

## **Current Research Topics in Corporate Finance and Governance**

Prof. David Yermack, New York University

May 2008

### *Course outline:*

This course covers current issues in corporate finance and corporate governance, with an emphasis on empirical work published recently in leading finance and economics journals. Many of the assigned papers evaluate the relation between governance and shareholder value using a variety of different research strategies. The course will explore in depth the impact of recent regulatory reforms in corporate governance and disclosure, including the availability of new data sources for academic research. We will analyze the strengths and weakness of the papers on the reading list, attempting to gain insight into the authors' choices about how to identify research questions, select appropriate methodologies, and formulate publication strategies. The course should help students identify opportunities for further advanced work in governance, compensation, and related fields.

The course will take place over three days, at the University of Zurich (room TBA):

Day 1: May 14, 2-6 pm.

Day 2: May 21, 2-6 pm

Day 3: May 26, 2-4 pm

It will cover the following five topics:

### **I. How important is corporate governance? (Day 1)**

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

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

J. Core, W. Guay, and T. Rusticus, "Does Weak Governance Cause Weak Stock Returns? An Examination of Firm Operating Performance and Analysts' Expectations," *Journal of Finance* 61, 655-687 (2006).

### **II. Governance in Family Business Groups (Day 1)**

W. Johnson, R. Magee, N. Nagarajan, and H. Newman, "An analysis of the stock price reaction to sudden executive deaths: Implications for the managerial labor market," *Journal of Accounting and Economics* 7, 151-174 (1995).

B. Villalonga and R. Amit, "How do family ownership, control, and management affect firm value?" *Journal of Financial Economics* 80, 385-417 (2006).

M. Bennedsen, K. Nielsen, F. Perez-Gonzalez, and D. Wolfenzon, "Inside the family firm: The role of families in succession decisions and performance," *Quarterly Journal of Economics* 122, 647-691 (2007).

### **III. Insider Trading and Its Interaction with Compensation (Day 2)**

L. Meulbroek, "An empirical analysis of illegal insider trading," *Journal of Finance* 47, 1661-1699 (1992).

C. Bettis, J. Coles, and M. Lemmon, "Corporate policies restricting trading by insiders," *Journal of Financial Economics* 57, 191-220 (2000).

A. Jagolinzer, "SEC Rule 10b5-1 and insiders' strategic trade," unpublished manuscript (2007).

### **IV. Stock Options - Timing and Backdating (Day 2)**

D. Yermack, "Good timing: CEO stock option awards and company news announcements," *Journal of Finance* 52, 449-476 (1997).

E. Lie, "On the timing of CEO stock option awards," *Management Science* 51, 800-812 (2005).

R. Heron and E. Lie, "Does backdating explain the stock price pattern around executive stock option grants?" *Journal of Financial Economics* 83, 271-295 (2009).

### **V. Recent Executive Compensation Topics (Day 3)**

R. Rajan and J. Wulf, "Are perks purely managerial excess?" *Journal of Financial Economics* 79, 1-33 (2006).

D. Yermack, "Flights of fancy: Corporate jets, CEO perquisites, and inferior shareholder returns," *Journal of Financial Economics* 80, 211-242 (2006).

R. Sundaram and D. Yermack, "Pay me later: Inside debt and its role in managerial compensation," *Journal of Finance* 62, 1551-1588 (2007).

J. Cai and A. Vijh, "Incentive effects of stock and option holdings of target and acquirer CEOs," *Journal of Finance* 62, 1891-1933 (2007).