



International Management Institute

*Course Outline*

**Corporate Governance & Business Ethics**

PGDM 2012-14 (1.5 Credits) Class duration 90 min.

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Chamber Consultation hrs : 0930-1015 hrs , ( On the class days)

**Overview:**

Good governance and social responsibility of business corporations have been accepted as cornerstone of corporate strategy. Governments, financial institutions and public representatives are concerned about the failures of high profile corporations causing distress and hardship to innumerable people and public institutions. With the globalization of business, corporate governance, a term virtually unknown earlier, has now become a mainstream topic. Every country is critically examining its corporate laws and regulations and adopting new standards to enhance ethics and accountability in business corporations.

Corporate governance is a multi-disciplinary subject comprising elements of law, economics, finance, management and sociology. It deals with the accountability of management of the company to the shareholders, fiduciaries duties of directors, disclosure of strategic information regarding the company, audit of transactions, control and direction by the Board and above all, responsibility to the society. There is an increasing demand from the stakeholders for adoption of socially relevant corporate governance practices.

In the twenty first century, proper governance of corporations is going to be as crucial to the world economy as proper governance of countries .It is necessary to underscore the duties and responsibilities of Directors, Executives and Managers for sustainable development of the company and to safeguard the long term interests of all stakeholders.

**Course Content:**

- Concept of Corporation & Corporate Governance
- Corporate Failures and Governance Reforms
- Theoretical backdrop

- The Strategic Board
- Role of Independent Directors
- Business Ethics
- Corporate Governance issues in India
- Framework of Corporate Governance
- Roles of Directors , Managers & Shareholders
- The Road Ahead

**Objectives:**

- To provide the rationale of good corporate governance for economic development.
- To analyze the impact of corporate failures and reform initiatives.
- To present an outline of theoretical framework
- To highlight the need for Board independence and role of Independent Directors
- To understand elements of business ethics and good governance
- To analyse regulatory framework for Indian corporations
- To analyze the implications of ethics and corporate values for sustainability
- To underscore the responsibility and accountability of Directors, Executives and Managers in ensuring good Corporate Governance

**Pedagogy:** The course will be taught using a combination of readings, lectures, cases ,film and assignments.

**Evaluation Criteria**

S.No.	Component	Weightage
1	Group Assignment Presentation	20%
2	Class Participation	20%
3	Quiz 1&2	20%
4	Term Examination	40%

## Class Plan and Suggested Readings

Class	Topic	Reading Material
1	-Course Outline : Rationale of the Study of CG -Understanding a Corporation -Three landmark judgments: 1. Salomon vs Salomon Co : Company vs Shareholders 2. Ford vs Dodge : Maximizing shareholder value 3. Wrigley Corporation : Shareholders vrs Directors	Towards Better CG(TBCG)chapter-1 Articles Sl no. 1,2,3,4
2	-Characteristics of Corporation - Defining Corporate Governance -Corporate Failures and Governance Reforms : Case studies 1. South Sea Company 2. Maxwell Communications-The Cadbury code	TBCG Ch 3 Sl no-5,6,7
3	3. Enron Scandal: Causes Consequences and Reforms (Group 1) 4. Arthur Andersen Failure Causes Consequences Reforms(Gr 2) -The SOX Act -Global Financial Crisis 2008 : CG Failure	TBCG Ch 3 Sl 8,9,10,11
4	-The Indian Scenario 5. Satyam scandal (Gr 3) - Film " <i>The Corporation</i> "(2004) - Joel Bakan	TBCG Ch. 3 Sl. No.- 12,13
5	-The Externalizing Machine ( Gr 4) -Business Ethics & Corporate Values - Why Good Managers Make Bad Ethical Choices (G5)	<i>The Corporation Sl 14</i> --
6	Theoretical Backdrop - Separation of ownership and control - Agency Theory - Stewardship Theory - Stakeholder Theory - Enterprise Risk Management	TBCG Ch. -2 Serial -15,16
7	-Board of Directors -Emerging Role of Independent Directors	TBCG Ch 5 Sl no. 17,18
8	Corporate Governance Codes - Ethical foundation of corporate governance -Integrating Ethics into Organizational Cultures (Gr 6 ) -Analysis of OECD Code of Corp. Governance 2004 -100 Best CEOs in the world (Gr 7)	TBCG Ch.5,6 Sl.no.19,20,21 ---
9	-CG Framework: Clause 49 of SEBI	Sl .no. 17
10	<i>Road Ahead</i> - Case CG Reforms in China & India : Challenges & Opportunities ( Class Participation) -Corporate Governance issues in India -Emerging Roles of Directors, Managers & Shareholders -Agenda for CG Reforms	Sl 22,23

**Book:**

1. (TBCG) Towards Better Corporate Governance: Independent Directors in the Boardroom

by Arun Kumar Rath, Excel Books 2010

**References:**

1. Monk, Robert A.G., and Minow, Nell (2004), *Corporate Governance*, Blackwell Publishing
2. Smith, Adam (1776), *Wealth of Nations*, Book Five
3. Berle Adolf A, and Means Gardiner C. (1932, 1967), *Modern Corporation and Private Property*
4. Jensen, Michael C, and Meckling William H, (1976), *Theory of Firm: Managerial Behaviour, Agency Costs and Ownership Structure*
5. Solomon, Jill and Solomon, Aris (March 2004), *Corporate Governance and Accountability*
6. International Finance Corporation (IFC) – World Bank, (2007) [www.ifc.org](http://www.ifc.org)
7. Harris, Alton B, and Kramer, Andrea S. (2003), *Corporate Governance: Pre-Enron, Post-Enron*
8. Petra Steven T (2005), “Do Outside Independent Directors Strengthen Corporate Boards”? *Corporate Governance*
9. Susan F, Shultz (Sept. 2000), *The Board Book, Making Your Corporate Board a Strategic Force in your Company’s Success*
10. Taylor Bernard (2004), Henley Management College, UK, *Leading the Boardroom Revolution*
11. Institute of Company Secretaries of India (ICSI) (2004) , *Corporate Governance – Modules and Best Practices*
12. Harvard Law Review (2003) *Beyond Independent Directors: A Functional Approach to Board Independence.*
13. John S. McCallum, (2003), “The Socratic Director”, *Ivey Business Journal*, May/June 2003
14. Lalita S Som, 9Sept. 30, 2006), *Corporate Governance Codes in Indian, Economic and political Weekly.*
15. OECD, *Corporate Governance Guidelines* (2004)
16. SEBI notification (Clause 49) of Listing Agreement
17. Crane Andrew & Matten Dirk , *Business Ethics* ,2010, Oxford University Press