During the last two decades, there has been a continuing discussion on corporate governance emphasizing its importance and relevance in the current economic scenario. The contemporary globalised business environment has increased competition, effectively after the drive towards integration of national economies in general and opening of Indian economy in particular, associated with large scale public interest. It is increasingly being understood that better corporate governance results in enhancing the image of a company and thus improves its reputation, as well as market capitalization. These changing business realities in the contemporary times highlight the importance of governance in general and corporate governance in particular.

The term Corporate Governance conjures up different meanings and explanations. Corporate governance is a concept that envisages a set of systems and checks which ensures that the company is managed properly to the best interests of shareholders, creditors, employees, customers, suppliers, community and government to say the larger society. In other words it is not only a reactive concept implying checks and balances but a proactive process which aims at creating corporate excellence thereby enhancing the value of the firm. The emphasis is on inculcating corporate democracy, fairness, transparency, accountability in operations as well as reporting practices.

Evidently, the significance of corporate governance in the last ten years have designated a new area of academic specialization, though many of its central themes have been subjects of debate in sociology and economics for many years. There has been a growing academic interest to understand changes in the financial and legal organization of business, patterns of political
intervention in business, larger development role of business has motivated social scientists, lawyers, schools of business management to take the lead in the development of this emerging specialism. Scott and Blau, (2001) noted that issues of corporate governance and subsequent practices of companies are no longer confined to the smoke filled boardrooms rather generated a large scale academic explanations and also public interest. Before proceeding further into a detailed analysis of various arguments concerning modern business corporation as a social institution and relevance of appropriate governance mechanisms to address the best interests of numerous social actors, it would be befitting to mention the three major reasons for the growing importance of corporate governance in the present scenario.

Firstly, the need for effective corporate governance lies at the heart of modern business corporation and its subsequent ownership pattern. Barle and Means, (1932) described the business organization (corporation) is a distinct entity by its sheer size of operations, sophistication of expertise and diffused ownership, tends to be corporatised with virtually inevitable separation of ownership and management. This earmarks misalignment of interest between owners of the firm and managers of the firm, as the nature of ownership is diffused and real owners (shareholders) are away from day to day executive management of the company, which has been delegated to corporate managers. This separation of ownership and control raises certain agency problems because of self- interests and self-dealing by managers (agents) subsequently leading to misappropriation of owners (principles) wealth by managers, at times loss of stockholder investments. Corporate governance thus, as illustrated by Pearce and Robinson jr. (2005), is an appropriate mechanism to align the interests of principles (corporate owners) with that of agents (corporate managers) by the way of internal and external mechanisms. The system of corporate governance hence stresses the role of board of directors as fiduciaries of stockholders, to monitor, motivate and secure the corporate managers to pursue the interests of shareholders above all. Jacoby (2005) noted that structure and system of corporate governance guide the management on what needs to be done on one hand and monitor/ evaluate managerial performance against set levels of expectations all in the interests of owner and shareholders.
Secondly, a key concern for an effective corporate governance framework is the growth of capital markets globally and cross border flows of capital. The developments in global financial market have potentially influenced the way corporate companies govern themselves. Sundaram and Bradley (2004), opined that these growing trends are well in tune with the demands of globalization in the contemporary times. The increasing reliance on equity/debt markets enabled firms to adopt better standards of governance which in turn create and transfer value to the shareholders.

Thirdly, to be sure, around the globe, societies have been experiencing tremendous social, political and economic change during last quarter century. According to Reed, (2004) ‘If we focus on the intersection of two particularly significant areas where majority of changes has been taking place over time – changes in the manner in which corporations are governed and changes in the efforts of developing countries to promote developments’. However, it has not been common to relate corporate governance and development since former has been frequently conceived in terms of obligations of business organizations to shareholders, while later has primarily been understood to be the domain of state involving various micro-macro policies and programmes that result in the realization of goals and priorities of the state. While in actual practice there has always been some relationship between corporate governance and development as the manner and substance of corporate decision making significantly affected development prospects. Recently, the process of economic reforms associated with notion of globalization has led to reduce the role of the nation states in a variety of areas resulted in a move from welfare state to competitive state (Sarangi, 2001). Under these circumstances links between corporate governance and development should become direct and these is increasing incentives provided to corporates’ by state clearly demonstrate the same. Today, corporate business organizations are conceived as change agents, collaborates, partners for development. Such a new paradigm and understanding widen the scope of corporate governance as a mechanism for realizing the interests of public, economic development, stability of the economy.

The above paragraphs illustrate the growing importance as well as need for a better, efficient corporate governance systems that address the larger interests of diverse social actors. However, historically it has never been easy - for academicians, business leaders and general public to
closely connect the notions of business in general and corporate governance in particular to larger social issues. There has been always suspicion against the purpose, motives of business and these questions will intensify if one tries to correlate business with societal development concerns. This is nevertheless a result of general understanding, reservations of people towards business activity. However, probably one has to understand philosophy of business, locate business as a social institution and societal sub systems to answer these criticalities (concerns) in an elaborative way. So before probing into larger conceptual understanding of corporate governance it is more befitting to analyze the concept of business to understand the relationship between business and society. Moreover this prior understanding of business would enable to arrive at a holistic conceptualization of corporate governance, which is central to the present research endeavor. Such a holistic framework, as Swamy (1999) opined will address concerns of larger development, public good, conservation of resources, employment generation, etc.

1.1 Business Organization: an Introduction

Business is an important institution in the society. Be it for the supply of goods and services, creation of employment opportunities, offer better quality life, or contribute to the economic growth of a county; the role of business is crucial in these regards. Business cannot do without society and it needs no emphasis that society needs business as much. As Buskirk, Green, Rodgers (1976) defined business appropriately as “a system created to satisfy society’s needs and desires”.

