

Corporate Governance:—An Instinct for Growth, Doesn't Work in Isolation. It is more than Compliance

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Abstract—Corporate Excellence and Corporate Governance are positively correlated. Sound and efficient Corporate Governance practices are the basis for stimulating the performance of companies and helpful in creation of company's total value and Stakeholder's trust that results into robust development of capital market and national economy. Corporate Governance is a mean only not an end. Corporate Excellence should be the end.

Corporation is not a self playing piano. To achieve the excellence, corporate should continually strike alignment between the business environment and business strategy, between their strategy and organizational structure and between their structure and culture. CG, in short term prospective, is there to enable boards to discharge their duty in the best way possible in the prevailing conditions. To achieve corporate excellence, boards have a responsibility to be detective and identify probabilistic conditions. The command and control model fits ill with the need of fast moving environment. There is a basic need for integrity among what can influence company way of life. So, mere understanding and appreciation of the principles of corporate governance just would not do. These principles should be implemented with a powerful level of commitment. It should be a way of life not a set of rules as the corporate governance and integrated management behavior and commitment is the pillar that works together. Its implementation should be the litmus test.

In this paper we study the factors and working way of corporation helpful in achieving excellence. as the crux of corporate governance is the harmony among various constituents.

1. INTRODUCTION

Over the past decades interest in the role that corporate governance plays in economy and society has developed and it has become a key focus in practice as a result of highly publicized cases of corporate misconduct and business collapses. Corporate Governance and Corporate Excellence are positively correlated. CG has been defined as a manner by which companies are directed and controlled. The concept of CG hinges on total transparency and accountability of the management and the Board of Directors. CG loses its meaning without a fair and transparent disclosure. It is potentially important for the development of the nation's economy. Development and maintenance of a robust CG framework

therefore call for the commitment of numerous persons and institutions throughout the society. It cannot work in isolation.

Poor governance practice has been identified as major impediment to economic growth. So mere understanding and appreciation of the law and principles of CG just would not do. It is about a deep change in attitude because the role of CG should not be of type to prevent corporate failure but to contribute to improve organizational effectiveness. Law is made not to stop any act but to ensure that if you do that act, you will face such consequence "good for good, bad for bad". Effectiveness of CG cannot be merely legalized by law. It should never be argued that corporate codes, principles and guidelines are unnecessary, but they are not enough on their own. There needs to be a genuine change among the actors in corporate governance and take the codes to the heart and comply in spirit. It does not work itself. The quality of good corporate governance affected by so many factors.

2. WHAT CORPORATE GOVERNANCE IS?

Board and management is the fundamentals' element of ensuring a safe and sound organization. Corporate governance is the framework of rules and practices by which a board of directors ensures accountability, fairness, transparency and integrity in a company's relationship with it all stakeholders. OECD.org defines it as the procedures and process according to which an organization is directed and controlled. CG is concerned with the establishing system whereby the directors are entrusted with responsibility and duties in relation to direction of corporate affairs. It is concerned with accountability of person who is managing it towards stakeholders. It helps in full, fair accurate, timely and understandable disclosure.

It is more concerned with the values, morals, ethics, parameters of conduct and behavior of the company and its management. It refers to the way a corporate is governed. It is about the output, it is about the process. Good corporate governance helps companies to operate more efficiently,

improve access to capital, mitigate risk and safeguard against mismanagement. It also contributes to development, increased access to capital, encourages new investments, boosts economic growth and provides employment opportunities.

3. CORPORATE GOVERNANCE WITHIN THE ORGANIZATION

All companies-big and small, private and public, early stage or established-compete in an environment where good governance is a business imperative. The modern organization is a private institution with public obligations. The traditional belief that corporations are solely profit maximization is no longer sustainable. Corporations have souls. The modern corporation perceived as a caring corporation which discharge economic as well as social obligations in country. It should be perceived as a “social contract” between the company and wider consistencies of the corporation which legal as well as morally obliges the corporation and its directors to take account of interest of other stakeholders. A stakeholder refers to person or group that affect, or are affected by, an organization’s decisions, policies and operations like investors, employees, customers, suppliers, creditors, community, trade unions and government. This is vital to gain or retain the trust of stakeholders in the exceptionally challenging environment. For this all companies need a good governing. It is a mean to an end of achieving corporate excellence.

