Teaching Company Law to Business Students: An Effective Framework

A. Introduction

Many education experts have recognised the recent trend in higher education towards greater interdisciplinarity. It is now recognised that subjects do not come in neatly contained boxes to be conveniently taught to cohorts of students. Subjects can and usually do necessarily overlap with one another. This is particularly evident with the disciplines of business and law. Law affects all business transactions and law is also a business in itself. Accordingly, most (if not all) business degree programmes include law modules. This is reflective of the fact that businesses will be affected by many different aspects of law, including (but not limited to); Employment Law, Contract Law and Company Law. One of the most fundamental aspects is Company Law. It is therefore easy to see why a good basic working knowledge of Company Law is important to business students; as graduates they will enter the business workforce and apply their legal knowledge in a practical setting on a daily basis. Indeed, it has been noted that “[o]f the various constraints business decision making, law is the most pervasive” and that, “business decision shaves potentially serious and costly legal consequences.”

Although Company Law is important and useful for business students; it is also a very challenging subject with which they must get to grips. Company Law can easily baffle even the brightest law students who are used to grappling with complicated legal concepts. For students of other disciplines (who are usually encountering legal scholarship for the very first time), it is easy to understand why they often struggle to grasp the subject well enough to pass their Company Law assessments with flying colours, and consequently apply their company law knowledge in the business world. This begs the question: why is Company Law

---

1 Author 1
2 Author 2
5 Browsing most University websites reveals that most business degrees include one or more legal modules
6 Allison supra note 4, 239
7 R Batty, ‘Well there’s your problem – the case for using PBL to teach law to business students’ (2013) 47 The Law Teacher 243
so hard for business students? In part, it is due to them working in unfamiliar territory; the difficulties of working on an interdisciplinary basis are readily acknowledged. Not only is it difficult for students to understand, such interdisciplinary teaching is also tricky for instructors; because of the complexity of working across multiple ways of knowing, interdisciplinary subjects are challenging to teach.8

The existing academic literature focuses heavily on teaching law generally to non-law students9 as well as business students specifically10. However, the principal aim of this paper is to explore some of the challenges faced by business students when they study Company Law as a specific subject, as well as some of the problems they face studying law more generally. Consideration of this issue is justified by the fact that Company Law is one of the most common types of law with which business students must get to grips. Furthermore, it is one of the most complex areas of law generally which requires close analysis of very technical sources e.g. the Companies Act 2006, which students can find very difficult indeed. Understanding the challenges faced by business students when it comes to Company Law will give rise to consideration of how these issues and challenges can be overcome; accordingly, the paper will then go on to propose possible solutions to these problems in order that business students can achieve deeper learning of this highly complex, yet extremely important area of law. Finally, the paper will offer some conclusions on the topic.

The methodology employed in this research is largely literature based, drawing on several strands of educational scholarship, including examination of relevant books and journals. However, the research is also informed by the authors’ personal experiences of teaching Company law to business students.

B. Challenges of teaching Company Law to business students

Research and practical experience demonstrate that business students find the study of Company Law challenging for many different reasons. Those reasons can be broken down into two broad categories: (i) problems encountered with studying law generally (ii) problems encountered with studying Company Law specifically. Although it may be beneficial to consider these problems separately, it should be kept in mind that in practice there will be considerable overlap between the two categories.

1. Problems encountered by business students when studying law generally

The problems encountered by business students embarking on a course of legal scholarship are reasonably well documented. It seems that one of the first hurdles that business students encounter is a general apprehensive or anxiety about studying law, with many expressing that they are simply not even sure about how to approach the study of law.\(^1\) This is a side effect of the traditional discipline-centric approach to higher educational study in the UK. Though there is evidence to suggest that there is a trend towards interdisciplinarity\(^2\) in UK universities, the practice is not yet commonplace and certainly not the status quo. Accordingly, students are very much accustomed to pigeonholing subjects, rather than examining and embracing their interconnected-ness, and attempting the cross application of skills. For example, basic study skills can easily be applied (albeit admittedly with a little subject specific tweaking) to almost any subject. Therefore, students should not be afraid of the new subject, as in most cases, they are already study experts. They simply need to consider (and receive guidance) about how to adapt their already existing study skills to be successful in their new subject.

