CORPORATE GOVERNANCE
(MKT 382-#05700, MAN 385-#05245, LAW 354D-#28545)
SPRING 2017
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Faculty
William H. Cunningham
James L. Bayless Chair for Free Enterprise
Address: HRC 3.358
Office Phone: 232-7540
E-mail: whc@po.utexas.edu
Office Hours: Thursdays, 1:30-3:00 p.m. and by appointment

Teaching Assistant
Colin Mize: colinmize@utexas.edu

Class Schedule
The class will meet on Thursdays at 3:30 p.m. in GSB 3.138.

Course Objectives
The first objective of the course will be to help prepare future corporate and non-profit Directors to fulfill their fiduciary duties of care and loyalty to the organizations that they will serve. We will do this by examining a wide variety of issues that Directors must deal with on a regular basis. These include balancing efforts between establishing quarterly and yearly performance targets and building strong companies that can sustain above-market financial performance in the future. Directors must also manage business and political relationships, initiate and integrate acquisitions, create/change corporate culture, continually align the organization structure to the business strategy, allocate resources for a variety of corporate initiatives, deal with issues of corporate governance, succession planning, executive compensation, and learn to navigate through potential public relations disasters. We will examine as many of these topics as time permits.

The second objective of this course will be to understand the nature and scope of corporate Boards from the perspective of society, social and economic interest and what can be done to prevent some of the more publicized corporate governance failures. We will examine several of the more highly publicized corporate failures as well as what action Congress has taken to address corporate malfeasance, and the recommendations that have been made by social critics.

Leadership and Career Focus
The course is directed primarily at graduate business students and law students who expect to serve either as advisors to Boards of Directors or on Boards of Directors of public companies or non-profit organizations. While most of the course will focus on established public companies, much of the course content will be useful to those individuals who are primarily interested in entrepreneurial organizations, family corporations, or public sector non-profit entities.
Course Format
This course will have two distinct instructional formats. Professor Cunningham will lecture to the class to help provide all of the students with a fundamental knowledge of how Boards of Directors function in both for-profit and not-for-profit organizations. He will also focus on the different roles the Boards play in both large and small organizations.

The second format of the class will be to invite guest speakers to address the students who are involved in a wide variety of real world governance issues. The guests will be encouraged to provide ample opportunity for questions during their presentations. The individuals that will be invited to class will include a mix of entrepreneurs, senior executives from major corporations, directors of public and private entities, politicians, leaders of non-profit entities, corporate lawyers and partners of major accounting firms.

Informal Class Meeting
Professor Cunningham will host an informal lunch meeting with class members. The purpose of this lunch meeting is to give students and Professor Cunningham an opportunity to have an informal small group discussion on topics related to the course. Students are not required to attend this lunch.

About the Faculty
William H. Cunningham served as Dean of the College and Graduate School of Business (1983-85), President of The University of Texas at Austin (1985-1992), and Chancellor of The University of Texas System (1992-2000). Dr. Cunningham serves on a number of public corporate Boards including Southwest Airlines, Lincoln National, and John Hancock Mutual Funds.

Required Reading Assignments

Students should stay current with news regarding Corporate Governance issues and are expected to read the Wall Street Journal daily. Students may sign up for the WSJ at a reduced educational rate through the WSJ web site at www.wsjstudent.com. This can be purchased for a quarter, semester, or a year.

Optional Reading Material
The following books present an interesting and somewhat contradictory perspective on corporate governance. Each of these books is available in the Perry Castaneda Library.

2. Blair, Margaret M., Ownership and Control: Rethinking Corporate Governance for the Twenty-first Century.
3. Cadbury, Sir Adrian, The Company Chairman.
12. The Role of the Board of Directors in Enron’s Collapse, Report prepared by the Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, United States Senate, July 2002.

Attendance
A significant portion of the content of the material delivered in class will come from lectures and in-class discussion. Therefore, it is critical that every student who enrolls in the class make a commitment to attend all of the classes. Any student who has two unexcused class absences will have his or her end of semester grade reduced by one quarter (for example, an A would become an A-). Each additional unexcused absence will result in the student’s grade being reduced by an additional one-quarter grade. Professor Cunningham will provide an opportunity to review a case to students who miss two classes and who do not want to have their class grade reduced by one quarter. Each additional absence will require an analysis of an additional case. Excused absences do not include obligations to other classes, interviews for jobs, otherwise worthy university or professional activities, or ill-defined “family issues.” Excused absences must be approved by Professor Cunningham. Out of respect to your fellow classmates and our guest speakers, all students must arrive on time for class and not leave until the class is formally dismissed. To ensure our records are accurate, students must communicate by e-mail to Colin Mize, if they miss a class.

Course Requirements and Grading

Students will be evaluated on the basis of class participation (30%), written project (40%) and an examination (30%). Professor Cunningham will be pleased to answer questions on any aspect of how students will be evaluated.

