



Spring Term 2016 (FS 2016)

**Doctoral Seminar Empirical Research in Corporate Governance**

**Course schedule and reading list**

**1) Session and exercise schedule**

<b>Session</b>	<b>Day</b>	<b>Time</b>	<b>Room</b>
1	Monday, May 30	10:15 – 11:45	KOL-N-1
2	Monday, May 30	13:30 – 15:00	KOL-N-1
3	Monday, May 30	15:30 – 17:00	KOL-N-1
4	Tuesday, May 31	10:15 – 11:45	KOL-N-1
5	Tuesday, May 31	13:30 – 15:00	KOL-N-1
Research Seminar	Tuesday, May 31	16:15 – 17:45	PLM F 103/104
6	Wednesday, June 1	09:00 – 10:00	KOL-N-1
7	Wednesday, June 1	10:30 – 11:45	KOL-N-1
8	Wednesday, June 1	13:30 – 15:00	KOL-N-1

On Tuesday, May 31, Prof. Yermack will present his latest research paper in the Research Seminar in Accounting, Auditing & Governance (AAG) (see [www.business.uzh.ch/professorships/managerialaccounting/lehre/aag.html](http://www.business.uzh.ch/professorships/managerialaccounting/lehre/aag.html)), the seminar talk is considered as a part of the doctoral seminar.

**2) Seminar content**

This course surveys leading academic research in selected areas of corporate governance, focusing especially upon boards of directors, institutional investors, and the influence of corporate and securities law upon corporate finance. We will also study governance in organizations such as financial mutuals and non-profits. Some recent working papers will be studied, in order to introduce students to the latest developments in the field and to help identify research topics.

The reading list for the course appears below. The most important papers in each section are marked with asterisks (\*\*), and I recommend that you read these papers carefully in advance of the class meetings.

**Session 1: Governance, legal jurisdiction, and firm value**

\*\* LaPorta, R., F. Lopez-de-Silanes, A. Shleifer, and R. Vishny, 1998, "Law and Finance," *Journal of Political Economy* 106, 1113-1155.





Karpoff, J., and P. Malatesta, 1995, "State Takeover Legislation and Share Values: The Wealth Effects of Pennsylvania's Act 36," *Journal of Corporate Finance* 1, 367-382.

Daines, R., 2001, "Does Delaware Law Improve Firm Value?" *Journal of Financial Economics* 62, 525-558.

Bertrand, M., and S. Mullainathan, 2003, "Enjoying the Quiet Life? Managerial Behavior Following Anti-Takeover Legislation," *Journal of Political Economy* 111, 1043-1075.

Stulz, R., and R. Williamson, 2003, "Culture, Openness and Finance," *Journal of Financial Economics* 70, 313-349.

\*\* Gompers, P., J. Ishii, and A. Metrick, 2003, "Corporate Governance and Equity Prices," *Quarterly Journal of Economics* 118, 107-155.

Cremers, M., and A. Ferrell, 2014, "Thirty Years of Shareholder Rights and Firm Valuation," *Journal of Finance* 69, 1167-1996.

## **Session 2: Boards of directors and firm value**

Rosenstein, S., and J. Wyatt, 1990, "Outside Directors, Board Independence, and Shareholder Wealth," *Journal of Financial Economics* 26, 175-191.

\*\* Yermack, D., 1996, "Higher Market Valuation for Firms With a Small Board of Directors," *Journal of Financial Economics* 40, 185-211.

Brickley, J., J. Coles, and G. Jarrell, 1997, "Leadership Structure: Separating the CEO and Chairman of the Board," *Journal of Corporate Finance* 3, 189-220.

Klein, A., 1998, "Firm Performance and Board Committee Structure," *Journal of Law and Economics* 41, 275-303.

Vafeas, N., 1999, "Board Meeting Frequency and Firm Performance," *Journal of Financial Economics* 53, 113-142.

Klein, A., 2002, "Audit Committee, Board of Director Characteristics, and Earnings Management," *Journal of Accounting and Economics* 33, 375-400.

\*\* Faleye, O., 2007, "Classified Boards, Firm Value, and Managerial Entrenchment," *Journal of Financial Economics* 83, 501-529.

Masulis, R., and S. Mobbs, 2011, "Are All Inside Directors the Same? Evidence from the External Directorship Market," *Journal of Finance* 66, 823-872.



Schwartz-Ziv, M., and M. Weisbach, 2013, "What Do Boards Really Do? Evidence from Minutes of Board Meetings," *Journal of Financial Economics* 108, 349-366.

Cai, Y., J. Xu, and J. Yang, 2016, "Affiliated Corporate Donations and Director Independence," unpublished manuscript.

### **Session 3: Selection of new directors**

\*\* Hermalin, B., and M. Weisbach, 1988, "The Determinants of Board Composition," *RAND Journal of Economics* 19, 589-606.

Shivdasani, A., and D. Yermack, 1999, "CEO Involvement in the Selection of New Board Members: An Empirical Analysis," *Journal of Finance* 54, 1829-1853.

Fich, E., 2005, "Are Some Outside Directors Better Than Others? Evidence From Director Appointments by Fortune 1000 Firms," *Journal of Business* 78, 1943-1971.

DeFond, M., R. Hann, and X. Hu, 2005, "Does the Market Value Financial Expertise on Audit Committees of Boards of Directors?" *Journal of Accounting Research* 43, 153-194.

\*\* Fich, E., and A. Shivdasani, 2006, "Are Busy Boards Effective Monitors?" *Journal of Finance* 61, 689-724.

Petry, S., 2009, "Workers on the Board and Shareholder Wealth: Evidence from a Natural Experiment," unpublished manuscript, Cambridge University.

