CHAPTER - V

CORPORATE GOVERNANCE EXPERIENCES AT
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Corporate governance structures the relations among owners, board and top management and determines the goals set by the corporation. The corporation being a legal entity adopted different systems of governance representing these relations in different countries. One system or model of corporate governance is not suited worldwide due to changed capital structure, legal framework, and socio-economic and political setup of various countries. The convergence in governance systems is not likely to happen in future due to continued variation in these parameters worldwide, even though the broad issues to be addressed in corporate governance may be uniform. The issues of accountability, transparency, and independence of the board and auditors have emerged as universal parameters of ensuring good corporate governance worldwide in developed as well as developing economies.

The experience of corporate governance at the global level indicates that there is a need to accept and declare minimum standards of good governance by companies and investors around the world. The principles of corporate governance at global level are by and large convergent with the practice followed by most developed countries. The G8 summit leaders recognized the fact of corporate governance as an important pillar in the architecture of 21st-century global economy.

The corporate governance system in select countries, namely USA, Germany, Japan, France, UK, Canada, South Africa, China, Italy, and Russia, is analyzed to examine global standards of governance with corporate governance standards prevailed in India. In the backdrop, a brief outline of each country with regard to its area, population, type of economy, and government market mechanism, GDP, corporate sector in industry, imports
and exports GDP per capita etc have been given as an overview of their presence in the global economy and their contribution in the economic sphere at the global level.

5.1 UNITED STATES OF AMERICA

The USA became the world’s first modern democracy after its break with Great Britain (1776) and adopted Constitution in 1789. Great transformation happened during 19th century with acquiring number of foreign possessions. US remained world’s most powerful nation. The economy is marked by steady growth, low unemployment and inflation, and rapid advances in technology. Total geographical area is 91.58.960 sq mtrs. Population is 278.05.881 as on July 2000. Type of government is Federal Republic with strong democratic tradition. US are the largest and most technologically powerful nation in the world with per capita GDP of $36,200 during 2000. In these market-oriented economies, private and business firms make most of the decisions and government purchases the required goods predominantly in private market place. US business firms enjoy considerable flexibility than that of other counterparts in Western Europe and Japan. At the same time, they face strong barriers to entry in their rival firms market. Growth rate of GDP (PPP) is 5%. Total GDP is $9.963 trillion (2000 estimate) from 78% services, 20% industry, 2% agriculture. Inflation rate is 3.4%. Industries are highly diversified in technology, advanced telecommunication electronics, food processing, consumer goods, etc. Industrial production is 5.6%. Total Export is $776 billion from capital goods, automobiles, and industrial materials. Export and Import country partners are Canada, Japan, Germany, and Mexico, etc. Total Import is $1.223 trillion of crude oil, machinery, automobiles, and industrial raw materials.

The USA’s approach to corporate governance is to minimize conflicts of interest between owners and managers. This is attempted by giving managers profit-related incentives such as shares and stock options. Even then, issues such as how the members of the board of directors are selected, how they are compensated, their sense of right and wrong, and the checks...
built into their functioning have become issues for public debate from time to time. Oversight by outside directors is sought to be strengthened by devices such as the audit and other committees that go into the details of the corporation's functioning. The approach of the USA has been not to interfere with the functioning of the corporations in the belief that those who govern the least govern the best.  

The *Anglo American Model* of corporate governance is in practice in the USA. The summary of this model is as follows:

1. The primary participants in the modern Anglo American model of corporate governance are the shareholders, the board of directors, and the officers. The shareholders own the corporation, the shareholders elect the board, the board supervises the affairs of the corporation, and the officers elected by the board manage the day-to-day activities of the corporation.

2. This model seeks to balance the rights and duties of each of these three participants to achieve the most efficient result for the corporation and ultimately for its shareholders.

3. Government laws and regulations provide a framework within which corporations must operate. Government laws and regulations include tax laws, labor laws, environmental laws, antitrust laws, and fair trade laws. The UK has a national company law. The US has no national company's laws but rather each of the 50 states has its own corporation law. Though the differences are not extreme, the US has national laws regulating the public trading of shares, the stock market, and its participants. In both the UK and US, laws in general provide objective boundaries for corporate activities but do not permit the government to proactively interfere with a corporation's affair.
The articles of incorporation and the byelaws are the corporation's governing documents. The articles of incorporation, also referred to as the corporate charter, address important public issues regarding corporations evidenced by the requirement that the articles of incorporation be publicly filed with the state. By contrast, the byelaws of the corporation address less important issues primarily concerning the internal governance of the corporation and accordingly are not required to be filed with the state.

The shareholders own the corporation. The shareholders are classified as Preferred (Class A, B, etc.) and common (Class A, B, etc.). The rights and responsibilities of shareholders are:

1. Receive dividend payments
2. Elect and remove directors
3. Amend byelaws and articles of incorporation
4. Approve and disapprove fundamental changes
5. Inspect books and records
6. Communicate with shareholders
7. Enforce shareholders' rights

Corporations are having preferred stock or common stock. Each class of stock defers on issues of voting power per share, the amount of dividend that each share commands, and preference status to the corporate assets per share in case of liquidation or dissolution. The rights of shareholders are typically exercised in a general shareholders' assembly as provided in the corporation's articles. The institutional shareholders comprise of investors, mainly pension funds and insurance companies, often possess a substantial or controlling interest in corporations. The institutional investors control such a large percentage of shareholders' votes and they are able to be more effective and active in guiding the corporation's activities. Accordingly, institutional investors often act as a strong check on the directors and officers of the corporation.
The board of directors is responsible for supervising the affairs of the corporation and therefore oversees the actions of the officers of the corporation. In a widely held corporation, the board is usually composed of a combination of inside directors, quasi inside directors, and outside directors. Inside directors concurrently occupy a position in the corporation as an officer or employ of the corporation. Quasi inside directors have a significant non-director relationship with the corporation, such as acting as the corporation's outside counsel or investment banker. Outside directors have no other ties to the corporation in both the UK and US. The percentage of outside directors called non-executive directors in the UK serving on a board is increasing with the goal of preserving partiality. Regardless of whether the shareholders elect an annual board, a staggered board, or a classified board, they must follow one of the two voting methods in selecting directors—the straight voting or cumulative voting. Straight voting allows shareholders with a majority of the votes to exclude the wishes of the shareholders with a minority of the votes 100% of the time. Cumulative voting, on the other hand, allows shareholders with a minority of the votes to elect a representative number of directors on the board and thus not to be excluded by the majority shareholders 100% of the time.

