Volume : 2 | Issue : 3 | March 2013 ISSN - 2250-1991

Research Paper Commerce

Corporate Governance and Corporate Excellence

*Dr. P. Guravaiah

* Academic Consultant, Department of Commerce, S.V.University, Tirupati- 517502

ABSTRACT

The emerging discipline of Corporate Governance is gaining its grounds. The crux of Corporate Governance is the harmony amongst various constituents of a company. The authors establish the structural correlation between the contemporary Corporate Governance customs and age old mulyas (values) practiced in ancient India, derived by the principles of the Vedas. Corporate Governance means being true to own belief and it constantly teaches the value of understanding the stakeholders. Qualitative improvement in the corporate governance in our country based on a code of good corporate practices and meaningful disclosure of information to shareholders holds the key to corporate success. Corporate Excellence and Governance are closely connected concepts and it is felt that in the long run, it is difficult to achieve excellence without good governance . It plays a pivotal role of economic and social transformation. The corporations of today are no longer sheer economic entities. These are the search engines of economic and social transformation. . Corporate scams can set back social and economic gains by as much as a generation. Similarly good governance can have a transformational effect on the life of poor, especially in developing and transition economies. A healthy growth of competitive corporate governance is fundamental for sustained and shared growth – sustained in the sense that it withstands the shocks of market volatility; shared in the sense that it delivers benefits to all of society. The true purpose of corporate governance is to maximize creation of company's total value . It is imperative, therefore, for corporations to disclose their environmental & social performance.

Keywords : Corporate Governance, Mulyas, Transformation, Sustained, Stakeholders.

1 . Introduction

Today's business faces multitude of challenges, increasing business pressure on all the fronts, globalization, shorter product life cycles, internet, over capacity, complex regulations, currency volatility, value migration etc. Meeting these challenges will bring about economic discontinuities that are unprecedented in rate and scope, and would require highly innovative approaches. We have to leapfrog over existing technologies rather than incrementally improve them. Using Nicholas Negroponte's expression for the times that we are living "incrementalism is our worst enemy". But innovation will bring tremendous resistance from vested interest. One has to refer only to Jim Utterback's case studies of pressures on electric companies brought by gas lighting companies in the 1880s, recorded in his book "Mastering the Dynamics of Innovation" to understand how hard it is to resist change. This is the Board's number one job in today's economy which is driven by innovation.

Nobody talked of corporate governance a decade ago. World over, several committees and task forces have strongly advocated for corporate governance. Some of the corporate governance practices would include independent oversight of management and accounts, fair and equitable treatment for all shareholders, fair voting processes, prohibition of insider trading and abusive self dealing, open and efficient markets, timely and effective disclosure of financial and operating results, foreseeable risk factors and matters related to corporate governance and regulation and legal recourse if principles of fair dealing are violated. The management must have freedom to drive the enterprise forward. The board of directors is accountable to shareholders and the management is accountable to Board.

The empowerment, combined with accountability provides an impetus to performance and improves effectiveness, thereby enhancing shareholder's value leading to excellence.

2. Concept of corporate governance

Corporate Governance is a process or a set of systems and processes to ensure that company is managed to suit the best interest of all stakeholders. The stakeholders may be internal (promoters, members, workmen and executives) and external (shareholders, customers, lenders, dealers, vendors, bankers, community, government regulators etc.) It is an interplay between companies, shareholders creditors, capital markets, financial sectors, institutions and law. Corporate Governance is concerned with the establishment of a system whereby the directors are entrusted with responsibilities and duties in relation to the directions of corporate affairs. Maximization of shareholder's wealth is the cornerstone of good governance.

The concept of corporate governance hinges on total transparency, integrity and accountability of the management, which includes non-executive directors. The importance of corporate governance lies in its contribution both to business prosperity and to accountability.

3. Corporate governance in indian environment

For Corporate Governance to lead to Corporate Excellence, it must be structured according to the principles of the Vedas, aligned with natural law.

In the Indian context, Corporate Governance can be drawn from the following age-old 'mulyas' (values):

Lok Sangraham, public good which means greatest possible good of all;

Dhanam, creation of through competence (Kaushalam) and productivity (utpadakta);

a. Swatantrata, autonomy and independence, in business decisions;
b. Vishwastata, trusteeship, implying that management is a trustee of stakeholder;

c. Dharm yudh, fair battle, providing a level playing field to all and ensuring fair competition.
d. Vividhata, variety or innovation ensuring flexibility in approach.

It is important to be genuine in purpose, straight forward in execution and learn not to repeat mistakes.

Corporate Governance means being true to own belief and it constantly preaches the value of understanding the stakeholders. It builds enduring bonds with shareholders, employees, investors, depositors, borrowers, suppliers, customers and business constituents.

4. Objective of good governance
It is felt that objective of corporate governance, i.e. the overall objective of wealth generation and competitiveness for the benefit of all can best be achieved through the twin components of:

- An " inclusive" approach to director's duties which requires directors to have regard to all the relationship on which the company depends and to the long, as well as the short-term implications of their actions, with a view achieving company success for the benefit of shareholders as a whorl; and
- Wilder public accountability is to be achieved principally through improved company reporting, which for public and very large private companies will require the publication of board operating and financial review which explains the company's performance, strategy and relationships (eg. With employees, customers and suppliers as well as the wider community).