Additionally, Allen notes that non-lawyers are often overwhelmed by the sheer amount of reading that they are usually asked to do.\(^3\) Often, business students will have to complete a whole host of preliminary reading, detailing the basics of the English legal system e.g. the Court system and the sources of law before they can even consider getting into the substance of Company Law. In many instances, the amount of reading/work to be completed by students for a Company Law module of, say 20 credits, is disproportionate to the amount of reading/work for another module of the same credit weighting. This usually means that students have to work harder to complete the relevant work, and to gain a good mark at the

\(^{11}\)Allen supra note 10  
\(^{12}\)Vick, supra note 4 and Squires supra note 4  
\(^{13}\)Allen supra note 10
end of the course. These difficulties are exaggerated by the complexity of law as a subject in itself. For students new to the law, legal language can be rather difficult to decipher. At times, it may seem like lecturers and instructors are speaking a foreign language. Even the basic terminology needs to be understood and learned. For Business Law modules, students must get to grips with the terminology associated with the law of contract eg offer, acceptance and invitation to treat et cetera. This problem may be overcome by requiring a basic introduction to the English Legal System and/or the Law of Contract as a pre-requisite to the taking of a Business Law module. This is certainly the experience of the present authors. However, it is by no means a universally accepted standard, and therefore Business Students may encounter legal terminology for the very first time on a Company Law course. For these reasons, taking on a legal module may be perceived as undesirable or even damaging for academic progress and attainment. This is a real shame, because business students do benefit (for the reasons outlined above) from foundational knowledge of Company Law as a subject. Furthermore, it could be perceived as discouraging academic interest and inquiry, which is the very opposite of what university level education should do.

Furthermore, students become accustomed to the academic conventions of their discipline. Thus, when they step outside of their comfort zone, and into another discipline, they are ignorant to the new academic conventions to which they must adhere. The move to legal scholarship can be particularly problematic because legal academic conventions can be quite different to other disciplines (such as business). In purely business modules, for example, students are usually asked to utilise the Harvard method of referencing. However, in legal scholarship, the leading referencing method is OSCOLA.\(^1\)\(^4\) The use of OSCOLA, or footnoting is very different to Harvard, and can be tricky for students to learn to use. Additionally, legal academics can be particularly insistent on the accurate use of OSCOLA. Aside from referencing issues, other legal academic conventions can seem peculiar to the non-lawyer. For example, the constant need to provide evidence and authority for assertions through the use of case law or reference to particular statutory provisions can be difficult for business students to get to grips with. Moreover, the writing style associated with each discipline may vary somewhat. Business students may be more used to writing in a more casual, report-style tone. For law modules, students would need to write in a more formal essay-style tone.\(^1\)\(^5\)

\(^1\)\(^4\) Oxford Standard for the Citation of Legal Authorities
\(^1\)\(^5\) Allen supra note 10
2. Problems encountered by business students when studying Company Law specifically

The most significant problem encountered by business students when studying Company Law must undoubtedly be the complexity of this area of law and of its sources. Company Law is necessarily a very intricate and detailed area of the law in England and Wales. The volume of legal rules that apply to companies is astonishing. The primary source of these rules is the Companies Act 2006\(^\text{16}\), which had the distinction of being the longest statute in British Parliamentary history until the enactment of the Corporation Tax Act of 2009\(^\text{17}\). The Companies Act contains some 1300 sections, and spans a whopping 700 pages.\(^\text{18}\) For non-lawyers, getting to grips with any statute can be a challenge; let alone of the longest Acts in history. Even if students do manage to comprehend the provisions of the Companies Act 2006, there is a wealth of other statutory provision relating to companies that awaits them, for example the relevant provisions of the Insolvency Act 1986 and the Company Directors Disqualification Act 1986, to name but two Acts.

Another difficulty encountered by business law students when it comes to the study of Company Law is the subject’s inherent links and overlaps with other (equally or even more complex) areas of law. For example, it would be very difficult to fully understand Company Law without acquiring an adequate understanding of Equity, Insolvency Law and Contract Law. It would be impossible to draw up an exhaustive list of the areas of law which interact or overlap with Company Law, because there are so many. Needless to say, that the successful study of Company law will at some point or another involve the consideration of other areas of law. For the business student approaching Company Law for the first time, this fact can be frustrating and difficult.

A final difficulty for business students studying Company Law is attempting to understand the abstract nature of the company. A company is theoretically a separate legal entity with its own legal personality. However, a company is obviously not a physical entity, and as such cannot physically act on its own behalf. Therefore, the company relies on the doctrine of agency; human agents must act on the company’s behalf. It is quite difficult for business


\(^{18}\)Companies Act 2006 supra note 17
students to come to terms with such abstract concepts in order to fully understand exactly who is acting on whose behalf, and the legal consequences of such actions.

