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**THE CORPORATE GOVERNANCE: A GOLDEN THREAD CONNECTING
GLOBALLY**- Shivangi Prabha¹**Abstract**

Diving deeper into Corporate Governance is a thunderous realization of its broad spectrum that shines upon every Company globally. It is a unique area that requires proper and continuous research and deliberation in the current scenario.

International Corporate Governance is regulated by various standard setters worldwide for its apt implication. Organizations like *OECD [Organisation for Economic Co-operation and Development]*, *IMF [International Monetary Fund]*, *World Bank*, *WIPO [World Intellectual Property Organization]*, *WEF [World Economic Forum]* etc are the significant trendsetters' regulatory bodies that delve into the matter of Corporate Governance, a priority in any company.

As established by the OECD, the six guiding principles act as the significant torch-bearer for the company in bringing transparency and governance to the major stakeholders. The protection of the creditors and the investors, focusing on the minority shareholders and foreign shareholders, are one of the significant concerns of Corporate Governance.

The lacuna in this area is the jurisdictional challenge a company might face in Cross-Border Transactions and in preserving the investor rights in the company. Proper implementation along with its sound principles is another major issue. This short Article precisely deliberates on the need to promote Corporate Governance within the companies. Seamless governance without cross-border barriers should be the aim to connect the world through a single golden thread of governance to weave a better sustainable future.

Keywords: Corporate Governance, OECD Principles, Cross-Border Transaction, Investor's Rights.

Corporate Governance is the magical tool that builds the foundation of the corporate entity and emerges as the primary prerequisite during the incorporation of the company. It checks and balances the

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transparency, accountability, and fairness within the company without hampering its basic internal foundation. Regulating the company's management governs its financial health, stabilizes internal operations and promotes the prosperity and growth of the company.² Corporate Governance if properly implemented and regulated can increase the strength and core of the Company which further benefits the people and the state.

Governance enhances the ability of the company to work judicially while managing the risks and mitigating them. In the recent case of BYJUS, the tech company getting the clean chit from the NCLT was at fault due to poor corporate governance practices. *The Unacademy Chief Executive Officer, Gaurav Munjal, also commented on the strategic lapses of the BYJUS, highlighting the concept of “blunt feedback” that is very significant in governing the company with the correct principles.*³

The famous *Satyam Scandal* was the perfect landmark example of the failure of corporate governance in India, which resulted in the loss of trust and confidence of investors in the company. It also rips off the reputation of the entity in the air, exposing the Raju Brothers, who generated fake documents to create an illusion of growth and multimillion success of the company.⁴

It faces downturn reality when the disparity occurs between the Board and the Owner of the company. The governance was seriously lacking in Auditing the company and transparent disclosure to the interested stakeholders. The shares plummeted when the investors sold out the shares of the company, forming a steep downturn in the shares, from where rising again is nearly impossible.

Role of International Organisations:

Major path-breaking regulations have been established by international bodies that contribute to setting standards and regulating companies. The need for jurisdictional cross-border regulation and the financial crisis leads to the emergence of the concept of International Corporate Governance by the International Monetary Fund. Protection of Investors was the primary issue, as the risky transactional cost and less protection caused the investor to back out and lose confidence in the foreign credit system, hampering Globalization.

² *What is Corporate Governance?* The Corporate Governance Institute, <https://www.thecorporategovernanceinstitute.com/insights/lexicon/what-is-corporate-governance/> (last visited Jun 29, 2024).

³ Anubhav Mukherjee, Unacademy CEO Gaurav Munjal's Take on *Why Byju Raveendran Failed: 'He Didn't Listen to Anyone..* mint, (2024), <https://www.livemint.com/companies/news/unacademy-ceo-gaurav-munjals-take-on-why-byju-raveendran-failed-he-didn-t-listen-to-anyone-11719571391379.html> (last visited Jun 29, 2024).

⁴ *The Satyam Scandal*, Forbes, https://www.forbes.com/2009/01/07/satyam-raju-governance-oped-cx_sb_0107balachandran.html (last visited Jul 2, 2024).

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World Bank acts as a giant body providing substantial financial assistance to companies for the smooth functioning of the governance and management of the company. Other bodies work continuously to foster a healthy relationship between various stakeholders and the company's key managerial persons.⁵

The *International Organisation for Economic Co-operation and Development (OECD)*⁶. It formulates strategic policies that promote governance for better lives and well-being of the people. The six golden principles are as follows:

- i. *Promoting and implementing effective corporate governance within the entity*: Establishing robust governance frameworks to promote ethical and efficient management.
- ii. *Protecting the rights of the Investor and Shareholders through equitable treatment*: Ensuring fair treatment and protection of all stakeholders and investors within the company.
- iii. *Formulating policies to promote transparency and fair disclosure of the information*: Creating policies to guarantee open and honest communication of company information.
- iv. *Regulating and setting standards for the roles and responsibilities of the Board of Directors*: Defining clear guidelines and expectations for the Board of Directors' duties and responsibilities to manage the risks in the company.
- v. *Focus on the company's growth, sustainability, and resilience*: Prioritizing long-term growth, sustainability, and the company's ability to mitigate the risks.
- vi. *Promoting equality and sound functioning of the Capital Market and its Intermediaries*: Regulating the central investment area, which is Capital Market Intermediaries, to avoid the breach of trust of the Investors through Insider Trading and other malpractices.

