



Message From Vice-Chancellor

Corporate Governance and its impact are ubiquitous and all pervasive across organizations, communities and individuals. The challenges and benefits of Corporate Governance have taken manifold as its balancing act between shareholders, Managers, Customers, Government and Community at large. It has the power to bring conflict and conceit, opportunity for connection and long term business collaboration in engaging and understanding consumers' needs. In fact, to improve the experience, Government agencies which have a reputation for being "behind the times" when it comes to technology, are also not lagging behind. Moreover, many government agencies are embracing and using social media and digital communications to enhance governance aspects. These days, citizens can communicate with government contact centres through a variety of channels including, mobile, web and social media. Therefore, I feel that the initiative by the Team De facto in picking up these topical issues is worth appreciation, and I wish them good luck in the near future for promulgating experiences from all spheres of business and lives. I wish and congratulate the whole Editorial Team a Successful journey in the future!

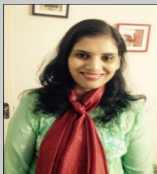
Prof. Raj S. Dhankar

Message from Editorial Team

It gives us immense pleasure to take out this issue on Corporate Governance and its imperatives in various vistas of Management and Academia. We are fortunate to have views from all domains right from practioners to theorist and implementers. It opens up the debate that whether there has been enough initiatives being taken by Government agencies, Private bodies and NGO's or still the beginning is too slow. Participation in decision making at all stakeholders level is a must for any growing economy and the inherent challenges fosters the requirement of a well integrated networked system for overall growth and good governance system. Ethics, Value Systems, Customer Needs, demands transparent at all levels of Business operations. Not only that even Citizen participation has been initiated recently through platforms like MyGov.in. Thus, the new technology also demands transparency and answerability. We are thankful to the contributors for highlighting all the inherent views and challenges.



Dr. Pratika Mishra
Editor



Dr. Indu Pathak
Assistant Editor

De Facto

Corporate Governance: Issues & Challenges

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Corporate Governance: An Important Peripheral



Corporate governance, today, stands at a point of inflection with driving force being transparency. All systems, practices and processes by which a company conducts its business practices must be in conformity with ethics, regulations and visible customer's nods. Its objectives should be clearly defined and its module to attain the objective be disclosed to imbibe a spirit encompassing the society at large including the core of its management, Mr Munjal, the patriarch of Hero group was a fine example of corporate connect and ethical business. Mr. N R Narayana Murthy has defined a good corporate governance system as one which attaches a high degree of priority to the interests. Fundamentally, there is a level of confidence that is associated with a company that is known to have good corporate governance. The presence of an active group of independent directors on the board contributes a great deal towards ensuring confidence in the market. This inculcates following of good business practices and setting high ethical morals and grounds. We as academic institutes also holds the responsibility towards students who are being groomed by us to follow practices and procedures that might set benchmark for the future of tomorrow.

Thus, we have brought out this issue with a view of fostering this thought again from Corporate and academic point of view .

Dr. Amarjeet Kaur Malhotra
Dean, School of Management Studies, Ansal University, Gurgaon

Ensuring Corporate Governance



Corporate governance is about ensuring Corporations, in the journey of providing higher value to their customers, walk the fine line of employing only ethical means. As we all know, in a practical world, people take comfort in *ends justifying the means*. Unfortunately, judgment of compromising means is subjective, and a slight deviation from perceived code of ethics can trigger an avalanche in an organization due to the potential for the snowball effect of the interpretation and adaption along the chain of service.

As the world is collapsing into a single cohesive market place, Corporations are becoming globally ubiquitous. Thus, posing a real challenge to governance structure to monitor (either internally or externally) these Corporations. Naturally, neither an *iron fist* approach, nor a *least common denominator* approach of applying ethics will throttle the innovation and creativity. Also, like Marcus Buckingham, Curt W Coffman explain in their book *First, Break All the Rules*, current generation management thrives on challenging and breaking the boundaries. In fact, if that was not the case, we might have been deprived of facebook, whatsapp etc., of the world today. Hard to even imagine how people lived through pre-millennium days without amenities that we consider bare essentials now.

Such circumstances put a lot more onus on the executives operating the organization. Executives often have to fall back on their personal compass for direction, and ensure that the personal bar is high. Thus, the prominence of the personal compass catapulted in the new global corporations. Also, inspiring the trust and confidence of the leadership about individuals integrity become table stakes to enter senior management positions.

Naturally, the best place to start germinating and nurturing such critical and reflective thinking in the individuals is educational institutions of management. The subject, also naturally aligns well with the current generation's ardent desire for philanthropic contributions back in to the society. I congratulate Ansal University for such thoughtful courses, and congratulate the students for seizing such opportunities.

