



SWANSEA METROPOLITAN UNIVERSITY

PRIFYSGOL FETROPOLITAN ABERTAWE

Swansea Business School, Swansea Metropolitan University

MBA Management Ethics: Governance

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IT Governance

Using Luftman (2003) as a source

1. Evaluate why there should be an integration of business and IT management structures?
 - What cultural issues might there be?
 - What measuring tools are there?
 - What could go wrong if there is no dialogue?
2. What is the function of IT Governance?
 - What happens if it does not happen?
 - What structures are recommended?
 - Are there alternatives to these structures?
3. Who is responsible for the IT 'credibility gap'?
4. Draw a chart for IT Governance for an organisation of your choice.
5. Specify the role of the IT Executive Steering Committee
6. What are the 3 levels at which governance should function
7. Why does Luftman (2003) believe that IT managers should use internal marketing to help achieve their objectives?
8. What ethical guidelines and policies should be set out by the IT Steering Committee?
9. Why is the composition of the membership of the IT Steering Committee crucial to its success?
10. As a group analyse one of the issues and its ethical risk possibilities, which should be debated by the committee and report back to the class what you have found out.


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Corporate Governance

What Does it Mean?

The relationship between all the stakeholders in a company. This includes management of a company, as defined by the corporate charter, bylaws

Investopedia Says...

Ethical companies are said to have excellent

Corporate Governance Quotient (CGQ)

What Does it Mean?

A metric developed by Institutional Shareholder Services (ISS) that rates the quality of their corporate governance. Each public company covered based on a number of factors that are considered by the ISS model. Factors include board structure and composition, the executive and director compensation

Investopedia Says...

The CGQ serves as a reasonable approximation of the quality of a public investors

Corporate Kleptocracy

What Does it Mean?

Buzzword that describes the greed of corporate executives who use funds at the expense of shareholders. This buzzword is attributed to how ex-Hollinger associates allegedly embezzled hundreds of millions of dollars over from Hollinger.

Investopedia Says...

Black's misuse of company funds was quite blatant. In fact, it was reported very extravagant lifestyle with company money. For example, reports in Hollinger funds to pay for his personal butlers, maids and chefs.

Leprechaun Leader

What Does it Mean?

A corporate manager or an executive who, like the fabled Irish elf, is a mischievous and elusive creature to possess buried treasures of money and gold.

Investopedia Says...

According to Irish folklore, the location of hidden treasure is revealed only when the leprechaun is caught. In the case of a leprechaun leader, the "buried treasure" is not usually buried, but rather in a protected account!

Examples of leprechaun leaders are the executives of Enron, who stowed away millions of dollars until they were finally caught.

Also spelled "Lepre-con Leader".

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Corporate Governance Brief Bibliography

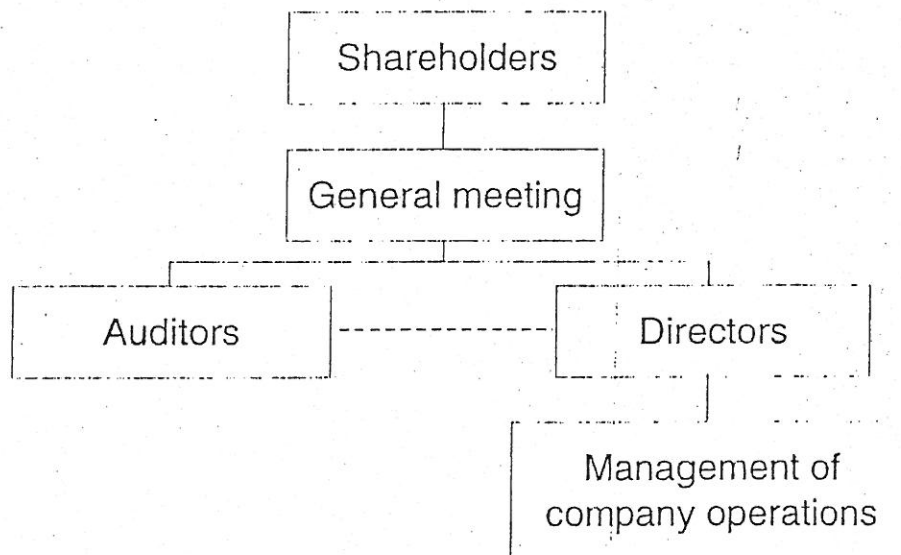
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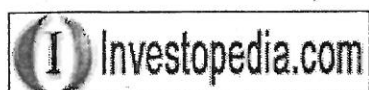
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Corporate governance





