IJNRD.ORG ISSN : 2456-4184
INTERNATIONAL JOURNAL OF NOVEL RESEARCH AND DEVELOPMENT (IJNRD) | IJNRD.ORG
An International Open Access, Peer-reviewed, Refereed Journal

Corporate Governance: Comparative Study

A.SHIVANI

Student, College Of Law KLU,Vaddeswaram.

ABSTRACT

This paper explores the concept of corporate governance, which is closely related to economic health indicators. After the bankruptcies of prominent companies such as US energy giant Enron, telecommunications giants Worldcom, Parmalat and multinational newspaper group Hollinger, the issue of corporate governance has received global attention. The Satyam scam of 2009 and his Reebok scam of 2012 shattered the myth of good corporate governance in India.

The Sarbanes-Oxley Act of the United States, the Cadbury Commission's Recommendations for European Corporations, and the Organization for Economic Co-operation and Development ("OECD") Corporate Governance Principles are some of the Codes and Standards of Corporate Governance.

Corporate Governance is a term that generally refers to the rules, processes or laws that operate, regulate and govern an enterprise. The term can be used to describe both internal factors, defined by corporate officers, shareholders, or composition, and external factors, such as customer groups, government regulations, and consumer groups. The bank-based German model resembles a corporate governance system, and these institutions may have played a key role in keeping customers on track.

Unlike most other studies that focus on the development of corporate governance after liberalization, the current study explores and analyzes the events that have hampered the

development of corporate governance in India and subsequently conducts a global comparative study of leadership in

INTRODUCTION:

After the collapses of high-profile businesses in 2001, such as the telecom giant WorldCom and the U.S. energy giant Enron, which concealed significant losses and employed fraudulent accounting practices, the topic of corporate governance gained global attention. Companies like Parmalat in Italy, which concealed large debts and failed, and Hollinger Inc., a multinational newspaper group, were shocked when corporate governance issues were revealed in 2003.Questionmarks appeared over corporate governance practices around the world. The founder of Satyam, B. Ramalinga Raju, admitted to falsifying his company's financial statements on January 7, 2009.This dispelled the Satyam myth of good corporate governance. Satyam had always complied with all legal requirements; It had an internationally renowned board and auditor.It severely damaged the credibility of the Indian business community because these hallmarks of good corporate governance were unable to stop Satyam's failure in corporate governance. India's corporate governance and related guidelines were scrutinized as a result. After Satyam, the largest corporate governance scandal in India occurred in 2012.Due to a Rs 8,700 crore fraud, Reebok India took legal action against its former Managing Director Subhinder Singh Prem and Chief Operating Officer Vishnu Bhagat. The company asserted that the duo committed product theft by concealing their warehouses, employing dishonest accounting practices, and making fictitious sales to incur a significant financial loss. The question of which corporate governance model, the Anglo-Saxon market model or the bank-based models of Germany and Japan, is superior has sparked debate. The laws and practices governing corporate governance vary greatly between developed and developing nations. Due to its centrality to economic and financial growth, corporate governance is a critical issue for developing nations. India's corporate governance laws are among the best, but they are poorly implemented. India's corporate governance has also been impacted by the socialistic policies of the pre-reform era. Economic growth and corporate governance are intrinsically linked. Systems of good corporate governance encourage the growth of robust financial systems. Strong economic growth follows from this. By lowering risk, good corporate governance practices also lower capital costs. The Cadbury Committee's recommendations for European companies, the US Sarbanes-Oxley Act, and the Organization for Economic Co-operation and Development ("OECD") principles of corporate governance are some of the corporate governance norms and standards.

CONCEPT OF CORPORATE GOVERNANCE:

Meaning of Corporate Governance:

Corporate governance is the system of structural, procedural and cultural safeguards designed to ensure that corporation is run in the 'best' long-term interests of its shareholders, as well as, other stakeholders. This alignment requires a commitment to sustained interactions between a company and principal stakeholders.

