Free research paper on corporate governance

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Introduction

Corporate governance has sprung out as a concept in response to the increasingly critical corporate scandals that were taking position in the late 1900s. The concept has remained strongly concerned with the areas of corporate risk. Nonetheless, the notion surrounding Corporate Governance is becoming more widely applicable and useful, for both the small and big organizations. The concept is also an increasingly substantial facet of a job and organizational management that transcends to global government and trade laws; as easily as to the international corporations, organizations and markets. The term corporate governance is a conglomeration of two words; corporate and management. The word corporate refers to a large group or company whereas the term governance relates to the action and manner of governing the organization. As a resolution, therefore, the term corporate governance refers to a system by which organizations are conducted and manipulated.

Practices in Corporate Governance that have failed to enhance corporate ethics

The assemblage and evolution of the concept and regulatory consideration of corporate Governance have mainly been promoted and driven by events. As a universal rule, corporations have rarely focused proactively on their individual proper governance with similar enthusiasm, as, for instance, the way they dynamically tendon other corporate priorities. These include cost control, market share expansion, advertising, and merchandising.

Control and ownership structures

The ownership and command structures are one of the key practices in corporate administration. The statute of ownership structure underlying the traditional agency problem was dominant in the United States. As a mechanism to enhance the control and property structures, corporate administration, increased its focus and attention for the purpose of the company's board of managers. (Clarke, 2007). Nevertheless, problems arising from the separation of control and ownership were recognized as directors in joint stock companies became managers of the shareholder's money and not their own.

Consequently, there were several disasters and scandals, which involved criminal negligence and fraud by the directors responsible. The occurrences mostly took place due to the jurisdiction of the managers to play with much freedom. The occurrence was also because of the insufficient organizational, legal code of administration that was in fact, concealed from inspection, mostly from shareholders. For Instance, the disaster that arose in the WorldCom firm is attributed to the poor and bad governance by the company’s board of directors. WorldCom company got plagued by a rapid erosion of its profits and an accounting scandal which led to the creation of billions in illusory earnings. The submission was the largest bankruptcy filing in United States history. This consequently led to its collapse.

Financial auditing and accountability

One of the practices in corporate governance is financial auditing. The Constitution on Audit and Corporate Governance provides for the governing body of an Audit and Corporate Governance Committee, whose primary

purpose is to help the Directors in conducting an oversight duty through the revaluation of financial info. Corporate governance as a concept is essential in monitoring and surveying the financial qualifications of individual commission members. Nevertheless, there were reported cases of fraud and criminal carelessness in the auditing of financial records of individual governing bodies by the managers and the auditors. The role of the principle of financial auditing is to enhance accountability to the stockholders and shareholders of the firm.

Nevertheless, the economic crisis as well, brought into limelight severe shortcomings in corporate governance. (Bebchuk, & Weisback, 2010). The crisis determined the fact that the existing standards could not be able to provide the necessary checks and balances required by companies to cultivate sound business practices. An example of an enterprise in the United States that was affected by such principle is the Enron Company. The company was a US energy organization that in 2001 became the world’s largest bankruptcy, because of the fraudulent accounting by the leadership and the negligence of auditors. The Enron disaster in 2001 resulted in the collapse of the Enron Corporation, which was in Texas, United States. Consequently, the calamity also led to the termination of the Arthur Andersen, one of the substantial audit firms in the world.

Human Resource management

Another core aspect of the corporate governance is Human Resource management. Of course, the issue is crucial to any organization and occupies the sphere of recruitment, training, and performance appraisal. The framework in regards to human resource management, as well, outlines

explicit and implicit contracts between shareholders and the organizations. In this respect, the structure also, provides for the methods of the distribution of responsibilities as well as the procedures for reconciliation. However, the principle has failed to enhance corporate ethics in particular firms in the United States due to claims of corruption, ethnicity, and bribery claims. The board of governors' in particular cases has also sidelined the stakeholders. (Blanpain, et al., 2011)

Conclusion

Corporate Governance is largely becoming consequential for companies across the globe. As a conceptual framework, corporate governance consists of ways of reconciliation of conflicting interest of stakeholders in accordance with their duties. In addition, the framework outlines the procedures for proper supervision, control and information flows within organizations.

References

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