Using a Part-Time MBA Program to Expose Graduate Students to Corporate Governance

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Abstract
Many MBA programs are offering graduate courses in corporate governance either as a stand-alone elective course or as a topic for discussion throughout the curriculum. The Association to Advance Collegiate Schools of Business' (AACSB) Ethics Education Task Force (EETF)strongly encourages exposure to corporate governance in graduate programs. This paper looks at the pedagogy used to teach a graduate level elective course in corporate governance at a small, private Catholic Liberal Arts University. The focus of the course is to provide graduate students with a basic understanding of the history of corporate governance, both its regulatory past and present; provide an opportunityfor students to analyze some of the most popular theories that surround corporate governance and answers to who the board is responsible to, the stockholders or stakeholders of the firm; and finally the course aims to expose students to current issues related to the board of directors such as structure, selection, compensation, duties and liabilities among other current issues. The course is taught using a case driven, team based approach. The ultimate outcome of the course is to provide the student with tools necessary to identify and discuss issues faced by corporate leaders and board members, while encouraging students to become ethical participants in the corporate governance arena.

Introduction

Business schools offering Master of Business Administration (MBA) Degrees are coming under fire by many of their constituents. The complaint being issued is that many of these MBA programs lackadequate coverage of ethics and corporate governance. Additionally theycontinue to focus most of their course work in the area of analytical analysis and corporate profit maximization. Even though many universities are including coverage of ethics and corporate governance researchers continue topoint out the apparent inability or refusal of many business schools to truly revamp their MBA programs to meet the managerial, leadership, and governance needs of their graduates, presumably the business leaders of tomorrow. Podolny (2009), for one, argues that business schools continue to teach many technical skills, but appear to do little to foster responsibility or accountability. Heller, Heller, Ramirez and Gall (2012) state that "business schools have traditionally taught leadership as a soft, big picture-oriented course, distinct from the details on which hard quantitative courses focus…Professors teach leadership as 'setting a vision', not the detail work that was done, without consciously considering factors such as values and ethics".

Other constituents of MBA programs, such as employers, students, investors, consumers, communities, etcetera, complain that business schools appear to be stuck in a "paradigm paralysis"; where they refuse to revamp their MBA programs or to bring their course work into the 21st century by refusing to provide adequate coverage of topics in business ethics and corporate governance.

The Association to Advance Collegiate Schools of Business (AACSB) has also weighed in on the importance they place on the coverage of ethics and corporate governance in graduate business curriculum. In their 2004 Ethics Education for Business Graduates, Standard 15 (Management of Curricula), and the establishment of their Ethics Education Task Force (EETF)the AACSB laid down the gauntlet by challenging MBA programs "to prepare their graduates to behave in ethical and legal ways once out in the business arena, so as assist in the minimization and recognition of corporate corruption"(AACSB, 2004).The AACSB (2004) stated that the crisis in business ethics is not only a challenge for Corporate America, but is also an opportunity to strengthen MBA education. While not prescribing a curriculum the AACSB challenged business schools to "encourage students to develop a deep understanding of the myriad of challenges surrounding business, corporate responsibility, and corporate governance".(AACSB, 2004) They went on to explain that: "A student's knowledge of the principles, practices, and philosophies of sound, responsible corporate governance may be an important deterrent to unethical behaviour. Additionally, a graduate student's understanding of the complex interdependencies between corporate governance and other institutions, such as stock exchanges and regulatory bodies, can be an important factor in managing risk and reputation" (AACSB, 2004).Once again by avoiding a prescriptive approach to coverage in this area the AACSB acknowledged that each institution would likely use a different approach to updating their coverage of ethics and corporate governance. They identified four broad themes they felt were essential for a comprehensive graduate ethics program including: the responsibilities of business in society; ethical decision making; ethical leadership; and corporate governance (AACSB, 2004). Since 2002, many Universities have attempted to meet the challenge presented by their constituents and the AACSB to provide increased coverage of business ethics and corporate governance.

Current Status of Teaching Corporate Governance

In preparing MBA graduates for careers as future business leaders and stewards of their corporate stakeholders' resources, business schools, especially the large, elite business schools, offer their students courses in corporate governance or at least exposure to governance issues. According to Beyond Grey Pinstripes (2011) universities are using a variety of approaches to provide coverage of corporate governance and ethics. They have either elected to cover the topics of ethics and corporate governance by including them as a "topic" to be discussed in several courses spread throughout the curriculum or by designing and offering specific stand-alone courses. The elite business schools in America such as Harvard, Dartmouth, Indiana University, and Stanford typically offer stand-alone graduate level courses designated exclusively to coverage of corporate governance. Several of these universities offer these courses in their law school or have law professors teach them. Beyond Grey Pinstripes (2011) reported that most of the elite full-time business schools in the U.S. are offering one stand-alone course in corporate governance and that course is typically an elective. In addition, many large "well endowed" universities have established Institutes and Centres for Corporate Governance. Among some of the more prominent institutes and centers for Corporate Governance are the Directors' Consortium (University of Chicago, Stanford Law School, and University of Pennsylvania); Harvard Corporate Governance Programs and Indiana University. These centers are typically interested in research or in training current CEOs and board members rather than teaching MBA students.

