Corporate Governance - Definition, Scope and Benefits

What is Corporate Governance?

Corporate Governance refers to the way a corporation is governed. It is the technique by which companies are directed and managed. It means carrying the business as per the stakeholders’ desires. It is actually conducted by the board of Directors and the concerned committees for the company’s stakeholder’s benefit. It is all about balancing individual and societal goals, as well as, economic and social goals.

Corporate Governance is the interaction between various participants (shareholders, board of directors, and company’s management) in shaping corporation’s performance and the way it is proceeding towards. The relationship between the owners and the managers in an organization must be healthy and there should be no conflict between the two. The owners must see that individual’s actual performance is according to the standard performance. These dimensions of corporate governance should not be overlooked.

Corporate Governance deals with the manner the providers of finance guarantee themselves of getting a fair return on their investment. Corporate Governance clearly distinguishes between the owners and the managers. The managers are the deciding authority. In modern corporations, the functions/ tasks of owners and managers should be clearly defined, rather, harmonizing.

Corporate Governance deals with determining ways to take effective strategic decisions. It gives ultimate authority and complete responsibility to the Board of Directors. In today’s market- oriented economy, the need for corporate governance arises. Also, efficiency as well as globalization are significant factors urging corporate governance. Corporate Governance is essential to develop added value to the stakeholders.

Corporate Governance ensures transparency which ensures strong and balanced economic development. This also ensures that the interests of all shareholders (majority as well as minority shareholders) are safeguarded. It ensures that all shareholders fully exercise their rights and that the organization fully recognizes their rights.

Corporate Governance has a broad scope. It includes both social and institutional aspects. Corporate Governance encourages a trustworthy, moral, as well as ethical environment.

Benefits of Corporate Governance

1. Good corporate governance ensures corporate success and economic growth.
2. Strong corporate governance maintains investors’ confidence, as a result of which, company can raise capital efficiently and effectively.
3. It lowers the capital cost.
4. There is a positive impact on the share price.
5. It provides proper inducement to the owners as well as managers to achieve objectives that are in interests of the shareholders and the organization.

6. Good corporate governance also minimizes wastages, corruption, risks and mismanagement.

7. It helps in brand formation and development.

8. It ensures organization in managed in a manner that fits the best interests of all

Business Ethics - A Successful way of conducting business

Definition of Business Ethics

Business Ethics refers to carrying business as per self-acknowledged moral standards. It is actually a structure of moral principles and code of conduct applicable to a business. Business ethics are applicable not only to the manner the business relates to a customer but also to the society at large. It is the worth of right and wrong things from business point of view.

Business ethics not only talk about the code of conduct at workplace but also with the clients and associates. Companies which present factual information, respect everyone and thoroughly adhere to the rules and regulations are renowned for high ethical standards. Business ethics implies conducting business in a manner beneficial to the societal as well as business interests.

Every strategic decision has a moral consequence. The main aim of business ethics is to provide people with the means for dealing with the moral complications. Ethical decisions in a business have implications such as satisfied work force, high sales, low regulation cost, more customers and high goodwill.

Some of ethical issues for business are relation of employees and employers, interaction between organization and customers, interaction between organization and shareholders, work environment, environmental issues, bribes, employees rights protection, product safety etc.

Below is a list of some significant ethical principles to be followed for a successful business-

1. Protect the basic rights of the employees/workers.
2. Follow health, safety and environmental standards.
3. Continuously improvise the products, operations and production facilities to optimize the resource consumption.
4. Do not replicate the packaging style so as to mislead the consumers.
5. Indulge in truthful and reliable advertising.
6. Strictly adhere to the product safety standards.
7. Accept new ideas. Encourage feedback from both employees as well as customers.
9. Treat everyone (employees, partners and customers) with respect and integrity.
10. The mission and vision of the company should be very clear to it.
11. Do not get engaged in business relationships that lead to conflicts of interest. Discourage black marketing, corruption and hoarding.
12. Meet all the commitments and obligations timely.
13. Encourage free and open competition. Do not ruin competitors’ image by fraudulent practices.
14. The policies and procedures of the Company should be updated regularly.
15. Maintain confidentiality of personal data and proprietary records held by the company.
16. Do not accept child labour, forced labour or any other human right abuses.