CORPORATE GOVERNANCE: A MEASURE FOR CREATING VALUE WITHIN SOCIETY

PROF. DR. S.K. BARAL
DIRECTOR,
KUSHAGRA INSTITUTE OF INFORMATION & MANAGEMENT SCIENCE (KIIMS),
PIRA BAZAR, INFRONT OF SADAR PS,
CUTTACK.

ABSTRACT
In today’s business world, companies are shifting from a product-oriented business strategy to a customer-focused one and overall stakeholder’s satisfactions and it has been a major challenge for the companies to adopt the different kind of managerial styles for sustainable growth. For that purpose, good corporate governance plays an important role now days. Corporate governance is concerned with set of principles, ethics, values, morals, rules regulations, & procedures etc. The “corporate governance concept” dwells in India from the Arthashastra time instead of CEO at that time there were kings and subjects. Today, corporate and shareholders replace them but the principles still remain same, unchanged i.e. good governance. Corporate governance establishes a system whereby directors are entrusted with duties and responsibilities in relation to the direction of the company’s affairs. The term “governance” means control i.e. controlling a company, an organization etc or a company & corporate governance is governing or controlling the corporate bodies i.e. ethics, values, principles, morals. For corporate governance to be good the manager needs to meet its responsibilities towards its owners (shareholders), creditors, employees, customers, government and the society at large. Corporate governance helps in establishing a system where a director is showered with duties and responsibilities of the affairs of the company. The concept of ‘corporate governance’ is not an end; it’s just a beginning towards growth of company for long term prosperity. Need for corporate governance arises due to separation of management from the ownership. For a firm success, it needs to concentrate on both economic and social aspect. It needs to be fair with producers, shareholders, customers etc. It has various responsibilities towards employees, customers, communities and at last towards governance and it needs to serve its responsibilities at the best at all aspects. This paper tries to highlight the significance of corporate values and the importance of it in Indian context.

KEY WORDS: Corporate Values, Business Goal & Corporate Governance, Society.

INTRODUCTION
Corporate governance is concerned with set of principles, ethics, values, morals, rules regulations, & procedures etc. Corporate governance establishes a system whereby directors are entrusted with duties and responsibilities in relation to the direction of the company’s affairs. The term “governance” means control i.e. controlling a company, an organization etc or a company & corporate governance is governing or controlling the corporate bodies i.e. ethics, values, principles, morals. For corporate governance to be good the manager needs to meet its responsibilities towards its owners (shareholders), creditors, employees, customers, government and the society at large. Corporate governance helps in establishing a system where a director is showered with duties and responsibilities of the affairs of the company.
For effective corporate governance, its policies need to be such that the directors of the company should not abuse their power and instead should understand their duties and responsibilities towards the company and should act in the best interests of the company in the broadest sense. The concept of ‘corporate governance’ is not an end; it’s just a beginning towards growth of company for long term prosperity.

If someone will look into the history of corporate governance, the concept emerged in India after the second half of 1996 due to economic liberalization and deregulation of industry and business. With the changing times, there was also need for greater accountability of companies to their shareholders and customers. The report of Cadbury Committee on the financial aspects of corporate Governance in the U.K. has given rise to the debate of Corporate Governance in India. Need for corporate governance arises due to separation of management from the ownership. For a firm success, it needs to concentrate on both economic and social aspect. It needs to be fair with producers, shareholders, customers etc. It has various responsibilities towards employees, customers, communities and at last towards governance and it needs to serve its responsibilities at the best at all aspects. The “corporate governance concept” dwells in India from the Arthashastra time instead of CEO at that time there were kings and subjects. Today, corporate and shareholders replace them but the principles still remain same, unchanged i.e. good governance.

20th century witnessed the glossy of Indian Economy due to liberalization, globalization, and privatization. Indian economy for the first time here was together with world economy for product, capital and labour market and which resulted into world of capitalization, corporate culture, business ethics which was found important for the existence of corporation in the world market place. Good corporate governance in the changing business environment has emerged as powerful tool of competitiveness and sustainability. It is very important at this point and it needs corporation for one and all i.e. from CEO of company to the ordinary staff for the maximization of the stakeholders’ value and also for maximization of pleasure and minimization of pain for the long term business.

