What is Corporate Governance?

Dr. Mandeep Kaur Satish Kumar

Introduction

Corporategovernance concerns are as old as the trade and business. Traces of the concept have been found in Shakespeare's 'The Merchant of Venice' and in Adam Smith's 'The Wealth of Nations'(Tricker, 2005). However, the modern conception of corporate governance has emerged and developed ever since last century. The concept got influenced during its existence by the changing economic environments, capitalist conception of private property, bank capital, emergence of institutional investors or anonymous companies, and appearance of notorious scandals like Enron, WorldCom etc. which took place during 1990s. Recurrent waves of corporate failures, climaxing in the systemic 2007/ 2008 global financial crisis, has further draw attention of researchers, scholars and policy makers towards the apparent defects in the existing corporate governance systems and effectiveness of regulatory institutions. All of this has not only made corporate governance a subject of some fascination to academics and other commentators, but also these moments of crisis had a positive influence in terms of identifying ways to improve this concept and which corresponds to the new stage in the evolution of the economy.

The paper aims at systematizing existing knowledge on corporate governance, including its multidimensional nature and theoretical framework behind emerging policy and structural frameworks. The paper also explores some of the emerging issues and challenges in the domain of corporate governance.

Defining Corporate Governance

The term corporate refers to corporation as a business entity. The corporation is defined as a joint-stock company, usually a very large company, which through its strength and market position plays an importantrole in the economic life of nations. Some large international corporations play an important role even in the international market.

The characteristics of a corporation are:

- Being a public joint-stock company, it may issue shares.
- Its shareholders have limited liability; and their liability is separate from corporate obligations and liability.
- Shareholders can transfer ownership of shares, which adds perpetual successiondimension to the company.

The Oxford English Dictionary (Oxford University, 2002) states that the English word 'governance' is derived from the Greek word kubernetes (to steer or pilot), via a Latin derivation gubernare (to direct or rule) and the Old French word gouvernance. This suggests that governance is an activity associated with movement; with setting direction or guiding something towards a longer-term or major goal, or at least with some purpose in mind. Another modern English word 'cybernetics' provides further insight. Cybernetics—also derived from the Greek word kubernetes— describe feedback loops and control systems in control systems (Wiener, 1961). In being applied to management, cybernetics is "the science of communication and control" (Beer, 1987), a definition that implies a short-term or efficiency mindset based on feedback and closed systems.

Together, these two derivations suggest that corporate governance could be conceived as an activity with longer-term direction and shorter-term feedback cycle elements in the context of modern corporations. The longer-term direction setting merges overall business objectives, strategy development, approval, implementation and corporate leadership. The shorter-term feedback cycle relates to the navigation, decision-making and adjustments required to guide the business towards the agreed objectives supposedly via business and corporate strategies.

Many different definitions of the term "corporate governance" have been provided by scholars and corporate professionals(Aguilera & Jackson, 2010). Although references to the term 'governance' in a business or corporate context were rare before 1960. The first explicit usage of the term 'corporate governance' appears to have been by Eells(Eells, 1960). He made reference to "the structure and functioning of the corporate polity"—the polity apparently being the board of directors and/or senior managers who may have had director roles. The term 'corporate governance' does not then appear to have been used again in the peer-reviewed literature for almost two decades. Later, it was used by Williamson (Williamson, 1979) in his study of the transaction-cost economics (TCE) to describe "a framework within which the integrity of a transaction is decided". This definition seemed to extend Eells' earlier concept by suggesting that corporate governance.

However, the concept of corporate governance was discussed— but the term was not used—in the business literature much earlier (Berle, Means, Columbia, & Council for Research in the Social, 1932), with the separation of ownership and control in companies and the need for a structure to define or control interactions. Even the terms 'governance' or 'corporate governance' were not used in any of the articles (Berle et al., 1932; Fama, 1980; Jensen & Meckling, 1976)frequently cited in the board and corporate

Scanned by CamScanner

governance literature is somewhat ironic. The separation of ownership and control is discussed at length in Berle and Means(Berle, Means, Columbia, & Council for Research in the Social, 1933), and in (Fama & Jensen, 1983). However, reference to the terms 'governance' and 'corporate governance', as some sort of structure, process, system, or policy framework through which problems associated with the separation can be addressed, is only tacit in these articles. Hence the difficulties researchers have faced since, namely, that the ontological basis of the phenomenon appears to be unresolved, and a universally accepted definition is yet to emerge.

Most of the definitions and descriptions of 'corporate governance' that were provided in the literature until the late 1990s emphasized the monitoring and control aspects of the relation between boards and managers. The definition provided by Shleifer and Vishny(Shleifer & Vishny, 1997), which has been widely cited, was representative of those suggested during the period:

> *Corporate governance is a means by which various stakeholders exert control over a corporation by exercising certain rights as established in the existing legal and regulatory frameworks as well as corporate bylaws.*

Shleifer and Vishny appear to suggest that corporate governance might be some sort of a system, which is activated for a purpose (to exert control) by various stakeholders, within a legal and regulatory framework. However, no reference is made to the purpose of the corporation; constructs of business goals or objectives are not mentioned; while business performance is ignored. Nor is the board explicitly mentioned. Shleifer and Vishny may have considered the board to have the same status as other stakeholders, or that stakeholders are the entities that exert control. While this possibility is speculative, it is generally consistent with Berle and Means' (Berle et al., 1932) and Fama and Jensen's (Fama & Jensen, 1983) earlier theses, which describe the need for a structure and a mechanism when the control of company operations is separated from the ownership of company shares—excepting the status of the board and shareholders, which are typically elevated above other stakeholders. Consistent with the highly influential agency theory (Jensen & Meckling, 1976), researchers and practitioners appear to have interpreted this guidance to mean that a clear separation between the board and management is necessary, and that monitoring systems and various controls are the means through which shareholders' interests are represented, protected and pursued.