\*\* Masulis, R., C. Wang, and F. Xie, 2012, "Globalizing the Boardroom: The Effects of Foreign Directors on Corporate Governance and Firm Performance," *Journal of Accounting and Economics* 53, 527-554.

\*\* Ahearn, K., and A. Dittmar, 2012, "The Changing of the Boards: The Value Effect of a Massive Exogenous Shock," *Quarterly Journal of Economics* 127, 137-197.

Falato, A., D. Kadyrzhanova, and U. Lel, 2014, "Distracted Directors: Does Board Busyness Hurt Shareholder Value?" *Journal of Financial Economics* 113, 404-426.

### **Session 4: Governance and the role of banks**

\*\* Ramirez, C., 1995, "Did J.P. Morgan's Men Add Liquidity? Corporate Investment, Cash Flow, and Financial Structure at the Turn of the Twentieth Century," *Journal of Finance* 50, 661-678.

Kroszner, R., and P. Strahan, 2001, "Bankers on Boards: Monitoring, Conflicts of Interest, and Lender Liability," *Journal of Financial Economics* 62, 415-452.



Güner, A., U. Malmendier, and G. Tate, 2008, "Financial Expertise of Directors," *Journal of Financial Economics* 88, 323-354.

Dittmann, I., E. Maug, and C. Schneider, 2010, "Bankers on the Boards of German Firms: What They Do, What They Are Worth, and Why They Are (Still) There," *Review of Finance* 14, 35-71.

### **Session 5: Corporate voting**

Pound, J., 1988, "Proxy Contests and the Efficiency of Shareholder Oversight," *Journal of Financial Economics* 20, 237-265.

Zingales, L., 1994, "The Value of the Voting Right: A Study of the Milan Stock Exchange Experience," *Review of Financial Studies* 7, 125-148.

Zingales, L., 1995, "What Determines the Value of Corporate Votes?" *Quarterly Journal of Economics* 110, 1047-1073.

\*\* Hu, H., and B. Black, 2006, "The New Vote Buying: Empty Voting and Hidden (Morphable) Ownership," *Southern California Law Review* 79, 811-908.

\*\* Christofferson, S., C. Geczy, D. Musto, and A. Reed, 2007, "Vote Trading and Information Aggregation," *Journal of Finance* 62, 2897-2929.

Listokin, Y., 2008, "Management Always Wins the Close Ones," *American Law and Economics Review* 10, 159-184.

\*\* Cai, J., J. Garner, and R. Walkling, 2009, "Electing Directors," *Journal of Finance* 64, 2389-2421.

Agrawal, A., 2012, "Corporate Governance Objectives of Labor Union Shareholders: Evidence from Proxy Voting," *Review of Financial Studies* 25, 187-226.

Cunat, V., M. Gine, and M. Guadalupe, 2012, "The Vote Is Cast: The Effect of Corporate Governance on Shareholder Value," *Journal of Finance* 67, 1943-1977.

Kalay, A., O. Karakas, and S. Pant, 2013, "The Market Value of Corporate Votes: Theory and Evidence from Option Prices," *Journal of Finance*, forthcoming.

Li, Y., and D. Yermack, 2015, "Evasive Shareholder Meetings," unpublished manuscript, available at [ssrn.com/abstract=2409627](https://ssrn.com/abstract=2409627).

### **Session 6: Shareholder activism**

Teoh, S., I. Welch, and P. Wazzan, 1999, "The Effect of Socially Activist Investment Policies on the Financial Markets: Evidence from the South Africa Boycott," *Journal of Business* 72, 35-89.



Karpoff, J., 2001, "The Impact of Shareholder Activism on Target Companies: A Survey of Empirical Findings," Unpublished manuscript, University of Washington.

\*\* Klein, A., and E. Zur, 2009, "Entrepreneurial Shareholder Activism: Hedge Funds and Other Private Investors," *Journal of Finance* 64, 187-229.

Bebchuk, L., A. Brav, and W. Jiang, 2015, "The Long-Term Effects of Hedge Fund Activism," *Columbia Law Review* 115, 1085-1156.

### **Session 7: Corporate governance and political connections**

Agrawal, A., and C. Knoeber, 2001, "Do Some Outside Directors Play a Political Role?" *Journal of Law and Economics* 44, 179-198.

Faccio, M., 2006, "Politically Connected Firms," *American Economic Review* 96, 369-386.

\*\* Jayachandran, S., 2006, "The Jeffords Effect," *Journal of Law and Economics* 49, 397-425.

\*\* Goldman, E., J. Rocholl, and J. So, 2009, "Do Politically Connected Boards Affect Firm Value?" *Review of Financial Studies* 22, 2331-2360.

Do, Q., Y. Lee, and B. Nguyen, 2015, "Political Connections and Firm Value: Evidence from Regression Discontinuity Design of Close Gubernatorial Elections," unpublished manuscript, available at [ssrn.com/abstract=2592348](https://ssrn.com/abstract=2592348).

### **Session 8: Governance in other organizations**

Tufano, P., and M. Sevick, 1997, "Board Structure and Fee-Splitting in the U.S. Mutual Fund Industry," *Journal of Financial Economics* 46, 321-356.

\*\* Core, J., W. Guay, and R. Verdi, 2006, "Agency Problems of Excess Endowment Holdings in Not-for-Profit Firms," *Journal of Accounting and Economics* 41, 307-333.

Hartzell, J., C. Parsons, and D. Yermack, 2010, "Is a Higher Calling Enough? Incentive Compensation in the Church," *Journal of Labor Economics* 28, 509-540.

Yermack, D., 2015, "Donor Governance and Financial Management in Prominent U.S. Art Museums," unpublished manuscript, available at [ssrn.com/abstract=2586622](https://ssrn.com/abstract=2586622).