**Fundamentals of Governance—Syllabus**

B8575, Block Week, May 16-18

Bruce Kogut

Sanford C. Bernstein Professor, Director

Uris 706

Email: Bruce.Kogut@columbia.edu

Office Hours: before/after class: May 16-18.

**Course Description**

Organizations, and how well they are governed, drive the wealth and happiness of a society, governance is about power but it is also about efficiency and effective leadership. We will study different forms of governance structures to understand how they function.

A typical presumption has been that governance by the public corporation represents a standard with which to understand the potential of good governance. But the public corporation is besieged—stock exchanges show net de-listings, raiders are challenging venerable corporations, regulatory requirements impose heavy costs on IPOs and on statutory requirement. Is it true that the public firm, and in particular the American form of it, joins both a just distribution of power and an efficient form of governance?

These questions are lodged in a larger, often political, debate. Are public, or private firms, delivering an economic performance that rewards the many stakeholders: shareholders, employees, society? For whom do corporations serve? What is their performance? Are they betraying national interests by outsourcing or by employing immigrants or by locating overseas, sometimes by inversions for primarily tax benefits?

As this course is short and quick, we focus on the United States and compare across the types of governance, e.g. the public firm, the private firm, the ESOP, the sports league, and the non-profit. The primary institutions discussed will be the board, the shareholders, institutional investors, the stakeholders, and management. However, there will also be plenty of moments to think about the dynamics and personalities of families, CEOs, and directors.

There are a variety of perspectives from which questions of corporate governance can be formulated and addressed but it has been economic analysis that has largely dominated contemporary discussions of the subject. Most theories of governance are preoccupied with the relationship between institutions of governance and economic performance. We expand this perspective to ask ultimately, are there forms of governance that are competitors to the public corporation? Would they satisfy stakeholders, and the wider public, more than the shareholder governance that is so much under assault today?

It may help you also to understand what the course is not about. Because we are looking comparatively, we will not attempt to ‘go deep’, instead we ‘go wide.’ This means, we will not look deeply at the issues of corporate governance, the relevance of law and regulation, and the functioning of governance at particular junctures, such as bankruptcy, acquisition, or in a proxy contest. These issues are handled more in depth in other classes, such as Professor Wei Jiang’s.

**Your instructor: Bruce Kogut**

Taught in many places around the world, lived many years in Europe (primarily France but also Sweden and Germany), was chaired full professor at Wharton, INSEAD, before coming to CBS in 2007. I direct the Sanford C. Bernstein & Co. Center on Leadership and Ethics and am the faculty point person on ethics and the IBS curriculum. I have served on corporate and non-profit boards primarily outside the US, including 3i Infotech India, the advisory board to chief economist at the EBRD, academic boards to IFMR (Chennai) and Skema (France) and Skolkovo (Russia), an NGO in India, and the International School of Paris. I work on CEO pay, social capital markets, data analytics and performance of firms and micro-finance organizations, among other things. You can also find a clip of me on the John Stewart Show (John Oliver), trying to explain what ethics is about for MBAs. We have also produced a film on [financial innovation,](https://www.youtube.com/watch?v=l--anUZPoBU) starring Bruce Greenwald, Robert Solow, Blythe Masters, Peter Stringham, David Abrams, Barney Frank, Edward Conard, Alicia Glen, Wilson Ervin, and others. Have a look.

**What is expected of you?**

I strongly recommend that you read the cases before the class starts and the required readings (\*) too. The class will fail if you do not read the material, so don’t free ride, we need your participation.

All written assignments should be submitted using the dropbox on Canvas and a printed copy delivered to class the day of the assignment.

Before class, you are required to choose a public firm, go to this page, and to score your company using the ISS criteria and information you can pull from the SEC 10K or equivalent for companies from other countries. Do not just state the ISS criteria.

For the first day notice there is a mock simulation of the decision to fire or not Carly Fiorina. You will be assigned groups and you will need to access this from Canvass the week before. During lunch, your group can discuss the case, assign roles, and decide what you want to do. (Or you can do this before the class begins.)

The second day, you will be asked to answer two questions: how you think World Soccer should be governed and why? Second, are governance by ESOPs viable? Efficient? Two pages total for the two questions, can be done in a group.

The third day, why not sell the library and have it privately managed? What other types of services and businesses should be run as a non-profit and why?

**Final Exam**

The final exam is a take-home essay answering a specified question that is related to the course materials. A hard copy must be delivered to Dropbox (Canvas) before 12:00 pm (midnight) May 22, 12pm. Late submissions will not be accepted.

**Course Grade**

Class attendance and assignments are mandatory.

**Course Outline**

May 16

Session 1:

Topic: Overview of Governance

Assignment: See Assignments at the End

Reading:

FYI: I posted also a first chapter out of a co-edited book with Peter Cornelius (now senior economist at AlpInvest/Carlyle) on governance –first pages may be of interest.

# Session #2:

# Topic: Separation of Ownership from Control: CEOs, Corporate Boards, and Block Shareholders

Case Reading: Corporate Governance at Hewlett-Packard 1999-2005, Columbia CaseWorks, ID #100601

Group assignment: A write up answering the questions at the end of the case is due at the beginning of the lecture.

Session #3: Group Behavior and Board Decision-Making

Group assignment: Hewlett-Packard Role Plays, Reenactment of HP board meeting at which CEO is fired. Each group is assigned one of the key participants in the HP case: six HP board members and Walter Hewlett. The six people will play the roles during the class.

Session #4: Why not take it Private?

 Guest Speaker.

May 17

Session #5 & 6: Purpose-Driven Firm: First Bloc

Guest Speaker: Donnel Baird, CEO

Session 7: Governing the U.S. Soccer Association

Guest Speaker: Sunil Gulati

Reading: TBD

Session 8: Employees as Owners: ESOPs

Guest Speaker: Jason Rosenthal, AWC Private Equity

May 18

Session 9: Non-Profit

Guest Speaker: Anthony Marx, President/CEO, New York Public Library

Session 10:

Session 11: Your preferences