The term business has attracted enormous learned attention in the field of social sciences and business management. The ontological foundation of business has been significantly explained in the works of many scholars especially in Economics. However most of these accounts have missed the humanizing influence and sense of realism in understanding the philosophical discourse of business. A large portion of economic interpretations have devoted itself to an exposition of certain distinct factors say capital, land, labour and organization or management to conceptualize business as a group of productive units that produce and distributes economic goods according to the characteristics of capitalist systems. These economic explanations of business are vague and equivocal, not to say unrealistic because it follows its own analysis into
the profounder realism of human relationships, and factors of individual interests and behaviour, that lie at the back of characteristic of “economic man”.

A notable re-approachment has initiated in business studies during 1930’s especially in the works of eminent sociologists like, Fairchild, Berg, Zald which trace business to sociology and analyzes it as an essential social reality, on the basis of sociological methodology. The business has significantly acquired sociological treatment and refer to be understood as an institution in the society, like many other such social constructs as the state, family, school, the press, the law etc. business has a logical place in this category, as an institution that leads to self maintenance of society (Fairchild, 1937). What then is business in a sociological sense and what claim has it be considered as institution? In spite of great diversity, there is a fairly general agreement among sociologists that an institution is an established integration of social elements for the satisfaction of some major interest, including elements not only certain tangible equipment, but more fundamentally relationships and established modes of social procedure. Thus business is an organization of social elements into a unit designed for the production and supplying of material goods and services. Its essential attribute is the integration of two or more social elements. Sociologists have emphasized the distinct integration of group of factors (capital, land, labour, management) that produce and distribute goods and services.

Various sociologists provided path-breaking illustrations regarding the nature of modern corporations by examining the relationships between corporate business and employees, suppliers, customers, community and larger society. They have provided illuminating discussions of modern business corporation as a functional unit and integral part or subsystems of national economic and social system. These explanations have remarkably drawn a closer connection between an economic entity say corporation and its larger role in the society. Berg (1978) had argued that though corporations are distinct economic entities but they largely depends on society for resources and successful accomplishment of their goals, and corporate behaviour and culture are largely influenced by the beliefs, value systems and attitudes of the given society. The relationship thus is based on mutually exclusiveness and interdependence and this can best illustrated by the systems concept of business.
Sharlekar and Sharelekar (1999) have mentioned that corporation is a total system with in itself and it the same time it is a system with in the larger social superstructure. This approach clearly postulates that the corporation and society interact in a system framework. A corporation is an eco-social sub system of the socio-economic system of an economy. Hence, corporation predominantly receives inputs from society and offers out parts it to its environment i.e. society. In this regard it provides output that is desirable and largely acceptable to the environment. As corporation is a part of a larger social system one can easily understood the significance of the mutual interaction and interdependence between corporation and society.

Alongside, a large number of sociological accounts duly emphasize on the ownership structure of modern business corporations and subsequent issues/problems that primarily embedded in it. The issue of ownership in case of modern corporation have been significantly addressed in the seminal works of Barle and Means (1932), Zald and Berg (1978) and others. The sociological explanations aptly address these governance problems that are inherent in separation of ownership and control. These concerns lie at the heart of contemporary agency problems through misappropriations of owner’s wealth by the managers. These studies reflect the inherent principles of agency problem and also endeavor to analyze the role of modern business corporations as institutions embedded in the given society. The present study aims to understand these sociological concerns at the backdrop of contemporary corporate governance crisis. This is also an attempt to provide a larger – holistic understanding of corporate governance phenomenon that can address the growing discontinuities and also integrate the same with an appropriate framework to balance and manage the interests of numerous social actors.

1.2 Corporate Business and Societal Environment
The corporations and their governance significantly influence individuals and groups that are largely part of the societal environment. These various groups too often exert powerful influence on the way decisions to be taken thus determining the governance of the corporation. The relationships between these constituent groups to the corporation are often governed by the central laws enforced by the governments and also decided by the private law established in agreements between corporation and its employees, suppliers, customers, investors and the
community. These groups and individuals are part of the corporate environment and largely affected by or affect the way corporate decisions have been taken.

The growing concerns between business corporations and their environment have led to the emergence of new issues in the study strategic management of firms. Parcel and Robinson Jr, (2005) contended that environment as a determinant of success and the extent to which a firm can relate functionally to its external environment. However this understanding of environment is essential at this juncture to draw certain arguments and to build explanations regarding the closer link between corporate and it’s various constituents (Stakeholders) who are part to these environments that are either internal to the corporation or external to it.

The corporations have their roots in the large environment. However the concept of environment is complex and one cannot deal with its complexity. Likewise the present analysis of corporate and it’s governance in a way tries to limit itself to an explanation of a dimension of environment that comprises namely of stakeholders associated with the corporate, stakeholders in contact, stakeholders served and the stakeholders at large. Goffman (1957) have commented that the environment thus refers to a realm where these stakeholders groups are placed either in the external – broad of operating environment or internal – organizational environment. One point to bear in mind at this departure is the boundary between organization and its operating (external) environment that is never absolutely clear and surrounded by a semi permeable membrane.

Environment refers to all external forces which have a bearing on the functioning of the corporate business. Environment factors or constraints are largely if not totally, external and beyond the control of individual industrial enterprises and their managements. The below figure illustrates various categories of environment and various stakeholders who are part of it.

In the figure 1.1 the broad environment reflects the changes in technologies conditions, economic priorities, political changes and regulatory regimes and socio-cultural factors. As Aswathappa, (1999) accorded the operating environment (external) consists of stakeholders with whom organizations interact on a fairly regular basis, including customers, suppliers, government bodies, local communities, activities groups, unions, media etc. these stake holder
groups are largely indirect action elements that influence the decision-making policies of the corporates, importantly all these stakeholders are not equally important for firms success nor do any of them play same role of enforcements. These stakeholders have varying levels of powers to influence the organizations. The crucial concern for organization performance largely depends on the way corporate can manage and balance the interests of these conflicting groups or individuals.

