Corporate governance at wipro

Business, Corporate Governance

Corporate governance is the set of processes, customs, policies, laws, and institutions affecting the way a corporation (or company) is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and thegoalsfor which the corporation is governed. The principal stakeholders are the shareholders, the board of directors, employees, customers, creditors, suppliers, and the community at large.

Corporate governance is a multi-faceted subject.

An important theme of corporate governance is to ensure theaccountabilityof certain individuals in an organization through mechanisms that try to reduce or eliminate the principal-agent problem. A related but separate thread of discussions focuses on the impact of a corporate governance system in economic efficiency, with a strong emphasis on shareholders' welfare. There are yet other aspects to the corporate governance subject, such as the stakeholder view and the corporate governance models around the world.

Definition

In A BoardCultureof Corporate Governance, Business Author “ Gabrielle O'Donovan” defines corporate governance as 'an internal system encompassing policies, processes and people, which serves the needs of shareholders and other stakeholders, by directing and controlling management activities with good business savvy, objectivity, accountability and integrity. Sound corporate governance is reliant on external marketplace commitment and legislation, plus a healthy board culture which safeguards policies and processes.

“ O'Donovan” goes on to say that the perceived quality of a company's corporate governance can influence its share price as well as the cost of raising capital. Quality is determined by the financial markets, legislation and other external market forces plus how policies and processes are implemented and how people are led. External forces are, to a large extent, outside the circle of control of any board. The internalenvironmentis quite a different matter, and offers companies the opportunity to differentiate from competitors through their board culture.

To date, too much of corporate governance debate has centered on legislative policy, to deter fraudulent activities and transparency policy which misleads executives to treat the symptoms and not the cause. It is a system of structuring, operating and controlling a company with a view to achieve long term strategic goals to satisfy shareholders, creditors, employees, customers and suppliers, and complying with the legal and regulatory requirements, apart from meeting environmental and local community needs.

Report of SEBI committee (India) on Corporate Governance defines corporate governance as the acceptance by management of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders. It is about commitment to values, about ethical business conduct and about making a distinction between personal ; corporate funds in the management of a company.

1. 2. Meaning of corporate governess in legal environment.

In the United States, corporations are governed under common law, the Model Business Corporation Act, and Delaware law since Delaware, as of

2004, was the domicile for the majority of publicly-traded corporations. Individual rules for corporations are based upon the corporate charter and, less authoritatively, the corporate bylaws. In the United States, shareholders cannot initiate changes in the corporate charter although they can initiate changes to the corporate bylaws.

In the UK, however, the analogous corporate constitutional documents (the memorandum and articles of association) can be modified by a supermajority (75%) of shareholders. Shareholders can initiate 'precatory proposals' on various initiatives, but the results are nonbinding. Precatory proposals which have received majority support from shareholders, even for several consecutive years, have historically been rejected by the board of directors

1. 3. Parties to corporate governance

Parties involved in corporate governance include the regulatory body (e. g. the Chief Executive Officer, the board of directors, management, shareholders and Auditors). Other stakeholders who take part include suppliers, employees, creditors, customers and the community at large. The shareholder delegates decision rights to the manager to act in the principal's best interests. This separation of ownership from control implies a loss of effective control by shareholders over managerial decisions. Partly as a result of this separation between the two parties, a system of corporate governance controls is implemented to assist in aligning the incentives of managers with those of shareholders.

With the significant increase in equity holdings of investors, there has been an opportunity for a reversal of the separation of ownership and control problems because ownership is not so diffuse. A board of directors often plays a key role in corporate governance. It is theirresponsibilityto endorse the organization's strategy, develop directional policy, appoint, supervise and remunerate senior executives and to ensure accountability of the organization to its owners and authorities.

The Company Secretary, known as a Corporate Secretary in the US and often referred to as a Chartered Secretary if qualified by the Institute of Chartered Secretaries and Administrators (ICSA), is a high ranking professional who is trained to uphold the highest standards of corporate governance, effective operations, compliance and administration. All parties to corporate governance have an interest, whether direct or indirect, in the effective performance of the organization. Directors, workers and management receive salaries, benefits and reputation, while shareholders receive capital return.

Customers receive goods and services; suppliers receive compensation for their goods or services. In return these individuals provide value in the form of natural, human, social and other forms of capital. A key factor is an individual's decision to participate in an organization e. g. through providing financial capital and trust that they will receive a fair share of the organizational returns. If some parties are receiving more than their fair return then participants may choose to not continue participating leading to organizational collapse.

Principles Key elements of good corporate governance principles include honesty, trust and integrity, openness, performance orientation, responsibility and accountability, mutualrespect, and commitment to the organization. Of importance is how directors and management develop a model of governance that aligns the values of the corporate participants and then evaluate this model periodically for its effectiveness. In particular, senior executives should conduct themselves honestly and ethically, especially concerning actual or apparent conflicts of interest, and disclosure in financial reports. Also read Apple corporate governance issues

Commonly accepted principles of corporate governance include:

•Rights and equitable treatment of shareholders: Organizations should respect the rights of shareholders and help shareholders to exercise those rights. They can help shareholders exercise their rights by effectively communicating information that is understandable and accessible and encouraging shareholders to participate in general meetings.

•Interests of other stakeholders: Organizations should recognize that they have legal and other obligations to all legitimate stakeholders.

•Role and responsibilities of the board: The board needs a range of skills and understanding to be able to deal with various business issues and have the ability to review and challenge management performance. It needs to be of sufficient size and have an appropriate level of commitment to fulfill its responsibilities and duties.

There are issues about the appropriate mix of executive and non-executive directors.

•Integrity and ethical behavior: Ethical and responsible decision making is not only important for public relations, but it is also a necessary element in risk management and avoiding lawsuits. Organizations should develop a code of conduct for their directors and executives that promotes ethical and responsible decision making. It is important to understand, though, that reliance by a company on the integrity and ethics of individuals is bound to eventualfailure.