

Forum memos

Business



Forum memos FORUM MEMOS CORPORATE GOVERNANCE: AMERICAN INTERNATIONAL GROUP Corporate governance refers to the laid down structures used in the control of companies. It comprises of the relationship between the board of directors, management, and stakeholders. In order for a company to register, better performance there should be good corporate governance because it increases its access to outside capital. Corporate governance does not entail protecting the interest of stakeholders alone but also for customers, employees, vendors, investors and the government (Bloomberg, 2008).

When corporate governance becomes ineffective, it leads to unfavorable consequences. A good case study is the American International Group Incorporation. The company violated Delaware laws and stakeholder's rights by accepting to be rescued by the federal government in exchange of a majority stake in the insurance company. Further, the company refused to provide its shareholders/company owners an opportunity to vote on major issues on a bailout proposal. The government was to give out \$85 and receive \$79.9 percent stake in return that violated Delaware corporate law. One of the investors by the name Wilma Walker filed a suit in court. His actions caused the senior director of the company to resign managers including chief executive officer since the act led to the loss of \$180 billion and the American International Group risked being collapsed. This was a deal backed by the U. S Treasury Department, and it was designed to prevent chaos that threatened other financial companies (Bloomberg, 2008).

American International Group also did not adhere to good corporate governance by converting the preferred shares into common stock without any approval from shareholder. The company also had to part with \$1.6

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billion to settle allegations of influential leaders because the company had misled stakeholders and lied in worker's compensation program (Bloomberg, 2008).

References

Shareholder sues Bloomberg, (2008) . AIG Over Government Bailout.

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