The board of directors will create committees consisting typically of three or more directors to review a particular area of the corporation's affairs and issue reports and recommendations to the full board. The committee generally constituted is (1) audit, (2) compensation, (3) executive, and (4) nominating. The rights and responsibilities of the board directors are (1) review corporation's performance, (2) elect and replace officers, (3) approve dividend payments, (4) approve corporate finance debt and equity, (5) change the nature of corporation's business, (6)
approve major contracts and (7) review and approve corporation's financial statements and to inspect the books and records.

8. The officers are the high-level employees of the corporation responsible for policymaking function and managing the corporation's day-to-day affairs. The duties and powers of official positions are detailed in the bylaws of the corporation. The positions generally include CEO, president, and the chairman of the board. Vice president, secretary, and treasurer. The officer's actions are governed by agency law principles which are enforced through the strong legal systems of the U.K. and U.S. The duty of care and duty of loyalty are fiduciary duties to the shareholders. By performing these duties, the directors and officers are required to manage the corporation in the best interest of the shareholders.

These duties offer adequate protection to the shareholders for their investment while also affording the directors and officers a sufficient degree of discretion in the management of the corporation. The obvious rationale beyond holding the directors and officers accountable for careless or disloyal actions is to protect the shareholders' interests. The rationale behind management discretion is to encourage the directors and officers to take risks which ultimately may benefit the corporation. The business decision subjected to a higher standard of review to determine whether the decisions should be obtained. The higher standard of review refers to the full fairness test requiring that the terms of decision are substantially fair and best interest of the corporation and that all material facts relating to the decision are fully disclosed. The US courts have termed the business judgment rule as a landmark for analyzing the business decisions and fixing responsibility to the erring officers.
and directors. The courts generally will hold the directors and officers liable for the breach of duty of care only if the directors or officers are acted with gross negligence or recklessness when making a corporate decision. Several examples of gross negligence are recklessness include failing to attend meetings, failing to learn the business of the corporation, failing to read the report of the corporation, failing to obtain outside counsel when the business jeopardy, or generally neglecting to act diligently. The officers and directors usually will be permitted to rely in the reports and testimony of others like expert's opinion or committee findings in making their decisions.

External participants also have a special role to play in the corporation. The creditors to the corporations are the persons or institutions that loan capital to the corporation and thus hold a debt security in the corporation in comparison with the shareholders who hold equity interest in the corporation. The debt security represents the contractual obligation of the corporation to repay the principal plus interest on the loan. The two methods of corporate finance, debt financing and equity financing, may be contrasted based on the different rights that person or institution providing the capital receives. Generally, debt and equity financing may be contrasted based on the type of corporate control each group receives, the preference status of each group in the case of liquidation and the type of return on the capital received by each group. The debt financing is classified as senior and subordinate creditors/lenders. Debt finance is having the unique characteristics (1) preference to corporate assets while liquidation or dissolution (2) corporate control pursuant to loan agreement (non-variable) (3) guaranteed loan payment (fixed amount). Similarly, equity financing is having unique characteristics (1) greater degree
corporate control through shareholders voting rights (variable)
(2) discretionary dividend payment (3) ability to share in the corporation’s profits (increased dividends) Thus even this model the creditor’s investment in the corporation is more secure than the shareholders investment

10 The stakeholders of the corporation are those groups or concerns other than the shareholders that hold an interest in the corporation. In the Anglo American model as compared to the Germany or Japanese Model these groups play a relatively moderate role. Generally stakeholders include labor suppliers, customers, community concerns (education and arts) and environmental concerns.

Courts historically permitted the officers and the directors only to consider the shareholders interest when making a corporate decision. Some of these decisions made in the best interest of the shareholders often produced grave results for stakeholders such as labor. The recent trend by the courts is to permit the Officers and the directors of the corporation to consider these stakeholder interests when making a corporate decision so long as the decision does not significantly disfavor the shareholders interest. One rationale for considering stakeholder interest is that the goodwill to the stakeholders results in an indirect benefit to the corporation. For example, when corporations provide educational grants to the community it improves the community which indirectly benefits the corporation through the increased quality and demeanor of its workforce. The position of Stakeholders interest in the best decision making is currently unresolved.

The investors activism demanded more information and knowledge from the corporation with a view to make well informed decisions of investments, exit option and takeovers. They demanded on the improvement of timely disclosure of information to the shareholders mainly institutional investors.
Another recent concern in the USA is whether directors are indulging in unreasonable increases in pay and perquisites even as corporate restructuring and downsizing take their toll on employees and local communities. According to a study, CEOs of corporations in the USA earn 109 times the average base pay compared to 35 times in the UK and 17 times for Japanese Presidents.

The role of employees in the legal structure of corporate governance assumed a significant importance in view of disparities of income between the shareholders and employees. The economists have argued that like shareholders, employees are required to make substantial investment in the corporation. Without such employees' involvement, the company's other investment in fixed assets would not be as valuable. The larger socio-economic framework which guides the sharing of risks and rewards of wealth creation should form a part of corporate governance.

In the USA, private corporations demanded greater market-driven mechanism with less interference from the regulators. The era of free market enterprise assumed a significant role in the functioning of modern private corporations.

5.2 GERMANY

Germany has made rapid progress in industrial sector and is a forerunner with other industrially developed nations like USA, Japan, France, China, etc. Germany is among the world's largest and most technologically advanced producers of iron & steel, coal, cement, chemicals, machinery, vehicles, machine tools, electronics, food and beverages, shipbuilding, textiles. The total geographical area is 357,021 sq km. Germany has a population of 83,029,536 (July 2001). Natural resources are iron ore, coal, potash, timber, lignite, uranium, copper, natural gas, salt, nickel, etc. Type of government is Federal Republic and the capital is Berlin. Legal system is based on civil law with indigenous concepts. Judicial review of legislative acts.
Germany possesses the world's third most technologically powerful economy after the US and Japan with structural market rigidities. GDP is $1.936 trillion (2000) from services 68.4%, industry 30.4%, and agriculture 1.2%. The GDP real growth rate is 3% (2000). The GDP per capita is $23,400 (2000). Export is $578 billion (2000) mainly from machinery, vehicles, chemicals, metals, and manufactures. Foodstuffs, textiles, etc. Imports are $505 billion (2000) mainly from machinery, vehicles, chemicals, textiles, and metals. The exports and imports partners are France, UK, Italy, Netherlands, Belgium, USA, Japan, and others. The unemployment rate is at 9.9%.

