

# [Transparency in corporate government](https://assignbuster.com/transparency-in-corporate-government/)

Running head: TRANSPARENCY IN CORPORATE GOVERNANCE Transparency in Corporate Governance Julie-Ann Smith MMBL570/Corporate Governance November 1, 2010 Craige F.

Harrison Transparency in Corporate Governance In a 1, 400-1, 750-word paper apply the concept of transparency to corporate compliance within the McBride organization.?  Additionally, evaluate at least three instances in which the relationship between the self-interests of management relate to effective corporate governance. As some companies faced takeovers and buy outs, others were busy seeking ways in which to stay alive.

Prior to 2002, there was little compliance regulations for corporations to adhere to. With the fall of chief executive officers (CEO) of large companies, the Sarbanes-Oxley Act (SOX) was created. As that did not cover all the loop holes, states were empowered to create laws that would protect the stakeholders in public companies. Transparency soon became the risk factor and in much demand from stakeholders and the public. Transparency requires above board communication between stakeholders and members of the corporation, requiring everything that relating to how the organization conducts business is open, visible and above board.

??? While well-intended, some of this zeal has resulted in companies presenting reams of information that do little to alleviate investor concern: clear and ready access to the primary risks impacting shareholder value??? (McCarthy, 2004, p. 124). McBride Financials??™ CEO Hugh McBride self-interest may hamper the effectiveness of transparency in corporate governance. Incentives vs. Fair Salary ??? Agency theory says that because people pursue their own best interests, conflicts of interests inevitably arise over at least some issues when they engage in cooperative endeavors??? (Chew, 2004, p. 125). The actions of Hugh McBride, CEO of McBride Financial Services, give confirmation of the agency theory, when he made the decision not to provide stock options for his senior management team. The decision was made because he did not want to dilute his shares.

This may sound like a selfish act on the part of McBride, but he may believe as some managers do, that providing a fair salary is sufficient to employees. After all, employees are paid to perform; failing that, they are either disciplined or terminated. According to Chew, ??? Professor Brennan??™s objection to the use of incentives appears to be premised on the assumption that there are no major conflicts between the interests of corporate managers and the corporate goal of maximizing firm value??? (Chew, 2004, p. 125).

Incentives play an integral part in how an employee interacts while at work, and how they feel appreciated. Being on the receiving end of an incentive, not only lets employees know their value, but aids in assisting them to strive higher and work harder to achieve the goals of their employees. Since 2008, larger corporations have been publicly blasted for the dollar value of incentives received, especially from organizations that have survived bankruptcy, with the aid of public funds. Providing fair salaries are one incentive, but one that is already expected and not perceived as such by an employee. Incentive plans are ineffective, under certain conditions.

For example: too many performance measures; complexity; communication; and too much managerial discretion. Considering the position of his senior management team, the expectations, and job performance required of them, it is not unusual or unexpected for managers to receive fair compensation in addition to their salary. ??? Managers should be awarded a target bonus when they provide investors with a competitive stock market return??? (Chew, 2004, p. 249). McBride has set a target for the year, and should compensate his top managers accordingly. Acting in selfishly or in his own best interest may cost him more than the stocks are worth, and not in dollars. Corporate Governance When McBride asks that the description of the persons be camouflaged not to reflect their true identity ??“ those he wanted on the board.

1. Hides his true purpose and the role that Beltway will play in the organization. 2.

Corporate Governance Risk Factors Conclusion ReferencesChew, D. H. Jr.

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