According to the OECD, "Corporate Governance comprehends that structure of relationship and corresponding responsibilities among a core group consisting of shareholders, board members, corporate managers designed to 'best' foster the competitive performance required to achieve the corporation's primary objective."

Corporate Governance addresses the broader accountability and responsibility of directors to a company's "key" stakeholders (employees, consumers, suppliers, lenders, and the broader community). Corporate governance deals with how corporate finance providers ensure that they receive a return on their investment. Corporate governance is the combination of laws, regulations and appropriate voluntary private sector practices that enable companies to utilize their financial and human capital while respecting the interests of other stakeholders and society as a whole. . A fundamental principle of good corporate governance is the transparency, protection and enforceability of the rights and privileges of all shareholders. A director who independently approves the company's strategy and major business plans and decisions, independently recruits management, monitors management's performance and integrity, and can replace management when necessary .

Corporate governance means different things to different people, so there doesn't seem to be a single coherent definition of the term. It is an interdisciplinary subject of interest to a variety of people: legislators, businessmen, accountants, economists, and even historians. To try to define it, corporate governance is the system within a company that bridges the expected gap between promised and actual returns. However, this seems to be aimed at corporate owners and shareholders and ignores the existence of other stakeholders. Corporate governance can be interpreted as putting power and authority in the hands of the stakeholders of an entity. This definition puts the stakeholder front and center, but is still too general to get the term right. In 1996, the Governance Working Group of the International Institute for Public Administration Sciences concluded that governance is the process by which constituents of society exercise power and authority to influence policies and decisions about public life and economic and social development. said that it is a process of In India, the Kumar Mangalam Birla Commission report recognizes that "the fundamental objective of corporate governance is to enhance long-term shareholder value while protecting the interests of other stakeholders." . In 2003 he SEBI (Narayanamurthy) Corporate Governance Committee made more specific reference to the need to involve stakeholders as key contributors to the country's development and prosperity.

DEFINITIONS OF CORPORATE GOVERNANCE

Cadbury (1992) explained corporate governance is "the system by which companies are directed and controlled".

Tricker R. I. (1984) viewed corporate governance as "The governance role is not concerned with the running of the business of the company per se, but with giving overall direction to the enterprise, with overseeing and

controlling the executive 3 actions of management and with satisfying legitimate expectations of accountability and regulation by interests beyond the corporate boundaries".

Rosen (2007)- "The term corporate governance comprises the entirety of all international and national values and principles aimed at good, responsible management of a company".

Solomon & Solomon (2004)- "Corporate governance is the system of checks and balances, both internal and external to companies, which ensures that companies discharge their accountability to all their stakeholders and act in a socially responsible way in all areas of their business activity".

ASX Corporate Governance Council (2003) defined "corporate governance as the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations".

World Bank (2013) - "Corporate governance refers to the set of rules and incentives by which the management of a company is directed and controlled. It refers to the way rights and responsibilities are distributed among the board, company management, shareholders and other stakeholders. However, while policies and documentation are of undeniable importance, these are not enough to ensure good governance. The actions of companies toward promoting corporate transparency and accountability speak louder than words."

OBJECTIVES OF CORPORATE GOVERNANCE AROUND THE GLOBE:

There are various forms of corporate governance around the world. These depend on the type of underlying capitalism. Substantial forms common in Anglo-American countries place more value on shareholder interests. The harmonious forms found in continental Europe and Japan also recognize the interests of workers, managers, suppliers, customers and communities. Both formats have different competitive advantages, but in different ways. In the United States, companies are governed by a board of directors. The board of directors is technically appointed by the shareholders. The Board of Directors has the power to elect her one officer, known as the Chief Executive Officer (CEO). The UK has introduced a flexible form of corporate governance regulation known as the 'Comply or Explain' governance code. This includes separation of the CEO and Chairman of the Board, introduction of a time limit on the CEO contract, introduction of a minimum number of non-executive directors, appointment of independent directors, senior non-executive directors, compensation committee, audit committee and nominating committee. establishment and composition. The Securities and Exchange Board of India (SEBI) describes corporate governance as the non-transferable rights of shareholders as the true owners of a company and acceptance by management of their role as trustees on their behalf increase. The SEBI definition is based on the Gandhian Trusteeship Principles and the Policy Principles of the Indian Constitution. Corporate governance is viewed as an ethical and moral obligation. Corporate governance is the set of processes, practices, policies and laws for managing, controlling and governing an institution or