The OECD intervene in this matter to promote the confidence of the creditors and investors in the credit system in various jurisdictions of cross-border transactions. It also focuses on the independent functioning of the management to ensure a healthy, sustainable environment. While laying down the rules for the Auditing and Internal System, it also bridges the gap between Top-level management with the Lower-level employees.

Contemporary Cases

The corporate governance of prestigious law firms in India, such as *Khaitan & Co.*⁷, deals with corporate governance as a significant practice area in advising and counselling the stakeholders, boards, and

⁵ Paper Tyari, Theories of Corporate Governance: Agency, Stewardship Etc, Paper Tyari, (Aug. 19, 2018), <https://papertyari.com/general-awareness/management/theories-corporate-governance-agency-stewardship-etc/> (last visited Jun 29, 2024).

⁶ OECD.org - OECD, <https://www.oecd.org/> (last visited Jun 29, 2024).

directors to mitigate the challenges of jurisdiction. Even the foreign big giants such as *Herbert Smith Freehills*⁸ are trailing with the current global demand for Corporate Governance in International affairs.

By analysing both companies, we can conclude that the broad spectrum of corporate governance is focused mainly on protection and regulation, considering the stakeholders' rights and demands. The major challenge incurred due to the global market infusion and diffusion of the Capital Transaction which is the serious lapse. The new evolved principles of Corporate Governance provide broad security and confidence which was lacking earlier.

The evolution of the corporate government in international affairs is due to the upsurge of global market risks and the financial crisis, which forced the national and international bodies to come up with various statutes and regulations to mitigate the problem. The new and powerful concept of this also deals with the expenses that are incurred due to the breach of the policies and standards set out by the companies. The party at fault, either any foreign entity or any domestic party, lapses lead to the strict burden of remedy to the victim.

Corporate Social Responsibility: A Commitment of 'Good for All'

The broader concept of governance promotes the establishment of a Corporate Governance Committee (CSR) mandatorily in particular companies with minimum eligibility (Sec 135 of Companies Act, 2013) to mitigate the Environmental Hazards that might occur due to the company's operations.⁹ It is primarily based on the concept of protecting the welfare of the citizens through sustainability and sound future goals.

For instance, *Levi's* was chosen as one of *Engage for Good's 2020 Golden Halo Award* winners for its ongoing efforts to protect the well-being of its employees and the environment, the highest accolade designated for socially responsible businesses. In the Indian instance, *Wipro* is dedicated to enacting change from within by maintaining high corporate governance standards, leading sustainable initiatives, supporting community issues locally and globally, and using communication and advocacy to influence broader societal change as a corporate governance tool.

⁷ Corporate Governance Law in India - Best Lawyers, Attorneys & Legal Services Firm, Khaitan & Co, <https://www.khaitanco.com/expertise/corporate-governance> (last visited Jun 29, 2024).

⁸ Corporate Governance, Keeping Clients At The Forefront Of The Market, <https://www.herbertsmithfreehills.com/our-expertise/services/corporate/corporate-governance>.

⁹ India Code: Section Details, https://www.indiacode.nic.in/show-data?actid=AC_CEN_22_29_00008_201318_1517807327856&sectionId=1326&sectionno=135&orderno=139 (last visited Jun 29, 2024).

Corporate governance is like morality that should be embedded as a cultural norm when the company is born or incorporated. While ensuring the company's economic, environmental, and sustainability, it also focuses on the future development and growth of the entity. The recently emerged concern has the ability to shape the future business market as another 'Invisible Hand at play'.

Saving the Sinking Ship!

Nowadays, pressure is on the regulating bodies to scrutinize the proper effectiveness and implications of the policies. *The golden thread of corporate governance has the power to weave the sinking titanic, i.e., the company. By ensuring the management and governance is in a proper place it restructure the company from the verge of being insolvent. Many foreign countries like the US (Reorganisation under Chapter 11 and Indian companies (Reorganisation under Insolvency & Bankruptcy Code, 2016) use the weapon of Corporate Governance to make the company bounce back to life through effective and timely implementation.*¹⁰

As global markets become more interlinked, aligning corporate governance rules across nations becomes critical. This alignment makes cross-border transactions more efficient and protects investor interests. Furthermore, organizations with robust governance frameworks can better respond to changing market conditions and regulatory needs, assuring long-term growth and operational efficiency. The paradigm shift of the world after the Pandemic to Artificial Intelligence is a significant topic of further broad interpretation.

Corporate Governance is more than just a legislative necessity; it is a strategic asset that supports a company's reputation, financial health, and ability to fulfil long-term goals. It ensures healthy competition among companies in the globalized world by providing security and transparency. Companies can foster fruitful growth under the canopy of corporate governance, ensuring the betterment of corporate life and the welfare of the three central pillars of any nation, i.e., economy, society, and environment.

Hence, there is a dire need for awareness and more deliberation on the core issues of international corporate governance in a much broader and more prospective way to deal with the upcoming challenges that might emerge due to AI and Globalization.

¹⁰ Guhan Subramanian, Corporate Governance 2.0, Harvard Business Review, Mar. 2015, <https://hbr.org/2015/03/corporate-governance-2-0>(last visited Jun 29, 2024).

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