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Corporate Excellence through Corporate Governance

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Abstract: Business is a form of economic activity with the main objective of earning profit and rendering services to the society. The corporation is the most popular form of business organization. To examine whether ancient civilizations possessed corporate entities, it is important to identify the constituent elements of corporations. Corporations are separate legal entities from their shareholders, which mean that a corporation is able to own property in its own name separate from its individual shareholders. The increasing trade and changing technology influenced the need for collective efforts and thereby influenced the development of, and demand for, organizational forms of corporations. A good corporate governance system plays most outstanding role in our modern business world. It is a framework for addressing concerns of public good, such as regard for environment, overall conservation of resources, cost effective managerial input—all these would, among other things, form part of the core of corporate governance. The corporations if become an excellence, it moves from the status of a good company to the status of a great company. Corporate excellence is often described as the outstanding practices in managing the organization and achieving results, all based on a set of fundamental concepts and values. Corporate Governance is the most important and appropriate tool for achieving Corporate Excellence. The present paper describes how an organization, can achieve corporate excellence through corporate governance.

Key Words: Business, Company, Corporation, Corporations Governance, Corporate Excellence, Technology

I. INTRODUCTION

Corporate governance is concerned with the process by which corporate entities and particularly limited liability companies are governed. Business people as well as general public expect good business ethics and effective governance from the business leaders. In the modern era of globalization, corporate governance plays an important role. Corporate governance is affected by the relationship among participants in the governance. It ensures that corporate managers run their businesses successfully and take care of long term interests of their stakeholders. Corporate governance improves capital efficiency of companies and provides a roadmap for a corporation, helping the leaders of a company in making decision by law, benefits to stakeholders, etc.

Corporate governance is the set of processes, customs, policies, laws and institutions affecting the way a corporation is directed, administered or controlled. The overall objective of governance is to maximize long term value and shareholders' wealth. Corporate governance is the key element in improving the economic efficiency of a firm. Good corporate governance also helps to ensure that the corporation takes into account the interest of wide range constituencies as well as of the communities within which they operate

In a narrow sense, corporate governance involves a set of relationships amongst the company's management, its board of directors, its shareholders, and other stakeholders. These relationships, which involve various rules and incentives, provide the structure through which the objectives of the company are set, and the means of attaining these objectives as well as monitoring performance are determined.

In a broader sense, corporate governance involves - the extents to which companies are run in an open and honest manner. It is important for overall market confidence, the efficiency of capital allocation, the growth and development of countries' industrial bases, and ultimately the nations' overall wealth and the welfare of the society.

According to Sir Adrian Cadbury Committee (appointed by the Financial Reporting Council of London Stock Exchange, U.K), "It is the system by which companies are directed and controlled. It specifies the distribution of rights and responsibilities among different participants in the corporation such as, the board, managers, shareholders, and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs".

According to James D. Wolfensohn, Former President of World Bank, "Corporate Governance is about prompting corporate fairness, transparency and accountability".

The Institute of Company Secretaries of India (ICSI) defines Corporate Governance as "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".

II. CORPORATE EXCELLENCE

The term Excellence literally means the quality of being outstanding or extremely good. The achievement of corporate excellence is the most important objective of every organization. Corporate governance is the one and only route to achieve corporate excellence. Corporate excellence refers to a transformation from the status of a good company to the status of a great company. The essence of corporate excellence is to have a competitive advantage over other firms in the industry. Corporate excellence is about developing and strengthening the management system and process of a company to improve performance and create value for stakeholders.

The key elements of corporate excellence is transparency projected through a code of good governance which incorporate a system of checks and balances between key players boards, management ,auditors ,shareholders and others. Good Corporate Governance is a source of competitive advantage and a critical input for achieving excellence in all productive, economic and social pursuits. A company's most valuable asset is the goodwill it enjoys with its stakeholders, which can only be earned by actions, not demanded.

The European Foundation for Quality management (EFQM) defines excellence in business as "outstanding practices in managing the organization and achieving results, all based on a set of eight fundamental concepts. These concepts are value addition for customers, creating sustainable future, developing organizational capability, harnessing creativity and innovation, leading with vision, inspiration and integrity, managing with ability, succeeding through the talent of the people and sustain outstanding results."

III. CORPORATE EXCELLENCE THROUGH CORPORATE GOVERNANCE

Corporate governance plays most important role in every organization. It provides a structure through which the objectives of a company are set and how they are achieved and monitored. A good governance practice enhances the efficiency of corporate sector and helps achieving excellence in all areas in the organization. The following are the key points for achieving and maintaining corporate excellence in an organization with the help of good corporate practices.