enterprise in the best interest of all parties involved. Good corporate governance also includes the relationships between relevant stakeholders and the objectives against which the company is governed. The main stakeholders in corporate governance are shareholders, management and the board of directors. Other stakeholders are employees, suppliers, customers, banks and other lenders, regulators, the environment and society at large. In other words, good corporate governance means good business.

It ensures:

- Adequate disclosures and effective decision making, to achieve corporateobjectives;
- Transparency in business transactions;
- Protection of shareholder interests;
- Commitment to values and ethical conduct of business;
- Statutory and legal compliances;

Corporate governance now transcends not only laws-corporate behaviour being guided more by guidelines and best practices-but also national boundaries. The concept is a product of evolution that experience and maturity of structures and markets has brought to the present stage. Despite all the attention that it has generated, corporate governance remains an inexact science. As an issue and subject of debate, it is directly related to the strength and development of jointstock companies or public limited companies. That is why most guidelines and debates on the subject of corporate governance originate from highly developed markets like Europe or USA. The late 80s and early 90s saw many corporate scandals and loss of wealth of many ordinary investors that was directly traced to mismanagement of corporate affairs.

MODELS OF CORPORATE GOVERNANCE

Variations in the adoption of different business culture, customs and practices across countries resulted in the emergence of different models of corporate governance that are broadly categorized in two groups and explained as follows:

Anglo-American Model:

Corporate governance system followed in the US and UK is popularly known as Anglo-Saxon model. It is based on shareholder theory which states that being the owners of the company, shareholders bear the highest risk and therefore, the managers' main responsibility is to maximize the shareholders' wealth (Ahmad & Omar, 2016; Daily, Dalton, & Cannella, 2003; Nwanji & Howell, 2007). The system is constructed on the assumption that "decentralised markets can function in a self-regulating and balanced manner" (Cernat, 2004). Under Anglo-Saxon model, board comprises of executive and non-executive directors and this is called as single-tiered board. Here shareholders are exclusively elected the directors for the board (Ahmad & Omar, 2016). In respect of capital-related attributes of corporate governance, Anglo-American system is featured by

dispersed ownership, active stock market, short term equity finance (Aguilera & Jackson, 2010), corporate responsibility delegation to management, weak shareholders' influence on managers, strict regulation for shareholders' protection (Cernat, 2004), and high transparency of 8 ownership structure (Oaghe & Langhe, 2002). While, in respect of labour-related attributes of corporate governance, labour union influence is weak and no participation of labour in strategic decision making of the organisation (Cernat, 2004). Under this system, institutions are built on profit-oriented behaviour and individualism to raise their efficacy (Cernat, 2004). It is also called outsider model/ finance model which implies that large number of investors who are widely dispersed decide the corporate strategy and appoint the directors on the board of a company (Oaghe & Langhe, 2002). Arm's length relationship exists between the managers and the owners of the organisation (Ahmad & Omar, 2016). Shareholders' can exercise control over management decision and corporate control through the board and market, respectively (Ees, Postma, & Sterken, 2003). Anglo-American model adopt the external discipline mechanism that includes take over market, proxy fights, claims on the liabilities of management, competition and importance of managerial reputation (Oaghe & Langhe, 2002). The purpose of corporate governance under Anglo-Saxon model is to safeguard the interest and prerogative of the shareholders (Hasan, 2009).