**Class Participation:** In-class participation will be evaluated based on the quantity and quality of in-class participation.

**Written Project.** There are a number of interesting topics that Boards of Directors must deal with and are worthy of exploration. Examples include: corporate culture, insider trading, role of activist investors, role of Institutional Shareholders Services (ISS), anticipated impact of Dodd Frank, SEC compensation directives, regulation of the financial sector (Elizabeth Warren’s proposals), Super PACs, share buybacks, and dividends vs. investments and the impact of Corporate America on the election of Donald Trump. Students may also select governance issues that have impacted specific companies. Examples include the fallout from Viacom (Sumner Redstone), Bayer Bid for Monsanto, Ackman and Herbalife, Hewlett Packard spinoffs, Baylor Starr and Briles, The University of Texas System, Uber and Austin, Enron, WorldCom, Volkswagen, Wal-Mart (Foreign Corruption Practices Act), General Motors and the federal government. Students may select one of the above listed topics or select another governance topic of their choice to explore. Students are encouraged to form groups of up to four people. Professor Cunningham will be pleased to meet with students to discuss the topic of their choice. The written project must be submitted electronically to Professor Cunningham (whc@po.utexas.edu) by Wednesday, April 19 at 9:00 a.m.
Examination: A closed blue book examination will be administered on the last class day (May 4) during the normal class time. It will be drawn from reading assignments as well as material presented in class by Professor Cunningham and from the guest lecturers.

Electronic Devices
Students are not permitted to use computers, telephones, or other forms of electronic communication devices in class.

Name Identification
You are required to bring with you to class a large name card, place it in front of you, and sit in the same seat each class.

Course Web Site
The course will utilize a Web site, available through Canvas. To access the site, go to http://canvas.utexas.edu. You will be asked to enter your UT EID to access the site.

Password-Protected Class Site
Password-protected class sites are available for all accredited courses taught at The University. Syllabi, handouts, assignments and other resources are types of information that may be available within these sites. Site activities could include exchanging e-mail, engaging in class discussions and chats, and exchanging files. In addition, class e-mail rosters will be a component of the sites. Students who do not want their names included in these electronic class rosters must restrict their directory information in the Office of the Registrar, Main Building, Room 1. For information on restricting directory information see: http://www.utexas.edu/student/registrar/catalogs/gi02-03/app/appc09.html.

Students with Disabilities
Students with disabilities may request appropriate academic accommodations from the Division of Diversity and Community Engagement, Services for Students with Disabilities, 512-471-6259, http://www.utexas.edu/diversity/ddce/ssp/).

Religious Holy Days
By UT Austin policy, you must notify me of your pending absence at least fourteen days prior to the date of observance of a religious holy day. If you must miss a class, an examination, a work assignment, or a project in order to observe a religious holy day, you will be given an opportunity to complete the missed work within a reasonable time after the absence.

Building Evacuation
Occupants of buildings on The University of Texas at Austin campus are required to evacuate buildings when a fire alarm is activated. Alarm activation or announcement requires exiting and assembling outside. Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you used when entering the building.
Scholastic Dishonesty
The McCombs School of Business adheres to the UT Honor Code ([http://registrar.utexas.edu/catalogs/gi09-10/ch01/index.html](http://registrar.utexas.edu/catalogs/gi09-10/ch01/index.html)) and has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the Policy Statement on Scholastic Dishonesty for the McCombs School of Business:

By teaching this course, I have agreed to observe all of the faculty responsibilities described in that document.

By enrolling in this class, you have agreed to observe all of the student responsibilities described in that document. If the application of that Policy Statement to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification. Policy on Scholastic Dishonesty: Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, and the integrity of the University, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services website at [http://deanofstudents.utexas.edu/sjs/](http://deanofstudents.utexas.edu/sjs/) or the General Information Catalog to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.

**Course Assignments (WORK IN PROGRESS)**
This course syllabus is work in progress and it will always be work in progress. In addition, one or more speakers may develop conflicts that forces changes in the syllabus. There are too many new events, regulatory body rulings, and court decisions that impact the governance of corporations to make this course a static event. Therefore, students are responsible for reviewing the course Web site on the Wednesday prior to class to determine if there have been any changes in course assignments. You should expect that additional course reading materials will be assigned during the semester.

Speakers’ biographies will be posted to the Web site prior to class.

