

A Conceptual Framework For Corporate Governance

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CONTEXT

The business environment in which companies operate in the current times is undergoing tremendous changes. These are both, the driving force as well as the result of scientific and technological developments affecting the business environment and the society as a whole. Developing an efficient, high-quality system of corporate governance is critical if companies are to seize the plethora of opportunities provided by the sweeping changes and seek to control the accompanying threats. Given this context, over the past few years, a number of regulations and recommendations have been drawn up - both at the global level as well as in many individual countries on the required levels of corporate governance.

Further, in the United States, Europe and in oriental countries like in India, recent corporate collapses have shown the serious damage that poor or non-existent governance can cause both for individual companies and for the system as a whole. Satyam Computers is a case in point. Although these can be termed as exceptions rather than the rule, such situations have given rise to a whole array of initiatives to draw up new legislation and regulations, and to produce fresh recommendations for companies to follow.

CONCEPT: A CURTAIN RAISER

✿ The term Corporate Governance is comprised of two words i.e. '*Corporate*' and '*Governance*'. The dictionary meaning of the term '*Corporate*' is available as '*a body having the nature of, or acting by means of a corporation*'. A '*corporation*' in turn means a legal entity that exists independently of the person or persons who have been granted the charter creating it and invested with many rights given to the individual. The term '*Governance*' has evolved from the word '*Gubernare*', which means to rule or to steer. It appears that the nomenclature was initially coined for the exercise of power and acceptance of accountability for running of kingdoms. In due course of time, it has found appliance in the world of business. Hence, the term '*Corporate Governance*' has come into existence. The corporate world comprises of institutions like companies, firms, proprietorships etc.

✿ Navigating the multi-dimensional subject of corporate governance is crucial, as it is at the very foundation of the institution of Joint Stock companies, which have facilitated the rapid economic development in the modern world, especially since the last century.

✿ The failure of corporate governance in the case of Satyam Computers Services Ltd. in India at the onset of 2009 has provided yet another opportunity to revisit the subject. The revelations from an esteemed company like Satyam looked up as a case worth emulation was followed by an outcry and a vociferous public demand for introducing transparency in management. The pressing urge for seeking retribution for the erroneous officials once again transferred the subject of Corporate Governance to the centre stage. Satyam is not the first incidence of corporate fraud, neither it is the last one. But the misappropriation of public funds to the tune of approximately ₹ 7,900 Crore in any one single case may cast a cloud over the squeaky-clean profile of the entire IT sector, and by extension, the rest of the Indian corporate sector. It does point to some elementary structural loopholes in the system.

✿ The case has once again highlighted the importance of corporate governance and ethics in managing business. It has driven home the need for a constant vigil on management practices to ensure that investors' funds are deployed to carry out business in the right earnest, with right objectives, right practices, right means and within a right timeframe. Corporate governance failures have injured investors, not only in emerging eastern economies, but developed

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western ones also - failures of United States banking giants like Lehman Brothers and Merrill Lynch shook the world financial markets in 2008. The developments actually triggered the worst ever global economic meltdown since the depression of 1930s.

✿ It would be appropriate to understand that the current global business scenario is characterized by multi-stakeholders, new found roles for the corporation and the community, transparency mandates, information sharing networks and a broad range of performance indicators with multi-regulators adding to the challenges for any company.

✿ To survive and grow in this highly competitive environment, corporations need to be guided by crystal clear business goals, sharp focus in their strategies, responsive to aspirations of different stakeholders and transparency in decision-making. All these elements have strong structural connects to corporate governance.

DEFINITION

Despite the belief that “good governance” like “good behaviour” does not require a definition the experts in the area have thrown up a plethora of definitions emphasizing different views. A few notable ones are brought in here with a view to understand the concept.

✿ **Robert I. Tricker**¹ said that ‘*if management is about running a business, governance is about seeing that it is run properly*’. This is the difference between doing things right and doing right things and it marks an important frontier between operational management and strategic direction.

✿ Sir Adrian Cadbury Committee² (in U.K.) defines Corporate Governance, ‘*as the system by which companies are directed and controlled. The basic objective of corporate governance is to enhance and maximize shareholder value and protect the interest of other stake holders*’.