Corporate governance in Germany like all systems of corporate governance has evolved in its own unique way because of distinctive historical, political, social, and economic developments. In Germany, the two-tier board system allows employee representation on the supervisory board in the form of co-determination.

More than 50% of shares is held by a single investor in majority of the companies listed in the Germany Stock Exchange as against 5% in USA. The private households held 17% of equity shares of companies listed in the Germany Stock Exchange as compared to 49% in the USA at the end of 1993.

Companies, banks, and governments own a large percentage of the shares in Germany corporations. Widespread private individuals do not participate in shares to a great extent. The ownership pattern decides the composition of the supervisory board. The German system of corporate governance has the long-term interest of the company at heart and like the Japanese system of corporate governance accountability can be seen to be accountable to a wider range of interest than solely that of shareholders.

In Germany, banks are trading in securities besides providing long-term finance to the companies. In the absence of a strong market for venture
Capital bank finance is extremely important for smaller firms. Financing costs for Germany firms have been relatively stable over a long period of time. Banks follow a two-tiered board system of governance, namely the supervisory board and the management board, both being decision-making bodies. Germany's accounting and auditing practices allow companies to make provisions for various short-term and long-term risks. Such provisioning has the approval of employee representatives on the supervisory board. The system of corporate governance in Germany runs by consensus in the supervisory and management boards instead of by CEO. The corporate governance in Germany is totally different than in the USA or UK in so much as shareholders activism by large institutions, hostile takeovers, and shareholders' involvement in management are less prevalent in Germany.

The governance system in Germany is as follows:

1. Two forms of corporations are most widely used in Germany. One is designed for a few shareholders with management closely monitored by those shareholders, and the other is designed for a widespread shareholding. The first one is commonly referred to as Limited Liability Company (GmbH) and the second is referred to as the Share Company or Stock Corporation (AG). In both forms, shareholders' liabilities are limited to their share contribution. GmbH corporations do not ordinarily issue shares. SOEs have the AG structure.

2. The corporate governance structure varies slightly in both AG and GmbH companies depending upon the number of employees in the corporation, the amount of capital, and type of industry. In GmbH companies with less than 500 employees, the corporate structure consists primarily of the shareholders and a managing director. In GmbH companies with more than 500 employees and all AG companies, there is a two-tier board structure comprised of a board of management and a
The supervisory board is usually elected in equal part by the shareholders and the employees of the corporation through a system of co-determination. The supervisory board is responsible for election of board of management who oversees the running of the corporation. A person may not be on both the boards of one corporation at the same time although they may be on the ten different companies.

3. The supervisory board appoints and monitors management board including labor relations director which independently runs the company. The management board is required to report to the supervisory board.

4. Germany corporate governance is often referred to as an *insider model* in which a few large stakeholders supervise the firm. This in turn encourages not only competition between the company but also cooperation through a complex institutional system of ownership and governance. Outside governance through takeovers, markets have a means of management control play a minor role.

5. The Stock Corporation Act of 1965 and for GmbH corporations defines the Germany form of corporate governance for AG corporations by the law concerning companies with limited liability of April 20, 1892 as amended July 4, 1980. The statues of the corporation determine the relationship between owners and management.

6. A General Shareholder Assembly (GSA) held at least once a year is compulsory for an AG and optional for a GmbH corporation. Most of the GSA's powers are concerned with the general organization of the corporation. A resolution is passed at
the GSA is most cases by a simple majority of votes cast. The management must carry out decisions taken by the GSA.

7 The powers of the GSA are (1) appointment their representatives to the supervisory board (2) appropriation of profits (3) allocation of profits (4) discharge from obligation of the members of the supervisory board and board of management (5) appointment of auditors (6) alteration of the statues of the corporations (7) liquidation of the corporation (8) ratify certain management decisions but only in so far as requested by the board of management.

8 The composition of the supervisory board varies according to the amount of stock capital, the number of employees and the type of industry. The supervisory board generally meets 3 or 4 times a year and the same board is legally responsible for their actions and members may be held jointly or severally for damages caused to the corporation. The duties of the board are set out in the stock corporation Act. The duties are (1) elect and dismiss members of the board of management (2) monitor the board of management with respect to legality and economical effectiveness (3) give advice to management (4) grant consent to the board of management for certain major transactions (5) act on behalf of the corporation in a suit against the board of management (6) approve the balance sheets, annual reports and dividends and (7) fix the salaries of the board of management.

9 The shareholders elect president or chairman of the supervisory board as one of their representatives on the board. This decision affects the operation of the corporation as the President may vote twice if a stalemate in the votes of the board occurs. This permits the shareholders to have one more vote than the
workers in certain situations. This may have a great impact in the decisions for positions of the board of management. The duties of the president of the supervisory board are (1) prepare meetings of the board (2) propose agenda (3) stay in steady contact with the management (4) ensure that he/she is briefed by management on all important occasions and (5) cast the deciding vote if there is a stalemate in a vote on a code terminated board.

10 Under the codetermination law of May 21st 1951 corporations engaged in mining iron or steel producing must have a director on the supervisory board that is especially responsible for the employees' interest—the arbitrator.

11 In accordance with the stock corporation Act 1965 the members of the supervisory board elect this board consisting of one or more members. Nominations for the by the board of management itself rather than the supervisory board. There are no requisite qualifications in order to be a member of the board. Members are selected for a period of 5 years and maybe removed by the supervisory board before the end of this period for good cause such as gross violation of duties or incapacity. Removal may also occur if a majority of the shareholders have withdrawn their confidence from the board member. The members of the management may choose the president or chairman among themselves however this is not mandatory.

12 The duties of the management are (1) control day today administration of the corporation (2) pursue the interest of the corporation (3) inform the supervisory board about important questions of management policy through regular reports (4) call shareholders meetings in cases of losses amounting to more than half of the stock capital and to inform the shareholders.
about the situation (5) represent the corporation in and out of
the court. The boards must observe the restrictions on the scope
of their authority set out in the articles of the corporation and (6)
monitor the individual competence of its own members. The
board of management usually meets once a week.

13 In corporations with more than 2000 employees a labor relation
director must be elected as a supervisory board member of
equal status. The labor relation director must be chosen by a
qualified majority of votes (2/3) to ensure that the influence of
the employees on the supervisory board is taken into account.