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Governance Pays

July 9, 2003 | By **Ben McClure**, Contributor - [Investopedia Advisor](#)

If corporate collapses like Enron, Global Crossing and World Com have taught us anything, it's that investors can't afford to ignore the issue of corporate governance. When conducting fundamental analysis, investors need to keep a close eye on the way that companies keep management in check and ensure financial disclosure, board independence, and shareholder rights. Recent studies suggest that the benefits of scrutinizing governance extend beyond simply avoiding disasters. Good corporate governance can increase a company's valuation and boost its bottom line.

What Is Corporate Governance?

Corporate governance is a fancy term for the way in which directors and auditors handle their responsibilities towards shareholders and other company stakeholders. Think of it as the system by which corporations are directed and controlled. Typical corporate governance measures include appointing non-executive directors, placing constraints on management power and ownership concentration, as well as ensuring proper disclosure of financial information and executive compensation.

Surprisingly, corporate governance has been considered a secondary factor impacting a company's performance. That is, as opposed to a company's financial position, strategy and operating capabilities, the effectiveness of governance practices was largely seen as important only in special circumstances like CEO changes and merger-and-acquisition (M&A) decisions.

But recent events prove that governance practices are not merely a secondary factor. When the company's share price tanks because of an accounting scandal, the importance of good governance practices become obvious. Corporate disasters show that the absence of effective corporate controls puts the company and its investors at tremendous risk.

What the Studies Prove

For years, investors ignored corporate governance because academic research found no clear causal link between governance and financial performance. But that is starting to change. A paper by Harvard and Wharton business professors entitled "Corporate Governance and Equity Prices" concludes that investors that sold U.S. companies with the weakest shareholder rights and bought those with the strongest shareholder rights earned an additional return as high as 8.5%.

The study analyzes 1,500 companies and ranks them based on 24 corporate governance provisions. Those companies with the lowest rankings were less profitable and had lower sales growth. Moreover, the returns on these companies lagged far behind those of higher ranked firms. The paper also shows that for each one-point increase in shareholder rights, a company's value increased by a whopping 11.4%.

Meanwhile, a study produced in 2000 by global consultancy McKinsey found that 75% of the 200 institutional investors it surveyed regard board practices as important as financial metrics for assessing companies. The study showed that companies that moved from the worst to the best governance practices could expect a 10% increase in market valuation.

Investors Are Starting to Take Notice

Amid all the hand wringing about corporate governance, investors are getting help in steering clear of mis-governed companies and finding well-governed ones. Governments, stock exchanges and securities watchdogs are coming up with new rules and regulations that try to put a stop to some of the worst cases of corporate failure. Proposals at the New York Stock Exchange and the SEC that push for more boardroom independence and greater financial expertise in audit committees certainly accelerate improved practices and reassure investors.

At the same time, a veritable cottage industry has sprung up among ratings agencies and consultants issuing corporate governance ratings. Investors can turn to Standard & Poor's Corporate Governance Score and Institutional Shareholder Services' Corporate Governance Quotient. Both of them report and grade public companies' governance practices. In addition, the Investor Responsibility Research Center, along with corporate governance watchdogs like the Corporate Library and Governance Metrics provide governance performance ratings.