✿ Narayan Murthy³ sums up that ‘*Corporate governance is a reflection of the mindset of the management of a corporation. It encompasses commitment to values and to ethical business conduct. It is about maximizing shareholder value on a sustainable basis, while ensuring fairness to all the stakeholders*’.

✿ Standing Committee on Public Enterprises⁴ (SCOPE) of India has held that ‘*Corporate governance aims to evolve and establish, a control system and structure with the help of which the decision making process communications are carried out with a good degree of accountability to the stakeholders*’.

SIGNIFICANCE: BIG PICTURE

Corporate governance is one of the most frequently chanted mantra of the new century, but its tenets are as old as those of human behavior. It came into prominence through the Cadbury Report in 1992 in UK, which came up after collapse of some eminent companies. Cadbury was followed by reports in other countries in quick succession. About three dozen commonwealth countries followed suit and appointed committees for this purpose.

✿ Despite its long history, corporate governance remained an issue only for the stock markets of developed nations till the subject shot to prominence during 1997-98 East Asian and Russian financial crises, when the link between systematic corporate governance failures and the financial crises became widely known. As a consequence of the developments, the OECD members and the emerging market countries started focusing on corporate governance on a priority attached to the subject never before.

✿ ‘*The twin towers of false promises*’, as Enron and Worldcom infamously came to be called later, were followed by several other well known entities like Tyco, Arthur Anderson, Ahold, Vivendi, SK Corporation, Elf-Aquitaine, General Electric, which showed that corporate governance was there to stay. In fact, as many as 250 publicly-traded companies in the United States were required to re-state their accounts after the public outcry.

✿ The increasing importance of corporate governance arises from the fact that the companies have to sub-serve the larger goals of the society while pursuing their own objectives. The arrival of information age has created an awakened shareholder, vigilant public and almost predatory media. In the footprints of the model of corporate disclosures, the Right to Information (RTI Act of 2005)⁵ has made it mandatory for the PSU enterprises and public funded organizations in India to divulge more than they ever did in the past.

✿ Policy makers in the governments and decision makers in the companies all over the globe need to realize that in

this age, when life is driven by IT, funds worth thousands of billions of Dollars can be transferred from one company to another and from one country to another, merely at the click of a mouse. It has already been witnessed, during recent past, that such moves have the potential of triggering collapses of major economic entities almost overnight. It is fairly understood that a '*flight of capital*' of this nature can be kept under check only by upholding good corporate governance norms.

ROLE OF CORPORATE GOVERNANCE

The role of corporate governance is described as three fold⁶ :

- ✿ Ensuring the long-term health and viability of a company,
- ✿ Stewarding the company to fulfil its potential and to become as great as it can be and,
- ✿ Adherence to the highest standards of ethics, statutory compliance and social obligations.

SCOPE

✿ Several issues get covered under the domain of corporate governance e.g. Company law reforms, corporate disclosures of financials and sharing of other material information, appointment of independent directors and their compensation, self regulation, the role of audit committee, developments on the company law front have traditionally looked at corporate governance from the legal and financial perspective: the use and abuse of power by the company's directors, the responsibilities of the directors and the rights of the shareholders. These measures lead to increasing customer satisfaction, maximizing shareholders' value and employee delight. The Board of Directors is responsible to the stakeholders for the performance and governance of the business. The thrust of the legal initiatives is aimed at ensuring increased protection of interests of different stakeholders and maximization of their wealth, specially the small and minority investors.

✿ The domain of corporate governance has been expanding exponentially, both in terms of practical applications and conceptual framework. Besides the traditional subjects in the domain, some frontier areas have emerged like equity for the vendors, fair boardroom practices, employee delight, corporate social responsibilities towards the community, fair representation of women in decision making, environment management, revenue reporting and sustainability reporting etc.