14 The Works Constitution Act of 15 January 1972 legally
establishes the rights of the works counsel the body
representing the workers interest at plant level in limited liability
corporations. The counsel meets quarterly. The act virtually
covers all Germany businesses except very small enterprises.
The employee representatives on the supervisory board have a
flow of information to and from the works counsel. This forms
the background for participation at board levels.
Larger corporations with more than 100 employees are required by law to have an economic committee. This committee does not have the rights of co-determination but does have the rights to information on (1) the economic and financial situation of the corporation, (2) the production and sales situation, (3) the investment program, (4) rationalization projects and closures, (5) organizational changes including mergers and (6) proposed changes in the method.

The system of corporate governance in Germany is having some drawbacks. The existence of supervisory board is being questioned on its practical application. The supervisory board is infrequently meeting—on an average four times a year and sometimes no more than the legal minimum once every six months. This is in contrast to the often monthly meetings of the unitary board of U.K. In U.K. sub committees of the board are made up predominantly of non-executive director will frequently meet to discuss the issues such as audit, remuneration and nomination. Thus the supervisory board members in Germany corporate governance system may have less information and less involvement with senior management. The powers of supervisory board are rarely used except in terms of crisis. The other drawbacks are system inflexibility, lack of interest of small shareholders, lack of information and transparency, less emphasis on share dividends (which tends to be lower than in U.S.A and U.K.), increasing litigation by the minority shareholders.

5.3 JAPAN

While retaining its time-honored culture, Japan rapidly absorbed western technology during the late 19th and 20th century after its devastating defeat in World War II. Japan recovered to become the second most developed economy in the world and a staunch ally of the US. The economy experienced a major slowdown in 1990s following three decades of unprecedented growth. Total geographical area is 374,744 sq km.
Population is 126,771,662 as on July 2001. Type of government is Constitutional Monarchy with a parliamentary system. Capital city is Tokyo.

The legal system comprises of executive legislature and judicial branches. Japan economy is government based. Industry functioning is strong with work ethic and mastering of high technology. Japan is ranked as the second most technologically advanced economy after US and third largest economy in the world after US and China. The unique characteristics of the economy are working together by manufacturers, suppliers, and distributors in a close-knit group. Agricultural sector is highly protected. Japan imports about 50% of its requirements of grains and fodder crops. The country is having one of the largest fishing fleets and accounts nearly 50% of the global catch. The real economic growth had been 10% average in 1960s, 5% in 1970s, 4% in 1980s. The economic slowdown in 1990s is due to excessive stock holding and unstable domestic policies. GDP is $3.15 trillion (2000 estimate) forming 63.1% services, 35% industry, 2% agriculture. GDP real growth rate is 1.3% (2000 estimate). GDP per capita is $24,900 (2000 estimate). Unemployment rate is 4.7%. Corporate sector is prevalent in motors vehicles, electronic equipments, machine tools, ships, chemicals, steel, and processed foods. Industrial growth rate is 5.3%. Exports are $450 billion comprising of motor vehicles, semiconductors, chemicals, etc. Imports are $233 billion comprising of foodstuffs, chemicals, textiles, etc. Exports and Imports partners are Taiwan, China, South Korea, Hong Kong, US, Indonesia, Australia, and others.

The governance system in Japan is as follows:

1. Japanese corporate governance promotes the long-term preservation and prosperity of corporation with less emphasis on shareholders' short-term interest. The primary means of monitoring management outside the internal organization, outside the internal arrangement for governance through a financial intermediary with comparatively less emphasis on monitoring the capital market. While the Anglo-American system (an to a lesser degree the Germany system) also realize on
clear legal and regulatory monitoring the Japanese system provides for some what less transparent but generally effective administrative monitoring of management through the Ministry of Finance (MOF) and the Ministry of International Trade and Industry (MITI).

2 The commercial code of 1899 revised 1974 in Japan to govern the formulation structure and conduct of the companies in Japan. It sets out the rights of the shareholders, the appointment mechanism for the board of directors and the powers and duties of the members of the board and the auditors.

3 Under the commercial code, residual control of the Japanese corporation lies with its owners, the shareholders who exercise their power through a General Shareholders Assembly (GSA). Financial institutions compose a large part of shareholders owning about 50% of the outstanding share of stock exchange listed companies. Non-financial firms own approximately 25% of all outstanding equity of stock exchange listed corporations. Shareholders owning at least 3% of the capital of the company may request a court to force the resignation of an errant director. In general, the formal mechanism of Japanese corporate governance offered only modest opportunity for shareholders to influence day-to-day corporate operations. The primary opportunity for shareholder to be involved in the corporation is at the GSA, which is held at least once a year with the commercial court.

4 The powers of GSA are (1) to elect members of the board of director, (2) to remove director from office and (3) to approve the dividends. The powers of the shareholders are (1) right to information, (2) right to vote and to contest board resolution as
invalid (3) right to participate in profits (4) right to participate in assets in winding up (5) right to take up new issued shares and (6) right to withdrawal

5 Cross share holdings where corporations join into a corporate group arose in Japan after prohibition through legislation of the holding companies structure which had been prevalent before World War II Corporate cross holdings and supplier/distributor ownership reinforces good monitoring of management and also informal contract enforcement (public enterprise governance reforms study Asian Development Banks technical assistance project 1924 Peoples Republic of China P 20)

6 Banks have a combined role of shareholder trustee and business partner in Japanese corporations As shareholders banks can own up to 5% of equity in the corporation and banks in aggregate hold about 25% of enterprise equity and are represented on the board of directors Typically the main bank owns 5% and other financial institutions (insurance companies pension funds) in the enterprise group own another 25% In aggregate financial institutions own about 50% of the outstanding shares of stock exchange listed companies because of their vast lending and business experience Thus the banks are well positioned to take a lead in enterprise governance The majority of the finance entering Japanese is through loans and not shares This is slowly changing The functions of the main bank are (1) to rescue or liquidate an unstable corporation (2) to elect members to the board of director and (3) to monitor the corporation

7 The board is comprised of president sometimes a chairman senior executive director and other executive directors The boards are generally larger in number than those in US The
composition of the board of directors consists of members appointed by shareholders and main bank in outside company category. Executives of the company are also appointed to the board in inside company category. The duties of the board are (1) to represent the interest of shareholders, (2) to call the GSA as provided for by the code, (3) to decide the policy of the corporation concerning the administration, and (4) one or more of the directors is empowered to sign documents on the corporation's behalf. The directors are usually people who have reached high management positions within the corporation.

8 The position of the president and chairman are combined in many companies. The duties of the president are to ensure that the machine runs well and to ensure that top personnel matters are properly handled. The president is the principal voice in the determination of strategy. However, a collegial approach to management decisions which are consensual between the president and the top management is common in Japan.