Global competitions in the market need best planning, management, innovative ideas, compliance with laws, good relation between directors, shareholders, employees and customers of companies, value based corporate governance in order to grow, prosper and compete in international markets by strengthen their strength overcoming their weaknesses and running them effectively and efficiently in an efficient and transparent manner by adopting the best practices.

**BUSINESS GOAL AND CORPORATE GOVERNANCE**

Corporate governance is also related to corporate financial goals. It is an assumption that such goals are culture free. It is interviewed with Dutch, German, and U.S business executives. Besides making profits, the Dutch talked about assets, the German about independence from banks and the American about shareholder value. This reflects the institutional differences among the countries but also the prevailing ideologies. Some people assume that globalization and acquisition of companies across borders will wipe out such differences and thus business leaders will become like the Americans. Others argue that these differences are rooted in national cultures that have centuries old roots, which make such convergence unlikely. Corporate governance practices have become an essential prerequisite for the ability to acquire and retain financial resources necessary for restructuring long-term investment and sustainable growth.
ISSUES IN CORPORATE GOVERNANCE

There are several important issues in corporate governance and they play a great role, all the issues are inter related, interdependent to deal with each other. Each issues connected with corporate governance have different priorities in each of the corporate bodies.

Value based corporate culture: For any organization to run in effective way, it needs to have certain ethics, values. Long run business needs to have based corporate culture. Value based corporate culture is good practice for corporate governance. It is a set of beliefs, ethics, principles which are inviolable. It can be a motto i.e. a short phrase which is unique and helps in running organization, there can be vision i.e. dream to be fulfilled, mission and purpose, objective, goal, target. Schein’s (1996) research demonstrates that the founder’s personality can both create and shape organizational culture. The author observes that culture is influenced by historical events and can be reinforced by systems, particularly when management can manipulate incentive systems to reinforce specific behaviors. Significantly, he believes managers need to understand the power of culture in organizations to influence values and behaviors. Other researchers have upheld the validity of Schein’s work.

Compliance with laws: Those companies which really need progress, have high ethical values and need to run long run business they abide and comply with laws of Securities Exchange Board Of India (SEBI), Foreign Exchange Regulation Act, Competition Act 2002, Cyber Laws, Banking Laws etc.

Disclosure, transparency, and accountability: Disclosure, transparency and accountability are important aspect for good governance. Timely and accurate information should be disclosed on the matters like the financial position, performance etc. Transparency is needed in order that government has faith in corporate bodies and consequently it has reduced corporate tax rates from 30% today as against 97% during the late 1970s. Transparency is needed towards corporate bodies so that due to tremendous competition in the market place the customers having choices don’t shift to other corporate bodies.

Corporate Governance and Human Resource Management: For any corporate body, the employees and staff are just like family. For a company to be perfect the role of Human Resource Management becomes very vital, they both are directly linked. Every individual should be treated with individual respect, his achievements should be recognized. Each individual staff and employee should be given best opportunities to prove their worth and these can be done by Human Resource Department. Thus in Corporate Governance, Human Resource has a great role specifically the leader role is concerned. Professor Conger (1990, 1999) describes the dark side of leadership and how the skills and personality traits that serve leaders well in rising to the top may also lead to their undoing. Charismatic leaders are often admired for their vision; however, the greater a leader’s commitment to a vision, the less willing they may be to entertain competing viewpoints. This single-mindedness can lead to unrealistic aspirations and inappropriate strategies. It is tempting to blame organizational failures solely on top management, but leadership requires committed and consenting followers. Research by DeCelle’s and Pfarrer (2004) suggests when the dark side of charismatic leadership is combined with stakeholder pressure for results; the risks of corporate corruption are increased. Conger (1990, p. 49) describes how followers may tend to become dependent on a visionary leader, idealize that leader, and ignore their negative qualities.
Necessity of Judicial Reform: There is necessity of judicial reform for a good economy and also in today’s changing time of globalization and liberalization. Our judicial system though having performed salutary role all these years, certainly are becoming obsolete and outdated over the years. The delay in judiciary is due to several interests involved in it. But then with changing scenario and fast growing competition, the judiciary needs to bring reforms accordingly. It needs to speedily resolve disputes in cost effective manner. Farrell (2004) also suggests the role of internal auditor may become more prominent as the need for internal knowledge-sharing and communication of effective risk management practice becomes more urgent. The auditor may become an educator and promoter of best practices within the organization.