C. Overcoming these challenges

As has been noted in the preceding section, business students face unique challenges when studying Company Law modules. Nonetheless, Company Law is a hugely important subject for business students, many of who will go on in their future careers to become entrepreneurs, accountants and senior business executives. In their future working lives, business students will deal with many aspects of Company Law on a daily basis. Company Law classes should therefore provide business students with an understanding of the nature of the legal framework, and its role and impact on companies, directors and shareholders.

1. Course and curriculum design

The starting point in designing a Company Law course which is specifically aimed at business students is to enable the students to gain basic content knowledge in relation to the different types of business entities and to focus on the issue of limited liability. The rationale for this is that it allows teaching to be organised around the student’s existing knowledge of business law and strengthens the student’s application of the law. To achieve this outcome, an appropriate textbook must be chosen. While choosing a textbook is a subjective process, the decision should be based on a textbook, which includes short chapters, contains a glossary of the important legal terms and does not overwhelm the reader with theoretical concepts. Some newer Company Law textbooks have been produced that are aimed specifically at the business student studying Company Law, which are more user-friendly.\(^\text{19}\) However, it remains a fact that most Company Law textbooks are produced with the law student in mind and as such are often highly technical and complex. This can be resolved by supplying the students with a module handbook which bridges the gap between lectures and the materials contained in the textbooks. The handbook would include a glossary of the key terms and concepts which will be referred to in the lectures.

Careful curriculum design is also vital to meet the needs of business students who may be planning a career in a number of different fields including accountancy and management. It is important to note that the curriculum should not be aimed at teaching future lawyers or paralegals. The world of the accountant for example, is very different to that of the legal practitioner. The Company Law curriculum should therefore be designed to meet the aims of future accountants by focusing on the aims of the accountancy bodies. Therefore, it should not only equip non-law students with skills to identify legal issues and to seek legal guidance, it should also stress the importance preventing problems and resolving conflict through alternative dispute resolution (ADR).

In terms of designing a module which meets the learning objectives of the students, this article will focus on the two leading bodies for professional accountants, namely the Chartered Institute of Management Accountants (CIMA) and the Association of Chartered Accountants (ACCA). The key difference between the two bodies is that CIMA is a specialist management accounting qualification, which is designed for those who wish to work in the world of business and management. ACCA, on the other hand, is a broader qualification that offers a bit more flexibility. Group Learning Plans (GLP) can be employed in order to determine the career objectives of the business students for the purpose of designing the Company Law module to meet those specific needs. A GLP can assist in curriculum design by identifying the career aims of the students, building on existing legal knowledge and identifying key areas which require more detail. GLPs are determined by drafting questionnaires to be completed by the students, prior to the start of the module.

GLPs assist in designing a curriculum that will reflect the challenges that will be faced by students in their future business roles in relation to companies. Nation and Melone have argued that the curriculum should reflect a broad approach to Company Law education, giving ‘brief and general exposure to various legal topics’. However, this approach is actually doing the students a disservice because they do not gain the necessary depth of knowledge in key Company Law subjects that they will need in their future careers, either in forming their own companies, or in their employment by a company. Key topics that should

---

21 Lampe supra note 20.
be focussed on include: different types of business entities; formation of a company; directors duties; minority shareholder rights; maintaining statutory registers; audit and disclosure requirements and winding up the company.

2. Teaching methods

The traditional approach to teaching law has been to treat law ‘as a series of black letter rules’\(^\text{25}\). There is a danger that the teaching of Company Law to business students can be overly legalistic. In order to best serve business students, the Company Law course should be designed in a manner, which offers a ‘managerial approach that is both realistic and practical for future business practitioners.’\(^\text{26}\) Sacasas and Cava believe that traditional courses in business schools ‘frequently omit the practical considerations of managing legal implications’, not to mention those costly providers of the legal service, lawyers’.\(^\text{27}\) Therefore, the model that is being proposed, herein, is that emphasis should be on the identification and prevention of legal problems through cost effective resolution of conflict. This requires a shift of focus from black letter legalistic rules to practical, problem/solution-based learning. A shift to this approach does not require reinvention of the wheel. Rather, existing approaches to teaching in Business Law and Practice, a core module on the Legal Practice Course could be adapted very easily in order to fulfil this need. This would equip students with practical skills such as completing an application to register a company\(^\text{28}\) or completing an appointment of director form.\(^\text{29}\) The proposed paradigm includes topics that are not commonly taught to business students at present. These include negotiation, legal drafting and legal audits. The skills required to complete such tasks are distinct from those required to write an academic essay or piece. A 1991 committee report asserts, with respect to business law courses:

\(^{26}\) Lampe supra note 20, 5.
They are, and should be, quite different than courses taught in law schools. They are ‘business school courses about law’. Their goal is to give students a working knowledge of the structure of both the law generally and the particular legal area under consideration. They are and should be taught from the perspective of planning, prevention and managerial participation in the resolution of legal problems. To achieve this aim, lecturers should design a curriculum which also equips business students with the ability adhere to the professional code of conduct and recognising situations which give rise to a conflict of interest. This is essential in relation to directors’ duties.