THE PRINCIPLES

As per the Australian Stock Exchange, the essential principles⁷ of corporate governance state that a company should :

- ✿ **Lay solid foundations for management and oversight** : Recognize and publish the respective roles and responsibilities of board and management.
- ✿ **Structure the board to add value** : Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.
- ✿ **Promote ethical and responsible decision making** : Actively promote ethical and responsible decision-making.
- ✿ **Safeguard integrity in financial reporting** : Have a structure to independently verify and safeguard the integrity of the company's financial reporting.
- ✿ **Make timely and balanced disclosures** : Promote timely and balanced disclosure of all material matters concerning the company.
- ✿ **Respect the rights of shareholders** : Respect the rights of shareholders and facilitate the effective exercise of those rights.
- ✿ **Recognize and manage risk** : Establish a sound system of risk oversight and management and internal controls.
- ✿ **Encourage enhanced performance** - Fairly review and actively encourage enhanced board and management effectiveness.
- ✿ **Remunerate fairly and responsibly** : Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.

✿ **Recognize the legitimate interests of stakeholders :** Recognize legal and other obligations to all legitimate stakeholders.

The New Zealand Securities Commission has published corporate governance and financial reporting principles⁸ that it believes should underlie the practices of all participants in the securities market. The principles include:

- ✿ Financial reporting, corporate governance and market regulation should align with international best practice.
- ✿ Boards and management should have high ethical standards and be mindful of their responsibilities to their investors.
- ✿ Investors should be able to have confidence in the quality of audits.
- ✿ An independent oversight body should monitor issues of audit quality and auditor independence.
- ✿ Regulators should take a rigorous approach to monitoring the securities market and enforcing the law.
- ✿ Regulators should identify regulatory gaps and recommend reform of the law.

MODELS OF CORPORATE GOVERNANCE

Broadly speaking, there are two systems of corporate governance operating in different countries. These are Continental and Inter Continental⁹.

✿ In the Continental model, (also known as insider model), the interests of the management, employees and banks are integrated. The stakeholders have a long-term and intense relationship with the company; mostly prevailing in Continental European countries like France, Germany and Italy, which have relatively small equity markets and hence, pay little attention for protecting minority shareholder rights.

✿ In the Anglo-Saxon model (also called as Outsider model), the corporation is an extension of the shareholder. The wide spread shareholding and the related conflict of interests between managers and shareholders lead to the liberal and active market of corporate control. This model by and large is in practice in the English speaking countries like India, USA and UK.

KEY PLAYERS

The given list is by no means exhaustive, but is merely indicative of the maze of complex a company operates in.

✿ **Stakeholders from within the organization are:** Owners (Shareholders); Chairman; CEO / MD; Board of Directors; Independent Directors; Nominee Directors; CFO; Audit Committee; Internal Audit; Company Secretary ; Employees.

✿ **Key players that comprise the external stakeholders are:** Auditors ; FIIs and Creditors; Stock Exchanges; Regulatory bodies; Customers; Vendors ; Industry Associates & Competitors; Governments; Media.

COMMUNITY

Any discussion on the subject of corporate governance shall remain incomplete unless the role of Independent Directors is taken up for deliberations. The IDs have been the cynosure of focused attention and subject of a heated debate in recent months.

✿ The institution of Independent Director seeks to bring credibility to the Board of directors. The attributes of IDs are independence of mind, integrity and the courage to question the decisions in the broader interest of stakeholders and the company itself. Independent Directors add value by requiring transparency in the operations and management, maintaining independent checks and balances on the authority of executive directors and CEO, bringing in specific skills and expertise, providing strategic vision, participating in the Audit Committee and chairing the Audit Committee and carrying out their responsibilities to meet statutory compliances.

✿ Interestingly, the SEBI guidelines on the subject prescribe under Clause 49 of the Listing Agreement that a company headed by an executive chairman shall have not less than 50% of the Board comprising of independent directors. A company with a non-executive Chairman shall have 1/3 rd of its Board constituted of independent directors.

✿ It is indeed a matter of an intense debate that with a board comprising of Independent Directors and highly eminent

personalities including Krishna Palepu, Professor at the Harvard Business School; M. Rammohan Rao, Dean of Indian School of Business; U.S. Raju, former Director, IIT Delhi; T.R. Prasad; former union cabinet secretary; M.Srinivasan, a retired professor from highly rated US universities; Vinod K. Dham, known as '*The Father Of Pentium*' and an ex-Intel employee, the Satyam episode could not be forestalled. The company Chairman B. Ramalinga Raju is on record admitting to doctoring the accounts for several years before making a public confession in this regard.