While many graduate programs are finding diverse ways to include corporate governance in their curriculum, the schools that are offering a stand-alone course, seem to have developed a "best practices "model for pedagogy. These schools report using a combination of cases, lecture, discussion and guest speakers (executives and directors) to expose their students to current governance issues and to encourage discussion and analysis of security laws and regulations. As mentioned previously, most of the universities leading the charge in the area of teaching corporate governance are large universities located in major metropolitan areas with access to CEO's and executives from major Fortune 500 Corporations. These programs also tend to have full-time MBA programs catering to students who are middle to upper management with several years work experience. Smaller universities located in less metropolitan areas also offer MBA programs, many of which are part-time and cater to lower level management or students with little to no business education or work experience. This paper discusses the approach one such small AACSB accredited university is using to expose their MBA students to the important issues facing Corporate America today in the area of governance.

Teaching Corporate Governance at a Small Private University

Bellarmine University is a small Catholic liberal arts university located in Louisville, KY, with limited resources (faculty and endowments) and a part-time MBA program. Bellarmine offers a Corporate Governance elective course that meets every Spring semester for eight weeks. The course is designed and taught by an Accounting Professor. The focus of the course is on meeting the needs of upper management (CEO and CFO), the board of directors, and various stakeholders (customers, employees, investors, suppliers, governments, citizens, and communities) in the area of corporate governance. This course meets the AACSB's EETF (AACSB, 2004) recommended topics of coverage including: the role and responsibilities of the governing board of directors, the role and responsibilities of the audit committee, an understanding of internal controls, the role and responsibilities of management, and critical monitoring activities such as internal auditing, elements of an effective code of conduct, understanding of U.S. Federal Sentencing Guidelines and Sarbanes-Oxley are covered in the class.

Students meet for three and a half hours every other weekend foresight weeks in the spring semester. The course readings are updated each semester to ensure coverage of current literature and topics of importance in the governance area (see required reading materials for a sample reading list). The students are expected to read several books, articles and cases as well as research topics online using various services (Stuart Spencer U. S. Board Index, Boardmember.com, OECD, and others) to obtain up to date statistics in areas such as board composition, board and executive compensation, board gender and minority data, strategic risk, and other board or executive issues.

Students are notified of assigned readings and research to be completed before the first class. The faculty member facilitates an extensive discussion examining the history of corporate governance in America, both its regulatory past and present from the 1932 Stock Market Crash to the present scandals culminating in a discussion of the role of FASB, the SEC, SOX and Dodd Frank legislation in relation to corporate governance. During this first session students discuss some of the more common management and governance theories considered to impact management and board member behaviour. Specifically they are instructed to research, analyze and decide the legitimacy of Agency Theory, Stockholder Theory and Stakeholder Theory and be prepared to discuss how each has impacted governance today. The class identifies the key stakeholders of the firm and the firm's responsibilities to each. By the end of the first class meeting the students are assigned to groups and given their assignments for the remainder of the semester.

Required Reading Materials:

- *Advice and Dissent: Rating Corporate Governance Compact. HBR 91603*
- *Class: Five Elements of Corporate Governance to manage risk. HBR # BH 189*
- *Corporate Governance at the Crossroads* : A Book of Readings Donald Chew and Stuart Gillan, (McGraw Hill Company, New York, NY: 2005)
- *How Well-Run Boards Make Decisions. HBR Article*
- *M&A Legal Context: Basic Framework for Corporate Governance. HBR # 9803200*
- *Navigating the Changed Landscape of Corporate Governance. HBR # U0212C*
- *The Early Warning Summit: A Practical Application of Governance. Ivey #9B05TF06*
- *What Is Corporate Governance?* John Colley, Jacqueline Doyle, George Logan & Wallace Stettinius (McGraw Hill Company, New York, NY: 2005)
- *What Is Sarbanes Oxley?*
- *Why large Public Companies Should Not Hate Sarbanes Oxley, Ivey # 9B07TB01*

While the course is taught using a case driven, team based approached by students with each team being responsible for facilitating several topics, there is emphasis placed on the idea that the facilitating team NOT lecture to the class, but rather facilitate discussion and ensure that each class session is interactive, with all classmates involved in the learning process. Although seemingly obvious, this is an important concept to emphasize as some students enrolled in the class are first-semester MBAs and are not as sophisticated in class facilitation (following the Harvard format) as others in their final semester of our MBA or Executive MBA programs.