**Figure 1.1 Business and Social Environment of a Company**

![Diagram of the business and social environment of a company]

Source: adapted from J.S Harrison, strategic management of resources and relationships: concepts and cases (John Willy and sons Inc: New York, 2003), p. 37

Likewise, Harrison (2003) stated that internal or organizational environment consists of immediate claimants of the corporation. This includes shareholders (owners), Board of Directors, Executive Management and Employees. However the interests of these stakeholders are pivotal concern for corporates at all times and these groups are largely direct action elements.

Thus, a corporation is comprised of various direct and indirect actors both in its internal and external environment. These stakeholders as Jones, (1999) stated, if managed well would
become inherent competitive strengths for corporation’s success. It is widely agreed notion that firms that maintain and sustain co-operative and long term relationships with its stakeholders, generate more value for itself and as well as for these groups of claimants (Jones, 1999). Hence responding appropriately to these stakeholders and understanding their expectation are central for the firm’s success and strategic maneuverability in an ever changing competitive landscape.

The corporate organizations in the contemporary times have realized the apparent need for confirming to wider social expectations. In order to meet the expectations of diverse stakeholders of the society or perhaps to attain legitimacy for existence, corporates have increasingly incorporating stakeholder expectations in their core business functions and strategic operations. This kind of integration fosters co-operative ties and alignment of interests between corporates and stakeholders thereby leads to a mature and holistic understanding of governance that could postulate enhanced value for stakeholders.

With this preliminary understanding of corporate governance and importance of stakeholder relationships, now I am moving towards, methodological orientation of this present research study.

**METHODOLOGY**

**1.3 Statement of the Problem**

The problem that is proposed to be explored, analyzed and explained pertains to governance in the corporate sector, the focus being the Indian situation. With capitalism coming of age in India in the contemporary period, effective governance of companies assumes great importance for not only the investing class but for other stakeholders, such as employees, customers, suppliers, local community, and in several ways the ordinary members of the public. In other words it becomes a social question and therefore, a fit question to be examined by social sciences in general and sociology in particular. The present research will endeavor to demonstrate that the social sciences are eminently capable of being invoked in and for an inquiry of this kind. Accordingly, this makes for an interdisciplinary study in the social and management sciences even while being anchored in sociology.
The present study aims to reflect upon a larger and all encompassing explanation of corporate and governance. The terms corporate and governance respectively, have attracted great deal of attention from an array of academicians and practitioners both in terms of philosophical underpinnings and theoretical discourses. Ironically, corporate governance which is seemingly relevant contemporary phenomenon lacks such wider conceptual understanding and limited in terms of use as well as applicability. The present study set forth these central ideas and attempts to examine corporate governance as governance for what? Governance for whom? Governance for which purpose? However these concerns are by and large universal because the nature and role of corporates have been significantly expanded in the current times so there is a growing need for analyzing the way corporates govern in the contemporary economy and society.

Thus the study focuses on the issues of corporate governance and need for stakeholders relationships for sustained value creation and growth. The corporate governance in this connection was understood and demonstrated by the reflections of the wider stakeholders of the corporates who are part of, affected by or effect the way corporate decisions are made. Thus, the present research tries to understand while examining how managers perceive it? How stakeholders view it? And how such an actions realize strategic aims of the corporates all exclusively?

1.4 Scope of the Study

The research study can be complex, all exclusive and tries to include a large number of factors for analysis. A point to be borne in mind is the scope of the study, which in turn helps the researcher to actively identify what to include and exclude from the given research endeavor. A concrete explanation of the scope further guides the researcher to include key variables on which data is sought and analyzed. However wider the study in its scope, certain delimitations are imperative for practical purposes. In the same way the present study is complex and relatively wider in scope but it however limit itself to a set of attributes and propositions which enable the study to reflect on key concerns that have being identified in the research problems.
The given complex nature of corporate governance issues that are central to effective functioning of a modern business organization might tempt researchers to include everything that bear a meaning to it. The scope of the present study is limited, at least not to include everything or any thing that happens in a company but to study particular concerns which have linkage for understanding governance framework of the concerned. The scope of the study is however limited to examine or investigate the functional relationship between corporate governance and stakeholders relationships. Interestingly, though scope is limited to corporate and stakeholder relations but it includes the wider, complex relationships that have established between corporates and its stakeholder groups say shareholders, employees, suppliers, customers, community, government etc. the study includes the nature of these relationships, internal mechanisms that govern these relationships, strategic orientation towards stakeholders relations and normative principles that are attached to these relationships which are largely based on core values and principles of corporate concerned.

Most of the attributes included in the present study have significantly guided by theoretical perspectives (stakeholder) of corporate governance. The nature of firm-stakeholder relationship and strategic imperatives of corporates are guided by the descriptive/instrumental concerns of the stakeholder’s perspective of corporate governance. Thus theoretical framework largely constructs the scope of the present study in determining what to include, accumulate, systematically explain and predict the phenomenon concerned. However, such a reliance on theoretical concepts to guide delineation, design and data collection remains one of the crucial strategies because of its apparent importance for doing case studies.