European Continental Model:

European continental model of corporate governance is built on the stakeholder theory propounded by Freeman (1984). Stakeholder theory states that fiduciary duty of managers is to safeguard the interest of other stakeholders along with the interest of shareholders. Stakeholders include suppliers, management, government, environment and society (Ahmad & Omar, 2016). Model has two-tiered board comprises of executive board and supervisory board (Cernat, 2004). Representatives of employees and shareholders form the supervisory board and determine about executive board members appointment, remuneration and their supervision and alongside appraise the business decision made by them (Ahmad & Omar, 2016). Important feature of continental model is that employee through their representative actively participate in the strategic decision making of the organisation (Cernat, 2004). Banks and financial institutions are the source of external finance for companies under this model and hence, they gain the right to participate in corporate level 9 decision through owning significant percentage of shares in company (Ahmad & Omar, 2016). Therefore, it is also called bank based corporate governance model. In respect of capital related attributes of corporate governance, continental system is featured by concentrated ownership, inactive stock market, long term debt financing as a result of close interaction between banks and organisation (Aguilera & Jackson, 2010). Management of an organisation can be directly or indirectly influenced by the shareholders and other stakeholders (Cernat, 2004). Hostile takeovers are difficult under this model. On the other hand, under labour related attribute of corporate governance, continental model provide prominent role to labour at firm as well as at macro level through work council and co-determination principle in the process of making strategic decision (Cernat, 2004). As a case of weak stock market for corporate control and weak investor protection, shareholders can exercise control

through the board only (Ees, Postma, & Sterken, 2003). Ownership structure is not transparent under this model (Oaghe & Langhe, 2002). Insider system is followed due to concentration of ownership in the hands few large investors having their own interest. Continental model adopted the internal discipline mechanism that includes board of directors, remuneration bonds, directors' shareholding and conduct of management duties (Oaghe & Langhe, 2002). In the two-tiered board model supervisory board has ineffective monitoring mechanism due to the principle of co-determination and the responsibility of major business decision lies with executive board resulting in former as passive board. In case of Anglo-American model, agency problem exists between the dispersed investors and powerful managers, while in case of continental model it is between controlling shareholders and powerless shareholders (Oaghe & Langhe, 2002).

DEVELOPMENT OF THE CONCEPT OF CORPORATE GOVERNANCE:

Across a broad spectrum of countries like Australia, Canada, UK and the US to developing Countries like Brazil, Malaysia, Korea, Kyrgyz, corporate governance codes recognize and emphasize that the duty of the board is to maximize shareholders value. In other countries for example, France, Japan and South Africa more emphasis is placed on a broader range of stakeholders. In May 1999, ministers representing 30 governments, which comprise the OECD, voted to endorse the OECD Principles of Corporate Governance. These principles are non-binding and are intended to serve as a reference point for various countries efforts to evaluate, develop or improve their own legal, institutional and regulatory frameworks. They also provide guidance for stock exchanges, investors, corporations and others that have a role in the process of developing good corporate governance.

These form the bedrock of good corporate governance and most countriesboth OCED and Non OCED-recognize them as a declaration of minimum acceptable standards. Since endorsement in 1999, the principles have become a benchmark for policy makers, corporations and stakeholders in many countries

These principles have been identified as a key standard deserving of priority implementation by Financial Stability Forum, which is an initiative of G-7 finance ministers and central bank governors in order to promote international financial stability and, inter alia, reduce the tendency of shock to propagate from country to country.

- The basic principles adopted in 1999 are:
- Protection of shareholder rights.
- Equitable treatment of shareholders.
- Protection of stakeholder rights.
- Timely and accurate disclosure and transparency.
- Diligent exercise of the board of director's responsibility.