CG is the system to make good decisions. There are the four pillars of good corporate governance transparency, responsibility, accountability and fairness. This complex system of corporate governance is not operated by machines but by people-managers, executives, Non-executives, directors, investors and shareholders, regulators and professional advisors. Ultimately it is the incentives and interest of the different group that drive behavior more than the practice or rules. Negligence and profusion, therefore always prevail more or less in the management of the affairs of a company. The more extensive list of potential problem is:

- Theft.
- Misdirect Effort.
- Misinformation.
- Incompetence.
- Conflicting Objectives.
- Lack of understanding.
- Executive greed.
- Unclear roles and responsibilities.
- Mishandling of Documents and Reports.
- Ineffective Communication system.

So the concept CG has to include the very fundamentals in its day-to-day dealing with customers, with the suppliers, with the shareholders, with the government and with the public and employees.

4. WHY CG IS MORE THAN COMPLIANCE?

Corporate governance is what you do with something after you acquire it. When people own property they care for it: corporate governance simply means caring for property. It is how to manage known-unknowns. It is vital to gain or retain the trust of stakeholders. Businesses are operating in “Exceptionally challenging environment.” CG is a process that aims to allocate corporate resources in a manner that maximizes value for all stakeholders’ shareholders, investors, employees, customers, suppliers, environment and the community at large and holds all the helms to account by evaluating their decisions on transparency, inclusivity, equity and responsibility. Ultimately governance is about how to make good decisions and answer the following questions:-

- Do corporation care about their environment?
- Do corporation care about the environment they pollute?
- Do corporation care about the adverse publicity they attract from various constituencies?
- Do corporation take account of the demand of consumer lobbyists?

These are all issues of ethics and morale which must form part of corporate culture. CG in 21 century is about human behavior and the role of business in society. It is not about box ticking and boilerplate disclosure. It is not merely about monitoring directors and introducing independence in the boardroom in any agency theory framework. Companies rise above the “check-box compliance” mentality and employ CG practices that go above and beyond regulations. It is about a deep change in attitude because the role of CG should not only be of type to prevent corporate failure but contribute to improve organizational effectiveness.

CG is more concerned with holding the balance between economic and social goals and between individual and communal goals. The success of Board depends on making sound judgments in numerous situations that involves balancing different interests:-

- Risk versus Reward.
- Short term versus long term.
- Effective oversight versus Motivating management.
- Ethical consideration versus Market practices.
- Competing interests of different stakeholders.

There are two paths towards improving CG in companies and countries. One is reactive that is associated with failures and collapses, the other is proactive & has to do with the search for benefits. It is doing the right thing, every time.

In many disputes over responsibility and liability, Mangers will disclaim there responsibility by stating, “I was just following orders”. Following orders does not exclude us from responsibility, legally and ethically. The “Command & Control” model fits ill with the need for flexibility and initiative at all levels in fast moving modern business. CG and

self regulation and risk management are the pillars that work together for the purpose of assuring that an organization meets its objectives.

A corporation is not a self-playing piano. It requires a tremendous amount of work to keep it innovative and dynamic. There is nothing more frightful than ignorance in action. The need of the hour is to initiate firm action for implementation of CG practices awareness is prelude to action. Corporate house should identify reform processes voluntarily and not just wait for the laws and regulation to be promulgated. It requires participate actively and intelligently. "Let our advance worrying become advance thinking and planning." It should be a way of life not a set of rules. Good corporate governance ensures organization is managed in a manner that fits the best interest of all.

5. DOES NOT WORK IN ISOLATION

The good corporate governance has to be in the bones and bloodstream of the corporation since this in turn will be reflected in the corporate culture. To carry the analogy further, in the same way that healthy blood and bones are reflected in the natural healthy look of a person. So an organization whose internal functions are healthy will naturally look so from and external prospection.

Momentous corporate collapses continue to occur in an unexpected way. Why? Surely if codes of practices were enough and the CG mechanism in place were adequate to act as monitoring tools, then such examples of corporate failures would not occur, evidently, codes are not enough. They are essential in establishing an effective framework for CG and it should never be argued that codes, principles and guidelines are unnecessary. But they are enough on their own. Compliance and ethics are not add-ons to business operations to be added to a checklist. They have to become embedded in the DNA. Corporate governance pertains the way in which corporation are controlled and managed.