**1.5 Limitation of the Present Study**

One notable limitation of the present study lies at the heart of corporate governance framework and regulations enforced in the national law of governing companies. The focus of the study is Indian scenario of corporate governance; where there is no mandatory/legal enforcement regarding all stakeholders representation and participation in the way companies govern. In India there is no legislation that universally enforces all stakeholder interests in the way companies discharge responsibilities and take certain strategic decisions. Though company law and legal enforcement by securities exchanges clearly prescribe mandatory provisions for protection of
specific stakeholder’s interests, but no law has so far prescribed on employee participation on boards, protection of local community interests, customer protection and supplier interests by the regulatory bodies. Therefore the present study aims to re-approach the corporate governance issues from efficiency of internal mechanisms, mutual arrangements between company and stakeholders. It is evident that companies that predict risks from divergent stakeholder constituents and focused on long term growth have established co-operative arrangements with stakeholders even though it is not been mandatory from regulatory compliance aspect of corporate governance. The efficiency and professionalism of these internal mechanisms contribute to the company overall governance and provides a wholistic understanding to their policy of governance and subsequent practice. However it is exclusive practice for certain corporates at least in India, hence such a stakeholder orientation cannot be generalized for all other or rather universally mandated for Indian corporates since the Company Law does not make mandatory claims for such a practice in reality.

Another limitation is the correlation between stakeholder relationships and firm performance. However it is not the limitation for present research study but universal phenomenon for many studies on instrumental concerns of stakeholder relationships and firm’s performance where the earlier research failed to demonstrate it profoundly. To be sure, one should not treat this as a limitation because the present study aims to reflect on the nature of the firm and stakeholder relationship from actor’s perspective and attempts to generate larger understanding of corporate governance policy and practice. The study only emphasizes the relationship between stakeholder orientation and firm’s performance in general, but not in obsolete terms of firm’s financial gains and losses. The study however highlights certain key stakeholder relationships and profitability and growth, but this casual relationship is not the all exclusive focus of the study. Besides, the study aims to explore and explain the way corporate managers perceive stakeholders interests and stakeholders reflections on corporate governance. The cause and effect relationship can be found between corporate governance policy of the company and its practices of stakeholders’ management.
1.6 Methodology – Research Method

The present research exercise follows the case study method. The case study method is more befitting given the nature of complexity, diversity and richness of the phenomenon – ‘corporate governance’. As we have clearly seen in the earlier sections, an in-depth and comprehensive understanding of corporate governance can be only completed when it is examined in-depth by definitive account of case. The problem of study clearly reflects that policy and practice of corporate governance for stakeholder value should thus require in depth inquiry that can provide a rich description of the phenomenon from participant’s perspective. The present research exercise aspires to comprehend corporate governance policy and practice of an Indian corporate from the participant’s point of view (both managers and stakeholders). The case study thus accounts for particular descriptive and inductive understanding of the corporate governance at case company and its orientation towards stakeholder’s interests, complex realities of implementation etc. By and large case study approach is an appropriate methodological fit for the present study and seeks to illuminate ones understanding of the issue-corporate governance-in totality.

However, it can be questioned for being single case and problems of wider applicability and generalizations. In this connection the present research study does not claim that findings can automatically be generalized. The case studied is an example and unique because of well-defined policy of corporate governance coupled with an effective practice of stakeholder relationships. Although the study dealing with only one case, it is not perhaps unreasonable that the ideas derived from studying the present case can be re-considered for further research and could be treated as a modest contribution to the knowledge in the realm of corporate governance

Once the method is derived for conducting a research study, the next step that assumes pivotal importance specifically for doing case study is the necessary arrangements for the study. It should essentially begin with selection of the case, intrinsic and instrumental interest in selecting a particular case, the need for the study of particular case, design of the case study, research questions and propositions, tools of data collections, techniques for data analysis so on and so forth. Amongst, the primary need is to identify a particular case to study the research problem concerned.
1.7 Identification of the Case:

A case may be simple or complex and inquiry on the case may be long or short. In case of present study, selection of the appropriate case assumes a good deal of importance because such a holistic understanding of corporate governance that ensures stakeholder value cannot be easily traceable in the policies and practices of large companies. Secondly, as Yin (1991) observed the case company should be specific one and bounded system i.e. combination of working parts, purposive and an integrated system. Thus the case company for the present study has chosen on the basis of its outstanding existence from the beginning, nature of ownership and management, philosophy of corporate governance, shareholding pattern, stakeholder orientation etc. However identification of case company requires methodological focus on understanding its corporate governance framework, vision, core values, internal mechanisms and representative nature to the problem of the present research study.

The case company selected for the present study is ITC Limited - a diversified; multi business, multi divisional conglomerate in India. ITC has identified for its long existence in India from 1910 onwards, sound and value driven corporate governance policy, standardization of procedures for governing the company across the divisional units, primacy over stakeholder interests, practices of world class reporting standards and disclosures, institutionalization mutual arrangements/relationships with stakeholder and lastly, substantial premium given to sustainable value creation for the stakeholders and to the nation.

The ‘case’ company had been incorporated in 1910 as Imperial Tobacco Company at Kolkata. It has changed the name from Imperial Tobacco Company to Indian Tobacco Company in 1974 then later on became ITC limited and assumed true multi business nature in 2001. The company has remarkable market positioning in fast moving consumer goods business, a special stand alone position in cigarette manufacturing, packed foods, garments retailing, greeting, gifting and stationary, safety matches and agarbati making. Along with FMCG segment, the company has strong presence in Hotel and Tourism business. ITC gained remarkable position in Hotel business by strategically collaborating with worlds largest hotel chains.
Apart from FMCG and Hotels, the case company has dominant presence in Paper boards and specialty paper business because of its state of art technology and backward integration. ITC foray into this business reflects its early signs of diversification from core cigarette business to non-core paper business. ITC also acquired leadership in agri-business which is a major source for its foreign exchange through exporting leaf tobacco and agricultural commodities. These four businesses FMCG, Hotels, Paper boards and specialty papers, Agri-business are the major business of ITC and governed as autonomous divisions. Each of this division is again a strategic business unit of the company and by and large governed by efficient corporate governance policy. However, apart from these divisions, the case company also owns certain other companies, some of which are wholly owned subsidiaries like ITC InfoTech, Surya Nepal private limited and Land base. The other group companies are treated as associated companies with equity ownership by strategic partners. ITC- filtorona and International travel house falls in this category.

