

CORPORATE GOVERNANCE

An Overview

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Directors Leadership Programme

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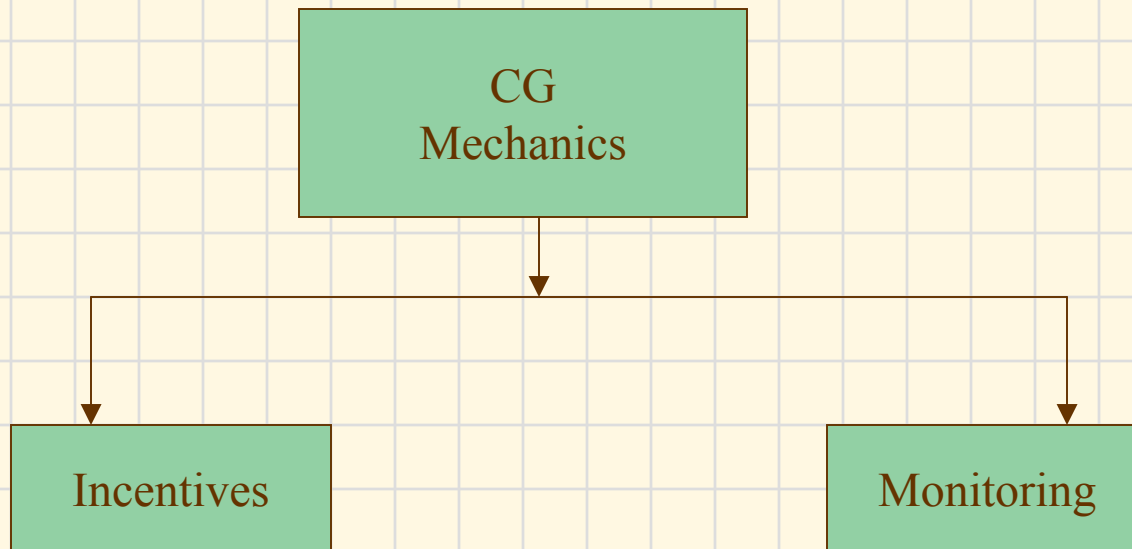
Corporate Objective

- To create firm value
- while being compliant with the law of the land and ethical; and
- while enforcing the rights of stakeholders arising out of contracts or operation of law