**JANUARY 19**

**Nature and Structure of Corporate Boards**

Reading Assignments:
1. Corporate Director’s Guidebook, Sixth Edition, Sections 1, 2, 4, 5 & 6
2. Commonsense Principles of Corporate Governance (by Warren Buffett and Jamie Dimon)

**The Role of General Counsel in a Public Corporation**

Guest Speaker: Charles Matthews, Former General Counsel of Exxon

Reading Assignments:
2. As Mergers Multiply, U.S Antitrust Cops Raise Their Game, WSJ, July 2, 2015
4. Whistleblowers are Poised to Collect $100 Million, WSJ, August 10, 2016
**JANUARY 26**

**Development of a Corporate Board**

Reading Assignments:
2. The Path From Harvard and Yale to Goldman Sachs Just Changed, WSJ, June 24, 2016
3. Firms Intensify Push For Gender Parity at Board Level, WSJ, August 17, 2016
4. Commodities Crunch Muddles Family Feud At Top of Louis Dreyfus, WSJ, November 4, 2016

**The External Auditor and the Audit Committee**

Guest Speaker: Darrell McKown, Partner, Ernst & Young

Reading Assignments:
1. Board Games, Chapter 8
2. Corporate Director’s Guidebook, Sixth Edition, Section 7

**FEBRUARY 2**

**The Transition from the Practice of Law to General Counsel to Entrepreneur**

Guest Speaker: William Banowsky, Founder and Chief Executive Officer of Violet Crown Cinema and Carolina Cinemas

Reading Assignments:
1. At the Movies, WSJ, July 7, 2014
2. Rising Box Office Masks Glut of Big Budget Film Flops, WSJ, August 15, 2016

**Interface Between Business and Government**

Guest Speaker: John Montford, President & Chief Executive Officer of JTM Consulting

Reading Assignments:
1. Corporate Director’s Guidebook, Sixth Edition, Section 4
3. Colleges Flex Lobbying Muscle, WSJ, November 8, 2015
**FEBRUARY 9**

**Wealth Management**

Guest Speaker: David Booth, Founder, Chairman and Co-CEO, Dimensional Fund Advisors

Reading Assignments:
1. Jack Bogle Walks the Talk, CBM, Fourth Quarter 2012

**The Governance of Government**

Guest Speaker: Daniel Hodge, Chief of Staff, Governor Abbott. Former First Assistant Attorney General, Office of the Attorney General

Reading Assignments:
1. Texas Attorney General Faces Charges, WSJ, August 3, 2015

**FEBRUARY 16**

**The Crisis at Enron**

Guest Speaker: Sherron Watkins, Former Vice President at Enron and *Time Magazine* Person on the Year in 2002.

Reading Assignments:
2. Lay, Skilling Are Convicted of Fraud, WSJ, May 26, 2006
3. Lay’s Legacy: Corporate Change – But Not the Kind He Expected, WSJ, July 6, 2006
4. ‘Benron’ Behind Bars, WSJ, April 21, 2007
5. Are Women More Likely Than Men to be Whistleblowers?, Fortune Magazine, September 30, 2014

**The Critical Role of the Federal Reserve**

Guest Speaker: Richard Fisher, Former President and CEO of the Federal Reserve Bank of Dallas

Reading Assignments:
1. Yellen: Recession Unlikely, But Long-Run Growth Could Be Low, WSJ, June 22, 2016
2. Janet Yellen Sees Rate Hike Coming Soon, June 28-29, 2016
4. Wage Gains Gather Steam, WSJ, November 5, 2016
FEBRUARY 23

The Chief Financial Officer

Guest Speaker: Tammy Romo, Senior Vice President Finance and Chief Financial Officer

Reading Assignments:
1. Board Games, Chapters 2, 3 & 4
2. Transportation Department Investigates Concerns About Airline Price Gouging, WSJ, July 25-26, 2015
3. The Best and Worst Frequent Flier Rewards Programs Airlines for 2016, WSJ, May 12, 2016
4. Budget Carriers Spread Their Wings, WSJ, October 12, 2016
5. Berkshire Makes Airline Play, November 15, 2016

The CEO and the Board of Directors

Guest Speaker: Doug Brooks, Chairman and Former Chief Executive Officer of Brinker International

Reading Assignments:
2. Yahoo’s Marissa Mayer Stumbled After Secret Truce With Investor, June 17, 2016
3. CEO’s Sometimes Use Small Changes As Wedge For Broad Transformation, July 6, 2016
4. Chipotle Opt for One CEO as Company Hones Focus, WSJ, December 13, 2016

MARCH 2

Mergers and Acquisitions

Guest Speaker: Robert Kimbell, Partner, Vinson and Elkins

Washington Consultant

Guest Speaker: Ben Barnes, CEO, Ben Barnes Group

Reading Assignments:
1. Top Hillary Clinton Fundraisers Also Big Donors to Foundation, WSJ, July 18-19, 2015
2. Barack Obama Endorses Hillary Clinton, WSJ, June 10, 2016
3. FBI: Clinton Careless, not Criminal, WSJ, July 6, 2016
MARCH 9