Students become familiar with SOX and Dodd Frank legislation and the specific requirements of each. Course readings and online research assigned in the earlier class sessions introduce students to the cloak of secrecy (or lack of transparency) that exists in the board room. Class discussions include topics such as board structure including the ideal size of a board, member specializations, diversity, and leadership. Topics including board selection, compensation, removal and the board's legal duties, responsibilities and liabilities are also discussed. The class then extends the discussion into the specific role of the board of directors, strategic versus oversight and looks at how board members manage strategic risk and make decisions regarding CEO compensation, succession, and relationships with institutional investors, activist share holders/ stakeholders, etcetera. Students investigate techniques corporations use to educate their board members and prepare them for board and committee meetings. An analysis is done identifying the various committees board members serve on and the strengths and weakness of these committees in preserving strong corporate governance and ethics within businesses. Research and class time is also spent discussing governance of not-for-profit boards. Many business leaders begin their board of director experiences by serving on not-for-profit boards.

Students examine topics related to not-for-profit companies such as their use of volunteer boards, the need for expertise versus financial support, strength of the not-for-profit CEO, board member responsibility to stakeholders, and current versus pending government legislation. The course also examines international or global issues facing boards as well as expecting students to become aware of international corporate governance standards and international governance models.

Students conduct on-site visits to a publicly traded and a not-for-profit business. At these visits the class meets with the CEO and/or Board Chairman in the company's boardroom. The students prepare for the visit by researching the company's web site, examining their financials and becoming familiar with the company's mission and board of directors information. These sessions are conducted in a question/answer format. While taking up precious class time (two class meetings) these visits have proven enlightening and beneficial. These on-site visits are invaluable for our MBA students, especially given the lack of corporate sophistication and the limited management and business experience many of these students come to the class possessing.

The course culminates with a debriefing of the two site visits and an interactive presentation where each team reports on a local publicly traded company they have researched. A major component of the research project and presentation is that, after choosing a publically traded company to research, students are expected to critically examine Securities and Exchange Commission (SEC) filings, corporate bylaws, codes of conduct, and other public information to research legal risk, corporate governance issues, executive compensation, Sarbanes-Oxley Act of 2002 controls, proxy statements, employment policies and other issues related to governance and the course. An additional component and requirement of the project is that the students (as a team) must meet face to face with the CEO, CFO, company's Legal Counsel, or a board member. This meeting must include an in-person, in-depth interview, gathering information about how the company is responding to current issues in Corporate Governance (see listing of the minimum information the students must gather from their interview). Minimum Research Project Requirements

The project culminates with a 30 to 45 minute interactive presentation and a paper provided on the findings used to determine the corporations view on corporate governance as it relates to their business and their response to the following (not all inclusive) areas of interest:

- What is the board's role in governing the organization
- Explain the decision making process on the board
- What is the board's authority regarding hiring and firing executive management
- How often does the board meet? The complete board? Various Committees?
- How often does the board meet and for what length of time
- How many board members are there
- Are there attendance rules? If so what are they?
- Is this a paid position? What are some of the compensation amounts?
- The impact of SOX on their particular company
    - What has been the impact on personnel policies
    - What has been the impact on internal control policies and procedures
    - What has been the impact on board member selection and responsibilities
    - What has been the impact on audit committee members
    - What has been the impact on auditor selection and retention
    - What has been the impact on preparation and review of financial statements
- Have any accounting policies and procedures been changed to ensure transparency of financial statements

course understanding that they must internalize the realization that all companies need strong boards with knowledgeable board members who are willing and capable of standing up to the CEO. The students also become aware of the importance of identifying and reporting any behavior they determine to be unethical and know the proper steps involved in reporting suspected wrong doing. Students obtain the knowledge and skills to guide them as they are given the opportunity to move up in their organizations or to become contributing board members.

Conclusion and Limitations

This paper was written to illustrate what can be done in the area of teaching a graduate level corporate governance course at a small university with limited resources. There is no illusion or expectation that every student who takes this course will become an ethical manager or board member. It is, however, one additional tool the students can use to help minimize corporate corruption and as stated by the AACSB (2004) might be "a factor in managing risk and reputation". This course like all university courses is a constant work in process. The ultimate outcome of the course is to provide the student with the tools necessary to identify and strategize regarding issues faced by corporate leaders and board members today. An additional bonus for our students is that they will become aware of the importance of participating in corporate governance and providing ethical leadership.

There are many limitations to teaching this course at a university of this size (faculty and endowments) including: the course is only a one semester elective course; coverage of the material allotted one course versus using several courses isolating specific governance areas (international/globalization, not-for-profits, and current issues); the diversity of the students allowed to enrol in the course (ranging from first semester MBA students to graduating EMBA students).Many students who have taken the course have stated that this course should be a required core course, or if continuing to be taught as an elective, it should be offered only to graduating MBAs and Executive MBA students who are selected by the professor or a group of professors. This would enable the course rigor and high expectations to be maintained, as well as allow students who the faculty members identify as most likely to serve as corporate leaders and board members be introduced to corporate leaders in the community. It is evident that small universities can compete with the larger more well-endowed universities in exposing their students to the ever important area of corporate governance.

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