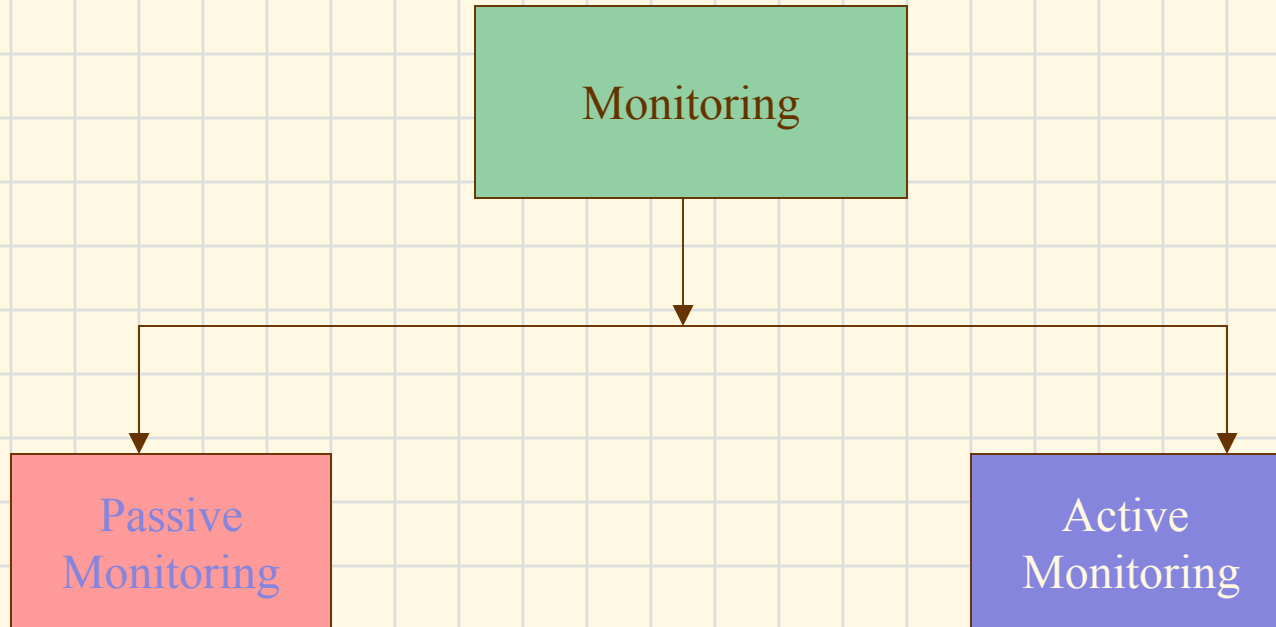
Corporate Governance

Corporate governance is a system that ensures that the manager takes decisions to achieve the corporate objective and not for achieving private gains of control