Mr. Subbu Turimella
Vice President, General Management , Sapient Technologies Ltd.

Developing Ideal Corporate Governance Mechanism

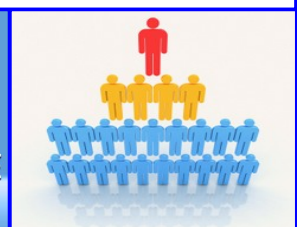


Internal Corporate Governance Mechanism of any economy is based on two factors first is Govt. ownership resulting in undermined minority shareholder rights & liquidity, volatile stock market and the Institutional investors who also have power and influence in board of directors and management. External corporate governance mechanism includes, Independence to their shareholders and legal infrastructure which support sound corporate governance. Monitoring role of banks is also very important in developing corporate governance mechanism. For developing good corporate governance the company should implement better Rules and Practices of Disclosure of financials along with independence of board of Directors.

Companies should also appoint more foreign directors to fill the boardrooms so that best practices and diverse view can be adopted in developing of ideal corporate governance infrastructure which will lead to investors trust and shareholders confidence in the company. It will also provide mechanism to prevent the companies from financial frauds.

Company should also encourage more independent directors to enter the board of directors and establish Audit Committee, Nominate Committee etc.to curb the Power of Block holders / Executives. For reducing the government influence in companies decision countries should diversify the ownership i.e, Reduce or Sell off the Shares held by the Governments.

Ms. Ronita Chatterjee
Associate Vice President, SEED Financial Services

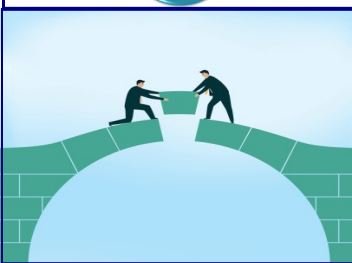




"THE REAL MECHANISM FOR CORPORATE GOVERNANCE IS THE ACTIVE INVOLVEMENT OF THE OWNERS."

LOUIS GERSTNER

© LinkedIn Quotes



Student Impressions

Corporate Governance : A high degree priority to the interest of stakeholders

The board of directors has an obligation to approve all the decisions that might affect the long term performance of the corporation. This means that corporation is fundamentally governed by the board of directors overseeing top management, with the concurrence of the shareholder. The **CORPORATE GOVERNANCE** refers to the relationship among these three groups in determining the direction and performance of the corporation so that it can fulfill its goals and objectives in a manner that adds to the value of the company. Corporate governance became a pressing issue following the 2002 introduction of the Sarbanes-Oxley Act in the U.S., which was ushered in to restore public confidence in companies and markets after accounting fraud bankrupted high-profile companies. Well, one positive result of the many corporate scandals occurring over past decade is the increased interest in governance. Institutional investors are no longer content to passive shareholders. Although there will be passive shareholders, rubber stamp boards and dominating CEOs, the simple truth is **Good Corporate Governance means Better Strategic Management.**

Ms. Shuchi Mahajan
M.Com Student, Delhi University

Mechanisms and Controls of Corporate Governance

Although corporate governance is a hot topic in boardrooms today, it is a relatively new field of study. Corporate Governance is the technique by which companies are directed & managed. It is basically for the stakeholders' benefits. It is actually conducted by the board of Directors and the concerned committees for the company's stakeholder's benefit. 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 has a broad scope. It includes both social and institutional aspects. Corporate Governance encourages a trustworthy, moral, as well as ethical environment in companies.

Mechanisms and Controls

Corporate governance mechanisms and controls are designed to reduce the inefficiencies that arise from moral hazard and adverse selection.

Internal Corporate Governance Controls

Internal corporate governance controls monitor activities and then take corrective action to accomplish organizational goals.

External Corporate Governance Controls

External corporate governance controls encompass the controls external stakeholders exercise over the organization.

Mr. Abdul Fatah
MBA Student, Ansal University

Corporate Dossier

Corporate Governance and its Imperatives



Corporate governance is the system of rules, practices and processes by which a company is run, directed and controlled and it essentially involves balancing the interests of the multiple stakeholders in a company including shareholders, management, customers, suppliers, financiers, government and the community. **The question of corporate governance** in India has come mainly in the wake of economic liberalization, deregulation of industry and business coupled with the demand for better compliance with the legislation. **Going back to Indian history, the history of East India Company** suggest how the first publicly listed company's indulgence in trade and accounting malpractices led to the widespread public protests and demand for the reform. Executive greed, rampant corruption, Insider trading and appalling corporate governance practices were

all there.

