



Corporate Governance & Corporate Social Responsibility

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Course Description, Objectives and Format

Corporate governance is the collection of mechanisms, processes and relations by which corporations are controlled and operated, to guarantee the interests of investors and other stakeholders. While a lot of attention has been paid to examining internal mechanisms, such as the board of directors, ownership structures and executive compensation, growing attention has been put on external governance mechanisms, such as the market for managers, market for corporate control, codes of governance, or media exposure. In addition, the recognition of different patterns of corporate governance around the world has spurred comparative corporate governance research.

Corporate Social Responsibility has attracted renewed interest since the last financial crisis and questions the premise that firms should only be managed in the interest of shareholders. Management and corporations are increasingly facing public demand for new corporate ethos, a stricter compliance with both public and private/civil regulation and the assumption of responsibilities related to emerging social and environmental issues such as climate change, labor exploitation, health security, etc.

This course is aimed at enhancing doctoral students' knowledge of the foundations of corporate governance and corporate social responsibility research, and the linkages between both streams. The course includes the explanation and problematization of the main theories that are central to corporate governance and corporate social responsibility such as agency theory, the stakeholder view of the firm, institutional theory, etc.

This is primarily a discussion based course, where academic articles are posed to students on complex topics in which students engage first hand in the discussion and debate. We do expect a lively debate in the classroom and learning by confrontation. At the end of the course, students are asked to present a research proposal based on one of the topics covered.

The course is organized around 6 central topics, and each topic will have a paper discussion by a student and a formal debate between a student and the professor, where the other students are also invited to contribute. Students can choose any paper from the list, or ask to present a different paper (upon approval). All students should read the papers that are marked with a *, as well as the paper presented by the student.

The students will be graded on the following four elements:

25% - Paper presentation and general participation

25% - Debate

25% - Final research proposal*

25% - Final Exam

*The final proposal should include:

- (1) An appealing introduction with a clearly formulated research question.
- (2) A sound theoretical framework, with its formulated propositions and/or testable hypotheses.

- (3) A tentative research design.
- (4) A discussion that emphasizes the expected contribution of the paper to the existing literature on the topic.

The maximum number of pages of text is 15 (without counting figures, tables and references). Each student is required to present her or his research proposal at the end of the course.

Session Title and Readings

Introduction: Corporate governance and CSR – the original debate

Friedman, M. 1970. – The Social Responsibility of Business is to Increase its Profits – NY Times 1970.*

Rethinking the Social Responsibility of Business - John Mackey (ex-CEO Wholefoods)

<https://reason.com/2005/10/01/rethinking-the-social-responsi-2/>

Aguilera, R. V., Rupp, D. E., Williams, C. A., & Ganapathi, J. 2007. Putting the S back in corporate social responsibility: A multilevel theory of social change in organizations. *Academy of Management Review*, 32: 836-863.

Freeman, E., Wicks, A., Parmar, B. 2004. Stakeholder Theory and “The Corporate Objective Revisited”. *Organization Science* 15(3):364-369.

H. Aguinis, A. Glavas. 2012. What we know and don't know about corporate social responsibility: A review and research agenda. *Journal of Management*, 38 (2012), pp. 932-968

Campbell, J. L. 2007. Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility. *Academy of Management Review*, 32: 946-967

Some other relevant links:

<https://www.washingtonpost.com/opinions/2019/08/20/dont-trust-ceos-who-say-they-dont-care-about-shareholder-value-anymore/>

<https://review.chicagobooth.edu/economics/2019/article/capitalism-t-shareholders-vs-stakeholders>

<https://www.chicagobooth.edu/why-booth/stories/corporate-social-responsibility-revisited-videos>

Topic 1. Boards and Board Committees

Graham, J., Kim, H., Leary, M. 2020. CEO-board dynamics. *Journal of Financial Economics* 137: 612-636

Park, D. Boeker, W., Gomulya, D. 2020. Political ideology of the board and CEO dismissal following financial misconduct *Strategic Management Journal* 41: 108-123*

Hillman, A. J., T. Dalziel. (2003) Boards of directors and firm performance: Integrating agency and resource dependence perspectives, *Academy of Management Review* 28(3) 383–396.

Friedman, H. 2019. Investor Preference for Director Characteristics: Portfolio Choice with Gender Bias. *The Accounting Review* In-Press.

Adams, R., Hermalin, B., Weisbach, M. 2010. The Role of Boards of Directors in Corporate Governance: A Conceptual Framework and Survey. *Journal of Economic Literature* 48(1): 58-107

Topic 2. The importance of the ownership structure on firm decision-making and on the design of other corporate governance mechanisms and CSR

Anderson, R. Reeb, D. 2004. Founding-Family Ownership and Firm Performance: Evidence from the S&P 500, *Journal of Finance* 58: 1301-28.*

Appel, Ian, Todd Gormley, and Donald Keim, 2016, Passive investors, not passive owners, *Journal of Financial Economics* 121, 111–141.

