

BUFN758G (Senbet)
Cases: Guideline Questions

There are no absolute right answers to the issues raised in the cases. However, there are good and bad arguments, and the case preparation and class discussion, as well as the case briefs (write-ups), should help distinguish between sensible and senseless arguments. Generally your presentations should include: (a) clear statement of the problem and the salient issues raised in the case, (b) clear analysis, and (c) recommended solutions or actions. You should consider yourself as a *consulting group*, and your audience (the class) is the *management team* and/or the *board* of the company. Your continued employment as consultants will be critically dependent on your ability to *communicate* clearly, the rigor in your *analysis*, and clear and forceful *justification* for the recommended actions.

The following questions are designed to serve as *guidelines* for case analysis. However, you are not limited to these questions, and you may address other issues that you think are relevant. It is important that you take a *position* regarding the case problem and make specific recommendations. Provide an effective and clear support for your recommendations.

Al Dunlap at Sunbeam

1. Consider Dunlap's statement on page 3 of the case:

Stakeholders! Every time I hear the word, I ask, "How much did they pay for their stake?". Stakeholders don't pay a penny for their stake. There is only one constituency I am concerned about and that is the shareholders"

- (a) Do you agree or disagree with Dunlap's view of a shareholder primacy? Explain.
 - (b) If you believe that stakeholders do have rights that are qualitatively similar to those of shareholders, what specifically are those rights? How do stakeholders obtain or earn those rights?
2. Describe the first compensation package offered to Dunlap. Was it well-designed? What are the strengths and weaknesses of the package? What types of behavior did it motivate?
 3. Was the second compensation package offered to Dunlap well-structured? Was it excessive? Was it necessary?
 4. Did the board make the right decision in firing Al Dunlap? Is this an example of effective or poor corporate governance?

The Hermitage Fund: Media and Corporate Governance in Russia

1. What are the various ways in which managers in Russia extract value out of their companies disproportionate to their equity stakes? Which of these methods seem to be peculiar to the Russian environment?
2. What institutions and mechanisms are normally important in decisions by insiders to divert resources and which of these are ineffective in Russia?
3. What is Browder's strategy? How does this differ from traditional investing? Do you agree with Browder's contention that media attention limit corporate governance abuses (in Russia, elsewhere)? How does the media affect governance decisions?
4. As an investor in the Hermitage Fund, what would you advise Bill Browder do in Summer 2002?
5. What stands in the way of shareholder activism of this type more generally for investment funds? Is such activism good for fund investors? Is it good for the country?

Accounting Fraud at WorldCom

1. Based on what you have studied so far, describe the key factors that contribute to gross failures in corporate governance? Which of these factors are applicable to WorldCom?
2. At the time when Ebbers was elevated to the CEO position, would you have considered him "the perfect CEO"? Explain
3. Describe the compensation package offered to Ebbers and the other senior executives. What role did the executive compensation schemes play in the WorldCom scandals?
4. Describe how each of the following contributed to the WorldCom failure: (a) the business strategy based on aggressive acquisition growth; (b) the internal control system; (c) external auditing; (d) corporate governance.
5. If the Sarbanes-Oxley legislation were in place in the 1990s, would the WorldCom debacle have been avoided? How and why? Be specific about the provisions that have significant bearing on the case.

PetroChina: International Corporate Governance with Chinese Characteristics

1. Why does corporate governance matter in China's capital market?
2. How does the corporate governance model in China differ from international standards?
3. What are the special problems associated with PetroChina's corporate governance model?
4. What are the conditions required for further reforms in PetroChina's corporate governance system?