



# **The University of Hong Kong**

## **Faculty of Business and Economics**

### **BUSI 3011A**

## **Corporate Governance & Social Responsibility**

### **Course Syllabus**

Dr. Sammy Fung (Ph.D., CPA (HK))  
Teaching Consultant in Accounting  
Associate Director for BBA Programme

Office: Room 205, Meng Wah Complex  
Phone: (852) 2219-4214 (Direct)  
Email: flksammy@hku.hk

## **Course Content and Objectives**

After the 1997-98 financial crisis and the 2008 financial tsunami, corporate governance and social responsibility has attracted public attention and debates in Asia. In fact, in the past few decades, Asian organizations have undergone dramatic transformations in the business practices. However, what and how have Asian organizations adapted governance policy to the changing business environment? Many of questions on governance in the region are still unresolved. This is mainly because we do not yet fully understand our institutional and business environment and how these factors shape the corporate and managerial behavior as well as governance practices. This course is designed to provide a theoretical framework to analyze these questions.

This course is to provide a multi-faceted overview of the practical characteristics and unique challenges of corporate governance strategy and practices in Asia, followed by discussions on the integration of CSR practices with business strategy, social enterprises, green business for sustainable growth. Traditional corporate governance topics to be discussed include the institutional factors (e.g. legal protection), corporate ownership, family firms, state-owned enterprises, board of directors and corporate transparency. Moreover, the topics of CSR, green business, and social enterprises will also be discussed in-depth to bring this course to a forward-looking conclusion.

### **A Warm Reminder**

This is not a number-crunching course (No debit and credit!). For many of the management issues we are going to discuss, there are no absolute right or wrong answers, but only more or less developed one. If you are uncomfortable with ambiguity, this course may not be good for you.

Corporate governance is a cross-discipline subject. Students are expected to have a limited background in accounting, finance and management. As business cases will be used extensively throughout the semester, students should have adequate exposure to and experience in analyzing and presenting cases on both individual and group basis.

### **Intended Learning Outcomes (ILOs)**

After completing this course, students are expected to achieve the following intended learning outcomes (ILOs):

1. To gain a reasonable understanding of theoretical development and practical knowledge in corporate governance and social responsibility.
2. To enhance students' appreciation and articulation of complex issues in corporate governance under local and international, particularly Asian, settings.
3. To gain knowledge on and apply effective corporate and management control through divergent strategic, financial, societal, and management contexts.
4. To familiarize students with critical issues of CG and CSR, including corporate ownership structures, transparency, board practices, CSR strategy formulation and implementation, and their impacts on different stakeholders.

5. To integrate management control issues with corporate governance as a firm-specific objective with (to) superior firm performance and greater accountability.
6. To gain hands-on experience to analyze, communicate, provide recommendations on business cases with salient sensitivities to various corporate governance settings.
7. To arouse interest in corporate social responsibility in local and Asian settings and to keep abreast of latest practical issues on CSR.

### **Alignment between Program Learning Objectives and Course ILOs**

<b>Program Learning Objectives</b>	<b>Course ILOs</b>
1. Acquisition and internalization of knowledge of accounting, business and economics	ILO 1, 3, 4, 5 & 7
2. Application and integration of knowledge	ILO 2, 3 & 5
3. Inculcating professionalism and leadership	ILO 4, 6 & 7
4. Developing global outlook	ILO 2 & 7
5. Mastering communication skills	ILO 2, 3 & 6

### **Academic Conduct**

Students are expected to do your own class work. Academic dishonesty will not be tolerated. Cheating or plagiarism would automatically result in an F-grade. Moreover, plagiarism and copying of copyright materials are serious offences and may lead to further disciplinary actions. Please check the University Statement on plagiarism on the web: [www.hku.hk/plagiarism](http://www.hku.hk/plagiarism). A booklet entitled “*Plagiarism and How to Avoid it*” is also available from the Main Library.

### **Class Materials**

As the contents to be discussed in this course are very contemporary, I do not prescribe a textbook. All required lecture notes, cases and readings will be organized by the instructor and distributed to the students at the beginning of semester. Additional readings may be added for class discussion.

### **Course Assessment Components**

1. Attendance, Participation, & Leadership	20%
2. Case Analysis, Presentation, Report & Q&A (Group Basis)	40%
3. Case Write-ups (Individual)	40%
Total	100%

## **Assessment 1 - Attendance, Participation, & Leadership (20%)**

We will rely on a wide range of business cases and readings as the primary means for knowledge dissemination. Each student of the class is expected to well prepare, take ownership and lead the class discussion of the assigned readings and business cases. The grade for individual attendance, participation and class leadership will be based on the extent of the student's participation and contribution.

Students are required to fully attend all class meetings in the semester and to come to class on time (No later than 15 minutes after the normal class start time). Those students who fail to attend two classes without prior approval from the lecturer will automatically be granted zero for the Assessment 1.