9 The board often functions as a de facto sub structure of top executive management. If a decision concerns a matter which is sufficiently important to warrant formal board approval the decision will generally first be subject to wide consultation with all the relevant parts of the corporation. This process is very thorough and also very time consuming. The top management generally meets once a week. Their duties are to discuss key policy matters and handle broad administration functions of general management.

10 The incentives for Japanese management teams to work well appear to be subtler than incentives for profit or not to be fired. The position on a management board is a position of honor and...
power. It is demonstration that one has reached the highest level in the corporation.

11 According to the commercial code, statutory auditors are to be appointed by the shareholders of the corporation. CPAs are appointed as auditors for large companies registered on stock market. The audit function is expected to ensure that the business is conducted in accordance with applicable laws and with corporation's regulations and in the best interest of the shareholders. For small companies, the auditors may be selected from within the corporation, and the role of auditors is merely a formality without substance. However, all auditors must make a report at the GSA concerning the activities of the board.

Dynamism and accountability are the two broad criteria for evaluating corporate governance in Japan.

5.4 FRANCE

France is one of the most modern countries in the world and is a leader among European nations. It has constituted presidential democracy. Total geographical area is 545,630 sq km. Natural resources are coal, bauxite, zinc, timber, etc. Population is 59,512,277 (July 2001). Type of government is Republic, with a legal system-civil law in practice. France is in the midst of transition from government ownership to that of market mechanism. The government remains dominant in some sectors like power, public transport, defense, and relaxes its control. Since mid 80s, France is committed to capitalism. Government has done little to cut unemployment. GDP is $1,448 billion from 71% service, 26.1 industry, 3% agriculture. GDP real growth is 3.1%. GDP per capita is $24,400 (2000 estimate). Corporate sector is present in machinery, chemicals, metallurgy, food processing, aircrafts, and industries. Unemployment is at 9.7%. Industrial production is at 3.5%. Total Exports are $325 billion from machinery and transportation equipments, chemicals, etc. Total Imports are $320 billion of vehicles, crude.
The state is having a dominant role in the economy of France and as such it is affecting the governance system. The government has substantial holdings in cars, steel, insurance, and banking and has a monopoly in public utilities also. The management in non-state owned companies is extremely powerful. Indeed, the president-director general of one French company told the consulting group Oxford Analytica that France is the only western country where one man determines the strategy of the company, executes it, and controls it without the counter-power of the board of directors. There are complex legal rules governing the structure and composition of French boards. For a start, French companies may choose between two methods of board governance. They may adopt either a unitary boardroom structure (as in the Anglo-American Model) or a two-tier structure as in German companies. Small shareholders play insignificant roles in the governance system. The shares are held in bearer form; i.e., they are not registered under any name. Small shareholders are expected to write to the company for annual reports and for notices of the annual meeting. As a result, individual shareholders seldom vote, and the annual meetings of the French companies frequently lack a quorum. There is one main group that advocates the rights of minority shareholders in France i.e., L'Association pour la Defense des actionnaires Minortaires (ADM) founded in 1991. ADM co-operates with minority shareholders, exchanges information, and co-operates with other shareholder groups in France and abroad participating in any Forum to defend or further shareholders' rights.  

The state banks and corporate hold the controlling interest in the French governance structure. Diverse investment community is absent in French governance system, the system departs from Anglo-American model on this aspect, though it also departs significantly from the German model. The top 50 industrial, commercial, and service companies of France comprise of 12 are state controlled, 17 are management controlled, 14 are...
family controlled 3 family controlled but with outside management and 4 are subsidiaries.

The French believe in strong leadership. It is reflected in the absolute power given to a president-director-general in each company. This position is considered stronger than that of the chief executive officer in the US. The French government plays an important but informal role. Besides, it holds 15 to 20% of the shares of the major companies in the national interest. The strong old boy network of the ruling class mostly graduates of the grandes écoles and a strong president-director general give France according to experts a pragmatic and personality-oriented system of governance. Only nationalized industries have employee representatives on the board while private ones do not.

The French system of corporate governance scores high on initiative and enterprise, although the stock market plays a minor role. Families control 60% of top 200 companies. Nearly 99% of the private shares are held in bearer form. Companies do not know who their shareholders are. Unlike in Germany, where banks as intermediaries have to vote on behalf of the shareholders, shareholders have to vote personally at shareholders' meetings. The French system strengthens the institutional shareholders who can access the information they need from the company.

French concerns in corporate governance have to do with relative competitiveness of its industries, developing technological thrust areas and globalization.

5.5 UNITED KINGDOM

Dominant industrial maritime power of 19th century built a leading role in developing parliamentary democracy and advancing literature and science. The British Empire stretched over 1/4 of the earth’s surface after the first half of 20th century. The UK strength seriously depleted in two world wars. As one of the 5 prominent members of UK Security Counsel and Commonwealth UK,
pursued a global approach to foreign policy Total geographical area is 2,415,900 sq mtrs. Natural resources are coal, petroleum, natural gas, silica, etc. Population is 596,477,900. Type of government is Constitutional Monarchy. Constitution is unwritten and partly common law is in practice. UK a leading trading power and financial sector deploy an essentially capitalist economy, one of the quartrest of $ trillion. Economy of Western Europe. UK economy has grown steadily by about 3% for the last several years. GDP $1.36 trillion.

GDP per capita $22,800. GDP from services 73.4% industrial 24.9% and agriculture 1.9% inflation rate 2.4% unemployment rate 5.5%. Industries (corporates) are mainly in machine tools, power equipments, shipbuilding, aircrafts, chemical paper, food processing and electronics, zinc, etc. Industrial production growth is 2%. Exports are $282 billion from fuels, chemicals, food and tobacco. Export and import partners are Germany, France, and Netherlands. Imports $324 billion of machinery, fuel, and manufactured goods.

In U.K. majority of the boards have a non-executive chairman. Many boards have a majority of inside directors—only 42% of all the directors are outsiders and 9% of the large U.K. companies have no outside directors at all. Further, institutional investors in U.K. hold a larger stake in domestic equities than do their U.S. counterparts. In U.K. 67% of equity is held by U.K. institutions, the comparable figure for the U.S. is 46.8%.

