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| Course title: Corporate Governance and Business Ethics | | | | |
| Course code: PPM 201 | No. of credits: 3 | L-T-P: 36-6-6 | Learning hours: 48 | |
| Pre-requisite course code and title (if any): None | | | | |
| Department: Policy & Management Studies | | | | |
| Course coordinator(s): Dr. Vidhi Madaan Chadda | | Course instructor(s): Dr. Vidhi Madaan Chadda | | |
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| Course Type: Core | | Course offered in: Semester 1 | | |
| Course Description | | | | |
| <p>The Enron and WorldCom implosions, that were discreet events involving fraud and loss to shareholders, employees and pensioners resulted in changes in policy and legal framework like the enactment of the Sarbanes-Oxley Act, 2002. This marked a significant increase in interest in the field of corporate governance.</p> <p>The subsequent Global Financial crisis of 2007-2009 which resulted in various governments spending billions of taxpayer money in bail-out packages to business organizations has led to a view that corporate governance reforms need to be much more profound and, possibly, even intrusive and has resulted in a debate on the role to be played by the state, as a regulator, in ensuring good governance. The impact of corporate mis-governance is quite significant and extends far beyond the affected organization; therefore, corporate governance has fast emerged as a significant academic discipline in the last few decades and today occupies a significance presence in the curricula at business schools.</p> <p>Even though corporate governance reforms in India are of recent origin they are increasingly occupying centre stage in discussions. While the reform process got a kick start with the liberalization of the Indian Economy in the 90s and the progress in legislating and introducing corporate governance reforms in India in the last two decades has been quite significant, their effectiveness continues to be a matter of considerable debate.</p> <p>Corporate India has also had its share of governance scams with Satyam, which has been described as India's Enron, being the most notable one.</p> <p>The Companies Act, 2013 ushered in the new regime of corporate governance in India through enhanced disclosures, transparency and good governance. Further, with the evolving framework for responsible business in the country it becomes incumbent to acquaint the participants with the theoretical and practical aspects of corporate governance.</p> | | | | |
| Course objectives | | | | |
| <p>Given that effective corporate governance is crucial to a successful and sustainable corporate enterprise and also the fact that it is an evolving discipline, this course would help the participants to:</p> <ul style="list-style-type: none"> ▪ Understand the theoretical underpinnings of ethics and governance for businesses. ▪ Appreciate how developments in corporate governance have been evolved and trace the history of developments in this field- internationally and in India. ▪ Analyse the models and frameworks that exist globally and domestically for corporate governance. ▪ Critically examine the roles, responsibilities, obligations, liabilities and effectiveness of boards of directors, management, shareholders, regulators and other corporate stakeholders with specific reference to the challenges that are faced in a business environment. | | | | |
| Course content | | | | |
| Module | Topic | L | T | P |
| Module 1: Introduction and Conceptual framework | Introduction to the course and discussion on the pedagogy, readings, evaluation pattern. | 1 | 0 | 0 |
| | Ethics, Morals & Values: Concepts of Utilitarianism and Universalism; Values & Value Orientation of the Firm; Theories and major sources of ethical values in business. | 2 | 0 | 0 |
| | The Theoretical Framework (s) for corporate governance: | 4 | 0 | 0 |

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| | Agency Theory; Stakeholder Theory; Stewardship Theory: Resource Dependency Theory; Gandhian concept of Trusteeship. | | | |
| | Corporate Governance: Why governance? The Global Financial Crisis of 2007-09: Its Antecedents and Consequences –the increasing relevance of Corporate Governance. Ethical Perspective to Corporate Governance. Ancient Indian Connections; History of Corporate form and models; Corporate Objectives and goals: Ownership pattern: Issues in managing public limited firms; Agency problems. | 5 | 0 | 0 |
| | Corporate Governance Mechanisms Internal Corporate Governance Mechanism: Board of Directors; Functional Committees of Board; Code of conduct, whistle blowers; Board and Committee Assurance Providers and Other Advisors; External Corporate Governance Mechanism: Regulators, Gate keepers, Institutional Investors, Corporate raiders. Auditing, Internal Controls and Compliance | 5 | 0 | 0 |
| Module 2: Framework for Ethical and Responsible business | Principles of ethical conduct, ethical dilemma, how corporations manage ethics. Companies as a ‘good’ corporate citizen; Responsible business paradigm. Ethics v. social responsibility of business, Adoption and model of CSR agenda. Responsible business strategies, policies and practices. Multinational Corporations, ethics and responsible business. Principles of GBS Codex, The United Nations Global Compact, Responsible business reporting frameworks. | 5 | 0 | 0 |
| Module 3: Global Perspectives and Practices on Corporate Governance | Global Corporate Governance models; Anglo- Saxon model other models (Germany & Japan); Emergence and emerging trends of corporate governance in the US & UK; Cadbury Report, OECD Committee Recommendations; The Sarbanes Oxley Act. Case Study: Enron | 4 | 0 | 2 |
| Module 4: Corporate Governance in India: Emergence and Trends | Colonialism and emergence of corporate sector in India, Developments post-independence 50s to 90s; developments in Corporate Governance in India in nineties and 2000s; CII, Kumara Mangalam Birla, Narayana Murthy, Naresh Chandra, JJ Irani, Kotak Committee reports; Legal and Regulatory reforms; introduction and implication of Clause 49; The Companies Act, 2013: Key features, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and recent developments. | 5 | 0 | 0 |
| | Challenges for Corporate Governance in India: The role of the dominant shareholder; legal rights and enforcement; differences in cultural and political factors and their impact on the CG framework; Corporate Governance in family-owned companies. Role of board committees, managerial remuneration, Efficacy of auditors, ‘Independence’ of independent directors, Reporting and Disclosures. Contemporary challenges and future direction for corporate governance. Case studies: Satyam Tata-Mistry IL&FS | 4 | 2 | 4 |
| | Group presentations | 0 | 4 | 0 |
| | TOTAL | 36 | 6 | 6 |