Considering the sweeping changes and turmoil that have taken place in the years following the adoption of the aforementioned principles, a revised set of principles has been adopted in May 2004.The revised principles remain nonbinding but adopt a tougher approach on many governance matters. They still do not intend to become a substitute for any detailed best practice initiatives or laws that may be enacted by organizations within a country.63 The revised principles read as:

- Ensuring the basis for an effective corporate governance framework.
- Rights of shareholders and key ownership functions.
- Equitable treatment of shareholders.
- Role of stakeholders in corporate governance.
- Disclosure and transparency.
- Responsibilities of the board.

The revised principles focus on the corporate governance framework a sits foremost principle. Such framework would typically consist of legislation, regulation, adoption of voluntary standards and business practices that are peculiar to a country's socio-economic environment. While developing a national framework, regulators and legislators should work within an international matrix so that the governance system that is developed can avoid overlapping or conflicts of interest among institutions and facilitate borderless movement of capital.

The principles give particular attention to a major player in the governance arena, namely the institutional investors, considering their large presence and power in corporations of the World and even whole economies. Particularly, the principles call upon institutional investors to disclose their corporate governance policies, how they decide to use their voting rights and how they manage conflicts of interest in the matter of their voting rights

The auditors' responsibility is more clearly defined and the auditors must be wholly independent and not compromised by other relations with the company. In the light of corporate scandals and ways to prevent them, the revised principles advocate protection for whistleblowers and provide for confidential access to a board member. Emerging markets are called upon to improve insolvency framework and establish effective enforcement of creditor rights.

Creditors are recognized to be key stakeholders; companies with good governance records are able to borrow more and on more favorable terms. Protection of creditor's rights and ensuring the safety of their money will go a long way in loosening up the capital market and bringing down the cost of capital. The recurring theme of the revised principles is reducing conflicts of interest, whether it is among international organizations, between the auditor and the company, director and the company or institutional investors and the company

GLOBAL INITIATES OF CORPORATE GOVERNANCE:

Considerable effort has been made, especially during the last two decades and more, in various countries to upgrade corporate governance norms and practices through a combination of legislation, regulation and self-volition. It is instructive to briefly trace these developments, if only to gain an appreciation of the directional movements observed in both developed and developing countries in this field, especially as most emerging economies are embarking on global aspirations. Specifics of many of these documents will be discussed or referred to in later chapters. What follows is a brief contextual description of these developments.

THE USA:

Despite the fact that corporation concept was originated in UK, but USA provided the perfect environment for corporate form of organisation to flourish; environment that has ideals of free enterprise and capitalism. Between 1880 and 1930, USA experienced the corporate revolution where business organisation developed from private ownership to outside ownership. Wide spread mergers occurred in early 1900s that resulted in substantial makeover of the ownership structure i.e. owners were separated from the management function in organisation (Grant, 2003). Berle and Means classic work 'The Modern Corporation and Private Property' in 1932 highlighted the fact that shareholders being the legal owner of the organisation but have no managerial authority whereas it lies with the professionally trained executives (Grant, 2003). The publication work opened the chapter of theoretical research in corporate governance in US and has its influence on the legislation during that time.

Securities Acts of 1933 and 1934 main objective was investors' protection and Act of 1933 and 1944 required the filing of audited financial statements of registered companies (Grant, 2003). Business roundtable addressed the issues concerning functions and design of the BODs of the large public companies in 1978 and the account on corporate responsibility in 1981.

In early 1980s, Savings and loan scandals provided the impetus for the establishment of National Commission on Fraudulent Financial reporting (Treadway Commission, 1987) (Kalbers, 2009). Main objective of the commission to identify the reasons that led to the fraudulent financial reporting and the steps required to curtail the same. Commission extended its recommendations for public companies, independent public accountant, Securities Exchange Commission (SEC), regulators and educators (Kalbers, 2009). Corporate governance issues such as stockholders meeting and boards – responsibilities, composition and operation were addressed in the statement of Corporate Governance and American Competitiveness in 1990 and Statement on Corporate Governance in 1997 by the Business Roundtable.