In this connection the present case – ITC Ltd is undoubtedly complex, largely diversified conglomerate, and however studying such a diversified conglomerate requires abundant resources and time. So the present study aims to study corporate governance practices of the ITC, but however limits the empirical investigation to core business of the company. Thus cigarette manufacturing has been chosen from FMCG segment, Paper boards and specialty from paper board and packing business, commodity marketing and leaf tobacco exporting have identified from agribusiness. This strategic identification not only for functional purposes of the study but in reality these divisions are relatively old in terms of existence and known for their relationships with stakeholder groups from long time.

1.8 Selection of Divisions
Thus, India tobacco division (ITD) - , Paperboards and Specialty Paper Division (PSPD), Agri Business Division (ABD) and Indian Leaf Tobacco Development Division (ILTD) have been selected among several other divisions of ITC ltd. These divisions are widely known for efficiency in operations and contributions to the total profits of the company. According to the recent annual report of the company these four divisions contributes more than 85% of the profits to the case company.
1.9 Sample of the Study

The present study used the stratified random sampling strategy. The sample includes various employees various levels and other stakeholders of the company. The breakup of the sample selected for the present study is illustrated in following table.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Division</th>
<th>Apex Managers</th>
<th>Senior Managers</th>
<th>Middle Managers</th>
<th>Junior Managers</th>
<th>Workers</th>
<th>Suppliers</th>
<th>Customers</th>
<th>Local Community</th>
<th>NGOs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Corporate Office</td>
<td>2</td>
<td>1</td>
<td>-</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>57</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>2</td>
<td>Paperboards and Specialty Papers</td>
<td>1</td>
<td>4</td>
<td>8</td>
<td>2</td>
<td>33</td>
<td>1</td>
<td>-</td>
<td>54</td>
<td>4</td>
<td>111</td>
</tr>
<tr>
<td>3</td>
<td>India Leaf Tobacco Development</td>
<td>1</td>
<td>1</td>
<td>18</td>
<td>2</td>
<td>36</td>
<td>14</td>
<td>2</td>
<td>54</td>
<td>4</td>
<td>130</td>
</tr>
<tr>
<td>4</td>
<td>Agri. Business Division</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>7</td>
<td>43</td>
<td>-</td>
<td>33</td>
<td>3</td>
<td>96</td>
</tr>
<tr>
<td>5</td>
<td>India Tobacco Division</td>
<td>-</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>47</td>
<td>-</td>
<td>-</td>
<td>30</td>
<td>4</td>
<td>89</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>6</td>
<td>11</td>
<td>33</td>
<td>14</td>
<td>123</td>
<td>58</td>
<td>2</td>
<td>174</td>
<td>16</td>
<td>437</td>
</tr>
</tbody>
</table>

The study covered 437 respondents across the four divisions of the company. These respondents include 64 managers (at various levels) which represents 14.6% of sample, 123 Workers (at all divisions) representing 28.1% of the respondents, 58 Suppliers (at 3 divisions) covering 13.2% of sample, 2 customers (in 1 division) representing 0.45% of the sample, 16 NGOs (at all divisions) covering 3.6% of sample and 174 respondents from the local community (at all divisions) covering 39.8% of the total sample.

1.10 Design of the Study

According to Yin (1993) development of research design is a difficult part of doing case studies because unlike other research strategies, the potential catalog of research designs for case studies
has yet to be developed. However, for case studies, four major types of designs are relevantly identified in the literature following a $2 \times 2$ matrix. One pair of categories consists of single case and multiple cases. The second pair occurs in combination with either of the first pair, is based on the unit or units of analysis to be examined in the research study. The present study adopts single case (embedded) research design to sufficiently cover the complex nature of research problem and also to examine the issues at depth across the selected division of the case company – ITC limited.

The present case study involves more than one unit rather to say several sub/intermediary units for analyzing and investigating the pertinent research problem i.e. corporate governance. In the present study though the major focus is on a single case ITC Ltd, but significant attention is also given to various subunits. This is primarily because although case study might be about corporate governance policy and practices of ITC Ltd, the analysis of such a top down process must include outcomes of certain internal arrangements at sub unit (division) level that in turn contribute to realize the aims and objectives of policy framework of the case company. Thus the present research design is essentially an embedded, single case study where the main unit is the company as a whole, several intermediary units are selected divisions of ITC and the smallest unit is the individual stakeholder of the company. Such a design serves as an appropriate guideline to study the corporate governance policy and primacy of stakeholder interests of the case company by examining how policy has been practical at divisional level and how an individual stakeholder perceives it and how positive relationship between policy and perceived reality can thus be established.

The following are five essential components of the present research design

1) Unit (s) of analysis.
2) Research Questions.
3) Propositions.
4) Linking of data to propositions.
5) Criteria for interpreting the research findings.
The first three components are explained in the following paragraphs and remaining two will be addressed in the subsequent sections on data analysis in the present chapter.

1.10.1 Unit of Analysis

Most investigators generally encounter confusion in defining the unit of analysis at the outset of doing case studies. Yin (1993) identified that the fundamental problem of indifference is in defining what is ‘case’ that has plagued many researchers to logically identify the basic unit of analysis to start a well-organized case study.

For the present study the ‘case’ is a particular business corporation. The research endeavor attempts to analyze the corporate governance of the case company and the focus is on the practices of stakeholder management. Thus the company is the primary unit of analysis because it in a way is a potential case that aims to provide empirical explanations to the research questions and substantiate the propositions of research study.

