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Corporate Governance: The New Mantra

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Abstract:

Corporate governance has become the latest buzzword in Indian business. Kumaramanglam Birla recently said that the fundamental purpose of good business governance is to increase value. Stakeholder corporate governance is a method that promotes accountability of the corporate management and the board of directors, the board of directors and shareholders. Corporate governance is very important for business enterprises because of the separation between management and shareholders. This separation leads to the classic organizational problem. Therefore, corporate governance often solves problems in the organization. The main concern of corporate governance is to ensure that the company's managers and directors look after the interests of the company and shareholders, and managers have a responsibility to investors for the use of assets. The concept of corporate governance can be compared to good practices based on ISO standards. It also includes non-executive directors on the board of directors, allowing members to be more active and proactive in their work. All business information should be available to them, and controls should be clear to ensure that information is accurate, timely and efficient. Corporate governance principles are based on the ethics of transparency, justice and accountability. This document covers the company's operations, transparency, strategy, operations, compensation and accountability, auditors and related issues.

Keywords: *Maytas, governance, corporate, Transparency, accountability, Globalization*

Introduction:

Corporate governance is a new term or concept in business management which, although not yet adopted in India, has the potential to enhance business performance beautifully. In corporate governance, business owners are considered as gods. Business governance is important in India because it is guided by organizations like the World Bank, Asian Development Bank, OECD and others. In the past, management was least concerned

with how shareholders would benefit from the performance of the company. The mission of the company was to distribute dividends and hold annual meetings. There is very little communication between the company's management and the shareholders. Investors must rely on newspapers for information about their companies. But now everything has changed. Years later, with the emergence of joint ventures, the size of the business continues and two separate and independent entities are needed, one for management and the other for the protection and development of the owners' interests in the rest of the world ". Management Company" company. For a company to be successful, managers must be both "responsible" and "almost". Corporate governance should be properly understood as putting people first in business, because all businesses should be fundamentally about people, not machines, products or even money. Maintaining good corporate governance by focusing on long-term business goals, employees, communities and the environment, customers' and suppliers' property, and complying with rules and regulations. Looking deeper, there is a theme running through the different themes; it is the ethical focus and ethical awareness of people's relationships with the company. Therefore, the best scenario is for everyone to have equal participation in the company's decisions.

History of Corporate Governance

The seeds of modern corporate governance were sown with the Watergate scandal in the United States. Following the investigation, American regulators and legislators discovered a lack of controls that allowed many large corporations to commit political crimes and bribe government officials. This led to the enactment of the US Foreign Corrupt Practices Act of 1977, which included specific provisions for establishing, maintaining and reviewing internal controls. This followed recommendations from the SEC in 1979 to regulate reporting of internal financial controls. The Treadway Commission was established in 1985 after a series of high-profile business failures in the United States, the most famous of which was the collapse of the Savings and Loan Banks. Its main task is to identify the root causes of misleading financial statements and to recommend strategies to reduce their occurrence. The Tread report published in 1987 emphasized the need for a qualified environmental management system, an independent audit committee, and objective internal auditing. Information on the effectiveness of internal controls must be published. It also requires organizations to develop internal control systems to help companies improve their controls. Thus, COSO (Committee of Sponsoring Organizations) was born. His 1992 report set out the regulatory framework adopted and developed in four subsequent UK reports: the Cadbury Report, the Rutman Report, the Hampel Report and the Turnbull Report. While developments in the US had sparked debate in the UK, a series of scandals and collapses in the country in the 1980s and early 1990s had caused investors and banks to worry about their resources. This also led the British government to realise that the rule of

law and self-government were not working at that time. In addition to our traditional businesses of factories and physical capital, machinery, technology and labour, issues of business governance have become particularly important in the context of international business due to the characteristics of international trade in the 20th/21st century. , investment in the event The destabilisation of business and capital in third world countries is a major factor in today's globalisation and has become particularly powerful. Thanks to the widespread use of information technology, billions of dollars can now be transferred across borders at the click of a computer mouse. The importance and impact of financial reforms became evident when the currencies of Southeast Asian countries such as Thailand, Indonesia, South Korea and Malaysia began to fall in June 1997. The World Bank and all investors are aware that having good economic governance is not enough. ; Good business management is also needed because investors want to ensure that the decisions taken are the end of all stakeholders. Justice is the best law and is now a rediscovered truth. From a strategic perspective, corporate governance means that there should be professional, non-conflict and informal leaders on the board who can act together with the two important committees, the Ethics Committee and the Finance Committee. To ensure the effectiveness of business management. That is, business management is more transparent. Business management should be the ultimate tool for more transparent work without commercial barriers or trade secrets that are necessary for business success, and absolute ethics that companies can implement not only legally but also ethically..