Report of the National Association of Corporate Directors (NACD) Blue Ribbon Committee on Performance Evaluation of CEOs, Boards and Directors (1994) and Report of the National Association of Corporate Directors (NACD) Blue Ribbon Committee on Directors Professionalism (1996) recommended that in order to

effectively discharge its responsibility and to improve the management accountability towards its shareholders', board be served by independent directors in majority (Talmor & Wallace, 2001), directors must restrict their board membership to three (Chhaochharia & Grinstein, 2004), avoidance of board interlocking to maintain the independence of board (Fich & White, 2005) and determined the retirement age (Daily, Dalton, & Cannella, 2003).

California Public Employees Retirement System (CaIPERS) issued principles and recommendations concerning board, directors' characteristics, accountability and shareholders rights in 1998. Furthermore, NYSE along with National Association of Securities Dealers (NASD) established the Blue Ribbon Commission (Smith, 2006). On February 8, 1999, Blue Ribbon Commission issued its ten recommendations that could be further sorted in 3 categorized (Millstein, 1999):

- Audit Committee independence
- Effectiveness of audit committee operations
- Enhancing accountability

21st Century Governance Principles recommended governance related principles for public companies. The principles addressed the independence, expertise, leadership and disclosure related matters (Hermanson & Rittenberg, 2003).

Between 2001 and 2002, US economy was hit by the series of corporate scandals. Enron filled the largest bankruptcies of the US history and then followed by failure of Adelphia, Halliburton, Kmart, AOL Time Warner, Dynery, WorldCom, Xerox, Sunbean, Tyco, Global Crossing and others (Coates, 2007) (Soederberg, 2008). In response to corporate crisis, Sarbanes-Oxley Act, 2002 was passed by Congress. Act was framed to improve the auditing of public companies of US. Public Companies Accounting Oversight Board (PCAOB), a quasi-public institution was established to oversee auditors (Coates, 2007). Sarbanes-Oxley Act revised listing rules of stock exchanges and SEC orders and regulations radically changed the federal securities law since 1930s.

Conference Board Commission was set up to identify the cause that led to collapse of prominent firms. Commission addressed the three issues of governance- corporate governance, executive remuneration, audit and accounting and suggested the ways to rebuild the confidence of investors in the capital market. First report of commission focused on executive compensation and 2nd report that was published in 2003 worked on corporate governance, audit and accounting issues.

In 2003, SEC approved the proposal made by NYSE and NASDAQ on governance for listed companies. It include the guidelines on the following aspects of governance- board structure, compensation committee, directors meeting without management, nominating committee, audit committee, internal audit tasks, corporate

governance guidelines, code of conduct, related party transactions, certification and certification responsibilities (Tsaganos, Bard, & Moore, 2003).

For strengthening the corporate governance structure for listed companies in US, NACD issued the Agreed Principles with the objective of promoting thoughtful governance. Principles are: "board responsibility of governance, transparency, director competency, board accountability, independent board leadership, integrity, ethics and responsibility, attention to information, protection against entrenchment, shareholder input in director selection and shareholder communication" (Mallin, Corporate Governance, 2007).

Consumer protection Act and Wall Street reform basically focused on executive compensation practices and required that compensation committee should be composed of independent directors and shareholders' approval is required in meeting at must meet at least once in three years for executive compensation and compensation arrangement (Mallin, 2007).

In 2009, to analyse the fundamental principles of corporate governance, Commission on Corporate Governance was set up by NYSE. It identified the ten principles such as board main objective is to maximize shareholders wealth and board accountability is towards its shareholders, successful management is required for successful governance, alignment of good corporate governance with organisation objectives, shareholders voting right, transparency, board composition- appointment of independent and non-independent directors, proxy advisory firms significance, encouragement for investors to participate in proxy voting process and regulator should determine the impact of corporate governance reforms on the performance, stability and profitability of the organisation (Mallin, 2007).