5. Factors influencing quality of governance
Quality of governance is influenced by integrity of the management, ability of the board, adequacy of the processes, commitment level of individual board members, quality of corporate reporting and participation of stakeholders in the management.

i. Integrity of management
A Board of Directors with a low level of integrity is tempted to misuse the trust reposed by shareholders and other stakeholders to take decisions that benefit a few at the cost of others.

ii. Ability of the board
The collective ability, in terms of knowledge and skill, determines the effectiveness of the Board.

iii. Adequacy of the process
Board of Directors cannot effectively supervise the executive management if the process fails to provide sufficient and timely information to the Board, necessary for reviewing plans and the performance of the enterprise.

iv. Commitment level of individual board members
The quality of a board depends on the commitment of individual membes to tasks which they are expected to perform as board members.

v. Financial reporting
Accuracy and transparency in financial statements and disclosure, internal controls and independence of auditors.

vi. Participation of stakeholders in the management
The level of participation of stakeholders determines the number of new ideas being generated in optimum utilization of resources and for improving the administrative structure and the process.

vii. Quality of corporate reporting
The quality of corporate reporting depends on the transparency and timeliness of corporate communication with shareholders. This helps the shareholders in making economic decisions and in correctly evaluating the management in its stewardship function.

Best practices of corporate governance will broadly include – a definition of practices that defines good governance; a code of best practices covering the constitution of the Board, its various committees, defining their goals and responsibilities, exploring preferred internal systems and disclosure requirements.

6. Corporate governance & excellence
Achieving corporate and professional excellence is what we all aim at in our life. This is what will make us different from other and this is what we can achieve as ultimate. Business must be lead by example. That example is set by good governance practices.

"Corporate Governance" is not just another fashionable word but it is a more important concept of lasting value. It is an important concept and a means to an end-that of achieving corporate excellence. Corporate Governance is the most appropriate tool for achieving Corporate Excellence. Companies should identify, assess and establish core values, core capability and core purpose to achieve Corporate Excellence.

Since today's technology is yesterday's magic, It is Imperative that all corporates be innovative, creative and responsible citizens to bring excellence in their vision, mission and action. Good Corporate Governance is a source of competitive advantage and a critical input for achieving excellence in all productive, economic and social pursuits.

Tomorrow does not belong to mere machinery, computers, software or internet. At best they are mere tools. If there is one single element that has the power to harness these, it is the prudent principles of good governance. We must focus on end result, own it and be accountable for our actions and their results. A company's most valuable asset is goodwill it enjoys with its stakeholders, which can only be earned by actions, not demanded.

Good governance is a necessary condition for achieving excellence, not a sufficient one. Good governance is a source of competitive advantage and critical to economic progress. The essence of Corporate Governance is transparency, accountability, investor protections, better compliance with statutory laws and regulations, value creation for shareholders (as also for other stakeholders) and societal value.

Corporate governance is the one and only route to achieve corporate excellence. Every corporate has become alive to the reality of having to stay lean and fit in order to deliver its best strictly in consonance with the principles of corporate governance. Any attempt on the part of corporates to circumvent this reality and resort to shortcuts to achieve excellence will only result in short-circuiting their ill-conceived efforts.

What does corporate excellence or success really mean would depend on one's vision. Excellence has been defined in many different ways. Some commonly accepted measures of excellence in the modern economic model of the firm include:

- Profitability
- Satisfied stakeholders, such as customers, employees and shareholders.
- Revenue and profit growth
- Growth in market share
- Growth in market value (Stock Market Capitalization)

One can see importance being given to "Corporate Governance" issues, as we understand them today. Look at the importance being given to satisfied stakeholders, closeness to customers, productivity through people and value .

Corporate Excellence and Governance are closely connected concepts and it is felt that in the long run, it is difficult to achieve excellence without good governance.

7. Conclusion
As rightly observed by Martin Luther King Jr. “We shall have to repent in 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 corporates of ill afford have to proactively formulate a code and stick to it to survive as well as to excel.

Professionals have challenging period ahead keeping track of legislative reforms and technological developments, understanding their impact on his duties and responsibilities.

REFERENCES

1. Fred R. Kaen, A blue print for Corporate Governance, prentice hall of India private limited, New Delhi 2008. | 2. RS. Dwivedi. Corporate Excellence, Macmillan india limited, Delhi, 1998. | 3. Ruth Bender & keith ward, corporate financial strategy, Elsevier, a division of Read Elsevier india private limited. Delhi, 2002. | 4. P.K. Mattoo. Corporate restructuring; on India perspective, Macmillan indai limited, New Delhi, 1998. | 5. Ross wester field Jaffe. Corporate finance, Tata Mc Grawhill publishing company limited, New delhi, 2008. | 6. John Argenti. Corporate Planing. George allen & uniwin limited. | 7. Sunil K. Pandey & Rajesh Pandey. Market efficiency and corporate investment, Mahaveer & Sons. New Delhi 2007. | 8. www. Wikepedia.com | 9. www.gcgf.org |