The Cadbury Committee calls for a strong independent element on the board in the form of independent directors, the need to make executive directors more accountable to shareholders and the need to establish effective audit, compensation, and nomination committees. The Cadbury Committee clearly distinguished the role of key players in corporate governance system. The said committee has analyzed the importance of institutional shareholders and their active role in the governance of the companies. The Cadbury Committee Report suggests that by virtue of the
size of their holdings institutional investors have the potential to exercise considerable control over the actions of the board of directors—potential which is rarely available to other small shareholders.

The debate on the duties of the company directors both executives and non-executive and about the structure and functioning of the boards received top agenda in the Cadbury Committee Report. Listed companies with London Stock Exchange have complied with the recommendations of the Cadbury Committee by including a statement of such compliance in the annual reports. Code of best practice published by the Cadbury Committee became much popular not only in U.K. but also in western and other developing economies.

In U.K. the corporate governance system addressed agency problems arising between institutions and beneficiaries. The institutional shareholders contributed in improving the governance structure of companies in U.K. due to their dominance approach and proper monitoring of the performance of the companies.

The Cadbury Committee Report issued in 1992 made the following recommendations:

1. No one individual on the board should have unfettered powers of decision i.e. the role of chairman and CEO should be split.

2. Non-executive directors should bring an independent judgment to bear on issues of strategy, performance, resources, and standards of conduct.

3. The majority of non-executive directors should be free of any business or financial connection with the company.

4. Directors’ service contracts should not exceed three years without shareholders’ approval.
5 Directors' emoluments should be fully disclosed and split into their salary and performance-related elements.

6 Executive directors' pay should be subjected to recommendations of a remuneration committee made up wholly or mostly of non-executives.

7 Interim company reports should contain balance sheet information and be reviewed by the auditors.

8 The operation of a company's pension fund should be separate and distinct from the company itself.

9 The relationship between boards and directors should be professional and objective.

10 There should be a full disclosure of non-audit fees to reveal conflicts of interests and there should be regular rotation of auditors.

While most large companies in UK have implemented these proposals, these are still non-statutory.
Canada became a self-governing and dominating in 1867 while retaining its ties with British Crown. Economically and technically, the nation has developed in parallel with US. Total geographical area is 92,209,700 square miles. Natural resources are iron ore, copper, gold, silver, and timber. Population is 31,592,805. Capital is Ottawa. Type of government is Confederation with parliamentary democracy. Legal system is based on English common law.

Canada's economy is affluent, high tech, industrial society with close relations with US. It has a market-oriented economic system with high standards of living. After World War II, the economy witnessed impressive growth of manufacturing, mining, and service sector. With great natural resources, skilled labour force, and market capital plan, Canada enjoys solid economic prospects. GDP is $774.7 billion (2000 estimate). GDP comprises of services 66%, industry 31%, and agriculture 3%. GDP growth rate is 4.3%. GDP per capita is $24,800.

Corporate sector is presently in industrial sectors namely minerals, good processing, wood, paper products, transportation equipments, chemicals, etc. Exports are $272.3 billion and imports are $238.2 billion. Export and import partners are Japan, UK, Germany, South Korea, Mexico, France, Taiwan, and others.

In Canada, corporate governance follows by and large Anglo-American Model. However, there are some significant differences between the Canadian and US structures of corporate ownership. A principal shareholder controls most Canadian companies. A majority shareholder controls over 382 of the top 400 companies. Of the largest 100 companies, only 15 are widely held by numerous shareholders in contrast to 73% of America's largest firms. Dual class capitalizations are common in Canada—a result of the above ownership structure. Canadian law requires...
shareholders approval of all poison pills. Canadian Pension Funds have grown significantly in the last decade. Canadian Funds have not traditionally been active in governance; there are signs that this might change. In 1993 the Pension Investment Association of Canada started work on a set of guidelines and governance standards that will help to define the role and responsibilities of directors and its shareholders. The closely held nature of most Canadian Corporations is reflected in the composition of their corporate boards. For instance, most boards are composed of a majority of inside directors and classified boards are common. The controlling shareholders in Canada have a powerful influence on corporate direction. The minority shareholders are overlooked as a result thereof. A growing number of Canadian Institutions are becoming active proxy voters on governance issues such as board composition and executive compensation.  

5.7 SOUTH AFRICA

South Africa underwent various aggressions and separation of unions on the basis of races. During 1990 a major political change happened bringing back majority rule. Total geographical area is 12,19,912 sq mtrs with population of 43,58,6097. The country is rich in natural resources like gold, coal, iron ore, nickel, gem diamonds, platinum, natural gas, etc. Type of government is Republic and adopted new Constitution during 1996. The legal system is based on Roman Dutch law and English Common Law. South Africa is a middle income developing country with abundant natural resources. Growth has not been so strong to cut the unemployment and daunting economic problems. The GDP (PPA) is $369 billion and GDP real growth rate is 30%. GDP per capita is 8,500 $ and contribution to GDP is from 65% services, 30% industry, and 5% agriculture. Inflation rate is 5.3%. Industrial production is around 2.4% and corporate presence in industry is in automobile, mining, gold, fertilizers, chemicals, etc. Exports are $30.8 billion from gold, diamonds, and other machinery and equipments. Exports and import partners are UK, Italy, Japan, US, Germany, and UK.
Import $26.6 billion of capital goods and scientific equipments. External debt is $25.6 billion.

By and large companies in South Africa follow the recommendations of King Committee (1994) set up by the Institute of Directors. The companies are required to establish an audit committee with written terms of reference from the board and suggest a code of corporate governance. The governance standards are basically on a well-defined role of the board of directors, role and function of company secretary, assessment of risk and responsibility for risk management, scope of internal audit, audit to suit control requirements, compliance and enforcement of disclosure requirements, board's self-evaluation mechanism. The code of corporate practice and conduct included the matters like integrated sustainability reporting, ethical practices and organizational integrity. It also suggested the continual monitoring and for improvement of audit committee functioning. In 2000, King Committee submitted a second report with wide coverage on best governance standards in the corporate sector of South Africa.