The United Kingdom:

The Cadbury Report published in 1992 became, in many ways, a standard-setting benchmark and has influenced the developments in this field in several countries since then. Cadbury positioned the company's board of directors in the center stage of its system of governance. He emphasized the importance of independent non-executive directors, defining independence for this purpose as being "independent of management and free from any business or other relationship which could materially interfere with the exercise of independent judgment, apart from their fees and shareholding". The role and importance of audit committees were specifically highlighted.

The United Kingdom also witnessed a succession of reviews in the following years namely the Hampel Report reviewing the Cadbury recommendations, the Greenbury Report dealing with executive remuneration especially in the context of spiraling pay packages of CEOs on both sides of the Atlantic, the Combined Code of the London Stock Exchange, incorporating requirements of listed companies based on the Hampel and Greenbury recommendations, and the Turnbull Report, providing guidance to company directors on internal control mechanisms in companies. In early 2003, two further sets of complementary recommendations and

prescriptions were brought out in the United Kingdom-the Derek Higgs Report on non-executive directors and the Sir Robert Smith Report on audit committees. The former reviews the guidelines in the context of similar developments in the United States and suitably adapts them to the requirements of the United Kingdom, while the latter provides updated and substantially augmented guidance to audit committees in UK listed companies. Another important development was the publication in 2003, of the Tyson Report, which among other things, recommended enlarging the talent pool of nonexecutive directors and made special recommendations relating to women on corporate boards.

Germany :

German corporate governance, unlike in the Anglo-Saxon model, is based on a two-tier structure of supervisory boards and management boards. The former comprises entirely of members elected by the shareholders at their general meeting, and where the companies employ in excess of 500 or 2000 employees within the country, they are to be represented on the board to the extent respectively, of one-third or one-half of the total board membership. The management board is the executive body comprising wholly of members who are employed in the organization.

The German Corporate Governance Code was handed down in February 2002 (and amended in 2007) with the objective of making the German system transparent and understandable, and promoting the trust of international and domestic investors, customers, employees and the general public in the management and supervision of listed German stock corporations. Industry has been given the option not to adopt several of the recommended measures, with the only requirement being that the reasons for such decisions should be explained to the shareholders. Companies have no such discretion, however, in respect of the mandatory provisions of the code and are required to implement them as prescribed.

Despite the two-tier board structure, it will be seen that there is a measure of goal congruence between the German and the Anglo-Saxon models in that, the principal objective of ensuring independent oversight on actions of executive management is largely retained in both cases-in one through an independent supervisory board and in the other, through the institution of non-executive independent directors (though the presence of workers' representatives does militate against total board independence).

The major characteristic of the German model, which of course is not mandated in the Anglo-Saxon unitary model, is the codetermination concept where substantial employee representation is prescribed in the independent supervisory board. To that extent, this important segment of a company's stakeholder population is formally associated with the direction of the company's affairs118, besides of course the lending banks who have traditionally been strongly represented in the supervisory role on boards.

Japan:

Corporate governance in Japan has also undergone a thorough reevaluation in the concluding years of the last century and spilling over into the new millennium, culminating with the issue in October 2001, of the Revised Corporate Governance Principles. To a large extent, these conform to the principles of corporate governance on which the developed western country models are based. Shareholder wealth maximization, independence of directors and the board, committee roles and processes, accountability and disclosure requirements, and so on, have all been brought in line with similar requirements in the developed world. Leading industrial giants like the Sony Corporation have already announced their migration to the new regime, and perhaps it is only a matter of time before others follow. Japan operates on a unitary board system, with the mechanism of independent directors providing for objectivity and fair play in operations. In March 2007, the Tokyo Stock Exchange published an extensive White Paper on Corporate Governance in Japan. This is expected to form the basis for further reforms in this field in the months ahead.

