

**The Wharton School – University of Pennsylvania
FNCE 402/887
Corporate Governance and Shareholder Activism**

**Spring 2020
Preliminary Course Syllabus**

(Please note that this syllabus is subject to change over the duration of the course; however, the general structure and content of the course will remain the same.)

Professors

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Teaching Assistants

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Classroom & Time

FNCE 887 – M/W at 1:30 p.m. – 2:50 p.m. – JMHH 245
FNCE 402 001 – M/W at 3:00 p.m. – 4:20 p.m. – JMHH 245
FNCE 402 002 – M/W at 4:30 p.m. – 5:50 p.m. – JMHH 245

Course Description

The aim of the course is to provide an introduction to shareholder activism. The course makes use of lectures and case studies. The lectures expose the students to the institutional and empirical facts as well as approaches followed by leading shareholder activists. The case studies are designed to provide students an experience on identifying potential opportunity for value creation through active engagement.

An essential element of the course is learning how to estimate the value of the activism target, and how to assess the potential for value creation through alteration of the company strategy, operations, or financial policy. This potential for unlocking value needs to be assessed, and the resulting value compared to the existing price to assess the quality of the investment thesis. The course assignments require students to develop and practice skills on fundamental analysis.

Reading Materials:

- Case materials and lecture notes on course webpage (Canvas)
- Additional background reading materials will be distributed
- Recommended (but not required) background reading:

“The Blue Line Imperative,” by Kaiser and Young, 2013

“Corporate Governance Matters: A Closer Look at Organizational Choices and Their Consequences,” by David Larcker and Brian Tayan

Format:

The structure of the course includes lectures, case discussions, and guest speakers. The major objective of the case method in finance is to **use the logic of financial theory to arrive at sensible conclusions** when faced with real world problems. However, one should **keep in mind that there is not one absolutely right answer to a case; different assumptions can lead to different solutions**. While there are no “right” answers, there are good arguments and bad arguments. The process of this course will help distinguish between sensible and senseless arguments. Considering the professor’s analyses as the correct solution defeats the purpose of this course and contributes to the silly notion that in the “real world” there is a single correct recipe to be followed.

Student Responsibilities and Assessment:

1. Case Study Assignments: (60% of the course grade).

Students will organize themselves into groups of three to five members to work on all cases. Groups must be fixed throughout the course. Diverse background within the group is beneficial. Since group work is a cooperative undertaking, students are urged to ensure that they form groups that are able to work effectively as a group. Although brief discussions across different groups are allowed, exchange of analysis and calculations is not. The major objective of the case method in finance is to **use the logic of financial theory to arrive at sensible conclusions** when faced with real world problems. Therefore, demonstration of the key concepts of financial theory is imperative in these cases.

Each group must submit a short (maximum one full page) executive summary of their reflections and commentary for each case. These are required for credit but will not be graded. In addition, each group must submit four “long” reports, maximum 3 pages plus exhibits, for four selected case assignments. Each group is expected to **hand in** a hard-copy of their reports **prior to any class discussion**. Supporting computations and tables can be included in an appendix and submitted in Excel format. All of the inputs and formulas used should be provided (preferably as a footnote). Some of the case assignments contain questions that need to be addressed, however you will also be graded based upon how well you identify the relevant questions and issues to be addressed. Therefore, whether there are questions for the case or not, please consider what the relevant questions are in the context of each case and discuss why and then perform the necessary analysis to address these questions. The raw data and relevant information for cases will be made available on the course webpage. **A subset of groups may be chosen to lead the discussion by presenting their analysis.**

2. Class Participation and Attendance: (15% of the course grade)

A goal of this course is to provide students with the opportunity to learn how to best contribute to discussions about complex financial issues. Therefore, this class depends and thrives on class participation. It is an important and essential part of this course. Because so much learning in this course occurs in the classroom, it is important that you attend every class. **Voluntary**

class participation is encouraged. “Cold calls” will be made as to ensure that the class enjoys the benefit of every student’s contribution. Inadequate class participation combined with several absences can lead to a failing grade. Performance will be judged based on the quality of comments/answers. **Students are expected to prepare for each case and participate actively in class.** To facilitate recording of class participation, please keep the same sitting arrangement throughout the semester.