STEPPING STONES

✿ Professor **Robert I.Tricker**¹⁰ originally coined the term '*Corporate Governance*' way back in 1984 and made a critical distinction between management and direction stating '*if management is running about a business, governance is about seeing that it is run properly*'. This is the difference between doing things right and doing right things and it marks an important frontier between operational management and strategic direction.

✿ The Cadbury Committee¹¹ was set up in May 1991 by the Financial Reporting Council, the London Stock Exchange and the accountancy profession to address the financial aspects of corporate governance. The Committee's objective was to raise the standards of corporate governance and the level of confidence in financial reporting and auditing. In 1992, the Committee⁶ published their Code of Best Practices. The recommendations included separating the roles of CEO and Chairman, having a minimum of three non-executive directors on the board and the formulation of audit committees. The Code also advocated that a more active role be taken by institutional investors in the promotion of corporate governance.

✿ Kings Committee¹² on Corporate Governance in South Africa in the year 1992 advocated many of the standards and principles common to several commonwealth countries, following the release of the Cadbury Report in the UK, 1992. It was distinguished by its integrated approach to good governance in the interest of a wide range of stakeholders and financial, social, ethical and environmental practice.

✿ Greenbury Committee¹³ in 1994 recommended that the boards of listed companies should establish a remuneration committee with a view to develop a policy on the remuneration of executive directors and, as appropriate, other senior executives. It was also recommended that the membership of the remuneration committee should be made up wholly of independent non-executive directors. Determination of remuneration packages of non-executive directors, including non-executive chairman, should be a matter for the board as a whole; the individuals concerned would, of course, abstain from discussion of their own remuneration.

✿ A Toronto Lawyer, Peter Dey presided over the Dey Committee¹⁴, officially, the Committee on Corporate Governance in Canada of the Toronto Stock Exchange (TSX). In 1994, after more than a year of work and many public meetings, the Committee published a report that laid down 14 best practice guidelines for corporate boards. Among other things, the guidelines called for a majority of independent directors on the boards and for separating the roles of chairman and chief executive officer (CEO). The guidelines were voluntary, but companies listed on the TSX had to report annually whether they were adhering to them, and if not, why not. Five years later in 1999, Dey's reunited committee demanded further action to transform rote compliance with its recommendations into a true "*corporate governance culture*."

✿ The Bosch Report¹⁵ on Corporate Practice and Conduct was first drafted in 1991, revised in 1993, and issued in 1995. It covered a range of corporate governance issues including Board structure and composition, appointment of non-executive directors; directors' remuneration; risk management; financial reporting and auditing; conflicts of interest, the role of the company secretary. In many ways, it was the equivalent of the Cadbury Committee Report in the UK.

✿ The Hample Committee¹⁶ was constituted in UK in 1995. The task of this committee was to consolidate the recommendations of the Cadbury Report in 1992 (focusing on financial reporting) and the Greenbury Report in 1995 (focusing on directors' remuneration), and prepare a '*Combined Code*' on corporate governance. The Code, published in 1998, was attached to the listing rules of the stock exchange with the requirement that in order to be listed, companies must either declare their adherence to its provisions or explain any deviation from them. Hample committee not only focused on broad principles of governance emphasizing on business performance, but also on the accountability of business towards a large number of stakeholders.