Globalization helping Indian Companies to become global giants based on good governance: In today’s age of competition and due to globalization our several Indian Corporate bodies are becoming global giants which are possible only due to good corporate governance. Wang, Barney, and Reuer (2003) suggest that firm following differentiated strategies with unique products have greater need for formal risk management systems than firms delivering commodity products or services. According to Professors Chatterjee, Wiseman, Fiegenbaum, and Devers (2003), strategic risk management can be a source of competitive advantage for firms in its own right. It is hoped that the framework presented in this article is a step towards making strategic risk management a source of such advantage, and that it stimulates further discussion and effective practice.

LESSONS FROM CORPORATE FAILURE IN INDIA

Every story has a moral to learn from, every failure has success to learn from, in the same way, corporate body have certain policies which if goes as a failure they need to learn from it. Failure can be both internal as well as external whatever it may be, in good governance, corporate bodies need to learn from their failures and need to move to the path of success. Corporate India must commit itself as reliable, innovative and prompt service provider to their customers and should also become reliable business partners in order to prosper and to have all round growth. Corporate Governance is nothing more than a set of ideas, innovation, creativity, thinking having certain ethics, values, principles etc which gives direction and shape to its people, employees and owners of companies and help them to flourish in global market.

Indian Corporate Bodies having adopted good corporate governance will reach themselves to a benchmark for rest of the world; it brings laurels as a way of appreciation. Corporate governance lays down ethics, values, and principles, management policies of a corporation which are inculcated and brought into practice. The importance of corporate governance lies in promoting and maintains integrity, transparency and accountability throughout the organization. Corporate governance has existed since past but it was in different form. During Vedic times kings used to have their ministers and used to have ethics, values, principles and laws to run their state but today it is in the form corporate governance having same rules, laws, ethics, values, and morals etc which helps in running corporate bodies in the more effective ways so that they in the age of globalization become global giants. Several Indian Companies like PepsiCo, Infuses, Tata, Wipro, TCS, and Reliance are some of the global giants which have their flag of success flying high in the sky due to good corporate governance. Today, even law has a great role to play in successful and growing economy. Government and judiciary have enacted several laws and regulations like SEBI, FEMA, Cyber laws, Competition laws etc and have brought several amendments and repeal the laws in order that they don’t act as barrier for these corporate bodies and developing India. Judiciary has also helped in great way by solving the corporate disputes in speedy way.
Corporate bodies have their aim, values, motto, ethics and principles etc which guide them to the ladder of success. Big and small organizations have their magazines annual reports which reflect their achievements, failure, their profit and loss, their current position in the market. A few companies have also shown awareness of environment protection, social responsibilities and the cause of upliftment and social development and they have deeply committed themselves to it. Corporate governance should also have approach of holistic view, value based governance, should be committed towards corporate social upliftment and social responsibility and environment protection. It also involves creative, generative and positive things that add value to the various stakeholders that are served as customers. Be it finance, taxation, banking or legal framework each and every place requires good corporate governance. The concept of corporate governance hinges on total transparency, integrity and accountability of the management and the board of directors. The importance of Corporate Governance lies in its contribution both to business prosperity and to accountability.

PLAYERS IN CORPORATE GOVERNANCE
Corporate governance systems vary across countries and these differences directly affect both the process for developing global strategies that can be adopted. Global strategic decision poses a very tough test for the effectiveness of corporate governance system. They seek maximize profit and global competitiveness. There are five critical stakeholder players that affect the company's decision. They are (1) Employees (2) The management teams (3) Shareholders (4) Board of directors (5) Government

Employees: The main variable differentiates employees as a collective group across countries. The country's labour market will influence the flexibility and mobility of employees. Country such as the U.S that have employment at will where by a contract can be terminated at any time are likely to have flexible labour market and short term labour commitment. In more rigid labour markets such as Germany and Japan companies invest a great deal in bespoke in house training that tends to result in more highly skilled labour forces and company specific skills. These in turns are less transferable from one company to another. For example in France, the union rights are extended to all employees regardless of union affiliation. Here unionization will have greater influence on corporate decision making than in U.S or U.K where only union members benefits from collective bargaining agreements. Japanese companies tend to have enterprise unionism, which leads to collective bargaining at company level, and grant a strong voice to employees. In 2004 for example employee opposition to job losses prevented the restructuring via. Merger with a foreign partner of France who is financially troubled Alstom, a major producer of ships and trains. In the same year Volkswagen despite suffering from very high labour cost had to promise its Western Germany employees job security until 2011 in exchange for a wage freeze until 2007 and more flexible working hours. The company workers wield considerable power partly through co-determination rights that require employees to be consulted on corporate decision.