Thus, the Company Law module for business students should focus on the application of the law and less on the theory of law. GLPs can assist in determining the group profile in order to tailor the teaching methods to meet the learning objectives.

In relation to the delivery of teaching, there is a large body of literature, which highlights the negative aspects of traditional large group. Additionally, research has shown that lectures do not engage students’ attention particularly well; students’ attention and retention suffers after just twenty minutes. Thus, the utility of these types of classes is minimal.

An alternative to the traditional didactic teaching methods is student-centred learning, whereby the lecturer acts as a facilitator and a resource-person. The advantage of this method is that the students can participate in the planning of the curriculum. This is achieved by designing the curriculum in line with the data collected from the results of the GLP questionnaires. An example of student-centred learning is the flipped classroom. This is a pedagogical model in which the traditional lecture and tutorial elements of a course are reversed. A learner-centred Company Law module should provide activities in the classroom that

---

30 Allison supra note 5 at 246 cited in Lampe supra note 20 at 7
31 S.170-S.177 Companies Act 2006 supra note 17
32 See for example K Ashcroft and L Foreman-Peck, Managing Teaching and Learning in Further and Higher Education (Falmer Press 1994) 76-80
33 Ibid 79
34 E.g., lectures and seminars.
36 J Bergmann and A Sams ‘Flip Your Classroom: Reach Every Student in Every Class Every Day’ (International Society for Technology in Education 2012).
are ‘action based, authentic, connected and collaborative, innovative, high level, engaging, experience based, project based, inquiry based, and self-actualizing’.\footnote{M Gorman ‘Flipping the classroom...a goldmine of research and resources keep you on your feet’ (2012) \url{http://21centuryedtech.wordpress.com} accessed 20 April 2015.}

To maximise the efficiency of the flipped learning method, the module should be designed in a manner which ensures that learners are prevented from attending lectures and seminars until after they have successfully completed a pre-training session. This session can take the form of online lectures or online exercises.\footnote{The use of online resources which compliment the flipped learner method will be discussed in the section entitled ‘Use of technology’ below.}

3. Assessment methods

Many Company Law business students-centric modules utilise the traditional assessment methods associated with pure law modules aimed at law undergraduate students. These tend to include coursework such as academic essays and closed book examinations. Academic essays which focus on the use of precedent and legal terminology test skills that will not be relevant or of use to business students in the future. Closed book examinations often amount to little more than memory tests, and as such they do not promote deeper learning and application of knowledge. Such methods also lead to examination of Company Law issues in the abstract, ignoring a contextual based approach that would be ultimately more relevant to the business students’ own subject area and future careers. This approach promotes a context over content approach.\footnote{Allen supra note 5}

Traditional methods of assessment should be adapted to meet the academic and professional needs of business students. The outcome of a study conducted by Black and Wiliam indicates that initiatives designed to enhance effectiveness of the method of assessment used to promote learning can raise student achievement.\footnote{P. J Black and D Wiliam (1998) ‘Assessment and Classroom Learning’, Assessment in Education 5(1), 7.} The authors synthesised evidence from over 250 studies linking assessment and learning. It follows that the Company Law module should be designed in a manner which measures the students’ understanding of how to ‘protect themselves and their organizations from legal liability’.\footnote{Lampe supra note 21 at17} In the vast majority of cases, the company is the client. Therefore, one of the learning outcomes of the module is an awareness of the ten mandatory principles of the SRA's (Solicitors’ Regulation Authority)
Code of Conduct (October 2011).\(^{42}\) The proposed module is a departure from law modules taught to law students. Lampe argues that the ‘challenge is for instructors to move away from their zone of comfort and find a better way’.\(^{43}\) While it is useful to instruct students to read one or two judicial opinions and explain the application of the IRAC model (issue, rule, application, conclusion), business students are not studying Company Law from a legal perspective, with a view to entering the legal profession. Thus, the utility of reading endless judicial judgements is very limited indeed. Instead, cases should be condensed summaries of actual opinions. Moreover, essay based questions should be dismissed or used only in limited quantities because they do not meet the required learning outcomes in terms of gaining an awareness of the legal issues which are relevant in a practical context. Theoretical essay questions do not test business students’ application of the law. It is submitted that use of MCQs (Multiple Choice Questions) coupled with problem-based questions should form the basis of Company Law for business students’ summative assessments. MCQs enable the assessment of knowledge and comprehension of essential facts relating to company law. The MCQ would be designed as a closed-book test consisting of 30 questions, conducted in-class (in standard lecture times) over 60 minutes. This method of assessment can be found on the Electronic Commerce\(^{44}\) module at Leicester De Montfort Law School, and is in the author’s opinions quite effective. The validation process, in relation to the MCQ, would involve designing the questions in line with Fisher’s guidelines.\(^{45}\) Problem based questions will enable students to apply their legal knowledge in a practical manner, testing their understanding of key legal concepts in an efficient manner.