- ✿ The Hilmer Report¹⁷ first issued in 1993 was then redone in 1998 in Australia and laid a strong emphasis on corporate governance issues such as Board composition; executive remuneration and information disclosures.
- ✿ With the goal of encouraging a continual debate on best governance practices globally, in 1997, CalPERS' Board adopted a set of Global Governance Principles¹⁸. In late 1999, the CalPERS Investment Committee analyzed other newer global governance principles and with the goal of supporting a single set of global governance principles, the Investment Committee revised CalPERS' Global Governance Principles to parallel the International Corporate Governance Network's statement on Global Governance Principles.
- ✿ The Commonwealth Association for Corporate Governance¹⁹ (CACG) was established in April, 1998 with a view to "*promoting excellence in Commonwealth countries*". Among the first tasks it undertook was to bring out the CACG principles of corporate governance. The CACG principles have been acclaimed for being more applicable to the developing countries in the Commonwealth; more focused on the board structures, systems, processes and competencies; and more inclusive than the OECD principles.
- ✿ Confederation of Indian Industry (CII)²⁰ evolved a landmark comprehensive code of corporate governance in 1998 encompassing transparency, probity and norms for disclosures. The code ruled that companies should present same accounts to overseas investors and to domestic stakeholders. It prescribed the Generally Accepted Accounting Principles (GAAP) for the domestic companies for the first time and to adopt transparent accounting norms.
- ✿ Blue Ribbon Committee²¹ was set up by the Securities and Exchange Commission (SEC), USA, in 1998. In February 1999, the Committee published the Report on Improving the Effectiveness of Corporate Audit Committees (the Blue Ribbon Report). The recommendations of the Blue Ribbon Committee were adopted and declared to be mandatory by the NYSE, the American Stock Exchange (Amex), Nasdaq and the American Institute of Certified Public Accountants (AICPA).
- ✿ The Organization for Economic Co-operation and Development²² (OECD) formally issued the Principles of Corporate Governance in 1999 (revised in 2004), which have become the global standard. The mainstay of the OECD is that a majority of the directors should come from outside the company, and have no business or personal dealings with the company. Among other recommendations are that the Board should protect the rights of the shareholders including minority shareholders, provide timely and accurate disclosures on financial performance.
- ✿ Kumar Mangalam Birla Report²³ presented in 2000 on corporate governance prescribes that the Board of a company should have optimum number of directors, with at least 50 per cent of the board comprising of the non-executive directors. To avoid any conflict of interests, it is desirable that the financial institutions maintain an arm's length relationship with the company by not insisting for a representation on the company boards.
- ✿ In 2001, Saucier Committee²⁴, headed by Guylaine Saucier, Chairperson of the Canadian Broadcasting Corp., and established by the TSX, the Canadian Venture Exchange, and the Canadian Institute of Chartered Accountants, emphasized the desirability of changes in corporate behavior in preference to the rules.
- ✿ Sarbanes-Oxley Act²⁵, 2002 of USA is a landmark in this sphere; it addressed all the fundamental issues associated with corporate failures with a view to achieve quality governance and to restore investor confidence. Important provisions contained in SOX Act are Establishment of Public Company Accounting Oversight Board (PCAOB), '*a new improved*' Audit Committee, Audit partner rotation, prohibition of non-audit services by Auditors, CEOs and CFOs required to affirm financials and prohibiting loans to Directors etc.
- ✿ Close on the heels of SOX, Naresh Chandra Committee's Report²⁶ on Corporate Audit and Governance set up by Securities and Exchange Board of India (December 2002) ignored the definition of '*Independent Directors*' and went for the best-in-class definition. The committee also established the independence of Audit as one of the key factors for governance.
- ✿ On 15 August 2002, the ASX Corporate Governance Council²⁷ was formed in Australia - with the objective of developing and delivering an industry-wide, supportable and supported framework for corporate governance. In March 2003, the ASX Corporate Governance Council released "*Principles of Good Corporate Governance and Best Practice Recommendations*". Compliance with the recommendations was not mandatory, except for the recommendations dealing with Audit Committees.
- ✿ Higgs Report²⁸ in 2003 reviewed the role and effectiveness of non-executive directors in the UK. The Review

further developed the UK framework of corporate governance, which commenced with the publication of the Cadbury report in 1992 and was taken forward by the Greenbury, Hampel and Turnbull report.

✿ Tyson Report²⁹ was brought out in June, 2003. It focused on recruitment and development of non-executive directors. This report was commissioned by the Department of Trade and Industry following the publication of the Higgs Review of the role and effectiveness of non-executive directors in January 2003.

✿ The Combined Code on Corporate Governance put up in 2003³⁰ was a UK based code, which superseded the Combined Code issued by the Hampel Committee on Corporate Governance earlier issued in June 1998. It is derived from a review of the role and effectiveness of non-executive directors by Derek Higgs and a review of audit committees by a group led by Sir Robert Smith.