Evaluation criteria:

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| Minor-1: | Assignment | – 25% |
| Minor-2: | Group Presentation | – 25% |
| Major Exam: | Written Test | – 50% |

Learning outcomes:

By the end of this course, the students would have:

- Developed an understanding of the conceptual framework for Business Ethics & Values and appreciate ethical issues and concerns that arise while taking decisions in personal and corporate life.
- Understood the various theoretical frameworks on which corporate governance theories are premised.
- Appraised the emergence of corporate governance models and frameworks as they have evolved internationally.
- Understood the specific roles, responsibilities, reporting obligations, liabilities and effectiveness of boards of directors, management, shareholders, regulators and other corporate stakeholders in good governance in organizations.
- Appreciate the challenges that are specific to the Indian context and understand why transplanting western concepts of corporate governance to the Indian setting may not give the desired solutions.
- Identify the direction for future corporate governance reforms.

Pedagogical approach

The pedagogy used for the course would be a blend of learning in the class room and then applying theory to the analysis of encapsulated situations (case studies), group discussions and project assignments. In this course Learning is not intended to be a one-way transmission of information through lectures and the course is designed to be very practical and supported by strong theoretical foundations. Students would be encouraged to be constructively critical of the assumptions, arguments, positions, the status quo and prevailing theories of corporate governance presently put forward by regulators, academics and other stakeholders. The objective of the pedagogy to be followed is, therefore, to develop the student into an engaged, critically reflective practitioner, who is not necessarily engaged only in quiet self-reflection, but is social, action-oriented and is able to analyze the dominant thinking in this field. Through reflection, students would acquire new (and hopefully more powerful) understanding and appreciation of the phenomenon of corporate governance, individually and in concert with their colleagues.

The contact sessions for this course would be broadly organized as:

- sessions for Class Room Lecture given by the course Instructor that would expound and package the theory and concepts with illustrations and relate with real life examples;
- sessions of Case Discussion, facilitated by the course Instructor and/or Guest Speakers with dynamic student interaction to simulate, apply and illustrate any given concept, theory or argument;
- sessions of Group discussion and Presentation, led by students, under the supervision of the course Instructor, to communicate, draft and develop the concepts, theory and arguments and make presentations in the class.

Materials:

- Bhattacharyya, A.K. (2016). Corporate Governance in India: change and continuity. Oxford University Press.
- Fernando, A.C. (2009). Corporate ethics, governance and social responsibility: Percepts and practices. Dorling Kindersley Pvt Ltd. Pearson
- Fernando, A.C., Satheesh, K.P. et.al. (2018). Corporate Governance: Principles, Policies and Practices. (3rd ed.). Dorling Kindersley Pvt Ltd. Pearson.
- Fernando, A.C., Muralidharan, K.P. et.al. (2019). Business Ethics: An Indian perspective. (3rd ed.). Dorling Kindersley Pvt Ltd. Pearson.
- Indian Institute of Corporate Affairs. (2015). Corporate Governance. Taxmann Publications Ltd.
- Steiner, J.F. & Steiner, G.A. (2012). Business, Government and Society: Texts and Cases. (12th ed.) McGraw Hill (India) Pvt. Ltd.
- Valasquez, M. G. (2011). Business Ethics: Concepts and Cases (7th ed.), USA: Prentice Hall.
- These texts will be supplemented with additional teaching aids such as academic papers, cases and research studies in this field.

Additional information (If any): None

Student responsibilities:

Attendance, Pre-reading, Class participation, Presentation, Assessment and Feedback.

Prepared by: Dr. Vidhi M Chadda

Course reviewers:

1. Prof. Deva Prasad M., IIM-Kozikode
2. Prof. Kiran Rai, Maharashtra National Law University, Mumbai