1. Monitoring the Performance

Excellent companies adopt effective and consistent strategies for monitoring and evaluating performance of the organization. Corporate governance is sets of rules and guidelines for monitoring and evaluating performance of the organization. Monitoring of governances by the broad also includes continuous review of the internal structure of the company to ensure that there are clear lines of accountability and responsibility for management throughout the organization.

2. *Inculcate Moral Values and Principles in Business*

Corporate governance regulations are based on moral values and principles than law and it helps to the business identify, analysis the different moral issues involved. It is essential that the organization's guiding ethics and code of conduct are clearly understood and followed by each and every members of the organization and communicated to all stakeholders. These moral values, principles and code of conduct help the organization to become an excellent company.

3. *Fair and Equitable Treatment of Shareholders*

Corporate governance frameworks ensure the fair and equitable treatment of all shareholders including minority shareholders. There should be no discrimination between shareholders. All shareholders have opportunity to obtain effective redress for violation of their rights. Fair and equitable treatment of shareholders helps an organization to excell in all functional areas.

4. *Transparency and Full Disclosures*

Transparency and full disclosures are the basic principles of corporate governance and essential ingredients for achieving excellence in an organization. Corporate governance aims at ensuring a higher degree of transparency in an organization by ensuring full disclosure of all material matters regarding the business ,including the financial statement ,performance, ownership, and governance of the company.

5. *Fair and Equitable Treatment of Employees and Workers*

Fair and equitable treatment of employees and workers is the important tool for excellence in an organization. It ensures equal opportunity in all aspects of employment regardless of race, colour, religion, sex, nationality, age, marital status, disability, etc. The goal of corporate governance is to avoid all kinds of discrimination, harassment, and ill-treatment of the workforce.

6. *Strong Internal Control*

Excellent companies built a concrete and strong internal control system for its outstanding performance and it is the mechanism for reducing mismanagement and fraud. Internal control procedures are policies implemented by an entity's board of directors, audit committee, management, and other personnel to provide reasonable assurance of the entity in achieving its objectives related to reliable financial reporting, operating efficiency, and compliance with laws and regulations.

7. *Safeguard the Interest of All the Stakeholders*

Corporate governance framework adopts effective, consistent, friendly measurers and strategies to safeguard the interest of all the stakeholders. It protects and respects the rights of all stakeholders. Corporate governance mechanisms are usually established for safeguarding and protecting interest of all the stakeholders

8. *Reduce Misconduct and Frauds*

Strong corporate framework reduces misconduct and fraud and it is the path way to corporate excellence. The corporate misconduct stretches beyond malpractices in accounting, reporting, operations etc. Corporate governance attempts to implant moral values and principles in business

9. *Satisfied Customers*

Customer satisfaction is one of the most important aspects of organizational performance. Through good governance, companies can gain valuable insights into the priorities and understanding of customer needs and respond with modified product offering. The satisfied customer helps companies in achieving its excellence in all areas.

10. *Corporate Reputation*

Corporate reputation plays most prominent role in corporate excellence. Good governance system boosts the reputation of the company by adhering to the principle of reliability, credibility, responsibility, accountability and trustworthiness. It is the overall estimation in which an organization is held by internal and external stakeholders based on its past action and probability of its future behaviour. Corporate governance framework is the best to achieve corporate reputation..

11. Risk Management

Risk is an important element of corporate governance. There should be clearly established process of identifying, analyzing and treating risk, the absence of which could prevent the company from effectively achieving its objectives. An efficient risk management system will increase confidence, growth, goodwill etc to the investors, creditors and other stakeholders.

IV. CONCLUSION

Corporate governance is a set of process, practices, policies, procedures, rules and laws affecting the way of business is directed, managed or controlled. It is a set of systems and processes to ensure that a company is managed to suit the best interests of all. Corporate governance is a way of life and not a set of rules. It is a necessary condition and not a sufficient condition for succeeding in the global market place. Corporate governance brings about equilibrium between the expectations of the owners, employees customers and all other stakeholders. For achieving these expectations, corporate Governance is the most appropriate and valuable tool i.e. Corporate Excellence. Companies should identify, assess and establish core values, core capability and core purpose to achieve Corporate Excellence. With the help of sound corporate governance frameworks an organization can achieve excellence in everything that a company does.

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