### **Grading Criteria for Assessment 1**

ILO	A+ A A-	B+ B B-	C+ C C-	D+ D	F
ILOs 1, 2, 6, 7	Extremely well prepared for class discussion, active participation in group activities and show leadership in class and attend all class meetings.	Partially prepared for class discussion, quite active in sharing views and attend at least 11 class meetings.	Not well prepared for class discussion, limited participation in sharing views and attended at least 11 class meetings.	Not well prepared for class discussion, no sharing of views and attended at least 11 class meetings.	Never prepared for class discussion and no sharing of views and experience and attended less than 11 classes.

## **Assessment 2 - Case Analysis, Presentation, Report & Q&A (40%)**

A number of formal group presentations will be scheduled throughout the semester. Each group should consist of three students and some groups may be allowed to have four students, depending on the class size. Each group of students is required to deliver a formal presentation of thirty-five to forty minutes on the assigned case, plus Q&A session.

The group presentation will be evaluated based on the following five criteria: 1) presentation style; 2) the use of presentation/ visual aids; 3) the contents and organizations; 4) the use of real world and relevant examples and information and 5) the quality of interaction at the Q&A sessions. A feedback meeting with the lecturer will be scheduled in the subsequent class following each presentation.

### **Grading Criteria for Assessment 2**

ILO	A+ A A-	B+ B B-	C+ C C-	D+ D	F
ILOs 1, 3, 4, 6, 7	Very good to excellent ratings on most or all 5 criteria.	Good to very good ratings on most or all 5 criteria.	Fair to good ratings on most or all 5 criteria.	Fair ratings on all 5 criteria.	Fail to prepare and present the case in an up-to-standard manner based on the 5 criteria.

### **Assessment 3 – Individual Case Write-ups (40%)**

Each student is required to complete one individual write-up based on a business case or a topical issue assigned. The assignment would likely be based on current corporate governance and CSR issues or topics (You may prepare a short proposal to establish a social enterprise!) Each write-up should be written in the form of report in five pages (Single-spaced with 12 font size). I will grade your write-ups based on the following criteria: 1) the content of the report; 2) the writing style (coherence/clarity) and 3) research, presentation and support.

The deadline of this report will be at 5:00 pm on April 21. Late submission will have a penalty of 10% deduction per day.

### **Grading Criteria for Assessment 3**

ILO	A+ A A-	B+ B B-	C+ C C-	D+ D	F
ILOs 1, 3, 4, 6, 7	Very good to excellent ratings on most or all 3 criteria.	Good to very good ratings on most or all 3 criteria.	Fair to good ratings on most or all 3 criteria.	Fair ratings on all 3 criteria.	Poor ratings on all criteria or fail to submit the report.

## Detailed Topic Outline<sup>1</sup>

Class meets from 10:30 am to 1:30 pm on the following dates (subject to change) in MW517 of Meng Wah Complex unless specified otherwise. (**January 10, 17, 24; February 14, 21; March 7, 14, 21, 28; April 4, 11 & 18**)

### Topic One - Overview of Corporate Governance

*Agenda:*

- ❖ Overview of course structure and objectives
- ❖ Corporate scandals around the world
- ❖ What is corporate governance?
- ❖ Corporate objectives
- ❖ Corporate governance framework

*Readings:*

1. Corporate Purpose and Responsibility (Product Number: 9-396-201)
2. Taking stock: Ten years after the Asian financial crisis (The McKinsey Quarterly, December 2007)

*Video:*

Corporate Governance: Scandals, Reforms, and the Future (HBS Faculty Seminar Series)

### Topic Two - Corporate Ownership

*Agenda:*

- ❖ What are ownership rights?
- ❖ Why ownership matter?
- ❖ Corporate ownership structures in the U.S. and U.K.
- ❖ Corporate ownership structures in the Asian countries
- ❖ Factors influencing the ownership and control structures
- ❖ Agency problems associated with various ownership types and structures

*Readings:*

1. Corporate Ownership around the World (Journal of Finance, 1999)
2. The Separation of Ownership and Control in East Asian Corporations (Journal of Financial Economics, 2000)

*HBS Case:*

**Presentation One on February 14 - The Fall of Enron (Product Number: 9-109-039)**

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<sup>1</sup> Please note that the extent and timing of topics coverage is subject to change due to practicality and/or time schedule changes.

## **Topic Three – The Governance of Family Firms**

### *Agenda:*

- ❖ Some characteristics of family firms
- ❖ How prevalent are family firms in the world?
- ❖ The advantages of family firms
- ❖ The governance issues of family firms
- ❖ How do family firms perform?
- ❖ Internal and external governance mechanism for family firms
- ❖ Conclusion

### *Readings:*

1. Corporate Governance at Citic Pacific (Product Number:ACRC09/444C)
2. The five attributes of enduring family businesses (The McKinsey Quarterly, January 2010)
3. Transforming a South Korean chaebol: An interview with Doosan's Yongmaan Park (The McKinsey Quarterly, September 2008)
4. Governance of the Family Business (Product Number: 9-807-022)

