

# Corporate Governance: Changing Business Scenario

**Dr. S. R. Chavan\***

**Dr. Dilip Gotmare\*\***

## Key Words:

1. Corporate Governance
2. Business Scenario

**Abstract:** Globalisation has not only significantly increasing and intensifying business risks, but also it has compelled Indian companies to adopt international norms of transparency and good governance. Corporate Governance policy recognises the challenge of the new business reality. Corporate Governance must provide empowerment to the executive management of the Company and create a mechanism of checks and balances. The practice of policy on Corporate Governance leads to the creation of the right corporate culture in which the company is managed, that fulfils the purpose of Corporate Governance. Corporate Governance is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders. Equally, in the resultant competitive context, freedom of executive management and its ability to respond to the dynamics of a fast changing business environment will be the new success factors.

## Introduction:

The rapid scientific technological advancements are reshaping the world. Developments in information and communication technology have revolutionised every activity, be it scientific or business and commerce or individual and personal. It has facilitated improvements in productivity and bottom-lines of the business and commerce besides opportunities for better customer service. The productivity improvements come out of the increased speed, accuracy and ability to handle big volumes that technology offers. For the financial sector and banking, the developments in information technology have spelt very special benefits. Governance can be defined as a systematic process by which companies are directed and controlled to enhance their wealth generating capacity.

Companies function in a world of exponentially shortening product and service life cycles. Where customer preferences and technologies change in a discontinuous and non-linear fashion and business paradigms and rules become obsolete. The future winners will be those business organizations who escape from the gravitational pull of the past on the fuel of innovation. In the opinion of some experts the twenty first century competition is characterized by at least three fundamental paradigms shifts:

1. Ability of organizations and individuals to network globally and seamlessly;
2. Ability to communicate, transmit, store and retrieve large amounts to information including voice, data, and video.
3. Mobility of capital to feed good projects around the world.

\* The author is Assistant Professor, G.S.College of Commerce, Wardha, Maharashtra.

\*\* The author is Principal, P. D. Arts & Commerce College, Nagpur, Maharashtra.

Globalisation of Indian economy and substantial reduction of tariff barriers-these are pointers to the changing business environment. Excellence in corporate performance through better corporate governance is not a one time goal but it would be an ongoing exercise. There cannot be a full stop on the road to excellence, a company however successful it may be it cannot afford to rest on its laurels, as every day will bring new challenges. Corporate have to be proactive, set a goal for attaining highest standards of corporate excellence. Hence, the purpose of corporate leadership is to create wealth legally and ethically. This translates to bringing a high level of satisfaction to five constituencies - customers, employees, investors, vendors and the society-at-large.

## Methodology of the Paper:

The study is based on secondary data. Secondary data had been collected from various books and journals. The study covers the thoughts and writings of various authors in the stream of industry, academicians, and research. The Journals and books have been referred were described in the bibliography.

## Objectives:

1. To find out the frame work of both the concepts of Corporate Social Responsibility and Business Ethics;
2. To find out the literature in getting the foundation of understanding the Corporate Governance;
3. To elucidate the scope of practices of CSR and Business Ethics in corporate world;
4. To know the practices of corporate governance in Indian corporate sector.

## Limitations:

1. This study is based on the secondary data obtained from various journals, magazines and websites.
2. This study is pertaining to the recent times.

3. Due to the rapid changes in corporate world, some other instances of restructuring may not be taken into the consideration due to paucity of data.

### Why Corporate Governance?

From the beginning, corporate governance is a powerful tool for transparent, prudent and participative management that could be fair to all stakeholders and still enhance value of an enterprise as well as reward them commensurate with performance. It would be difficult to openly object accountability to shareholders, who have risked their capital and responsibility to other stakeholders, whose livelihood depends upon prudent management. Nor can they be seen to grudge the right of stakeholders to get a true picture of business performance and style of management. Perhaps failure in accepting whole-heartedly the spirit of corporate governance is on account of fear of dilution of authority rather than with any predetermined plan for wrongdoing.