Challenges of Corporate Governance in India

Let's look at some of the practices prevalent in the market which is posing serious challenges to corporate governance in our country.

- Lack of financial Transparency
- Weak and Non-Transparent monitoring systems.
- Family forms Monopoly
- Uncaring attitude towards shareholders
- Vulnerability of equity market to serious manipulations
- Corruptions and the inability to check them in time

Issues in Corporate Governance

- Asymmetry of power distribution
- Asymmetry of information sharing
- Interests of shareholders as residual owners
- Role of owner management
- Theory of separation of powers is very vague and non transparent
- Division of corporate pie among stakeholders is ambiguous

Examples of some of the major companies Corporate Governance issues which impacted the stock markets leading to huge loss of retail shareholders wealth and the image of the company/country took a beating.

Satyam Company Scam where promoter looted company's wealth and led to downfall of the company which forced Indian government to intervene and save the company and salvage some pride.

Yes Banks share price lost 50% share value and **Gitanjali Gems share prices lost 90% of the share value** leading to huge losses to shareholders wealth.

Infosys has seen lot of corporate governance issues which are being tackled very seriously by the management



Mr. Basant Tomar
Global Business Head -Carrier and Enterprise Sales



Vision 2020: Corporate Governance

Corporate Governance has a broad scope. It includes both social and institutional aspects. Corporate Governance encourages a trustworthy, moral, as well as ethical environment. Thus, it is well said that "To develop the highest Caliber Professionals for future develop good corporate Governance." The new economy has envisaged the role of Corporate accountability right from Multiple Stakeholders rising expectations, long term vision, strategic intent, audit and control and balancing individual and societal goals, as well as, economic and social goals. The vision 2020 therefore is going to be very challenging with following aspects being fostered upon -

Reinvigorate capital markets to put the new corporate governance framework to the test.; exchanges, which are reeling under the moratorium on local IPOs; Reduce state interference in Chinese companies by protecting minority shareholder; interests in the business decision-making process; Further promote director training programs for directors of listed companies; Encourage a broader share ownership structure by increasing participation of institutional investors; Introduce more effective post-IPO corporate governance monitoring systems; Strengthen judicial enforcement for the protection of shareholders' interests; Promote investor education. Corporate governance should also have approach of holistic view, value based governance, should be committed towards corporate social uplift and social responsibility and environment protection. It also involves creative, generative and positive things that add value to the various stakeholders that are served as customers. Be it finance, taxation, banking or legal framework each and every place requires good corporate governance. Corporate Governance is a means not an end, Corporate Excellence should be the end. Once, the good Corporate Governance is achieved and the Indian Corporate Body will shine to outshine the whole world.

Mr. Ankit Gupta

National product Manager, SAAS, Airtel India Ltd., Gurgaon

Academic Perspectives



Corporate Governance

Corporate governance is "the system by which companies are directed and controlled" (Cadbury Committee, 1992). It includes the relationships among various stakeholders and the goals for which the corporation is governed. The principal stakeholders are the shareholders, management and the board of directors. Other stakeholders include employees, suppliers, customers, banks and other lenders, regulators, the environment and the community at large. Corporate governance in India has been influenced heavily by the Anglo-American practices. But, the problem in the Indian corporate sector is different as it is primarily of disciplining the promoter shareholder and protecting the minority shareholders. In India, guidelines for Corporate Governance are provided in clause 49 of the listing agreement and also in various sections of the Companies Act. Some of these have been drawn out of the Sarbanes -Oxley Act, which came up in the U.S. after a series of accounting scandals. SEBI has powers to suspend companies from being traded on

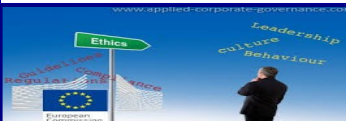
stock exchanges if they do not adhere to the clause 49.

SEBI of late has come out with detailed corporate governance norms for listed companies providing for stricter disclosures and protection of investor rights, including equitable treatment for minority and foreign shareholders. It has amended clauses -- 35B and 49 -- of the listing agreement. Now, under changed 35B norms, listed companies are required to provide the option of facility of e-voting to shareholders on all resolutions proposed to be passed at general meetings. Under clause 49, pertaining to corporate governance, listed entities have to get shareholders' nod for related party transactions.

The new rules, which would be effective from October 1, 2014, require companies to get shareholders' approval for related party transactions, establish whistle blower mechanism, elaborate disclosures on pay packages and have at least a woman director on their boards. These norms are aligned with the Companies Act, 2013 and are aimed to encourage companies to "adopt best practices on corporate governance".