Concept of Corporate Governance

Business management is a general practice that people use the main methods regularly to achieve expected performance by establishing a clear goal. There is a consensus worldwide that corporate management is necessary for creating competitive enterprises, developing the economy, creating employment and sustainable growth. Corporate governance has become the most controversial issue of the last 15 years. There are many theories and beliefs about international business management, and in all of them, business management has become a topic of discussion. Corporate governance mechanisms that do not comply with the rules such as independent directors, audit boards, regulatory bodies and investor protection cannot ensure the growth of the company, so business management is just a talk and far from the truth. Business boundaries are disappearing, and the computer mouse has become more powerful than the sword and the pen. The power of knowledge is now in the hands of people. Now business performance can be measured by hundreds of indicators. People can change their knowledge, work and buy the best products in the world with a mouse click. The power of knowledge also brings fierce competition; this competition is no longer limited to attracting customers, there is more competition for talent and money, no company can survive. Therefore, it is important for companies to have a clear process for

achieving desired results each year. Business strategy and management practices have become one, and business practices have become important to competitive success. The best employees work with companies that have a clear purpose in the form of vision and stakeholders, and are committed to fulfilling long-term commitments.

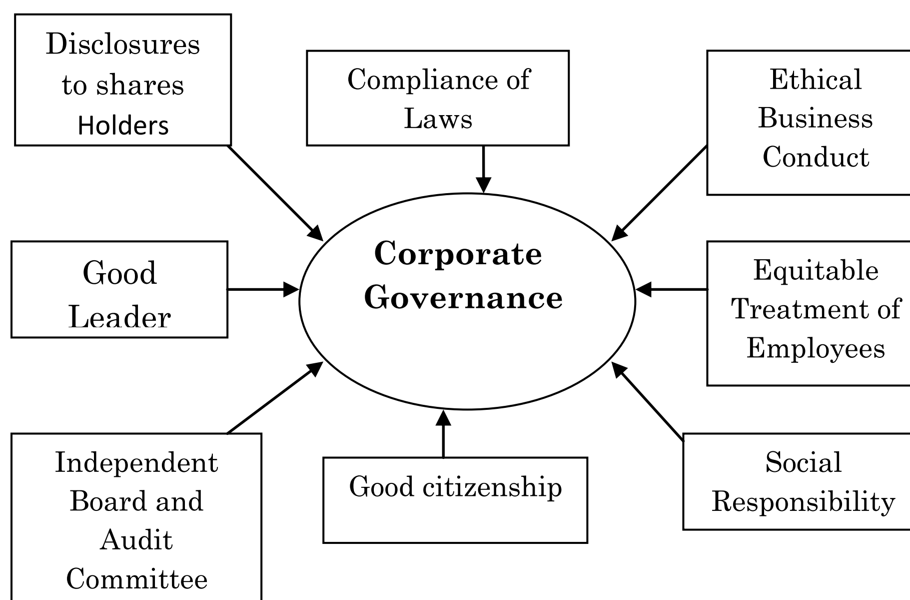
What is Corporate Governance all about?

In Academics, corporate governance refers to an economic, legal and institutional environment that allows companies to diversify, grow, restructure and exist, and do everything necessary to maximize long term shareholders value.

Adrian Cadbury defines "Corporate governance is the system by which companies are directed and controlled"

The Institute of Directors (UK) "Effective corporate governance ensures that long term strategic objectives and plans are established, and that the proper management and management structure are in place to achieve these objectives, while at the same time making sure that the structure functions to maintain the corporate integrity, reputation, and accountability to its relevant constituencies.

In Short, corporate governance should be recognized as a set of standards which aims to improve the company's image, efficiency, effectiveness and social responsibility. It is simply no longer enough to comply with legal requirements. In one line, the relationship between the owners and mangers in directing and controlling companies as separate legal entities. Corporate governance at the highest level is about the Board of Directors.