If corporate governance has assumed negative connotation, it is largely due to helplessness on the part of shareholders to deal with corrupt and incompetent managers. Fast changing corporate and socio-economic landscapes, fast paced technology and emergence of multilateral trading system, the some factors underscore the need for good corporate governance as below:

- ☒ Globalization, privatization, deregulation, causing revolution of rising expectations.
- ☒ Advancements in Information Technology and E-Commerce.
- ☒ Strategic alliances, mergers and acquisitions.
- ☒ Intellectual Property Rights.
- ☒ Social responsibility, social audit and societal concerns.
- ☒ Business and professional ethics.
- ☒ Sustainable development.
- ☒ Energy audit, environmental up gradation.
- ☒ Need for excellence to cope up with fierce international competition.

### Objective of Good Governance:

Corporate governance objective of wealth generation and competitiveness for the benefit of all can best be achieved through the twin components of:

- ☒ An "inclusive" approach to directors' duties which requires directors to have regard to all the relationships on which the company depends and to the long, as well as the short-term implications of their actions, with a view to achieving company success for the benefit of shareholders as a whole.
- ☒ Wider public accountability: this is to be achieved principally through improved company reporting, which for public and very large private companies will require the publication of a broad operating and financial review which explains the company's performance, strategy and relationships.

### Elements of good Corporate Governance:

Elements of good Corporate Governance: Integrity of the management as below:

- ☒ Role and powers of Board
- ☒ Legislation
- ☒ Management environment
- ☒ Board independence
- ☒ Code of conduct
- ☒ Strategy setting
- ☒ Business and community consultation
- ☒ Financial and operational reporting
- ☒ Audit Committees
- ☒ Risk management

### Why Excellence in Corporate Governance?

Excellence denotes outstanding performance, superior quality and consistently extraordinary service especially in the face of severe hardships. The word conveys a value-driven approach consisting of respect for humanity, compassion and a positive and proactive attitude towards solving problems while achieving rapid growth... It is a message for Indian corporate and the whole economy of the country, which is going through the phase of churning where centuries old values, structures and practices. The Business scenario for excellence in performance can be achieved only through adherence to good corporate governance principles: accountability, transparency, and probity, quality of information and by fulfilling their obligations towards society, the nature and the human well being. Our success in the future will be entirely dependent upon our ability to identify the opportunities, synergies our strengths and skills successfully and turn the challenges into opportunities.

Emerge the cornerstones of governance philosophy, namely trusteeship, transparency, empowerment and accountability, control and ethical corporate citizenship. The practice of each of these leads to the creation of the right corporate culture in which the company is managed, that fulfils the purpose of Corporate Governance.

1. Trusteeship
2. Transparency
3. Empowerment and Accountability
4. Control
5. Ethical Corporate Citizenship

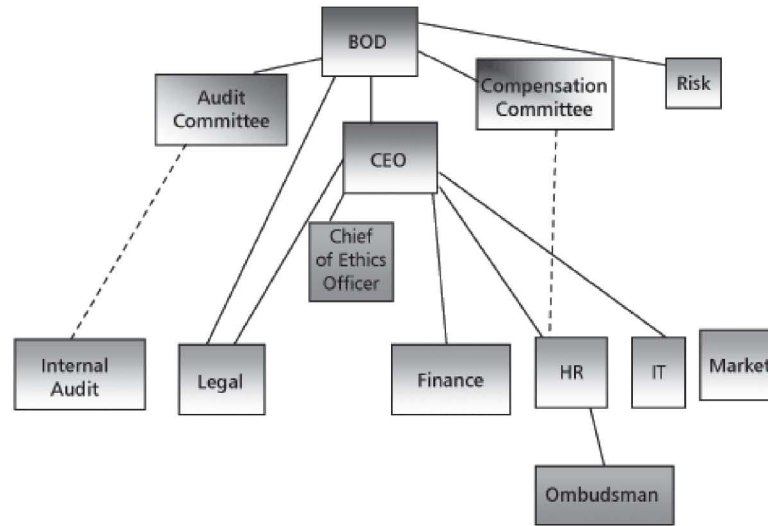
### Factors Influencing Quality of Corporate Governance:

Quality of governance primarily depends on following factors: Integrity of the management;

1. Ability of the board;
2. Adequacy of the process;
3. Commitment level of individual board members;
4. Quality of corporate reporting;
5. Participation of stakeholders in the management.

