

**FIN4112L**  
**Corporate Governance & Financial Policy**  
**Semester 1/2014, Thursday at 11:00 – 14:00**  
**Venue: BIZ 1 # 02-05**

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**COURSE DESCRIPTION**

This course analyzes corporate governance focusing on family firms. Family firms form backbone of Asia and world economies. Family businesses are commonly thought to be small, unprofessional; and in most cases seldom survive three generations. There are, however, a number of success stories, for example, Hermes, Toyota, Merck, and Ford Motors. These firms are large, publicly traded, and controlled by the founding family for several generations. How do these families manage to grow their business internationally and perpetual their wealth for multiple generations?

One of the major challenges facing by family firms is the founding family. Many family members own ownership stakes and hold top positions at the firm and therefore the family can have immense influence on corporate financial decisions. This course analyzes this problem and discusses the solutions such as setting up good governance within the family and the firm to minimize such agency problems; structuring the ownership so as not to lose control while benefiting from external finance; and succession planning.

The knowledge from this course is particularly useful to students who plan to join their family business. This course also guides students who plan to work in family office and private banking providing practical advice to high net worth families on wealth management, business, and succession planning. Managing the business is essential as most family business owners have their wealth invested in their business.

For students who plan to pursue their career in banks, private equity funds, M&A, and pension funds, this course provides knowledge to deal with family businesses, who are likely to be your clients or strategic partners. You might also work in a family firm and having the founding family as your boss. A good understanding of how family businesses operate is essential for doing business.

**COURSE MODULES**

This is a case-based course. Class attendance and participation are essential. All class members are expected to come to all classes, well prepared by reading the materials, and contribute to the class by actively participating in the discussion.

We study cases on family firms from various countries in Asia, Europe, and America. The course plan includes guest visits from family businesses. This course has the four main modules discussing the role of the family in the business.

1. **The family business model** We analyze the strengths of family firms and key challenges that constrain growth. One major challenge facing a family firm is the family. We discuss the family business model and analyze the mechanisms via which the founding family can affect the firm value. For example, the family can constrain the firm by choosing corporate financial policies that benefit the family but do not maximize the firm value.
2. **Financing growth & keeping family control.** We analyze challenges when the family decides to have access to external finance such as strategic partners, private equity, and public investors via IPO. One of the key issues is how to organize ownership and control structures in such a way that the family can maintain control while benefiting from external financing and the expertise of outside investors.
3. **The family & succession.** Planning for the transfer of ownership and management is one of the key issues for perpetuating the family's business and wealth. Succession in family business is complicated because family values and relationships play a major role. Further family businesses often fail as a result of family feuds. Good governance structures at the firm and family level can minimize the negative effects of family control on the business.
4. **Professionalizing family business.** Another key challenge is how to incentivize subsequent generations and keep the entrepreneurial spirit alive. Successful transition requires a well-crafted ownership, management, and governance structure.

#### **CLASS MATERIALS**

The main materials are cases.

#### **PREREQUISITIES**

NUS students must have already passed FIN3101 Corporate Finance. Students must have a good understanding of basic statistics and the basic concept of corporate finance. The cases and class discussion are, however, largely non-technical.

#### **GRADE COMPONENTS**

Final grades will be based on the following:

##### *Individual-based*

- Class participation and discussion: 30%
- Tests: 40%

##### *Group-based*

- Project analyses and presentations: 30%

**NOTE: The information in this syllabus is not final and may change.**