While new regulatory proposals and rating systems are valuable to investors, they are no guarantee that companies are well run. Investors need to evaluate corporate governance for themselves. Here is a quick list of key issues for investors to consider when analyzing corporate governance:

- **Board Accountability - Boards of directors** (BODs) are the links between managers and shareholders. As such, the BOD is potentially the most effective instrument of good governance and constraint on the top managers. Investors should examine corporate filings to see who sits on the board. Make sure you seek out companies with plenty of independent directors who have no commercial links to the firm and who demonstrate an objective willingness to question management choices. A minority of independent directors make it difficult for the board to operate outside the sphere of management influence. Do directors own shares in the company? If not, they may have less incentive to serve shareholders' best interests. What are directors' attendance records at board and committee meetings? Finally, does the board adhere to a set of published governance principles?
- **Financial Disclosure and Controls** - Investors should insist that corporate structure includes an audit committee composed of independent directors with significant financial experience. Ideally, the committee should have sole power to hire and fire the company's auditors and approve non-audit services from the auditor. Persistent earnings restatements or lawsuits challenging the accuracy of financial statements provide a clear signal to investors that financial disclosure and controls are not functioning properly. Top management compensation should be determined by measurable performance goals (shareholder return, ROE, ROA, EPS growth), and, if possible, the compensation rate should be set by an independent compensation committee and fully disclosed.
- **Shareholder Rights** - Be wary of companies with dual-class stock. Class A and B shares can place major constraint on shareholder rights, enabling insiders to accumulate majority power by virtue of owning vote-tilted class B shares. Voting should always be routine through mail, telephone and Internet, and shareholders should have the right to approve major transactions, including mergers, restructuring and equity-based compensation plans.
- **Market for Control** - Management power can become entrenched by strong takeover defense provisions, such as poison pills or the issue of blank check preferred preferred stock. These mechanisms protect against hostile takeovers and subsequent management change, but investors should cheer poison-pill plans only when fully trusting and supporting management.

Be aware also that directors - especially executive board directors - have a habit of granting generous stock options to top managers. While stock options offer management an incentive to perform well, overloaded stock-option accounts create the possibility of unwanted share value dilution. The more stock options management owns, the bigger the drop in share value will be when these options are exercised.

Because the quality of corporate governance determines how a company allocates shareholder rights and aims to maintain the value of shares, investors should vigilantly analyze and evaluate the governance of their current and potential investments.

By **Ben McClure**, Contributor - Investopedia Advisor

Ben is director of McClure & Co., an independent research and consulting firm that specializes in investment analysis and intelligence. Before founding McClure & Co., Ben was a highly-rated European equities analyst at City of London-based Old Mutual Securities.

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CORPORATE GOVERNANCE ABSTRACTS Updated 24 Sept 2007

Corporate governance and the timeliness of corporate internet reporting by U.K. listed companies. [Find More Like This](#)

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Journal of International Accounting, Auditing & Taxation; Dec2007, Vol. 16 Issue 2, p111-130, 20p

Abstract: This study is an examination of the timeliness of **corporate** internet reporting by U.K. companies listed on the London Stock Exchange (LSE). The research examines the significance of several **corporate governance** and firm-specific characteristics as potential determinants of the timeliness of **corporate** internet reporting. Our primary analysis provides evidence of a significant association between timely **corporate** internet reporting and the **corporate governance** characteristics of board experience and board independence. Our findings provide evidence that boards with less cross directorships, more experience in terms of the average age of directors, and lower length in service for executive directors provide more timely **corporate** internet reporting. We find that board independence is negatively associated with timely **corporate** internet reporting. Follow-up analysis provides additional evidence of a significant association between the timeliness of **corporate** internet reporting and board experience. The evidence indicates that role duality and block ownership are associated with less timely **corporate** internet reporting. Our findings also reveal strengths and weaknesses in the Internet reporting of U.K. listed companies. Companies need to voluntarily focus on improving the timeliness dimension of their **corporate** internet reporting so that the EU and U.K. accounting regulators do not replace recommendations with regulations.