Corporate Governance: The New Mantra

The old Ricardian theory of competitive advantage was replaced by various theories of competition and cooperation among competitors, which gave rise to the new term "coalition" coined by Ray Noorda of Novell Software Corporation in 1993. Management is a

recent history. According to Bob Tricker, time became important during the critical period of cooperation in the United States in the early 1980s. The crash and its effects led to a change in the attitudes of businessmen. Businessmen believed that only good management can lead to good performance and that companies have a responsibility to society as "good citizens" to preserve this history. Infosys Foundation is awarding the School of Security Excellence in India for the first time. Corporate governance also aims to increase the value of shareholders and stakeholders and to ensure proper development of working capital. Studies conducted by some management consulting firms indicate that the causes of business failure are due to three main reasons: Manipulation of financial information, misappropriation of funds and corruption at every level. Satyam Computer Services finally found itself cornered with the election of Chairman B. Ramalinga Raju as its first choice a few days ago. Business Today examines how Satyam's promoters destroyed the 21-year-old's efforts in less than two weeks. The six Satyam's deadly sins are as follows:

1. **Proposing a selfish, high-risk acquisition:** Mr. Raju announced to acquire two families owned businesses i.e. 100% shareholding in Maytas properties and 51% in Maytas infrastructure.
2. **Overvaluing the proposed acquisition:** Analyst consider dishonest is the price the cash-rich Satyam was willing to pay for the two Maytas firms. Raju was willing to pay 6500crore but net worth of the Maytas firms was 1125crore.
3. **Promoters pledging their entire holdings:** The promoters informed Satyam that all their shares in the company were pledged with institutional lenders, and that some lenders may exercise or may have exercised their option to liquidate shares at their discretion to cover margin calls.
4. **Refusing to resign:** Nine days after Satyam announced its aborted acquisition bid, five Directors quit the Satyam. The big question, however, is should the management itself have resigned, given the huge breach of corporate governance at the company.
5. **Not being able to utilize cash effectively:** Satyam had cash of Rs5300crore on its balance sheet, which it did not seem to be utilizing as effectively as some of its competitors were doing.
6. **Messing up a sound company:** It has some 690 clients and 28 development centers around the world, that's nothings to be sneezed at, it's a pity somebody did.

Corporate Governance: Worldwide

Business policies and best practices have evolved over time. Cadbury's Corporate Governance Financial Report, published in the United Kingdom in 1992, is a starting point. Although corporate governance issues vary from country to country, depending on corporate culture, tax laws and regulations, they can be divided into two broad categories. The first is the United States and the United Kingdom, and the second is Japan and Europe,

particularly Germany. The two models reflect differences in ownership of the company. The American approach to corporate governance is to minimize conflict between owners and managers. This is achieved by providing incentives for managers in the form of stock and stock options. Monitoring by external managers who seek improvements from bodies such as audit committees and other working groups that are tasked with understanding the details of the company's operations. In Germany, workers have legal rights in the management of the business. Ownership of property is seen as a condition of the duty to use it for the public good. Unlike US banks, which do not deal in securities, German banks not only provide long-term financing but also hold corporate bonds. Today, India's corporate governance model is a blend of the American and German models. This is because that's the way to make money here. In the past, development agencies used to finance development, but in recent years, the value chain of the business has taken over. Corporate governance is regulated by SEBI, which has issued the Takeover Code and the Depository Code and introduced Section 49 of Corporate Governance as part of the agreement. If we consider some recent events like Escort divesting 4.73 million shares of Escort Tractor at book value instead of market value which would have reduced by Rs 55.24 million, ITC Bhadrachalam sold ITC Finance and Investments for Rs 23.80 million. ITC is selling classic at Rs 14 billion below its debt, Satyam invested Rs 8,000 million. After three unsuccessful attempts to amend the Companies Act, 1956 in 1993, 1997 and 2003, the UPA government made a fresh start and published a Report on the Companies Act in 2004. It makes recommendations to the government on the views and suggestions received in the strategic plan and on the formation of legal and modern companies. The committee submitted its report on May 31, 2005. The Iran Commission's recommendations address issues such as the board of directors (size, selection, age limit, work and compensation, etc.), public relations, auditing and auditors, financial reporting, and codes of conduct.