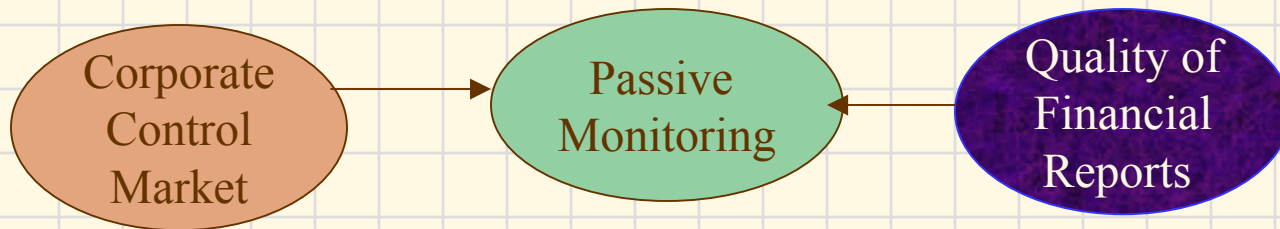
Corporate Governance Mechanisms



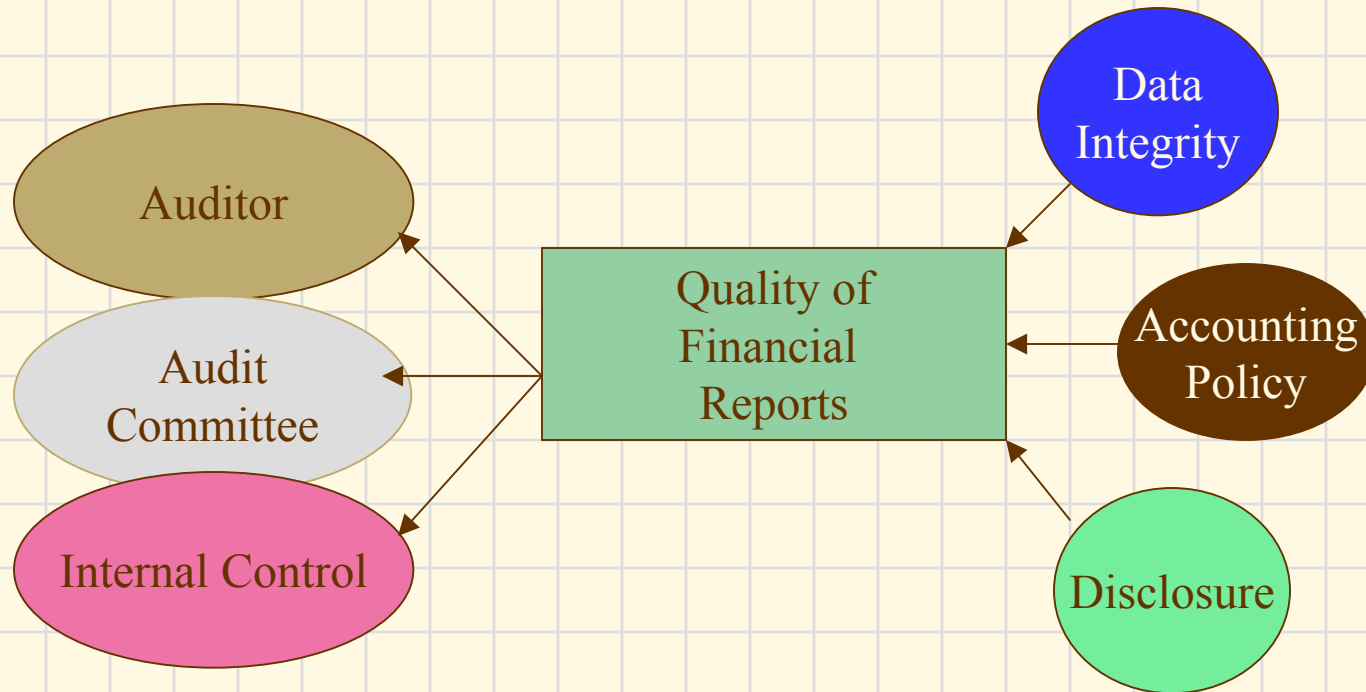
Monitoring



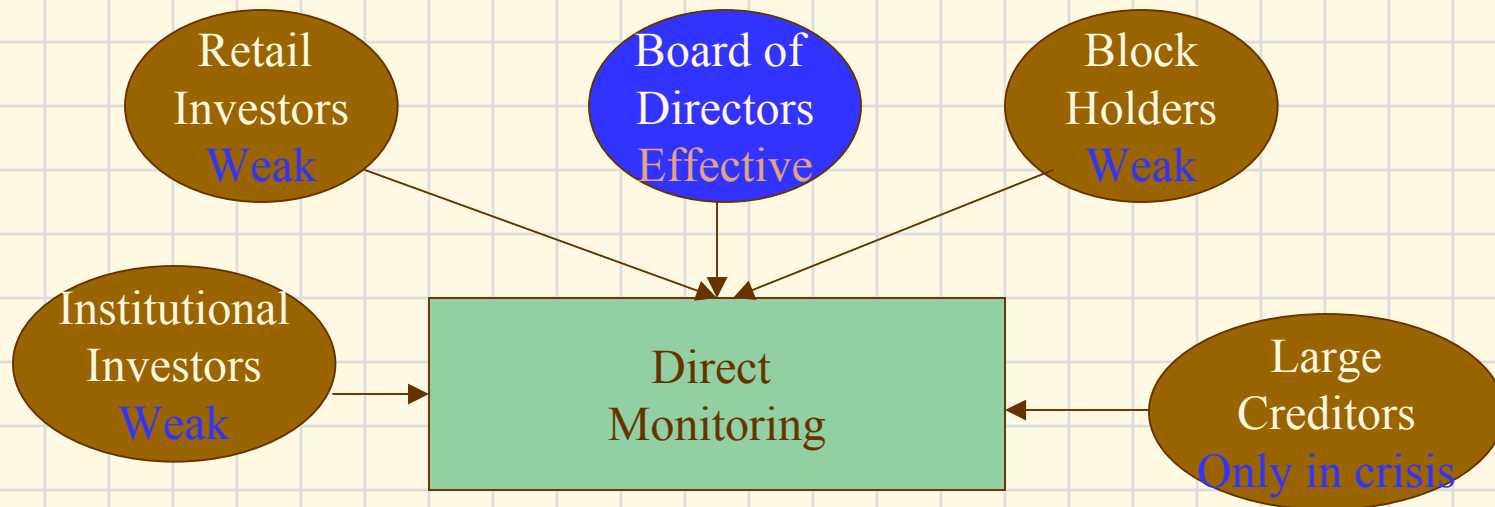
Passive Monitoring



Quality of Financial Reports



Direct Monitoring



Role of The Board of Directors

- Appoints and if required, removes the CEO
- Provides strategic direction to the company; Review strategy; and enforces accountability
- Ensure adequate and effective internal control
- Review performance
- Decide CEO's compensation
- Review Board's performance

Performance of the Board

- Most boards largely rely on management to report information to them, thus allowing management to place the desired 'spin' on information, or even conceal or lie about the true state of a company.
- Boards of directors are part-time bodies, whose members meet only occasionally and may not know each other particularly well. This unfamiliarity can make it difficult for board members to question management.