### *HBS Case:*

**Presentation Two on February 21 - The Harilela Enterprises: An Indian Family Business in Hong Kong (KEL249)**

## **Topic Four – State Ownership**

### *Agenda:*

- ❖ The significance of state ownership
- ❖ Some theories for state ownership
- ❖ Governance issues of state owned enterprises
- ❖ Potential solutions for improvement

### *Readings:*

1. Asia's governance challenge (The McKinsey Quarterly, May 2004)
2. Reassessing China's state-owned enterprises (The McKinsey Quarterly, July 2008)
3. OAO YUKOS Oil Company (Product Number: 9-902-021)
4. China Netcom: Corporate Governance in China (A) (Product Number: 9-308-027)

### *ACRC Case:*

**Presentation Three on March 7 - Lantian Stock: The 600-word spell on a transformed state-owned enterprise in China (Product Number: ACRC09/418C)**

## **Topic Five – Board of Directors**

### *Agenda:*

- ❖ Recent development of corporate governance in U.S., U.K. and Asia
- ❖ Functions of board of directors
- ❖ Key board committees
- ❖ Typical boards in U.S., China and Asia
- ❖ Does board composition matter?
- ❖ Conclusion

### *Readings:*

1. Making the board more strategic: A McKinsey global survey (The McKinsey Quarterly, February 2010)
2. China's state-owned enterprises: board governance and the Communist party (The McKinsey Quarterly, January 2010)
3. Improving board performance in emerging markets (The McKinsey Quarterly, February 2006)

### *ACRC Case:*

**Presentation Four on March 21 - Corporate Governance Failure at Satyam  
(Product Number: ACRC10/475C)**

## **Topic Six - Country Institutional Factors on Corporate Governance**

### *Agenda:*

- ❖ Corporate governance framework
- ❖ Our Asia's business environments
- ❖ Corporate governance problems in Asia
- ❖ Public governance and corporate governance
- ❖ Corporate governance in Asia's institutional environment: what work?
- ❖ Conclusions

### *Readings:*

1. Corporate Governance in Asia: A Survey (International Review of Finance, 2002)
2. Why codes of governance work? (The McKinsey Quarterly, May 2004)
3. The Stock Exchange of Hong Kong: Past, Present and Future (Product Number: ACRC99/40C)

## **Topic Seven – Corporate Transparency**

### *Agenda:*

- ❖ Factors affecting corporate transparency
- ❖ Corporate transparency in Asia
- ❖ Lessons learn from Asia financial crisis in 1997-98
- ❖ Recent changes in Asia

### *Readings:*

1. Rebuilding corporate reputations (The McKinsey Quarterly, June 2009)
2. Accounting Fraud at Worldcom (Product Number: 9-104-071)

### *ACRC Case:*

**Presentation Five on March 28 - Yinguangxia: An Epitome of Corporate Governance Flaws in China (Product Number: ACRC07/358C)**

## **Topic Eight – Overview of Corporate Social Responsibility**

### *Agenda:*

- ❖ What is Corporate Social Responsibility (“CSR”)?
- ❖ Different Views on CSR
- ❖ Carroll’s Four Part Definition
- ❖ Corporate Social Performance
- ❖ The emergence of CSR reporting

### *Readings:*

1. The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders (Business Horizon, 1991)
2. The Social Responsibility of Business is to Increase its Profit (The New York Times Magazine, September 13, 1970)
3. Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility (Product Number:R0612D)

### *ACRC Case:*

**Presentation Six on April 4 - Banyan Tree Hotels & Resorts: Gauging investors’ views on corporate social responsibility (Product Number:ACRC03/173C)**

## **Topic Nine – Social Enterprises**

### *Agenda:*

- ❖ Definition of Social Enterprise
- ❖ Five Key Questions for Social Enterprise development
- ❖ Overseas experience
- ❖ Key Features of Social Enterprise in Hong Kong
- ❖ Some operational issues
- ❖ Recommendations

### *Readings:*

1. Creating Successful Business Models: Lessons from Social Entrepreneurship (Product Number: 8028BC)
2. Redefining Corporate Social Responsibility (HBR Article Collection: Product Number: 1678)
3. Putting a Value on values (Product Number: 9-406-028)

### *Video:*

Social Entrepreneurs: Correcting Market Failure

### *ACRC Case:*

**Presentation Seven on April 11 - New Life: Scaling up Social Enterprise Start-ups (Product Number: 09/438C)**

## **Topic Ten – Green Business**

### *Agenda:*

- ❖ What is Green Business?
- ❖ Do people support green products?
- ❖ socially responsible Investment
- ❖ Sustainability reporting

### *Readings:*

1. Helping 'green' products grow (The McKinsey Quarterly, October 2008)
2. The Challenge of Going Green (Product Number: 94410)
3. China's Green Opportunity (The McKinsey Quarterly, May 2009)
4. Maria Yee Inc.: Making "Green" furniture in China (Stanford: SI-110)

### *ACRC Case:*

**Presentation Eight on April 18 - Green Rubber: The Revolution of the Rubber Recycling Business (Product Number: ACRC09/436C)**