Though primary unit of analysis is the case company – ITC Ltd. but such an explanation of corporate governance cannot be wholly understood by locating exclusively at the top management level. As it is mentioned earlier, the case company is multi-divisional and significantly forayed into numerous related as well as unrelated businesses. Thus the practices of corporate governance have to be understood at the level of divisions because these divisions actively collaborate, coordinate and often conflict with the stakeholders. The analysis therefore, must include these sub units because it offers a right way to comprehend how corporate governance is understood and practiced by the company? How managers treat stakeholders and how stakeholders perceive the company? This will enable us to construct a stakeholder view of the company by analyzing the corporate practices at the level of company (primary unit), divisions (intermediary units) stakeholder groups like Trade Unions, NGOs, and individual stakeholder i.e. employee, beneficiary, customer, supplier (smallest unit) etc.

The present study at each level of analysis use different data collection techniques ranging from documents /reports to interviews, discussions and observations. Before we move on to the detailed discussion on research questions, propositions and objectives of research etc it would be more befitting to highlight the possible scenarios that will be encountered in the present study.
1.10.2 Development of Descriptive Scenario

The design of the present study requires a careful development of idealized scenarios of the two systems of corporate governance typified on the basis of shareholder perspective or stakeholder perspective. These draft scenarios were initially based on the research literature and consultation with the research supervisor. The importance of these scenarios in the study design cannot be underestimated. The completed scenarios became the basis for developing data collection protocols that ensures case study to include desirable, logically coherent data (Yin, 2009). This in turn enables final description as a combination of what may be expected and then found. The driving question underlying the development of these scenarios is to examine ‘what is the specific focus of a company’s corporate governance system’?

The research project could possibly encounter any or the entire following scenario:

1) The company concerned is following a philosophy of governance which is oriented only or very largely towards shareholders whereas academic theory laid much emphasis on the stakeholders. The company concerned is largely indifferent to the concerns of stakeholders.

2) The company concerned is adopting a philosophy of governance that is oriented towards stakeholders, but still, in practice having a significant tilt towards maximizing shareholder value only. The company represents nominal stakeholder orientation.

3) The company concerned is practicing a philosophy of governance which is holistic – an integrated understanding which does not view one aspect as more important than others but which understands that satisfaction of every section is a prerequisite to the satisfaction of a particular section. Thus, shareholder satisfaction is as much as important and as dependent on other stakeholder satisfaction and vice-versa. This approach of the company reflects active commitment to all and has a great implication for theory as much as for empirical (analysis) of Indian business.

The above quest thus opens up a field for social science inquiry, requiring as it does, a multi-pronged investigation and techniques of research. These would be a mix of techniques that
would be need-based aiming at desiring reliable and valid data. However this aspect would be further discussed at a later stage in the present chapter.

1.10.3 Research Questions
The present study is largely descriptive, instrumental and also exploratory to some extent. Hence, it as such, has a series of questions but no specific hypothesis for examining and analyzing the present research problems. Some of the crucial research questions are as follows:

1. What does corporate governance mean to the case company in the sense of what is its understanding of the concept?
2. How the company is grounding its understanding in practice i.e. in terms of its implementation?
3. How the corporate governance framework of the company is being able to integrate the concerns of various stakeholders?
4. How company managers perceive stakeholders interests and how stakeholders view particular case company’s governance system?
5. What is the role of internal mechanisms for strengthening relationship between corporation and its stakeholders?

1.10.4 Propositions of the Present Study
As for third component of research design, each proposition directs attention to something that should be examined within the scope of present study. Some of useful propositions are illustrated below:

Firstly, if good governance constitutes the sine-qua non for corporate success, a success situation which is not only demonstrable with reference to the profit and loss account of the company concerned but by certain indicators that, in aggregate go on to establish a good will and appreciation in stakeholders (public) perception (Post, et.al, 2002).
Secondly, stakeholders’ view that has been incorporated into firms’ core functional and operational areas positively related to firm’s reputation and corporate performance in the long run (Freeman, et.al, 2007)

Thirdly, the CG policy alone is not sufficient, but other internal systems and institutional arrangements does contribute to manage the interests of stakeholders by establishing mutually enforceable links particularly with employees, shareholders, suppliers and customers (Post, et.al, 2002).

Fourthly, firms often integrate one stakeholder with other to meet the expectations of some other key stakeholders i.e. integrating suppliers with employees to create customer value or employees and customers for creating shareholder value (Mitchell and Agle, 1997).

Fifthly, a corporate governance policy that can address broad range of stakeholder issues with appropriate practices may be difficult, but companies if interested in long term value creation, stability and sustainability positively formalize their relationships with stakeholders in the external and internal environment (Freeman and Evan, 1990).

1.10.5 Objectives of the Study
The present research process has been traversing a path in the course of which the following items of inquiry are also being considered along with significant explanations to the above said propositions. They are as follows:

• To trace the background of emergence of idea of corporate governance in the Indian private sector.
• To gain comprehensive understanding of the regulatory framework governing Indian corporate sector particularly Indian Companies Act and other regulations prescribed by regulatory bodies like SEBI, DCA etc.
• To examine the role of internal systems of the corporation for strengthening relationships between firm and its stakeholders.

In this connection IR systems – HR practices, Customer relations management, Supply chain Management, Investor relations and Corporate Social responsibility
practices of the case company has been examined to understand the efficiency of these systems in creating enabling relationships with stakeholders.

- To understand whether and how Indian business in general and case company in particular is understood in the light of ongoing global debate on corporate governance.

1.10.6 Techniques of Data Collection:
Doing a case study begins with the definition of the problems or issues to be studied and the development of a case study design. However many researches associate the doing of a case study actually with the collection of the case study data and this particular section focus primarily on this activity.