4. Use of technology

The VLE (Virtual Learning Environment) has become a hugely important tool in the delivery of higher education. One of the key advantages of the VLE is that it makes available information that was previously inaccessible or information that was previously more

\(^{42}\) Solicitors’ Regulatory Authority website http://www.sra.org.uk/solicitors/handbook/handbookprinciples/content.page accessed 20 December 2014

\(^{43}\) Lampe supra note 21 at 37

\(^{44}\) This is a 3\(^{rd}\) year module which is available to both law and non-law students. The introduction of this method of assessment has seen an increase in student satisfaction as well as a shift in grade distribution towards the upper second/first class results.

\(^{45}\) J Fisher, ‘Multiple-choice: Choosing the best option for more effective and less frustrating law school testing’ (2008) 2(6) International Journal of Academic Research 204
difficult to access (e.g. it would require on-campus presence on the part of the student). VLEs also play an important role in flipped classrooms.

VLEs provide an opportunity for the instructor to translate concepts from the real world to the virtual word by setting up an online discussion group. Setting up such a group gives the students a venue out of the traditional classroom environment to discuss a recent court case or an issue of law in the media. VLEs allow students to enhance their communication skills and to get feedback during informal discussions. Moreover, many shy students may feel more able to participate in such discussions online, rather than in a face-to-face classroom setting. This can therefore increase student engagement.

Electronic learning (e-learning) in legal education has substantially increased in recent years. There are many advantages of using e-learning to enhance business students’ understanding of Company Law through webcasting, interactive tutorials and discussion boards. The advantage here is that students are able to listen to or read the material being disseminated multiple times which is beneficial in terms of understanding and retention.

Webcasting or I-tutorials are beneficial in terms of retaining information because they allow the students to listen to the webcast in their own time. This is particularly beneficial to students with special learning requirements and also to students whose English is their second language. Moreover, this will be beneficial to business students studying Company Law, as they can listen to or read materials multiple times in order to grasp complicated or new concepts. Online interactive materials such as independent exercises and MCQs allow learners to work independently. This also serves as a revision method for the summative MCQ assessment. It is recommended that discussion boards should not be compulsory. Discussion boards could be used in Company Law modules to disseminate information about and comment on recent developments in Company Law.

D. Conclusion

47 The use of the internet to broadcast live or delayed audio and/or visual information
48 Students did not respond positively to this method in a trial conducted in 2003/2004 at the Oxford Institute of Legal Practice, see Podling supra note 40
This article has considered the importance of studying Company Law for business students and explored the difficulties faced when teaching Company Law to business students. It also challenged the traditional method of teaching Company Law to business students (which basically entails using traditional legal approaches). Careful curriculum design can enable students to avoid anxiety about their study of Company Law and help them understand the overlaps and links to other areas of law by placing Company Law in context. Furthermore, designing the Company Law curriculum in this way will enable business students to apply their specialist knowledge effectively in their future careers.

In order to maximise utility of the proposed paradigm, it would be desirable for business schools and law schools within a single university to work more closely together in the future. At present, university departments tend to operate in isolation of each other, despite the growing trend towards interdisciplinarity in degree programmes as well as in specific modules. A more cooperative and integrative approach would be beneficial to business students studying company law in terms of understanding concepts which they can successfully apply in a practical post graduation/university context. However, this would require more fundamental changes to the provision of higher education in the UK and is part of a much larger debate about the utility of discipline centric models of higher education versus interdisciplinarity.