Corporate Governance: Three Views

Corporate Governance issues are in general receiving greater attention as a result of the increasing recognition that a firm's corporate governance affects both its economic performance and its ability to access long term investment capital. We present below three different perspectives of governance.

i) **J.J Irani,** Director Tata Sons viewed that being ethical does not mean one cannot also profitable. It is most important to make profits and to generate wealth because only then can one have the resources to do good for the community. The differentiator between good and bad business practices is what happens to the wealth after it has been generated. He also viewed that we need a paradigm shift in our mindsets. Fortunately, mindsets are not permanent and these can be changed. We need to learn from our success stories rather than be bogged down by the tales of difficulty around us.

ii) **Subir Raha,** Chairman and MD, ONGC New Delhi viewed that corporate social responsibility, a jargon which we keep using very often, is not really a matter of giving away some money as charity or sponsoring or supporting some cause; it is actually the way corporates interact, the way they get involved with people outside, and, in the truest sense, their stakeholder some of whom happen to be their shareholders. When professional reach the top, they have to meet a lot of expectations from all the constituencies because when they become CEOs, by definition, the responsibility stops with them. And, this is where, to my mind, lies the essence of corporate governance. It is quite possible that managers will come to a point in their career where they know that if they stand up and disagree vocally, they will miss their next promotion or even lose their jobs. That would be the moment when they test their judgment on their learning or value system in terms of corporate governance.

iii) **Suresh Prabhu, MP** (LokSabha) opined that we have governments but not governance- that is the problem. And governments, by definition, do not provide governance. In the bureaucracy, governance is failing because nobody is responsible for delivering, nobody gets punishment for not delivering and nobody has any incentive for delivering.

Essential Governance Principles

The Basel Committee has issued several papers on specific topics. These include "Frame work for internal control systems in banking organizations" (September-98) "Enhancing bank Transparency" and Principles for the management of credit risk (July-99). The following practices to avoid governance problems.

1. The Company should lay solid foundations for management and oversight: recognize and publish the respective roles and responsibilities of board and management.
2. Structure the board to add value: have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.
3. Actively promote ethical and responsible decision making.
4. Safeguard integrity and financial reporting: have a structure to independently verify and safeguard the integrity of the company's financial reporting.
5. Make timely and balanced disclosure of all material matters concerning the company.
6. Respect the rights of the shareholders and facilitate the effective exercise of those rights.
7. Recognize and manage risk through system of risk oversight and management and internal control.
8. Fairly review and Encourage enhanced performance.
9. Remunerate fairly and responsibly and its relationship to corporate and individual performance is defined.
10. Recognize the legitimate interests of stakeholders.
11. Corporate governance rating be made mandatory for listed companies.

12. Ensure that the board members are well qualified and not subject to pressure.
13. Ethical Approach: A clearly ethical basis to the business.
14. Conducting corporate governance in a transparent manner.

Approach to Good Corporate Governance

The law sets minimum standards of conduct. But it does not and cannot embody the whole duty of man, and mere compliance with the law does not necessarily good company. The following steps are recommendable for good governance.

1 **Independent board:** constitution of board with at least 50% independent directors.

2 **Employees' participation**: For better governance, employees' participation and motivation, and given higher priority.

3 **Operational performance**: on the operational side, the companies have to implement risk management system for the whole company and periodical reporting and assurance to board be made on quarterly basis.

4 **Disclosure**: no doubt financial transparency and discipline is a must, but what is required is the fairness to all, compliance to law.

Conclusion

The separation of owners and managers in public companies has led to the emergence of the concept of corporate governance. Liberalization and globalization have led to a greater interest in corporate governance in India. There are many examples of poor corporate governance in this country that highlight the need for improved corporate governance. Simply put, corporate governance is a commitment to values and ethical business practices. The relationship between the board and management: · Shareholders should be characterized by integrity;

1. Employees should be honest
2. Employees should be honest.
3. Society depends on good citizenship,
4. Government depends on keeping its promises.

This is a journey, not a destination. The route of the journey must be determined by the company. It is a never-ending journey, but it is also a way to grow and gain more value. Corporate governance must address the interaction between the company and its shareholders, creditors, capital markets, financial institutions and the state in accordance with corporate law. This is a very important and radical code. This is important for the health of the Indian economy and makes the company 'my company'. Abuse of corporate control by large shareholders creates legal problems because controlling influence often means micromanaging day-to-day business decisions. Regulators have had to restrict themselves with broad restrictions, leaving little room for discretion. There are many business governance issues that are not amenable to this type of governance. In short, the

key to improving corporate governance in India today lies in efficient and effective corporate governance. Over time, India's business model is likely to move toward the Anglo-American model, where management and ownership are almost completely separated. At this stage, India will also need to address governance issues such as board governance. Until then, these issues, which have been driven by Anglo-American business management, have not affected India.

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