5.8 CHINA

For centuries China has stood as a leading civilization out-facing the rest of the world in arts, science, etc. In the first half of 20th century, China was beset with major famine, civil unrest, military defeats, and foreign occupation. After the world war, the communist dictatorship regime came into power. The government imposed strict control over everyday life. In 1978, the successive governments gradually introduced market-oriented reforms and decentralized economic decision making. Output quadrupled in the next 20 years and China now has a world's second largest GDP. China has 93,264,10 sq kms area with a population of 1.2731 crores as on July 2001. The type of government is Communist, and the capital city is Beijing. China adopted Constitution on 4th December 1982 and started legal and administrative reforms aggressively. China is having the presence of large international
organizations like AFDB APAC ARF IBRD UNESCO ILO IMF UN WHO WTO etc

The economy of China moved from a sluggish Soviet Union style to market oriented system with more focus on core sectors like agriculture, foreign trade, manufacturing, etc. China is having $3600 GDP per capita. China attracted highest FDI. GDP as per 2000 estimate is $4.5 trillion and its real growth rate of GDP is 8.1%. Industry contribution to the GDP is around 50%, services 35%, and agriculture 15%. Corporate sector is present in core sectors like iron and steel, machinery building, textiles, petroleum chemicals, automobiles, telecommunications, etc. Industrial growth rate is around 10%. Export is around $232 billion and import is $197 billion. Export and Import partners are U.S., Japan, Germany, and others.

Corporate governance mechanisms are classified as external (institutional shareholding, block holdings, and takeover holdings) and internal (firms decision making by board of directors, shareholders, and representatives).

Good corporate contemplated by sound business environment sizeable investments, corporate performance and economic growth. The corporate governance code empathizes higher standards of governance with adequate legal systems to protect property rights. The management of the corporates are with the tight control of owner groups having majority shareholders as there CEO. The board is dominated by family members (9% of the companies are having at least 56% of directors from family). The single largest contributor of shares in family group is around 50%. Family members hold 50% of the executive positions. The securities (insiders dealing) ordinance is one of the regulatory ordinances to prevent the disclosure of inside information. Code of best practices is in place for listed companies of stock exchange of Hong Kong, China. The code contained board functioning documentation of
board proceedings responsibilities of every director establishment of audit committee and evaluation of executive pay and performance etc.

The listed companies are required to follow accounting and auditing standards issued by regulatory authorities. The recommendations of Cadbury Report 1992 of UK have been applied in selected areas of non-executive directors seeking professional advice and complying with other important recommendations. Similarly, the OECD principles of corporate governance have been applied in selected areas, especially in disclosure and transparency principles.

China's economy is not away from major scandals owing to poor corporate governance (the Pregrine case) and lack of proper disclosure to the investors resulting into loss. The corporate governance code of China is encouraging increased participation from the institutional investors and giving much importance to frequency of publishing various reports. In March 1999, the Financial Secretary announced various measures by establishing a steering committee and on the enhancement of corporate governance standards including the establishment of a Civil Market Misconduct Tribunal (MMT) to deal with criminal cases of market misconduct. An attempt has been made to link directors' pay to company's performance. To measure corporate performance, a q ratio has been suggested. The q ratio is an indicator of management quality. Stock return is taken as the sum of dividends and stock price appreciation for one year period. A study of sample firms 1518 dividing into small, medium, and large was conducted whereby an attempt was made to measure well-managed performance in terms of their returns to the shareholders. One indicator of good corporate practices is how directors are rewarded. The evaluation of corporate to measure good corporate governance practices is based on participation of board members in the meetings, firm's performance, and market situation. The criteria have been disclosed to the shareholders.
ITALY

Italy became a democratic republic from the monarchy in 1946. Italy was a Charter member of NATO and European Economic Community. Total geographical area is 2,940,200 sq kms. Natural resources are potash, marbles, natural gas, crude oil, coal, etc. Capital is Rome. Legal system is based on civil law. Italy has advanced its industrial economy with roughly the same total per capital outlay as of France and UK. Its capitalist economy remains divided into industrial north dominated by private limited companies and less developed agricultural south with more than 20% unemployed. Italy has adopted budgets complaint as per the requirement of European Monetary Union. GDP is $1.27 trillion from 67% services, 30% industrial and 3% agricultural. GDP real growth rate is 2.7%. GDP per capital is $22,100. Exports are worth $241.1 billions mainly from engineering products, textiles, clothing products, machinery, motor vehicles, food, etc. Imports are worth $231.4 billions mainly from engineering products, metals, minerals, etc. Exports and import partners are Germany, Netherlands, France, US, European Union.

Corporate governance code is made applicable to listed companies. The salient features of the code are:

The committee believes that the primary responsibility of a listed company is to set the company's strategic objectives and to ensure that they are achieved. It is the board responsibility in creating maximum value for the shareholders of the company. The companies are required to have a strong executive leadership endowed with adequate powers and able to exercise them to the full board. The information to be provided to the shareholders meeting shall be sufficiently detailed so as to allow the transactions of the company to be understood by the shareholders. The committee believes that it is the responsibility of the individual directors to know the duties and responsibilities associated with the position of director.

The board shall have executive directors and non-executive directors. The number and standing of the non-executive director shall be such that their
views can carry significant might in taking board decisions. Non-executive directors shall bring their specific expertise to board discussions and contribute to the taking decisions that are consistent with the shareholders interest. Adequate number of non-executive directors shall be independent. The board, on the basis of information provided by each interested director, should periodically assess directors' independence. The results of assessment shall be communicated to the market. Director shall be appointed after evaluating detailed information on the personal traits and professional qualification of the candidate. The board shall form a committee on remuneration and stock option. The criteria to be used in determining remuneration of the company's top management may be suggested by external consultants at company expenses. As a general rule, the total remuneration payable to the managing directors and the board of directors shall provide for a part to be linked to the company's profitability and possibly to the achievement of specific objectives laid down in advance by the board of directors itself.

The managing director shall evaluate the main risks the company is exposed to and submit to the board for its examination including working of the internal control system. The internal control committee shall consist of independent non-executive directors. The transactions with related parties shall comply with the criteria of substantial and procedural fairness as per the International Accounting Standards (IS 24). The interested party being a director shall abandon board meeting when the issue is discussed. The board shall delegate a person or create appropriate corporate structure to be responsible for establishing relations with the institutional investors and other shareholders based on the recognition of reciprocal roles. The director shall encourage and facilitate broadest possible participation of shareholders in shareholders meeting. There shall be a selection of members for board of auditors by means of a transparent procedure and that the shareholders should receive the information they need to exercise their voting rights in an informed manner on the appointment of the members to this committee.
5.10 RUSSIA (CIS)

After the defeat of Russian empire in World War I the rule of Josef Stalin strengthened Russian dominance of Soviet Union. The Soviet economy stagnated for decades till mid-1980s. After restructuring and openness the USSR transformed into 15 independent republics in 1991. Since then Russia has struggled in its efforts to build a democratic political system and market economy to replace the strict and rigid political structure. Total area is 1,699,580 sq kms. Population is 145,470,197. Natural resources are oil, gas, coal, minerals, timber etc. Type of government is Federation. Capital is Moscow. Legal system is based on civil laws but judicial review of legislature acts. Russia is still struggling to establish a modern market economy to achieve strong economic growth. Russia achieved a strong recovery in 1997 but the government’s stubborn budget deficits and the country’s poor business climate made it vulnerable to global financial crisis. The economy faced western groups and brain drain. GDP is $1,12 trillion from 59% services, 34% industry, and 7% agriculture. GDP growth is 6.7%. GDP per capita is $7,700.

