



**International Management Institute**

**Bhubaneswar**

*Course Outline*

**Corporate Governance & Business Ethics (CGBE ) ST 607**

PGDM 2 Credits Session 60 minutes

Term IV June-Sept. 2018 : Batch 2017-19

Faculty: **Dr. Arun Kumar Rath**

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**Course Introduction:**

Good governance, ethical practices and social responsibility are emerging as cornerstones of corporate strategy. Governments, financial institutions and public representatives are concerned about the failures of high profile corporations which cause distress to innumerable shareholders and employees. With the globalization of business, corporate governance, a term virtually unknown earlier, has now become a mainstream topic. Every country is adopting new standards to enhance ethics and accountability of business corporations.

Corporate governance deals with the accountability of management to the company and the shareholders, fiduciaries duties of directors, disclosure of strategic information, audit of transactions, ethical practices by the managers and above all, responsibility of the corporation to the society and environment. There is an increasing demand from the stakeholders for adoption of ethical and responsible corporate governance practices.

The objective of this course is to familiarize the students about the fundamental principles of corporate governance and business ethics

**Course Objectives**

| Learning Outcome            | Description   |
|-----------------------------|---|
| L01 Rational of the course  | To understand rational of corporate governance & role of ethics   |
| L02 Subject knowledge       | To understand corporation corporate governance & business ethics  |
| L03 Strategic paradigms     | To analyze corporate failures and develop strategies & reforms initiatives for Directors & Managers                               |
| L04 Business Responsibility | To sensitize students on regulatory framework of Director responsibility & board independence                                     |
| L05 Applications            | Examine cases of corporations in crisis & corporate sustainability  |
| L06 Communications          | Critically examine cases of ethical dilemmas & communicate ethical action plans   |
| L07 Future Perspectives     | Appreciate the corporate governance challenges in Indian & global companies & understand global paradigms of corporate governance |

### **Pedagogy:**

The course will be taught using a combination of readings, lectures, guest lectures, case analysis , discussion and assignments.

### **Evaluation Criteria**

| S.No. | Component                     | Weightage |
|-------|-------------------------------|-----------|
| 1     | Group Assignment Report       | 10%       |
| 2     | Group Assignment Presentation | 10%       |
| 3     | Class Participation           | 10%       |

|   |                      |     |
|---|----------------------|-----|
| 4 | Quiz 1&2             | 20% |
| 5 | Mid Term Examination | 20% |
| 6 | End Term Examination | 30% |

### Class Plan and Suggested Readings

| Class | Topic  | Learning objective | Reference  |
|-------|--|--------------------|--|
| 1&2   | -Course Outline and Assessment Plan<br>-Contribution of Corporations to Economy<br>-Characteristics of A Corporation<br>- Defining Corporate Governance  | L01                | Book:<br>Towards Better Corporate Governance (TBCG)  |
| 3&4   | -Board of Directors<br>- Role of Chairman & Directors<br>- Role of Independent Directors in the Boardroom  | L02                | Book TBCG<br>&Reading Material   |
| 5&6   | <u>Corporate Failures and Governance Reforms:</u><br>-Maxwell Communications Scam : Cadbury code<br>G1-Fall of Enron : Causes Consequences & Reforms-The SOX Act<br><br>G2-Corporate Governance Failure at Satyam : Causes, Consequences & Reforms | L03 L04            | Book TBCG<br>&Reading Material<br>-Case- Fall of Enron by Paul Harley & Krishna Palepu<br>-Case- “Governance Failure at Satyam “ – by Gaur & Kohli-<br>Richard Ivey School of Business |
| 7&8   | - Governance by Board & Board Sub Committees<br>: Issues & Challenges  | L03 L04            | Book TBCG<br>&Reading Material   |
| 9&10  | <u>CG Theories</u><br>- Separation of ownership and control<br>- Agency Theory<br>- Stewardship Theory<br>- Stakeholders Theory<br>- Ethics in corporate governance  | L02 L04            | Book TBCG<br>&Reading Material   |
| 11&12 | G3-Governance Crisis in Tata Sons: Causes, Consequences & Lessons  | L05                | -Tata Sons Chairman Cyrus Mistry's Email To Board Directors Of Holding Co  |

|       |   |         |  |
|-------|---|---------|--|
|       | G4-Governance Crisis in Infosys : Causes<br>Consequences & Lessons  |         | And Tata Trustees 26 Oct 2016<br>-Statement from Tata Sons 10 Nov 2016<br>-Narayan Murthy's Address to<br>Shareholders Aug 29, 2017<br>-How Independent are independent directors?<br>Business Standard article March 2017 |
| 13&14 | -Individual & Group ethics :<br>G5-Should ethical values be given up<br>in a crisis?<br>(Case Study : Parable of the Sadhu)<br>-Understanding Business Ethics<br>:Ethics vrs Law<br>G6-Why is ethics important for the<br>managers? | L06     | Reading Material -Parable of Sadhu<br>Case Study<br>1.Ethics : A Basic Framework<br>- Prof Lynn Sharp Paine -HBR 9-307-059 May<br>15,2007-<br>2.What is the matter with Business Ethics?<br>Andrew Stark May-June 1993 HBR |
| 15&16 | G7-To analyse role of ethics at<br>workplace-Issues & Challenges  | L06     | Reading Material<br>-Why do ethical people make unethical<br>choices ?<br>- Corporate Ethics Can't Be Reduced<br>to Compliance   |
| 17&18 | -Ethical Corporation : Concept of<br>Corporate Citizen<br>G8-Why Should Corporation Be<br>Ethical to Stakeholders ?<br>( The Starbucks case)<br><br>G9- To propose Action Plan for<br>Ethical Conduct by Corporate<br>Executives    | L04 I06 | Starbucks & Conservation International<br>By James E Austin & Cate Reavis<br>Reading Material<br>-What can you do to improve ethics at your<br>company?<br>- Being an Ethical Business in a Corrupt<br>Environment         |
| 19&20 | - G10-Do Independent Directors<br>Contribute to Corporate<br>Boards?<br>- Corporate Governance Challenges<br>in India<br>- Agenda for CG Reforms  | L04 L07 | Book TBCG<br>&Reading Material<br>- Article: Emerging Role of Independent<br>Directors in the Boardroom<br>-by Arun K Rath   |

**Book:**

1. Towards Better Corporate Governance: Independent Directors in the Boardroom by Dr. Arun K Rath, Excel Books

**References:**

1. Monk, Robert A.G., and Minow, Nell (2004), *Corporate Governance*, Blackwell Publishing
2. Tricker , Bob, *Corporate Governance* ,Oxford University Press
3. Crane Andrew & Matten Dirk (2011), *Business Ethics*, Oxford University Press
4. Daniel Albuquerque ( 2010) ,*Business Ethics* ,Oxford University Press,
5. Good Ethics is Also Good Business –Article by Dominique Mele ( New York Times/Economic Times Jan 3,2012)
6. Institute of Company Secretaries of India (ICSI) (2010) , *Corporate Governance – Modules and Best Practices*
7. Lalita S Som, (Sept. 30, 2006), Corporate Governance Codes in India, Economic and political Weekly.
8. OECD, Corporate Governance Guidelines (2004)
9. SEBI Listing Obligations & Disclosure Requirements Regulations 2015