3. Topical research paper: (20% of the course grade)

Each participant should endeavor to increase her/his awareness of activist events and corporate governance news during this course. In order to ensure participants exercise their own curiosity and pursue and apply knowledge outside of the case studies and lecture/speaker sessions presented in the classroom, each participant is responsible for writing an original paper on a corporate governance or shareholder activism issue or event. This “Topical/Reflection Paper” is an opportunity for summarizing your individual and team learning from the course and applying those learnings to a self-selected topical issue/event related to the corporate governance/shareholder activism. Each group will present their original work to the class in the sessions 25-27 of the course.

4. Individual Reflection paper (5% of the course grade)

Learning is an effortful process and I have added this assignment in place of a final exam. The purpose of this exercise is to ensure that each individual devotes some time (a couple hours or more) to reflecting back on this course and trying to recall and deepen your understanding of the many topics and concepts covered. You are expected to submit (along with the group paper) your individual reflections on what you learned during this course and the insights you gained. It is expected to be between 2-5 pages and address the following elements: (1) Summarize and demonstrate understanding of the concepts taught in this course, (2) Summarize the insights you gained, and (3) Describe how these insights will impact you/your behavior going forward.

Please do not be evaluative (e.g., please avoid statements such as "I really loved the session when we talked about..." or "I found the discussion around xxx to be very confusing...")

Simply emphasize your learning by structuring your reflections as, "What I learned was" Grading will be based on the depth and quality of your reflections as reflected in the depth and quality of the learning and insights you share in this report.

Code of Ethics:

Submitted assignments for grading should be your own or your team’s own work only. Most cases in this course involve actual companies. You may use firm specific or market data that are publicly available for your analysis. You cannot, however, use analysis originating/belonging to others e.g. banks, hedge funds. Failure to observe this rule may result in an automatic failing grade for the course.

Office Hours and Contact Information:

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Course Schedule All dates, including due dates of assignments, are subject to change to accommodate speakers

Class #	Date	Topic	Assignment
1	Wednesday, January 15, 2020	Course Intro & Who are Activist Investors?	no assignment today
	Monday, January 20, 2020	NO CLASSES _ MARTIN LUTHOR KING JR DAY	no assignment today
2	Wednesday, January 22, 2020	Value Investing Foundations	no assignment today
3	Monday, January 27, 2020	Activist Toolkit - Proxy advisors and campaign	Apple: Corp Governance & Carl Icahn
4	Wednesday, January 29, 2020	Proxy proposals and Proxy fights	Apple, continued
5	Monday, February 3, 2020	Intro and Overview of Activist HF	
6	Wednesday, February 5, 2020	Activist Hedge Funds	
7	Monday, February 10, 2020	Legal Framework - Approaching the Target	Speaker - Schulte, Roth & Zabel
8	Wednesday, February 12, 2020	Legal Framework - Defending the Target	Speaker - Sullivan & Cromwell
9	Monday, February 17, 2020	Defending against a Shareholder Activist	Speaker -Speaker?
10	Wednesday, February 19, 2020	AOL	AOL
11	Monday, February 24, 2020	AOL	AOL
12	Wednesday, February 26, 2020	How to attract an activist	Yahoo! 2013
	Monday, March 2, 2020	Valuing Yahoo!	Yahoo! 2013
	Wednesday, March 4, 2020	Valuation and Activism	no assignment today
13	Monday, March 9, 2020	Spring Break	
14	Wednesday, March 11, 2020	Spring Break	
15	Monday, March 16, 2020	Value Creation and Operational Improvement	no assignment today
16	Wednesday, March 18, 2020	Activism in Japan	NEC
17	Monday, March 23, 2020	A major step forward in activism	Darden
18	Wednesday, March 25, 2020	A major step forward in activism	Darden (speaker today)
19	Monday, March 30, 2020	The Activist Approach - where's the value?	Marvell
20	Wednesday, April 1, 2020	Lululemon	Lululemon
21	Monday, April 6, 2020	Lululemon	Lululemon (speaker today)
22	Wednesday, April 8, 2020	Activism in Japan	(speaker today)
23	Monday, April 13, 2020	Multinational Activism: Canada	Canadian Pacific
24	Wednesday, April 15, 2020	Activism & Culture: Japan	FANUC Japan
25	Monday, April 20, 2020	Topical Paper presentations	Group presentations
26	Wednesday, April 22, 2020	Topical Paper presentations	Group presentations
27	Monday, April 27, 2020	Topical Paper presentations & wrap-up	Group presentations
28	Wednesday, April 29, 2020	Topical Paper presentations	Group presentations