✿ Narayana Murthy Committee's Report³¹ on Corporate Governance set up by SEBI implemented in 2003 signified the anxiety of the regulator to ensure the governance practices are corrected and improved upon expeditiously. The committee expressed total concurrence with the recommendations given in the Naresh Chandra Committee's Report.

✿ The Smith Report³² was submitted to the UK government in 2003. It was concerned with the independence of auditors in the wake of the collapse of Arthur Andersen and the Enron scandals in the US in 2002. Its recommendations now form part of the Combined Code on corporate governance, applicable through the Listing Rules for the London Stock Exchange. It was substantially influenced by the views taken by the EU Commission. One important point was that an auditor himself should look at whether a company's corporate governance structure provides safeguards to preserve his own independence.

✿ Paul Myners' Report³³ recommends adoption by life mutuals of the Combined Code on corporate governance, which has been annotated to reflect the circumstances of life mutuals. The annotations serve to emphasize the importance, in the life mutual context of greater transparency and accountability in the boardroom, formal performance appraisal, proactive support for non-executive directors and closer links between non-executive directors and mutual members. Complementary proposals aim to foster accountability by life mutuals to their members and to other market monitors through promoting better member relations and disclosure of relevant information. Based on the information gathered, Paul Myners brought out a consultation paper in July 2004.

✿ The Turnbull guidance was originally published in 1999. The Turnbull Report³⁴ on *"Internal Control: Guidance for Directors on the Combined Code"*, published by the Internal Control Working Party of the Institute of Chartered Accountants in England and Wales sets out how directors of listed companies should comply with the UK's Combined Code requirements in respect of internal controls, including financial, operational, compliance and risk management. Corporations that aim to be good corporate citizens, whether publicly quoted, privately owned or in the public sector, look up to the Combined Code, and therefore, to the Turnbull Report for guidance. Following the review, the updated guidance was published in October 2005.

✿ Guidelines on Corporate Governance for Central Public Sector Enterprises³⁵ were released by the Secretary, Department of Public Enterprises (DPE), Government of India in 2007 for regulating the business conduct and reporting of performance by the Central Public Sector Enterprises with a view to enhance transparency and probity in the listed as well as non listed undertakings.

COMMUNICATIONS AT ITS HEART

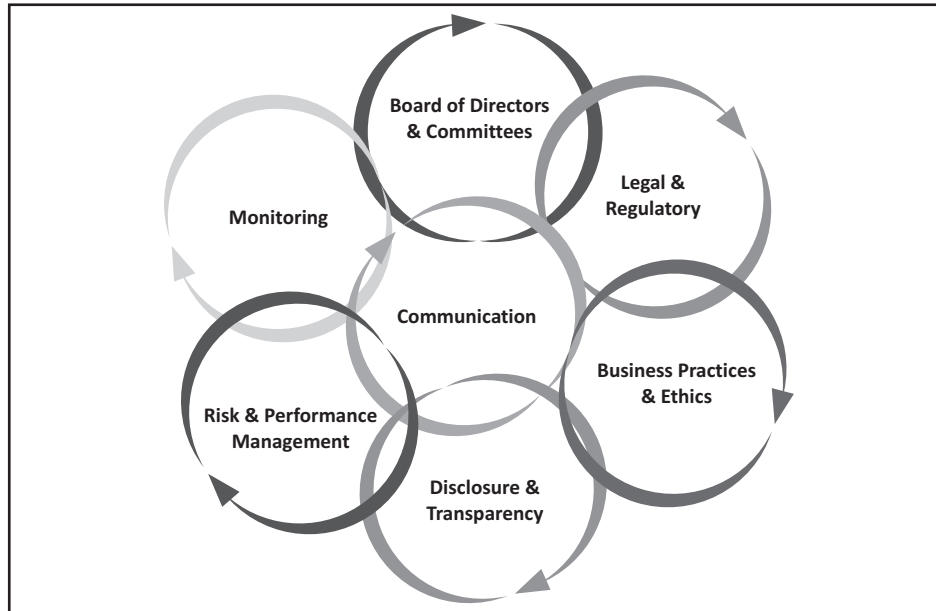
✿ Communications lies at the very heart of corporate governance. Besides promoting good governance as a way of life, it is obligatory on the managements to ensure that all material information is shared with different stakeholders on a pro active basis. The developments and initiatives need to be shared with stakeholders regularly and well in time.