Gaspar, J.-M., Massa, M., & Matos, P. 2005. Shareholder investment horizons and the market for corporate control. *Journal of Financial Economics*, 76(1): 135–165.

R. Aggarwal, I. Erel, M. Ferreira, P. Matos. 2011. Does governance travel around the world? Evidence from institutional investors. *Journal of Financial Economics*, 100, pp. 154-181*

Geng, X., Yoshikawa, T., & Colpan, A. M. 2016. Leveraging foreign institutional logic in the adoption of stock option pay among Japanese firms. *Strategic Management Journal*, 37(7): 1472–1492.

Ahmadjian, C. L., & Robbins, G. E. 2005. A clash of capitalisms: Foreign shareholders and corporate restructuring in 1990s Japan. *American Sociological Review*, 70(3): 451–471.

Neubaum, D. O. and Zahra, S. A. (2006) Institutional ownership and corporate social performance: The moderating effects of investment horizon, activism, and coordination, *Journal of Management*, 32: 108–31.

D. Miller, A. Minichilli, I. Le Breton-Miller, G. Corbetta, D. Pittino. 2014. When do non-family CEOs outperform in family firms?: Agency and behavioral agency perspectives. *Journal of Management Studies*, 51 (4) (2014), pp. 547-572

Topic 3. External corporate governance: the role of Media and Competition.

Bednar, M. (2012) Watchdog or Lapdog? A Behavioral View of the Media as a Corporate Governance Mechanism – *AMJ* 55(1)

Bednar, M; Boivie, S.; Prince, N. (2012) Burr Under the Saddle: How Media Coverage Influences Strategic Change – *Organization science* 24(3)*

X. Giroud, H. Mueller. 2011. Corporate governance, product market competition, and equity prices. *Journal of Finance*, 46 (2011), pp. 563-600.

X. Giroud, H. Mueller. 2010. Does corporate governance matter in competitive industries? *Journal of Financial Economics* 95 (2010) 312–331

Topic 4. Comparative corporate governance: the role of institutions and configurations

Aguilera, R. V., & Jackson, G. 2003. The cross-national diversity of corporate governance: Dimensions and determinants. *Academy of Management Review*, 28: 447-465*

Aguilera, R. V., Marano, V., & Haxhi, I. 2019. International corporate governance: A review and opportunities for future research. *Journal of International Business Studies*, 50(4): 457–498.

S. Fainshmidt, W.Q. Judge, R.V. Aguilera, A. Smith. 2016. Varieties of institutional systems: a contextual taxonomy of understudied countries. *Journal of World Business* 53(3): 307-322

P. Hall, D. Soskice. 2001. *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford University Press, Oxford (2001)

D. Matten, J. Moon. 2008. Implicit” and “Explicit” CSR: A conceptual framework for a comparative understanding of corporate social responsibility. *Academy of Management Review*, 33 (2) (2008), pp. 404-424*

Topic 5. How CSR links to performance and other firm outcomes.

Ferrell, A., Liang, H. and Renneboog, L. 2016. Socially responsible firms – *Journal of Financial Economics* 122(3), 585-606

P. Krueger. 2015. Corporate goodness and shareholder wealth. *Journal of Financial Economics*, 115 (2) (2015), pp. 304-325

Wang, H., Choi, J., Li, J. 2008. Too Little or Too Much? Untangling the Relationship Between Corporate Philanthropy and Firm Financial Performance. *Organization Science* 19(1): 143–159.*

A. Di Giuli, L. Kostovetsky. 2014. Are red or blue companies more likely to go green? Politics and corporate social responsibility. *Journal of Financial Economics*, 111 (1) (2014), pp. 158-180

Y. Kim, M.S. Park, B. Wier. 2012. Is earnings quality associated with corporate social responsibility? *The Accounting Review*, 8 (3) (2012), pp. 761-796

Flammer C, Luo J. 2017. Corporate social responsibility as an employee governance tool: evidence from a quasi-experiment. *Strategic Management Journal* 38(2): 163–183.

Topic 6. The link between Corporate Governance and CSR

Liang, H., Renneboog, L., 2017. The foundations of corporate social responsibility. *Journal of Finance* 72(2): 853-910.

A. Dyck, K.V. Lins, L. Roth, H.F. Wagner. 2019. Do institutional investors drive corporate social responsibility? International evidence. *Journal of Financial Economics* 131 (2019), pp. 693-714

H. Cronqvist, Yu F. 2017. Shaped by their daughters: executives, female socialization, and corporate social responsibility. *Journal of Financial Economics*, 126 (2017), pp. 543-562.

O. Hawn, I. Ioannou. 2016. Mind the gap: the interplay between external and internal actions in the case of corporate social responsibility. *Strategic Management Journal* 37 (13): 2569-2588.

Ioannou, L., & Serafeim, G. (2012). What drives corporate social performance? The role of nation-level institutions. *Journal of International Business Studies*, 43(9), 834–864.