Dr. Sandeep Goel

Management Development Institute, Gurgaon



Corporate Governance: Issues in Indian Context



Since the very beginning, it has been a notion that the shareholders are the major stakeholders in a corporation and the board of directors are their agents. Hence, the main aim of a corporation is to maximize shareholders wealth. But in the corporate governance scenario, the interests of the other stakeholders are equally significant. Thus, corporate governance essentially involves balancing the interests of all the stakeholders in a company - including its shareholders, management, customers, suppliers, creditors, government and the society. It is based on the principles of fairness, transparency and corporate accountability.

Although the clause 49 of the listing agreement supports corporate governance, still some important issues need urgent attention. Abuse of dominant position is one such issue; even today most of the directors in Indian corporations are friends or families of promoters or managers. Hence, managers exercise control and may not work in best interests of the stakeholders. Lack of 'Independence' by the independent directors in the audit committee defeats its very existence. Lastly, Insider trading practices and ineffective implementation of the Whistle Blower policy mechanism in the listed companies are yet other issues that affect the corporate governance principles. Therefore, an immediate action is required on the above issues for good corporate governance in India.

Ms. Yukti Bajaj
Assistant Professor
Ansal University, Gurgaon

Requirements of Corporate Governance in Recent times



Corporate governance is about constructing the practices by which business and matters of the company or firm are run and managed in order to enhance enduring shareholder value. In all the Legal systems around all the major economies of the world, are trying to standardize & enforce judicious corporate governance norms. There are several examples like the Satyam case in India which shows how the best known corporate leaders, financial regulators, as well as, world renowned auditors can manipulate the system. This not only destroys the company as well as its stakeholders' wealth but also hurts the entire economy & reputation of a nation. It is in recent times Corporate Governance has been a talked about issue with Large and medium sized companies. These corporate fiascoes both in developed as well as developing countries forces managers to minimize the importance of financial measures in valuation of a firm. In the developed world, the classical agency problem arises because the manager owns a very small part of the firm. In contrast, a different set of agency problems arise in India due to the ownership patterns. This is facilitated by the dominance of debt financing leading to a low equity base. Often, equity ownership is held through a complex web of corporate cross-holdings in order to avert a take-over and to get around regulations. Overall, there is a lot of form with respect to laws and procedures in India. But the substance is weak in terms of enforcement.

Ms. Guncha Kumar
Assistant Professor
Institute of Apparels Management, Gurgaon



Campus Fizz

MBA Orientation 2015

Orientation for the MBA students began from 7 July 2015. Many activities were conducted like Team Building activity, Master chef for students, Visit to NGO, Strategy workshop, Industry Visit and many more.



International Conference on Innovative Strategies for Competitiveness and Sustainability

In an era of dynamic business environment, Innovation is not only a key to competitiveness but has almost become a way for sustaining businesses. Against this background, School of Management Studies, Ansal University organized an International conference on Innovative Strategies for

Competitiveness and Sustainability in Global Business Environments (ISCSGBE) on March 26-27, 2015 at their campus. Dr. C.V. Baxi, Former Director-MDI was the Chief Guest for the Inaugural Function.



More than 35 Research Papers were presented at the Conference. Panel Discussion was organized on the theme 'Innovative Strategies In Challenging Business Environment' on the first day, and on 'Sustainability In Business Strategies: Is It Real?' on the second day of the Conference, where several academicians and industry experts deliberated on the theme-related issues. Dr. A. K. Balyan, MD & CEO, Petronet LNG was Chief Guest of the Valedictory Function of the Conference.



First Parents Meet Organized by School of Management Studies

School of Management Studies organized its Parents Meet on Friday, March 20, 2015. The meet was with a view to share mutual concerns, express observations, suggest and devise suitable vision for the student's career progressions. The event witnessed huge turnout of parents across all programs- BBA, MBA, B.Com and Hotel Management, who met the respective subject faculty members to discuss the progress of their wards. Dean SMS, Director Corporate Relations and Dean Students Welfare addressed the issues of parents and Guardians. The best Students of various extra-curricular committees of SMS were also felicitated. The Parents also gave their feedback on a pre-designed format that gave further strength to the School for betterment. The Parents and student found it as a long term relationship building activity that would foster new vistas of relationship.



Ansal University: Campus Live



Announcements

- Articles invited for the Next Issue of *De Facto* on the theme: "The App World: Myth or Reality". Mail to pratikamishra@ansaluniversity.edu.in
- Invitation of Participation in International Conference ICBK 2016; 11-12 February, 2016. Check website www.ansaluniversity.edu.in
- Research Papers are Invited for Peer Reviewed Bi-Annual International Journal, Ansal University Business Review (AUBR). Mail to editoraubr@ansalunivireisty.edu.in

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