✿ Keeping this regular requirement in view, most of the progressive corporates have gone on to hire professional services in the field of corporate communications. While most of them prefer in-house set up, there are others which have the arrangements available on call basis.

EVALUATION

SEBI in India has taken the initiative to advise the companies to voluntarily get themselves rated in this regard. It is expected that this exercise would help them establish their competitive edge as well as in achieving higher valuations.

Figure 1: Communication Lies At The Heart Of Corporate Governance



CRISIL and ICRA are two leading entities that have done pioneering work in India. Narayan Murthy Committee³⁶ also opined that for the present, it should not be mandatory for the companies to be rated for corporate governance and the matter at this stage should be left to the managements.

CONCERNS

✿ One of the shortcomings with the concept of corporate governance has been that the subject for too long has been portrayed rather narrowly as an accounting standard required to be complied with. The same is, no doubt, important, but the managements have to rise above the mechanicals and pilot a drive for good overall governance.

✿ A plethora of guidelines on the subject have been issued after the trend setter 'Cadbury Code' issued in early 90s. Most of them have been fashioned on the same thought process, assumptions and reactions, which marked the first initiative in United Kingdom in 1992. In the interest of the business, it is essential to develop fresh ideas and break new grounds.

✿ The focus so far has primarily been on corporate structures and committees, rather than on practices and processes. Recent frauds and scams followed by major corporate collapses, both in India and globally, have generated a renewed focus on this area. In most of the cases, the lessons learnt from these collapses are not yet shared publicly.

✿ Corporate governance is far more than a matter of compliance. Regulatory framework alone may not be able to meet the challenge in this regard and needs to be followed by a paradigm shift in cultural terms. A dynamic, strategic, transparent and performance-based model shall prove to be more relevant to the success of a company than one which is reactive, monitoring and compliance-focused. *"The many instances of corporate misdemeanours have shifted the emphasis on compliance with substance, rather than form and has brought to sharper focus, the need for intellectual honesty and integrity. This is because financial and non-financial disclosures made by any firm are only as good and honest as the people behind them"*³⁷.

✿ The appointments on the Board of Directors is quite justifiably made on the basis of the personal excellence of the incumbents, but most of them, in varying degrees, are quite unprepared for the newly entrusted responsibilities. It is important, therefore, to equip both the incumbent and prospective directors with a fair understanding of the scenario and an adequate appreciation of corporate governance.

FUTURE PERSPECTIVES

✿ It is rather too early to conjecture any conclusions, but the initial indications in this regard suggest that the

companies that are held in high esteem by the investing public, financial analysts as well as the regulators seem to be those that measure up well on different parameters of corporate governance. Back home in the Indian business context, companies like Infosys, TCS, Tata Steel, Bajaj Auto, HLL, HDFC from the private sector and frontrunners like ONGC, NTPC, BHEL, BPCL from the pack of progressive public sector enterprises are some of the corporate brands that have over optimally responded to different stakeholders. Companies perceived to be meeting the aspirations of different stakeholders can alone expect them to support them at an hour of need; they now refuse to be taken for granted. And for these reasons, corporate governance is not just a passing fad, but is here to stay.

✿ The world of business finds itself under a constant gaze of searchlights today and is compelled to clean up its act by pressure coming to work through expectations of different stakeholders. This model of transparency and probity in public life has also rubbed off on the government and civic authorities through enactments like Right to Information Act, 2005 (of India), where it is mandatory for the publicly funded bodies to divulge the information sought by any applicant, irrespective of his nature of interest in the business. Now, what remains to be seen is whether, in times to come, this dispensation could be extended to the corporate sector? If done, this alone could substantially facilitate the stakeholders in obtaining relevant material information, even if it is available for a token fee. This one step single handedly could trigger further transformation of the corporate governance scenario in India and globally.

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about the clear-cut policies for promoting whistle blowing. There is a strong need for defined mechanisms providing protection for whistle blowers within their respective organization, be it public or private, that would give them an opportunity to demonstrate strong ethical practices.

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