

CORPORATE GOVERNANCE – EXCEEDING STAKEHOLDERS’ EXPECTATIONS

S S DHANJAL*

Whenever we talk about governance, we invariably address two aspects – governance ‘by whom’ and ‘for whom’. The responsibility of governance of a corporate body lies with the Board of Directors, whereas the management and employees are supposed to implement good corporate governance practices. This suggests, the corporate behavior largely depends on the behavior of the people who are at the helm of affairs of the corporate body.

From the very inception, a corporate house has to deal with several agencies which can be classified into identical groups. These groups are shareholders, employees, customers, suppliers, government agencies and the society. Collectively these groups are called stakeholders.

Every stakeholder group has a distinct expectation from the corporate body. Shareholders expect good return on their capital, maximization of wealth and timely information. Employees produce goods and services for customers who expect fair earnings and living comforts. Customers expect quality goods and services. Suppliers expect fair price of their goods and services. The government expects ethical conduct of business, recovery of taxes and compliance with law of the land. The immediate society or community expects a share of development, improvement in the quality of its life and better environment, periphery

development, improved basic amenities, etc.

This way, stakeholders have different expectations or needs and the corporate body has, at its disposal, the resources, often limited. Then it is for the corporate house to balance the needs of various stakeholders and to distribute the limited resources amongst all stakeholders in the most equitable manner.

Now, the question arises – how ethically stakeholders are identified and how ethically their needs satisfied. The extent of ethical corporate behaviour depends on the type of business values adopted by the corporate house. The corporate ethics and values become the foundation stone of the governance. The sound fundamental values would definitely lead to good corporate governance which invariably include trust, care for society and stakeholders, transparency, full disclosures, fairness, equal opportunity, independent appraisal, sound financial practices, compliance with law of the land etc.

So it is evident that the horizon of corporate governance is much wider than mere compliances with regard to statutes. This compliance can be regarded as one of the means and not the end in itself. Therefore, the essence lies in the good corporate governance by exceeding the expectation of all stakeholders and not merely in the compliances.

* *Company Secretary, Tata Sponge Iron Ltd.*