The present research study is based on the primary data collected from the field sites (particularly, the divisions above mentioned) as well as secondary data in terms of material secured from secondary sources like draft reports (SEBI, CII, DCA) company codes of corporate governance, annual financial statements management discussions and analysis, corporate governance report, disclosure information to shareholders and other corporate documentary evidences. This will facilitate to collect all relevant archival and documentary data pertaining to company law, the relationship between regulatory bodies and case company (ITC Ltd.), ownership structure, corporate governance philosophy, code of compliance etc.

The present study aims to examine the relationships between firm and key stakeholders. The data thus sought to be collected is specifically to understand the relationship between firm and its employees, firm and local community, firm and suppliers, firm and its key customers, firm and shareholders. A point to be mentioned in this connection is data pertaining to shareholders is examined at the level of case company – ITC Ltd. because the co-operative ties with these important stakeholders is established by the company as such. There is little relevance for shareholders at the divisional level because the active link with them is always established by the company through disclosure of information and mechanisms to foster transparency and accountability. The other stakeholder groups are actively involved at the divisional level. The divisions are provided with autonomy in terms of framing their relationships with these claimants. However, company governance policy, values and philosophies largely influence the
way divisions deal with employees, suppliers, customers, local community but to have more concrete understanding, the data should be collected at the level where it is being effectively practiced and implemented.

However, the present study does not intend to collect information regarding all stakeholder at all divisions. Certain key stakeholders are selected at every divisional level and data is obtained to understand how divisions are establishing effective links with their key stakeholders. While certain stakeholders like employees, local community is examined at every division level (ITD, ILTD, PSPD, and ABD); whereas data pertaining to customers are only examined at ILTD since ILTD as a division built on their customer relations management. The data obtained on supplier management is essentially from two divisions ILTD and ABD, largely because these two are know for their supply chain management practices and empowerment of suppliers as suppliers are key stakeholders for growth and profitability.

The above mentioned pattern of stakeholder–firm relationships are examined on the basis of data obtained mainly through primary and secondary sources. The present study is based on five different sources: Documentation, Archival records, Interviews, Direct observation, Participant observation. The data pertaining to present research is largely obtained by using these techniques and the kind of data obtained by using each of this is summarized below.

1.10.6.1 Documentation
This is essentially explored to collect the relevant secondary data for the present study. The memorandum of settlements or long term agreements between workers union and company management, reports of the company especially on corporate social responsibility and corporate governance, management discussions and analysis, evaluation reports of the concerned programmes/initiatives of the company, and other internal documents say balanced score card, corrective and preventive action, environment, health and safety policy etc. are some of the major sources of secondary data that are obtained through documentation. Alongside, news clippings and other articles appearing in mass media, company law reviews, and draft reports on CG by SEBI, DCA, and CII serve as important sources for understanding the issues pertaining to governance of the case company.
1.10.6.2 Archival records
The archival records of the company and its divisions are another source of obtaining necessary data for the present study. This particular data is collected through the organizational records of the selected divisions, such as total number of workers, number of people benefited through developmental initiatives, budgets allocated for CSR activities, number of customers served over a given period of time, annual general body meeting procedures, organizational charts etc. The archival data pertaining to company law development, regulatory changes in the sphere of corporate governance has also obtained for understanding changes and contemporary trends of corporate governance regulations in India.

These two techniques have been deemed relevant for the present study because they are not only helpful in verifying or corroborating the data obtained from other sources, but also enables to analyze the relationship between company and shareholders, government, employees, local community etc. Similarly, the following techniques are the other major sources for obtaining primary data relevant for the present study.

1.10.6.3 Interviews
One of the most important sources of case study information is interview technique. The primary data pertaining to the present study has been collected by establishing interface with personnel comprising top management, senior management and middle managers of the company and its selected divisions through preliminary interviews. These interviews are mostly open-ended in nature, where data information pertaining to certain facts of matter as well as respondents opinion about stakeholders are sought to be collected. These interviews are in-depth where certain broad and open-ended questions regarding division’s relationships with stakeholders were asked to respondents to understand the way they perceive stakeholders. Alongside, focused interviews are also conducted in some cases, where certain set of questions were asked to obtain more specific information regarding the particular practices of the divisions. The open-ended interviews were largely conducted with middle managers, worker’s union representative, local community leaders, NGOs and focused interviews were with senior and top management personnel, individual workers, suppliers and customers, and individual beneficiaries.
Thus intensive and in-depth interviews with management personnel belonging to different departments say HR and Personnel, Social Development, Marketing, EHS, Finance and other stakeholders such as employees, local community, suppliers, and creditors with regards to all relevant matters of governance have undertaken by a detailed un-structured interview schedule.

**1.10.6.4 Direct Observation**

The direct observation is also an important source of information in case of the present study. Several field visits to the ‘case study sites’, has given an opportunity for direct observation which served as yet another source of evidence, as the phenomenon of interest pertaining to the study has not been purely historical and so some relevant conditions are available for observation in the field.

These observations are informally noted throughout the field visit involving observations of meetings between management and workers union representatives, common activities of the employees residing in the factory township, factory work, production activities, health and recreation facilities, CSR programmes, stakeholder meetings, training programmes for beneficiaries, attitudes of the managers, communication procedures and the like. The evidence obtained through observations is useful in providing additional information about the topic being studied.