Corporate sector present in mining, oil, chemicals, rolling mills, ship building, communication equipments, handicrafts etc. Exports are $105.1 billion mainly from petroleum products, gas, wood products, metals etc. Imports are $44.2 billion mainly from machinery and equipments, medicines, sugar, consumer goods etc. Exports and import partners are Germany, Netherlands, Italy and others.

Coordination Council of Federal Commission for the Securities Market of the Russian Federation (FCSM) announced corporate Behavior Code (September 18, 2001) of Corporate Governance. The objective of the code is minimal involvement of the state in the process of compliance monitoring. The market shall adopt the code first. The code is subjected to continual improvement. The code is covering norms for foreign investors, professional market participation, international financial organizations, and other regulations.
The Russian corporate governance code constitutes a set of best practices of corporate behavior in the conduct of relationship between the shareholders members of the board of directors and members of executive body of the Russian business entities joint stock company s that actively solicit capital from the domestic and foreign investors The objective of the code is to attract further investment to benefit and to foster development of Russia's capital markets The code is intended for the use of Russian company s The code is wholly voluntary set of standards The contents of the code include providing shareholders a real opportunity to exercise their rights in relation to the company equal treatment of the stakeholders effective control by the board over executive body for accountability timely disclosure of full and accurate information guidelines for general shareholders meetings meeting procedures functions of board composition and election of board remuneration guidelines functions of the Company Secretary take over guidelines confidential and insider information matters and audit committee functioning dividend determination and payment resolution of corporate conflicts etc

5.11 BASIC ISSUES IN INTERNATIONAL GOVERNANCE

As there is no ideal model of capitalist structure in any country there is no uniformity in adopting and practicing corporate governance worldwide Due to varied capital structure the accountability to different groups of contributors of capital and stakeholders is also different It is incorrect to import any corporate governance system by any country without considering the factors like legal historical economical political and social aspects The issues of management accountability are one and the same in corporate governance despite changes in corporate structure and governance arrangements in various countries

The different corporate governance traditions and frameworks tend to result in a different prioritization of many of the expectations of the stakeholders The expectations of the stakeholders are based on growth and
profitability growth and control cost efficiency and jobs volume and quality specialization short term and long term growth of an organization etc. It is rather difficult to reconcile the expectations of stakeholders group in different forms or systems of corporate governance.

Except in US, UK and Australia, the independent audit committee is yet to be in place in most of the countries. Independent audit committee is a step towards the right direction of assuring the shareholders that their interest is safeguarded. The members of the audit committee shall be considered as independent if they have no relationship with the company which might interfere while exercising their independent working in the audit committee.

The corporate governance system worldwide has underlined the significance of greater accountability and transparent dealings while dealing with all the stakeholders of the company and mainly to the shareholders. The capital market worldwide has an effect on the governance system calling for investors protection by proper timely disclosure of information. In international governance, the investor's community will look for such a country where corporate disclosures are good and shareholders friendly governance structure is in place. The investor community in good earnest is expecting the directors' independence in board function and an effective audit system. The growing convergence of business practices worldwide is enabling the accessibility of global resources by corporate.

The pace of globalization and reforms era has redefined an urgency to imbibe and practice good governance practices with an ultimate objective of shareholders value maximization across the world. The signing of WTO agreement by most of the countries has given much impetus for the acceptable standards of good corporate governance at least among the member countries. The mapping of good corporate governance both in letter and spirit by the member countries would lead to homogeneity in acceptable business practices.
It is universally accepted that the corporate governance mechanisms are different even in most advanced market economies. There is a great deal of disagreement on how good or bad the existing governance mechanisms are in these economies. The varied perception level of the investors in these economies would also decide the degree of good or bad of governance mechanism. Good corporate governance is not just a matter of prescribing particular corporate structures and complying a number of hard and fast rules. There is a need for broad principles. All concerned should apply these principles with flexibility and common sense to the varying circumstances of individual companies.

Can a corporation adopt different standards of governance in different countries based on size? Sacrificing standards based on size can lead to chaos and unsustainable relations in host country markets. Mechanisms have to be found to ensure that global corporations confirm to a code of conduct acceptable to all concerns irrespective of size. The time has come for a **global system of corporate governance** for global corporations. Failure to rise above national systems and work towards evolving a global system of corporate governance would weaken the quality of life for every one in the years to come.

At the beginning of 1990s it was the Japanese and German systems that served as the worlds models and pundits advocated a system of bank-centered relationship capitalism to cure the social disruption caused by Americas myopic shareholders orientation. The most productive economies got that way because their system of corporate governance sometimes called communitanan or relationship capitalism muffled the signals from impatient financial markets and encouraged cooperation among firms and their suppliers—exactly the opposite of the American System of investor capitalism.

The American Model appeared essentially amenable to a world of borderless capital in which geography was of little concern in the process of
matching investment flows to business opportunities. The American system is often referred to as the Anglo-American because key elements are held to be common between the US and UK. The Anglo-American governance system born of the contractarian paradigm is the most flexible and effective system available. Indeed, not withstanding its idiosyncratic historical origins and its limitations, it is clearly emerging as the world's standard.

The question which governance system is best suited has emerged as a relative question without a direct answer. The advanced market economies like USA, Germany, Japan, and the UK have solved the problem of corporate governance to some extent. This does not necessarily imply that the said countries are away from governance issues perfectly. Any country cannot neglect the areas of continual improvement of corporate governance mechanisms.

The corporate governance system in India must meet the global experience with tailor-made solutions. In the economic liberalization and globalization of the Indian economy recognizing the problem of corporate governance examination of the concept of voluntary and rule-based governance and upholding the basic issues of corporate governance viz., greater accountability, transparency, balanced and effective board, independent audit committee, etc., would only lead the path of maximizing long-term shareholders' value by the Corporates. An ideal system of corporate governance is complete only with continued measures to strengthen the corporate governance by responding to the changes.
End Notes and Reference

1. Statement on OECD principles made in Annual Conference in Frankfort July 1999