Title:

Better regulation by new governance hybrids? Governance models and the reform of European chemicals policy. [Find More Like This](#)

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Journal of Cleaner Production; Dec2007, Vol. 15 Issue 18, p1859-1874, 16p

: Frames of Reference in Financial Corporate Governance and Communications

Author(s): G Clarke; L.W. Murray

Journal: Corporate Governance: International Journal of Business in Society

Year: 2001 **Volume:** 1 **Number:** 4 **Page:** 20 -- 27

DOI: 10.1108/14720700110404315

Publisher: Emerald

Abstract: Empirical research identifies the strategic power of corporate values in influencing the success of organizations. Presents qualitative research which elicits chairmen's values expressed through value maps. Presents two such maps, both of which were extracted from interview transcripts using an adapted version of means/end chains. The interviews with chairmen of investment trusts was considered to be valuable, as the past experience that these respondents bring to the values debate will enable a comprehensive value mapping exercise to be meaningful and to inform further quantitative studies which can verify the frequency/importance of the corporate values identified. The findings do corroborate some of the values identified in previous research. More importantly, uses the maps to identify corporate value templates based on template themes, constructs, articulation and consensus. Templates are a core component in visualizing frames of reference. Frames of reference are an important consideration in the context of corporate values as they identify the focus of the organization's leadership.

Corporate governance: communications from internal and external auditors

Author(s): Janet L Colbert

Journal: Managerial Auditing Journal

Year: 2002 **Volume:** 17 **Number:** 3 **Page:** 147 -- 152

DOI: 10.1108/02686900210419930

Publisher: Emerald

Abstract: International Standards on Auditing (ISAs) require external auditors to communicate with the client's governance body regarding significant matters which came to the auditors' attention during the engagement. Similarly, the authoritative Practice Advisories (PAs), issued by the Institute of Internal Auditors (IIA), mandate that internal auditors discuss

Exercises

1. Who do accountants have a duty to serve? Incorporate an evaluation of stakeholder theory to help your answer.
2. Evaluate whether the following are more or less 'at risk' from external influences compromising ethical standards.
 - a] Management v Financial Accountants
 - b] Accountants employed within organisations or those in professional practice
 - c] Accountants performing the duties of costing, financial reporting, auditing v those engaged in wider related services.
3. Have ethical standards been compromised in the interests of reducing bureaucracy since 1994 when legal requirements for auditing by professionally qualified accountants were abandoned for SMEs?
4. In studying a company's annual report, speculate on the likely scope for observing evidence of and covering up ethical misconduct in the typical sections presented.
5. Do the Accounting Policies of Tesco plc (1996) indicate that the company is taking an ethical initiative or merely complying with legislative imperatives?
6. Does the duty to give a 'true and fair view' of the state of affairs of a company indicate that there is no need for whistleblowing auditors?
7. Does the fact that the controlling management have little or no stake in the ownership of the majority of public companies, have implications for ethical financial reporting?
8. Have the Cadbury recommendations (1991) solved the problems of the financial aspects of corporate governance?
9. How does consideration of the international dimension of accounting standards, impact on good ethical practice of British accountants?
10. Is it possible to construct a list of fundamental principles of professional ethics for accounting? Make an attempt to identify guiding influences.
11. Is self regulation by the accounting profession practicable and effective?
12. "Fiercely regulated but amoral".

Do you consider this a fair evaluation of the accounting profession?

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ACCOUNTING ETHICS

AMORAL? NEUTRAL? VALUE FREE ?

ETHICAL DISSONANCE (SEPARATION OF ACCOUNTING FROM OTHER ASPECT OF LIFE)

ETHICAL CODES REFLECT THE PROFESSION'S VIEW OF THE JOB

CONSTRUCT OF REALITY

POWER OF LANGUAGE

a) ETHICS AS PROFESSIONAL CONDUCT

b) ETHICS AS A WIDE OUTCOME OF THE CHOICES MADE BY THE PROFESSION OR BY THOSE WHO ARE INFLUENCED BY THE PROFESSION

FURTHER ISSUES FOR INVESTIGATION

GENDER ISSUES?

CREATIVE ACCOUNTING?

INFLUENCE ON PUBLIC AND NOT FOR PROFIT SECTORS?

TAX?

COMPETENCE/INTEGRITY?

AUDITING PRACTICE?

RECRUITMENT/TRAINING/PROFESSIONAL
DEVELOPMENT?

CORPORATE SOCIAL REPORTING (CSR)?

INVESTMENT/FINANCIAL MANAGEMENT?