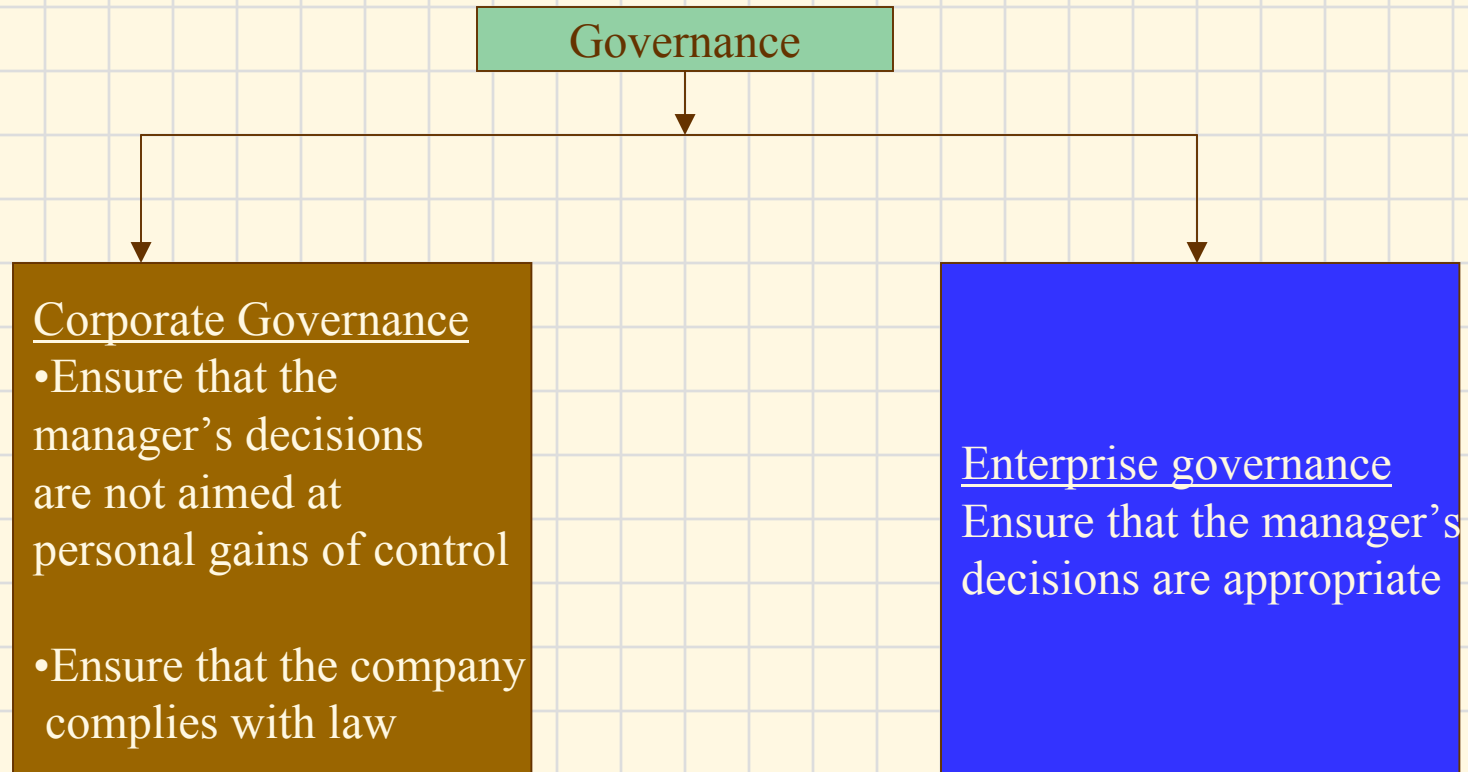
Performance of the Board

- CEOs tend to be rather forceful personalities. In some cases, CEOs are accused of exercising too much influence over the company's board.
- Directors may not have the time or the skills required to understand the details of corporate business, allowing management to obscure problems.
- The same directors who appointed the present CEO oversee their performance. This makes it difficult for some directors to dispassionately evaluate the CEO's performance.

Performance of the Board

- Directors often feel that a judgement of a manager, particularly one who has performed well in the past, should be respected. This can be quite legitimate, but poses problems if the manager's judgement is indeed flawed.
- All of the above may contribute to a culture of "not rocking the boat" at board meetings.

Enterprise Governance



Internal Control