India:

Failure of major corporations across different nations initiated the process of corporate governance reforms through formation of various committees. Developing countries like India didn't remain untouched from the development happened across the globe. In 1996, formal corporate governance committee was formed under the chairmanship of Rahul Bajaj by Confederation of Indian Industry. In 1997, committee presented its report and the same were incorporated in Code for Desirable Corporate Governance in 1998. Following this, capital market regulator- SEBI constituted a committee under the leadership of Kumar Mangalam Birla with the objective to mandate corporate governance practices for listed companies. Committee submitted its report in 2000 and its recommendations were embraced in Clause 49 of the listing agreement of the stock exchange. Committee focused on stakeholders along with the shareholders while considering the issues of corporate governance. Next, Department of Corporate Affairs formed a committee in August 2002 and appointed Mr. Naresh Chander as its chairman. Committee report consisted recommendations concerning audit practices and disclosure: financial & non-financial of the corporations. SEBI set up another committee in 2002 and Mr. Narayana Murthy chaired the committee. Committee focused on following issues "audit committee, related party transactions, and risk management, code of conduct, nominee directors and proceeds from initial public offerings". Committee's recommendations were encompassed by SEBI in Revised Clause 49 of the Listing Agreement in order to improve the overall standard of corporate governance in India. Further, an expert committee was formed on Company Law under the leadership of Dr. J. J. Irani in 2004 by Government of India. Committee submitted its recommendations in 2005 and the same were incorporated in the Companies Bill of 2009. Bill was introduced in the Parliament with the aim of aligning the Companies Act 1956 with the changes happening in the domestic and international business environment.

Code for Desirable Corporate Governance issued in 1998 was compliance by 30 companies voluntarily. Further, Clause 49 of listing agreement issued in 2000 was complied by companies in phased manner i.e. by March 31, 2001, all groups 'A' companies have to comply with the guidelines, by March 31, 2002, listed companies with minimum paid up capital of `100 million and net worth of `250 million have to comply and by March 31, 2003, listed companies with minimum paid up capital O30 million and net worth of `250 million. Revised Clause 49 issued in 2004 was required to comply by all the listed companies by 1 April, 2005.

All the committees appointed by various authorities in India identified that the underlying objectives of the corporate governance reforms is shareholders value maximization while considering the interest of stakeholders (Sarkar & Sarkar, 2012).

In 2009, Satyam scam hit the effectiveness of corporate governance structure in India and exposed the loopholes of system existing at national and international level. In response to this, SEBI put requirement for listed companies to disclose information regarding their promoters' shareholding and third party holding pledged shares. Further, in November, SEBI introduced notable changes in the listed agreement which requires significant disclosure on the part of listed companies in their annual reports. Parallel to this, CII constitute a task force in 2009 and appointed Mr. Naresh Chandra, as its chairman. Committee recommended the ways to improve the level of governance practices. During the same year, Ministry of Corporate Affairs introduced "Corporate Governance Voluntary Guidelines 2009" and in 2010, introduced corporate governance guidelines on mandatory basis for CPSEs.

	United States	**United Kingdom**	**Germany**	**Netherlands**	**Switzerland**
Goals of Corporate Governance	Shareholder model	Shareholder model	Stakeholder model	Shareholder model	Shareholder model
Board Structure	One-tiered	One-tiered	Two-tiered	Two-tiered	One-tiered
Mandatory	Required by SOX	Comply or explain	Required by law	Comply or explain	No
CEO/ Chair Duality	Permitted	Not Permitted	Prohibited	Not Permitted	Permitted
Appointment of Independent Auditor	Independent Audit Committee	Independent Audit Committee	Supervisory Board	Shareholders through the Audit Committee	Shareholders elect
Required Disclosure	Limited in 10K, details in Proxy Statements	In Annual Report, less than U.S. requires	In Annual Report	In Annual Report	In Annual Report
Independence Achieved	Committee Structure	Committee Structure	Board Structure	Board Structure	Shareholder Autonomy