

**UNIVERSITÀ DI BOLOGNA - FACOLTÀ DI ECONOMIA**  
**LAUREA MAGISTRALIS IN INTERNATIONAL MANAGEMENT**

**Corporate Governance (I.C. Corporate Finance)**  
**Area: Finance & Economics - 34546 -**  
**Fall 2011**

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### **Required knowledge**

Basic financial knowledge of financial instruments, present values of cash flows, organization of financial markets and corporations.

### **Objectives**

The course tries to cover in a comparative way the main models of corporate governance and their specific problems. It focuses also on minority shareholders' expropriation and on some EU directives aimed to integrate European Financial markets.

### **Program (and relative reading material)**

1. Course introduction: International corporate governance models: Bank oriented (Japan, Germany, continental Europe) versus market oriented (US, UK). The anglosaxon model and the "public company". Agency costs from separation of ownership and control in a public company. External solutions: market for products, market for managers, market for corporate control. (Slides 1, REQ1, REQ2)
2. Agency costs from separation of ownership and control in a public company. Internal solutions: board of directors, debt, monitoring by institutional investors, incentive schemes. (Slides 2, REQ1, REQ2)

3. The US Enron scandal and the Sarbanes-Oxley Act (Slides 3, OPT1)
4. The Continental European Model: ownership-control separation through “legal devices”. Major effects of Ownership/Control separation through legal devices. (Slides 4, OPT2)
5. Investors’ protection around the world. The Law and Finance approach and its critics. Legal and non-legal tools for shareholder protection. (Slides 5, OPT-REQ1, OPT-REQ2, REQ3)
6. Corporate governance reforms and investors’ protection in Italy. Self-expropriation in dual class-voting: a case study approach. (Slides 6, REQ4, REQ5)
7. The value of the voting right in dual class firms: theory and evidence (Slides 7, OPT-REQ3)
8. The Financial Services Action Plan and major EU directives. Economics of Insider trading and the EU Market Abuse directive (Slides 8, OPT3)
9. Economics of Takeovers and the EU takeover directive (Slides 9, REQ6, OPT4).
10. The Nabisco takeover and the movie "Barbarians at the gates"

### **Reading material availability**

All reading material and pdf copies of the slides are available and free downloadable at the following URL:

<http://www2.sa.unibo.it/docenti/marco.bigelli/didattica.html>

### **Required reading material (REQ)**

- All Slides used in class (numbered according to the lectures’ numbers)
- REQ1: Denis D. K. and J.J. McConnell, 2003, “International corporate governance”, *Journal of Financial and Quantitative Analysis*, 38, 1-36.
- REQ2: Schleifer and R. W. Vishny, 1997, “A Survey of Corporate Governance”, *Journal of Finance* 52, 737-783.
- REQ3: Enriques L. and P. Volpin, 2007, “Corporate Governance Reforms in Continental Europe”, *Journal of Economic Perspectives* 21, 117-140.
- REQ4: Barbi M., M. Bigelli, S. Mengoli, “Italian Corporate Governance”, in “The Handbook of International Corporate Governance: A Definitive Guide”, 2nd edition May 2009, The Institute of Directors, Kogan Page, London.
- REQ5: M. Bigelli, S. Mengoli (2011), Self-expropriations versus self-interests in dual class voting”, forthcoming on *Financial Management* (downloadable from <http://ssrn.com/author=90881>)
- REQ6: Burkart M. and F. Panunzi, 2006, Takeovers, ECGI Working paper n. 118-2006.

### **Extra required reading material for non-attending students taking the exam in the official exam sessions (January-February and September) rather than at the end of the course (OPT-REQ)**

- OPT-REQ1: La porta et al. (1998), “Law and Finance”, *Journal of Political Economy*, 106, 1113-1155.

- OPT-REQ2: Rajan R. G. and L. Zingales (2003), “The great reversals: the politics of financial developments in the twentieth century”, *Journal of Financial Economics* 69, 5-50.
- OPT-REQ3 Adams, R., and D. Ferreira, 2008, “One share, one vote: The empirical evidence”, *Review of Finance*, 12, 51-91.

**Optional reading material (OPT) –Not required but helpful to expand some topics -**

- OPT1: Sarbanes-Oxley Act
- OPT2: Bigelli M., V. Mehrotra and R. Rau, 2012, “Why are shareholders not paid to give up their voting privileges? Unique evidence from Italy”, forthcoming on *Journal of Corporate Finance*.
- OPT3: Enriques L. and M. Gatti (2006), EC Reforms of Corporate Governance and Capital Markets Law: Do they Tackle Insiders’Opportunism?, working paper.
- OPT4: EU Takeover directive

**Class attendance**

You are strongly advised to attend all the lectures. The course is designed so to stimulate class interaction and discussion. Most of the insights will emerge during class rather than the simple reading of the required teaching material. A deep understanding of the slides and listed papers can only be achieved through the class participation.

**Final exam and grading for attending students**

*Final exam*

The evaluation of attending students will be made by a final exam at the end of the course (in November). The exam will be indicatively made of 20 multiple choices (20/30 points) and some small exercises (for a total of 10/30 points) and will last 1 hour.

*Optional Group’s presentation*

Students who wish may form a group of 3-4 students in order to work on a specific topic (among those proposed by the professor) and present their work to the class in a 30 minute presentation at the end of the course. . I suggest to prepare a power point presentation not longer than 10/12 slides. Depending on the quality of the work done and the presentation’s performance, students of the group will get some extra points (up to a maximum of 3 points) which will add up to the points obtained in the written exam. Total marks above 30 will become 30 and honors. Students must decide whether make a group and present a case study within the first two lectures in order to properly re-schedule the last lectures of the course, if needed. The proposed topics are the following:

1. CEO Compensation
2. Corporate Governance Quality
3. Delisting and going private transactions
4. Dual Class Shares, agency conflicts and performance
5. French family firms, pyramids and type of corporate control
6. Media, frauds and corporate governance
7. Shareholders’ expropriations
8. Shareholders’ voting and the EU shareholders’ right directive

9. The subprime crisis and the Dodd-Frank Act
10. The value of voting rights

### **Re-take exams**

The first exam session will be in December (third week). Re-take exams will take place during January-February and September. Since the corporate governance exam is part of a comprehensive exam, which includes three course-modules (Corporate Governance, Financial Laboratory and Risk Management), it will be delivered along with the other two modules of the integrated course. In the exam and retake exam sessions, students can take either one (or two) of the modules or the whole integrated exam (made up of three modules). The corporate governance exam-part will be either in the form of the pre-exam or in a different form as, for example, some open questions. In the second and third exam sessions

(i.e., January-February and September) students will have to study also the following material:

- OPT-REQ1: La porta et al. (1998), "Law and Finance", *Journal of Political Economy*, 106, 1113-1155.
- OPT-REQ2: Rajan R. G. and L. Zingales (2003), "The great reversals: the politics of financial developments in the twentieth century", *Journal of Financial Economics* 69, 5-50.
- OPT-REQ3 Adams, R., and D. Ferreira, 2008, "One share, one vote: The empirical evidence", *Review of Finance*, 12, 51-91.

### **Exam registration policy for the whole integrated exam of Corporate Finance**

- The final grade for the integrated course (Corporate finance) will be computed as an arithmetic average of the three separate modules (Corporate Governance, Valuation and Risk Management).
- All positive grades will be automatically registered within two weeks from grading unless students ask not to proceed.
- In the re-take exam dates of January-February 2010 all exam-grades above or equal to 23 will be automatically registered unless student asks to repeat the exam once again. In the integrated exam sessions of September 2010 all positive grades must be registered.