



Spring Term 2015 (FS 2015)

**Doctoral Seminar Empirical Research in Executive Compensation:
Executive Compensation, Corporate Governance, & Corporate
Transparency**

Syllabus

Module Number: DOEC0587

Seminars: Tuesday, March 24 - Thursday March 26, 2015 - 9.00 - 18.00

Rooms: KOL-G-212 (Tue, Wed), KO2-F-152 (Thu)

Module Coordinator: Prof. Robert F. Göx

Instructor: Prof. Wayne Guay

Course Administration: Dr. Vivien Kappel

Exam Date: no written final exam

Curricula-Classification:

DOEC08BC: Wahlpflichtbereich Banking and Finance (Track B, C)

DOEC08A: Wahlpflichtbereich Betriebswirtschaft (Track A)

DOEC08A: Wahlpflichtbereich Volkswirtschaftslehre (Track A)

DOEC08A: Wahlpflichtbereich Management and Economics (Track A)

DOEC08A: Wahlpflichtbereich Banking and Finance (Track A)

DOEC08BC: Wahlpflichtbereich Management and Economics (Track B, C)

DOEC08BC: Wahlpflichtbereich Betriebswirtschaft (Track B, C)

DOEC08BC: Wahlpflichtbereich Volkswirtschaftslehre (Track B, C)

ECTS-Points: 3.0

Course webpage:

<http://www.business.uzh.ch/professorships/managerialaccounting/lehre/>

Contact: For questions please contact Dr. Vivien Kappel

vivien.kappel@business.uzh.ch

Course overview

Although a large literature has explored issues related to executive compensation, incentives and corporate governance, research in this area shows no sign of slowing down. Over the last three years, more than 150 governance and compensation papers have been published in top-tier accounting and finance journals (specifically in the following six journals: JFE, JF, RFS, JAE, JAR, and TAR). This module provides an introduction to literature on governance and executive compensation, and how these mechanisms serve to resolve agency conflicts between managers, directors, and shareholders. We will begin by developing an economic framework for thinking how various contracting parties consider and address these agency conflicts. We will





then move on to discuss the measurement and economic determinants of incentives and compensation, as well as some of the implications of these incentives. In the latter part of the course, we will discuss additional governance mechanisms, such as board structure and shareholder voting. Throughout these discussions, we will consider the role of corporate disclosure and transparency in mitigating agency conflicts between managers, directors and shareholders.

Course objectives

The objective of the course is to develop your ability to critically evaluate and conduct empirical research in the areas of corporate governance and executive compensation. In particular, you should get (1) an appreciation for the role of agency and contract theory in the empirical literature on this topic, (2) an understanding of research questions commonly explored in the governance and executive compensation literatures, and (3) the necessary skills to design and conduct empirical research on these topics. Overall, this course provides an overview of this large and growing area, and discusses economic hypotheses, research methods, data issues, and limitations to this type of research.

Course prerequisites

Business Administration for Research Students: Empirical Methods I & II is recommended.

Conduct of the course

For the most part, the course will be conducted using a seminar format. Therefore, you are expected to take an active part in discussing and evaluating the readings assigned for each course session. For most of the lectures, the class discussions will center on two papers per session, and we will dedicate about half the time to each paper. I expect you to be familiar with the required readings.

For each paper, I will assign one or more discussion leaders who will prepare a two-page summary before the course starts. In addition, your task as a discussion leader consists of briefly summarizing the paper, highlighting the contribution, and pointing out/discussing some critical research design choices. This should take no more than 15 minutes. I will of course help you with that task. The course language is English.

On top of the required readings, I have indicated additional reading material for each class. This is just a small selection of papers that I find important or closely related to the topic of the session. We will not have the time to cover those papers in detail, but I expect you to skim the content of the papers to get a basic sense for the results and the research approach. This will help you to put the main readings into a broader context, and also serves as a good starting point to probe further into any of the areas covered.

Moreover, I will offer students the opportunity to present their own work during the final session. This allows you to improve your presentation skills and receive feedback on your work. Ideally, we would have three student presentations in a workshop-style format (30 minutes each) on a topic that is at least loosely related to the course material (i.e., governance, compensation, or other agency-related topics). If interested, please, contact the course administrator in advance to discuss the details.



Course Requirements

In preparation of the course:

- Carefully work through the required readings with a focus on the research question, the contribution to the literature and the research design.
- Skim the additional readings to get a basic sense for the research question.
- Prepare a two-page summary of the assigned paper to be distributed before class.
- Familiarization exercise:
 - Choose a publicly traded US corporation (any company you find interesting is fine)
 - Obtain the most recent Proxy Statement, which is available from the company's investor relations webpage or from the SEC EDGAR website (the formal SEC label for the proxy statement is Form DEF 14A)
 - Write up a short summary (no more than five pages) of the company's board structure and executive compensation and incentives. Your summary should include the following:
 - How large is the board of directors?
 - What proportion of the directors is independent?
 - Is the chairman of the board an independent director? If not, does the company have a "lead" independent director?
 - How many of the directors are financial experts? How many have industry experience? How many are women and other minorities? How many have international experience
 - What percentage of the company's stock is held by the executives and directors? Does the company have an ownership guideline requirement for executives or directors?
 - Does the firm have large blockholders?
 - How much total compensation did the CEO receive in the most recent year?
 - How much of this compensation was "performance pay" stemming from short-term and long-term bonuses, options, restricted stock?
 - With respect to the bonuses, what performance measures does the company use? Are the performance measures financial, non-financial, accounting-based?
 - What is the dollar value of stock and options held by the CEO (use a Black-Scholes model to value the options)?
 - Use the Core and Guay (JAR, 2002) method to estimate the "delta" of the CEO's stock and option portfolio, and also estimate the "vega" of the CEO's option portfolio.



- Does the CEO have an employment contract with a change-in-control provision, severance agreement, etc.?
- Did the shareholders or management initiate any proposals that require a shareholder vote?

During the course:

- Lead the class discussion of the assigned paper.
- Contribute to class discussions when you are not the leader.

After termination of the course:

- Write a journal-style referee report together with a letter to the editor. I will distribute the paper to be reviewed during the last session. You have two weeks to complete this task.

Course material

A detailed schedule and reading list will be made available on the course web page

<http://www.business.uzh.ch/professorships/managerialaccounting/>

WWF Statutory Course Policies

According to WWF study regulations, all exam dates are *final* as published in the VVZ (VVZ – Vorlesungsverzeichnis). This means that the final exam date and time are *not negotiable*. It will not be possible to take any exams on different dates. Check your class schedule for possible *exam conflicts* at the beginning of the semester at your own responsibility.

Academic dishonesty in any form will not be tolerated. Anyone caught cheating or engaging in unethical behavior will be reported to the Dean's office according to the guidelines on academic dishonesty set forth by the University of Zurich.

Notes

- Don't forget to *officially register* yourself using the registration tool of the University of Zurich.
- The information in this syllabus supports the official information in the electronic university registration tool. In cases of doubt, the official information at the VVZ is decisive.

Contact

For questions or further details please contact:

Dr. Vivien Kappel

Department of Business Administration, University of Zürich

Tel. +41 44 634 59 70

E-Mail: vivien.kappel@business.uzh.ch

www.dar.uzh.ch

www.business.uzh.ch