Example of research paper on corporate governance

Business, Company

Corporate Governance

In corporate governance, investor protection is an important issue. This is usually necessary because there is always a conflict between the investors who have no direct control of the organization and the managers and the shareholders who have a direct control of the organization. Without investor protection, the shareholders and the managers would not take care of the rights of the investors such as creditors. In this regard, they would put their relatives in managerial positions, pay the management huge salaries or even sell business assets (Baker, 2010). Even though this benefits the shareholders or the management, it hurts the investors. Therefore the fact that the investors have no direct control of the company, then protection of the investors becomes necessary.

Higher level of investor protection acts to reduce the risks that an investor is exposed to. In case of losses, the investors are assured of the collateral that was promised in return for their loan. Therefore it means that there will be no conflicts between the investors and the management and the chances of the company becoming bankrupt will be greatly reduced (Chong, 2007). Protection of the investors means that the management will work properly to ensure that the needs of the investors are met. In this regard, there will be no stealing of organizational assets or misuse of the resources. Generally, the management of the organization will be appropriately conducted.

There are many other benefits of good corporate governance. In the first place, the investors will feel secure and hence will be willing to even offer any funds needed to finance the activities of the organization. Therefore the reputation of the organization will be good. As the managers struggle to meet their obligations to the investors, the performance of the company improves hence the wealth of the shareholders improves (Baker, 2010). Due to the good performance and management of the company, the share price rises and hence the organization and the shareholders benefit from the situation. Generally, good corporate governance that appropriately protects the investors benefits the investors, the shareholders and the organization in general.

References.

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