Guest** | • Holly Gregory, Partner, Weil, Gotshall, Manges: *Boards vs. shareholders* |
| **Readings** | • Bowen: Chapter 2, “Board Structure for Non-Profits,” p. 64-68  
• Bowen (Donatiello): Chapter 3, “Evaluations of CEOs in Non-Profit Setting”, p. 88-90  
• Bowen: Chapters 6, “Building the Board,” p. 125-148  
• Bowen: Chapter 7, “Board Machinery,” p. 149-172  
• Millstein, Gregory, Grapsas: “Rethinking Board and Shareholder Engagement in 2008” (Bb) |
| **Case:** | • Getty Museum |
### Session #4  
**October 21, 2008**

**Topics**
- Executive compensation
- Director compensation
- Shareholder activism

**Guest**
- Jon Weber, Head of Portfolio Company Operations, Goldman Sachs – Special Situations Group: *Governance at private companies*

**Readings**
- Bowen: Chapter 3, “Compensating the CEO,” p. 69-88
- Bowen: Chapter 7, “Compensation of Directors and Trustees,” p.172-177
- Lublin, Thurm, “Money Rules” (Bb)
- Hodak, “CEOs Aren’t Overpaid” (Bb)
- Zimmerman: “Home Depot Bows to Whitworth Again” (Bb)

**Cases:**
- The Magic Kingdom: A Tale of Three Characters
- Relational Investors takes on Home Depot

### Session #5  
**October 28, 2008**

**Topics**
- Regulation of corporate governance
- Corporate governance scandals and consequences (Enron, SOX)
- Managing the CEO
- Succession planning and transitions

**Guest**
- Hye-Won Choi, TIAA-CREF: Investor’s perspective on governance

**Readings**
- Bowen: Chapter 4, “Evaluating and Replacing the CEO,” p. 91-104
- Bowen: Chapter 5, “CEO Transitions,” p. 105-124
- Biggs, John, “Improving Corporate Governance: Three Areas for Change”
- “Boeing CEO Resigns Over Affair With Subordinate” (Bb)

**Case:**
- Scandal at Boeing

### Session #6  
**November 4, 2008**

**Topics**
- Reforming corporate governance
- Election night special: legislative initiatives

**Guest**
- None

**Readings**
- Dvorak, “More Holders Want Say on Executive Pay” (Bb)
- Minnow: Letter to the SEC (Bb)
- Wallison: It’s Not the Principle, It’s the Money” (Bb)

**Cases:**
- Student presentations