The data thus, has been extensively collected with regard to all stakeholders – employees, stakeholders, suppliers, customers, local community and management. The following table in the next page illustrates the units of analysis and kind of data obtained to examine the relationships between firm and stakeholders. The table 1.1 illustrates that the present study demonstrate an emphasis for using multiple sources for obtaining relevant data. A major strength of present case study is the opportunity leveraged by collecting and analyzing different sources of evidence whether being primary or secondary at every level.
<table>
<thead>
<tr>
<th>Unit being characterized</th>
<th>Total System (ITC LTD)</th>
<th>Intermediate Units ITD, PSPD, ILTD, ABD</th>
<th>Stakeholders – Employees, community, shareholders, suppliers, customers, NGOs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Historical data, issues, policy, ownership, codes, values, core principles of CG</td>
<td>History and Emergence</td>
<td>Leaders (Trade Unions, Local community, NGOs, User Groups etc)</td>
</tr>
<tr>
<td>ITC LTD</td>
<td>CG policy, Reports, Disclosures, Values (secondary data)</td>
<td>Governance framework Policy guidelines (secondary)</td>
<td>Shareholder value Shareholder relations Compliance</td>
</tr>
<tr>
<td>ITC and Divisions ITD, ILTD, PSPD, ABD</td>
<td>Historical emergence Operations Divisional management Powers and authority (secondary data)</td>
<td>The practice of stakeholder relations, Allocation of funds Internal controls (primary &amp; secondary)</td>
<td>Long term agreements Mutual arrangements Customer focus CSR (primary &amp; secondary)</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>Principles of CG Stakeholder primacy Supplier management Customer focus (secondary)</td>
<td>IR systems Links with community Supplier relations Customer centrality</td>
<td>Trade Union leaders on IR practices community leaders on CSR programmes Customer’s views on CRM practices (primary)</td>
</tr>
<tr>
<td>• Employees</td>
<td></td>
<td></td>
<td>Individual workers reflections Farmers views Individual beneficiaries Perceptions on CSR (primary)</td>
</tr>
<tr>
<td>• Community</td>
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<td>• Shareholders</td>
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<td>• Suppliers</td>
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<td>• Customers</td>
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</table>
1.11 Data Analysis
The analysis of case study evidence is one of the least developed and most difficult aspects of doing case studies (Yin, 1993). The present study acknowledge this particular problem, takes utmost care for not becoming stalled at the analytical stage and present the evidences collected during field in an appropriate analytical manner by largely relying on two general strategies of analyzing case study evidence.

The present study significantly relays on theoretical propositions developed at the outset. The primary objectives and design of the case study presumably were based on these propositions, which in turn reflected in set of research questions, review of literature etc. Thus the present study basically aims at linking of date to the propositions. One promising approach that the analysis adopts is “pattern matching”, where several pieces of information from the same case may be related to some theoretical proposition. The pattern-matching technique is a way of relating data to the propositions that have developed at the outset of doing case study.

A second general analytical strategy of the present study is to develop a descriptive framework for organizing the case of ITC Ltd, as the study had addressed certain descriptive concerns. The data pertaining to management perception and stakeholder views are significantly identified and analyzed to build explanations that enable to develop a vivid description of the particular case and its holistic understanding as well practice of corporate governance.

Alongside, the present study also employs simple time-series analysis to understand and explain changes in corporate governance practices, magnitude of CSR programmes and transformation of the case company from core cigarette business to non core business like commodity marketing, paper boards, foods, retailing etc.

With this foregoing analysis of research issues and methodology orientation, now we move on to the final section: scheme of chapterization
1.12 Scheme of Chapterization

The thesis is broadly divided into eight chapters. Chapter I describes historical background of the study, need for good Corporate Governance, methodology of present study objectives of the study, research questions, propositions, tools of data collection, sources of data etc.

The second chapter understands conceptual framework of corporate governance. This chapter includes intensive description of attributes to corporate governance, emergence of corporate governance issues world wide, development of various codes, regulations internationally and stylized models of corporate governance practices in various countries.

The third chapter attempts to explain dominant as well as prevailing theoretical perspectives of corporate governance available in the literature of discipline such as sociology, economics, political economy, and philosophy and management science. This chapter provides an in depth description of ownership and control debate highlighted in the literature on sociology of modern corporations and also rise of managerialism and board systems perspective emphasized by the perspectives of economic sociology. This chapter examines the neo-classical, institutional and transaction cost perspectives of economics to explain the agency theory and agency problems in the joint stock companies. This chapter also illustrates ethical perspectives and management sciences approach of corporate governance. Thus highlighting the theoretical concerns at the backdrop of corporate governance issues, this chapter further focus on perspective of present study – stakeholders approach to corporate governance.

The forth chapter focus on corporate governance in Indian scenario. This chapter analyzes Indian corporate law, ownership style of Indian companies in general, issues of dominant and minority shareholders, legal/regulatory developments in the realm of corporate governance in India. This chapter also describes and examines prevailing studies on corporate governance with reference to India.
The fifth chapter introduces the empirical context of the present study. The chapter largely focuses on the historical emergence of the case company ITC Limited, ownership changes, nature of business, and origin and development of the selected divisions ITD, ILTD, PSPD, ABD and their specific units included in the present study.

The sixth chapter significantly examines the agency problems in ITC Ltd during the early 90s and corporate governance transgressions thereafter. The chapter describes how ITC had initiated the governance reforms in light of these challenges, and how this has enabled the company not only to fix these problems but also develops a mechanism of internal controls for competitive advantage. This chapter essentially is based on the documentary evidence and archival records pertaining to corporate governance procedures and practices of the company.

The Seventh deals with the primary stakeholder relations of the company/divisions. This chapter largely based on empirical data collected in the field work. The analysis is focused on shareholder relations, employee relations and work systems, enabling links with local community through a strategic approach, supplier relations and customer focus of the selected divisions. This chapter attempts to link the empirical data to the propositions, objectives of the present study.

The final chapter elaborately focuses on the report of the present study. Alongside the chapter analyzes utility of the present research, problems in corporate governance research, changes in legal paradigms, corporate governance reforms essentially for Indian society.