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Corporate Governance & IP

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INTRODUCTION

In 1991, India began the process of privatisation. The news spread like wildfire throughout the worldwide economy. Then India was ready to integrate its economy with the rest of the world. As a result, there was a significant inflow of capital from throughout the world into our country. As a major city, A large number of capital managers also arrived to India as a result of the immigration. Because there was such a tremendous influx of people, As a result, the demand for cash managers in our country has skyrocketed. They used the money managers' service to have access to this in a more efficient manner. The money managers devised several unusual and unique tactics in order to impress the upper management. As a result, unethical practises emerged. Corporate Governance was established to control the unethical actions that were taking place. Corporate governance is a set of laws and regulations/guidelines enacted to prevent money managers from engaging in unethical acts.

Corporate Governance Meaning

Corporate governance is a set of rules, regulations, laws, and processes that govern the way businesses are run, governed, and controlled. If corporate governance is implemented wisely while keeping internal and external factors in mind, it would benefit not just the shareholders but also the stakeholders. Customers, employees, investors, suppliers, and vendors are examples of stakeholders. Corporate governance's primary goal is to promote effective, entrepreneurial, and responsible management that will ensure the company's long-term success. Corporate governance is a collection of activities that aid in the transparency of a company's management, hence attracting customers. So, in a nutshell, corporate governance aids in the management of a corporation. The first set of recommendations, titled "Principles of Corporate Governance," was issued by the Organization for Economic Co-operation and Development (OECD) in 1999, and it was later changed in 2003. It was finally agreed upon by the members of the OECD in 2004. "Corporate governance" is defined as "a system of interactions including a company's management, board of directors, shareholders, and other stakeholders." Corporate governance also establishes the framework within which the company's goals are created, as well as the methods for achieving those goals and monitoring performance."

Legal Framework

The Companies Act was enacted in 1866 and has been revised three times since then. This was done in 1882, 1913, and 1932, respectively. Previously, Indian businesses and organisations had to adhere to colonial guidelines. A considerable portion of the rules and guidelines favoured the desires and preferences of British employers. In addition, the Partnership Act of 1932 was passed. Many manufacturers were interested in taking up the production of basic products for which the Indian government had controlled and mandated fair prices after the country gained independence. The Indian government was establishing the "Tariff Commission and the Bureau of Industrial Costs and Prices" at the time. The "Industries (Development and Regulation) Act" and the "Companies Act" were introduced to the legal system in the 1950s. During the early stages of India's corporate governance reforms, the main goal was to give powers to boards of directors and audit committees, and to make them more independent, focused, and powerful supervisors of the team. In order to control management, they also gave shareholders, especially institutional and foreign shareholders/investors, powers. The "Ministry of Corporate Affairs (MCA)" and the "Securities and Exchange Board of India (SEBI)" both played key roles in steering these changes forward.

The acknowledgement of shareholders is perhaps one of the most essential aspects of corporate governance. There is a two-fold recognition. The importance of shareholders to any firm is first recognised — people who buy the company's shares support its operations. One of the most common sources of finance for firms is equity. Second, the notion of shareholder accountability stems from the basic awareness of shareholder importance. Allowing shareholders to elect a board of directors is a crucial policy. The "primary directive" of the board is to always look out for the best interests of shareholders. The board of directors appoints and supervises the executives that make up the team in charge of a company's day-to-day operations. This effectively means that shareholders have a direct say in how a firm is run.

The protection of shareholders' interests is an important aspect of corporate governance. Shareholders can reach out to people of the community who may not have a financial stake in the company but can benefit from its goods or services. Reaching out to community members provides open channels of communication, which promotes organisational transparency. It means that all members of the community, including those who are directly or indirectly impacted by the firm, as well as members of the press, have a thorough understanding of the company's objectives, techniques, and overall performance. Transparency indicates that anyone can choose to review and verify the company's actions, whether inside or outside the company. This builds trust and is likely to attract more people to patronise the business and, eventually, become shareholders.

Security

Security is becoming an increasingly significant part of corporate governance. Shareholders and customers/clients must have confidence that their personal information is not leaked or accessed by unauthorised individuals. It's also critical to keep the company's proprietary procedures and trade secrets private. A data breach is not only costly, but also dangerous. It also erodes public trust in the company, which can lead to a significant drop in its stock price. When investors lose faith in a company, it loses access to the funding it needs to grow.

One of the most important goals of corporate governance is to establish a system of rules, policies, and practises for a corporation, or to hold people accountable. Each main component of the "government" - the shareholders, the board of directors, the executive management team, and the company's employees – is held accountable by the others. The fact that the board of directors reports financial information to shareholders on a regular basis, which embodies the corporate governance principle of openness, is part of this accountability.

The easiest way to describe bad corporate governance is to provide an example, and there is no greater example than Enron Corp. To hide the fact that they were essentially stealing from the corporation, many of the executives adopted shady tactics and covert accounting practises. The board of directors was given incorrect statistics and failed to convey the information to shareholders.

Shareholders were unaware that the company's debts and obligations totaled substantially more than it could possibly repay because responsible accounting standards had been abandoned. The company went bankrupt after the executives were charged with a number of offences. It obliterated employee pensions and wreaked havoc on stockholders. When a company's good corporate governance is ignored, it stands the risk of collapsing, and shareholders stand to lose a lot of money.

Conclusion

The method through which firms are directed and governed is known as corporate governance. The governance of their companies is the responsibility of their boards of directors. The responsibility of the shareholders in governance is to appoint the directors and auditors, as well as to ensure that a suitable governance framework is in place. The way firms are governed and for what purpose is referred to as corporate governance. It establishes who has authority and responsibility, as well as who makes decisions. It's a toolset that helps management and the board of directors cope more successfully with the issues of running a business. Corporate governance ensures that organisations have adequate decision-making procedures and controls in place to balance the interests of all stakeholders (shareholders, employees, suppliers, customers, and the community). The methods by which a company's objectives are determined and pursued in the context of the social, regulatory, and market environment are referred to as corporate governance. It is concerned with strategies and procedures for ensuring that a company is conducted in such a way that it meets its objectives while also ensuring that stakeholders can have confidence in the organization's trustworthiness. The Institute, as the birthplace of good governance, believes that good governance is crucial because it offers the foundation to improve the quality of business decisions. Quality, ethical decision-making helps businesses become more sustainable and effective at creating long-term value.