GLOBAL TRIP – NO CLASS

MARCH 16

SPRING BREAK – NO CLASS

MARCH 23

The Life of an Entrepreneur

Guest Speaker: John Mitchell, CEO and Founder, Think It…Be It, and Founder or reverse mortgage in Texas

Reading Assignments:
  1. Startup Investing for the Little Guy, WSJ, December 5, 2016

Director’s Fiduciary Responsibility

Guest Speaker: Howard Nirken, Attorney, Dubois, Bryant & Campbell

Reading Assignments:
  1. Board Games, Chapters 5 & 6
  4. SEC Investigating Tesla For Possible Securities-Law Breach, WSJ, July 12, 2016
  5. Corzine Nears Pact To Settle CFTC Suit, WSJ, October 7, 2016

MARCH 30

The Chief Executive Officer and the Board of Directors

Guest Speakers: Kenneth Jastrow-Chairman of Forestar Group and Former Chairman of the Board and CEO of Temple-Inland Financial Services and Jim Johnson-Vice Chairman of Perseus, Former Chairman and CEO of Fannie Mae, and Chairman of Goldman Sachs Compensation Committee.

Reading Assignments:
  1. Board Games, Chapters 7, 10 & 11
  2. Corporate Director’s Guidebook, Sixth Edition, Sections 9 and 10
4. Wells Boss Says Staff At Fault For Scams, WSJ, September 14, 2016
5. Regulators Take Heat Over Wells, WSJ, September 21, 2016
7. Succession Planning is Key to Smooth Transitions, WSJ, June 9, 2016
8. Trump Moves Sights to Boeing, WSJ, December 7, 2016

APRIL 6

The CEO and the Media

Guest Speakers: Wayne Slater, Former Chief Political Writer, *Dallas Morning News*
James Moroney, Publisher and CEO of the *Dallas Morning News*

Reading Assignments:
1. How Old Media Can Survive in a New World, WSJ, May 23, 2005
2. NBC Starts Inquiry Into Brian Williams, WSJ, February 7-8, 2015
3. NBC Tries Damage Control, WSJ, October 15, 2016

APRIL 13

Governmental Affairs and Management at NASA

Guest Speaker: Mary Ellen Weber, Former Vice President for Government Affairs and Policy at UT Southwestern Medical Center and former astronaut.

Hershey – Profits and Philanthropy

Guest Speaker: Rob Malcom, Consultant and Corporate Director

Reading Assignments:
1. Prospective Hershey Suitors Face Numerous Unusual Hurdles, July 2-3, 2016
2. Snack Giant Mondelez Makes $23 Billion Takeover Bid For Hershey, WSJ, July 1, 2016
3. Board Resignation at Hershey Trust Adds Uncertainty in Face of Mondelez Pursuit, WSJ, July 12, 2016
4. Hershey Controlling Trust is Besieged at a Pivotal Juncture, WSJ, July 14, 2016
5. Mondelez Drops Offer for Hershey, WSJ, August 30, 2016
6. Hershey’s CEO To Step Down, WSJ, October 15, 2016
APRIL 20

Hedge Funds and Alternative Investments

Guest Speaker: Geoffrey Raynor, CEO of Q Investments

Reading Assignments:
1. Private Equity Firms (Finally) Finding Value in the Oil Patch, WSJ, July 18, 2016
2. Withdrawals Plague Once-Mighty Hedge-Fund Firms Brevan Howard and Tudor, WSJ, August 17, 2016
3. A $7 Billion Winning Streak, WSJ, October 11, 2016
4. Bankruptcy for Hedge Fund, WSJ, October 20, 2016
5. Activists Start Thinking Smaller, WSJ, November 15, 2016
6. Activist Gets Chipotle Board Seats, WSJ, December 17, 2016

APRIL 27

Corporate Boards and Start-Up Companies

Guest Speaker: Alan Blake, Chief Executive Officer and Founder of Yorktown Technologies

Reading Assignments:
1. Fishy Business, Alcalde, January/February 2013
2. Why Some Entrepreneurs Feel Fulfilled – But Others Don’t, WSJ, May 26, 2015
3. How to Recognize a Budding Entrepreneur, WSJ, May 26, 2015

Executive Compensation

Guest Speaker: Ben Stradley, Partner, Pay Governance

Reading Assignments:
1. Board Games, Chapter 9
2. Corporate Director’s Guidebook, Sixth Edition, Section 8
3. CEO Pay Shrank Most Since Financial Crisis, WSJ April 8, 2016
4. CEO Pay Shrinks 4.6% But Offers Weak Reflection of Performance, WSJ, June 3, 2016
5. The Biggest Mistakes Executives Make With Retirement Packages, WSJ, June 13, 2016

MAY 4

IN CLASS EXAM
CBM – Corporate Board Magazine
WSJ – Wall Street Journal
NYT – New York Times
HBR – Harvard Business Review
BW – Business Week