Top Management Teams: Managers in U.S and U.K tend to have professional background and strong functional background in finance or marketing. This is not the case in Germany where managers are more technical oriented. There is also variation in the international experience and background of managers. Managerial career mobility tends to be very fluid in U.S and U.K due to open labour markets. In Japan and France managers tend to remain with a company for a long period of time. There is also wide acceptance of leaders from across boarders in the U.K.
**Shareholders:** Countries vary in their mix types of shareholders. At one extreme the U.S and U.K have mostly arm’s length, natural shareholders who are focused on shareholder value maximization. Employee shareholders typically use their ownership to block the global relocation of jobs. This applies even in the U.S where United Airlines provide a rare example of a large public company with majority ownership (55 percent owned by an employee stock ownership plan). This employee stake and hence control have greatly constrained the ability of the Airline to relocate jobs overseas.

**Government:** Government intervention is usually in the form of market regulation. A representative measure for government intervention in the economy is regulation around takeovers. In countries such as France, Germany, Italy and Japan government intervention often provide strong takeover barrier such as golden shares, which bestow on the holder veto power over changes to the company's charter. The variation hindrance to hostile takeovers in many continental European countries continues to make it difficult for foreign companies to make acquisition across border in Europe. In 2001 plans for a European takeover code, which would guarantee the right of shareholder to be consulted during bids were shelved following objection from German government. The previous year Vodafone, the U.K telecoms company made a successful hostile bid for Mannesmann, a German telecoms company and the German government was worried that other local companies might fall into foreign land. For example Volkswagen is protected from takeover by special law. Sweden, which fall in the continental governance model that use multiple voting rights to help and prevent its companies from becoming vulnerable to takeover. France is also particularly active in preserving national ownership of major companies. In 2004 the French government brokered the takeover of Aventis a French Germany pharmaceutical company by France's Sanofi-synth and Laboratories.

**MANAGERS AND CORPORATE GOVERNANCE**

Top managers need to recognize that they are not in sole charge. Global strategy is an equilibrium game among corporate governance players. Managers need to work on building coalition and aligning interest behind a common approach. In the continental system managers have to align trade off and meet other stakeholders' interest halfway. They have to craft their language and rhetoric to meet the other players' expectations. The main things here are consensus and social cohesion.

In the extended (Japanese) system companies have generally capitalized in their export oriented model and high innovation driven employees loyalty. But because of rigid of their corporate governance system, they have not exploited as much as they could different dimension of global strategy. So the system must be open in term of the diversity of the top management team and more flexible in their governance by introducing leaner boards as well as allowing greater levels of shareholder activism. If governments care to sustain national competitiveness and to help their companies to globalize, then they should assess the degree to which the players in their corporate governance system are aligned with each other and with their intended global strategy. Government policies should become less inimical to foreign owners and use such capital to provide the much needed global knowledge. This can only be accomplished if the right mechanisms are in place to give a voice to these foreign owners. The government has the responsibility as well as the policy tools to gear the country's corporate governance system so that it enhances national competitiveness.
CONCLUSION
Corporate governance is now the focus area of all business entities. The relation between corporate governance and organizational performance is of fundamental importance. There are few compelling results that clearly demonstrate how corporate governance produces the outcomes desired by stockholders or more broadly stakeholders. We certainly believe that appropriate governance mechanisms are a necessary and vital part of a capitalistic economy. However, we have considerable concern about whether any of the existing structural measures of governance rating provides a useful basis for identifying good governance. So before imposing a governance structure in a company, it must verify scientifically that the changes are likely to produce necessary outcome. To survive in the competitive world, an organization must have a value-based governance system. Good corporate governance is good business because it inspires investors’ confidence, which is very essential to attract capital. A few unscrupulous businessmen can, largely undo all the confidence built through the good work by the good companies over time. They need to be handled with iron hands. However, corporate governance goes beyond the realm of law. It comes from the culture, mindset of management and cannot be regulated by legislation. The watchwords are openness, integrity, and accountability.

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