There are three types of control: preventive (deter problem before they arise), detective (discover problem as soon as they arise) and corrective (remedy problem that has been discovered). There is a focus on the importance of periodic review of each and every aspect of functioning of organization. So development and maintenance of a robust corporate governance framework therefore call for the commitment of numerous persons with in the organizations and institutions throughout society with a 360 angle.

A company cannot operate in isolation. A company is a congregation of various stakeholders. There is complex linkage between internal and external factors that affect the operational environment of the corporation. It acts upon and, reacts to a very complex environment which is continually changing and constantly moving. External factors are those that you cannot control yourself. You only react towards them, or you know that something is happening out there and you

need to do something about it. The management must of necessity be sensitive because of the sudden change in environment happen more frequently these days. CG is not just a set of ideas or value statement. There are numerous significant practices that companies must follow in order to aim at ensuring systematic and successful strategy implementation, appropriate management, efficient and reliable operations throughout the organization. The following factors contribute towards strengthening of CG at a high degree.

- Ability/competency of the Board.
 - Member of the Board should possess "board-skills and characteristics".
 - Clear understanding of company's goals and objectives.
 - Effective judgment power to prevent conflict of interests.
- Integrity of the management.
 - Steadfast adherence to a strict moral or ethical code.
 - Ensure that information is not altered by unauthorized persons.
 - Effective system for providing timely warning to the users.
 - Adherence to sincerity, unity and wholeness.
- Adequacy of the process.
 - Systematic framework.
 - Discipline.
 - Appropriate structure and hierarchy level.
 - Real time information system.
 - Continuous straining.
- Commitment level of the individuals.
 - Compliance with key policies, laws and regulations with sincerity and rigidity.
 - Act with unquestionable ethics.
 - To act with Self regulation and control.
 - Remunerate fairly and responsibly.
- Participation of the stakeholders.
 - Freedom to raise concern without the fear of retaliation.
 - Learn and think strategically.
 - No negligence, be Diligent.
 - Participate actively and intelligently.
 - Respect the Right of shareholders.
- Effective, timely and reliable Reporting of information.
 - Right information.
 - Right time.
 - Right people,.
 - Comprehensive and relevant to their use.
 - True and fair representation of reports.
- Segregation of duties and responsibilities.
 - Clarifying the role of Board and management.

- Responsibility and functions of the CEO, Director and Chairman Executives, President should be clearly stated.
- Proper delegation of Authority, responsibility and Accountability.
- Agreed and understood roles and responsibilities.
- A Responsible corporate culture.
 - Well defined code of conduct and Ethics.
 - Well defined Social and Economic Goals.
 - A controlled, Healthy and safety environment.
 - Promote Ethical and responsible decision-making.
 - Practice of listening what is being said by Rank and File employees.
 - Encourage enhanced performance.
- Open and fair communication.
 - Transparency.
 - Disclosure of material information by Board in varying degree of detail.
 - Maintain communication with the shareholders.
 - Consultative relationship among the stakeholders.

6. CONCLUSION

As rightly observed by Martin Luther king jr. “We shall have to repent to this generation, not so much for the evil deeds of the wicked people but for the appalling silence of the good people”. The message is loud and crystal clear. The good governance is integral to the very existence of a company. The corporate of ill afford have to proactively formulate a culture and behavior helpful in enhancing the governance pillar (transparency, responsibility, Accountability, Fairness).

There are several corporate governance structures available in the developed world but there is no one structure which can be singled out as being better than others, For CG extends beyond corporate law. Its fundamental objective is not mere fulfillment of the requirement of law as competition increases;

technology pronounces the death of distance and speed up communication. The environment in which company operate is also change. Control activities with the situation are a component part of the process through which the company management achieves its objectives. The quality of governance primary depends on so many factors affecting it. The objective of this paper was that with an effective preventive control system an organization can ensure integrity and monitor risk. Explore the role and commitment of each and every party influencing the operational activity of an organization and compliance and integrity is core what defines a person or a organization.

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