To provide adequate support for issues raised that are not associated with clear cases of unlawful conduct. Value-based systems are broader in scope and infuse ethical values throughout

- 9. Legal
- 10. Risk



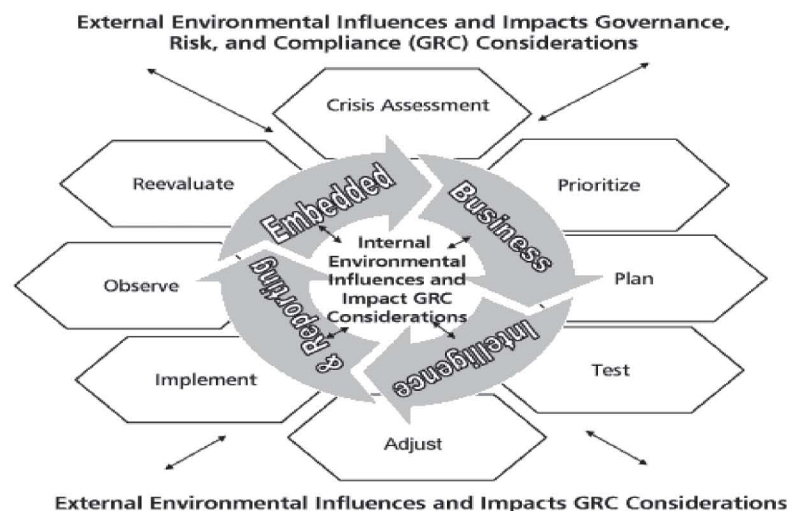
the organization. The Dynamic Adaptive Governance Model as below:

Effective corporate governance programs require BOD oversight of organizational functions. Which is increasingly engaged to develop automated processes, embedding compliance and risk processes as part of daily operations? **Outline of Governance Roles in DAGM:**

1. Board of Directors (BOD)
2. Ombudsman
3. Finance
4. Marketing
5. IT
6. Ethics Officer
7. Audit
8. Human Resources

**Governance Strategy and Operational Execution:**

Embedding a value-based governance program requires a systematic approach to crisis leadership. The proposed closed-loop model. To represent a lifecycle-phased approach for implementation, process monitoring, and continuous improvement of the value-based governance programs. The model employs strategy management and analytics that align the context of the environment with the governance structure as well as the strategic and operational needs of the business. The success of this model lies in the commitment of leaders to adjust and evaluate an organization's context through continuous use of checks and balances, exception reporting in order to govern the organization, and BI to prepare the business for change. The model to institutionalize the governance program is below:



The above each stage of the closed-loop approach requires effective leadership and cross-functional collaboration. The right human, financial, and technological resources are engaged at the right time in the proposed process.

### **Conclusion:**

Corporate governance is in essence determination of how companies are governed, how executive actions are supervised and how a company is accountable to regulations imposed on it by law or other commitments to shareholders. Corporate governance is also concerned with the ethics, values and morals of a company and its directors. The forces of globalization and technology are continuously reshaping the world. Technology is creating the potential to realize in a decade progress that required generations in the past. Corporations across the world are now creating new standards of speed, efficiency and productivity across all sectors. Corporate governance is proclaimed to be the only global highway for corporate success in the present rapidly changing economic environment.

The efficient and effective governance mechanism is put in place to allow constituents of reforms process to withstand the convulsions unleashed by the globalization process, in terms of growing competition and increasing incidence of corporate sickness and insolvency. Excellence in corporate performance thorough better corporate governance is not a one time goal but it would be an ongoing exercise. Corporate Governance is to conduct the business in accordance with owner or shareholders' desires, which generally will be to make as much money as possible, while conforming to the basic rules of the society

embodied in law and local customs.

The credibility of the business system, world trade, globalization and the new emerging economic order depends on good corporate governance. Excellence in corporate performance thorough better corporate governance is not a one time goal but it would be an ongoing exercise. In fact, the purpose of corporate leadership is to create wealth legally and ethically. It translates to bringing a high level of satisfaction to five constituencies' customers, employees, investors, vendors and the society-at-large. The every corporate body is to ensure predictability, sustainability and profitability of revenues year after year.

### **References**

- Business Today
- Business India
- Foreign Trade Review
- Journals of Applied Finance
- Journals of Abstract and Review- Economics
- Economic Survey
- Business Analyst
- Journal of Management Research
- [www.business environment](http://www.business environment)
- [www.corporate governance](http://www.corporate governance)
- [www.business ethics](http://www.business ethics)