The most well-known and simplest definition of corporate governance originates from the CadburyCommittee, (Committee on the Financial Aspects of Corporate, 1992)which was set up in the UK in 1991 to raise standards in corporategovernance:

> *'Corporate governance is the system by which companies are directed and controlled' (Cadbury Committee, 1992).*

Corporate governance is about relationships andstructures. First, it is the relationship between a company's management, its board ofdirectors, its auditors, its shareholders, its creditors and other stakeholders. Corporategovernance is based on structures through which the objectives of the company are set,and the means of attaining those objectives and monitoring performance are determined.

However, Cadbury in work for theWorld Bank(Iskander & Chamlou, 2000), recognized the role of corporategovernance in contributing to the stabilityand equity of society and the economy:

> *Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society.*

Of late, an International Federation of Accountants (IFAC) report gave the followingdefinition for 'enterprise governance':

> *...the set of responsibilities and practices exercised by the board and executive management with the goal of providing strategic direction, ensuring that objectives are achieved, ascertaining that risks are managed appropriately and verifying that the organization's resources are used responsibly. (IFAC, 2004)*

For IFAC, corporate governance has two dimensions that need to be in balance:conformance or conformity (i.e. with laws, codes, structures and roles) and performance.They believe that good corporate governance on its own cannot make a companysuccessful.Both of these dimensions need to be balanced bycompanies. However, without good corporategovernance, the long-term success of the company is in serious doubt. In other words,good corporate governance is necessary but not sufficient for business success.

From these definitions corporate governance could be a structure (Adams, Hermalin, & Weisbach, 2010), a process (Pitelis, 2004), or a policy framework(Carver, 2010); through which shareholders' interests are represented, protected, or pursued in some way.

Scanned by CamScanner

Other, broader definitions extend the concept of control beyond that exercised bythe managers, the board of directors and the shareholders to a larger number ofstakeholders, including creditors, employees and business partners, such as suppliers and the local community. The core of corporate governance remains the relationshipsbetween management and shareholders. Shareholders want to ensure that the company isrun to maximize long-term shareholder wealth, and therefore that managers should do this anddo not reward themselves to the detriment of shareholders. However, it is now moreexplicitly accepted that the shareholders have responsibilities towards other stakeholders,and in particular the host communities within which the company operates. Failure torespect these obligations is likely to provoke negative interventions from government ornegative market reactions in the long term. If the interests of all the relevant stakeholdersare balanced, good corporate governance should maximize the shareholders' wealth andmaintain the company's surrounding relationships.

Broader definitions of the term 'corporate governance' began to appear in the literature around and after the turn of this Century (Wirtz, 2011). Scholars began to explore the possibility that the board's involvement in value creation (Huse, 2007) might be advantageous to the achievement of the wishes of the shareholders. However, the primary emphases that had dominated earlier descriptions—monitoring and control—were not ceded (Davis, 2005). The dominant conceptualization of the board and of corporate governance remained one of structure and process. The assumption that good corporate governance leads directly to good company performance and, by implication, to the proper functioning of an economy appears to be foundational ((OECD, 2004). While this association seems plausible—possibly self-evident to some practitioners—unambiguous definitionsof 'good corporate governance' are yet to emerge at this point in the academic literature. As importantly, if not more so, should be the concern that robust evidence linking good corporate governance with good company performance and the proper functioning of the economy still remains elusive.

Further later thinkers see corporate governance to be connected with ethics and sustainable value creation. For sustainable value creation to be fostered, corporate governance needs to be aligned to public and supra-national governance(Pitelis, 2013). According to Pitelis, in order to achieve this, a hierarchically layered set of 'agencies', needs to be diagnosed and the issue of incentive alignment addressed. Enlightened self-interest, pluralism and diversity, as well as a representative supra-national organization for world-wide economic sustainability can serve as a new, more

'ethically correct' governance for economic sustainability. But it is also cautioned that it may not be a panacea.

Theoretical Framework

Recent thinking about corporate governance has beeninfluenced by theoretical frameworks proposed by various scholars. Prominent are Agency Theory, Stewards theory and Stakeholder theory.

Agencyand Stewardship Theory

Agency theory argues that in the modern corporation, in which share ownershipis widely held, managerial actions depart from those required to maximizeshareholder returns(Berle et al., 1932; Pratt & Zeckhauser, 1985). Primary reason for the same is that these shareholders are not in a position to monitor and control managerial actions. Inagency theory terms, the owners are principals and the managers are their agents. Because of lack of effective control there is an agency loss which is the extent to which returns to the residualclaimants, the owners, fall below what they would be if the principals, the owners,exercised direct control of the corporation (Jensen & Meckling, 1976). Agencytheory elaborates on mechanisms which reduce agency loss (Eisenhardt, 1989). Theseinclude incentive schemes for managers which reward them financially for aligning their interest with shareholder interests. These incentive schemes typically include plans wherebysenior executives obtain shares, thus aligning financialinterests of executives with those of shareholders (Jensen & Meckling, 1976).Other similar schemes tie executive compensation and benefits toshareholders returns and make a part of executive compensation deferred to the futureto reward long-term value maximization and deter short-run profit maximization executive actions which harms corporate value.

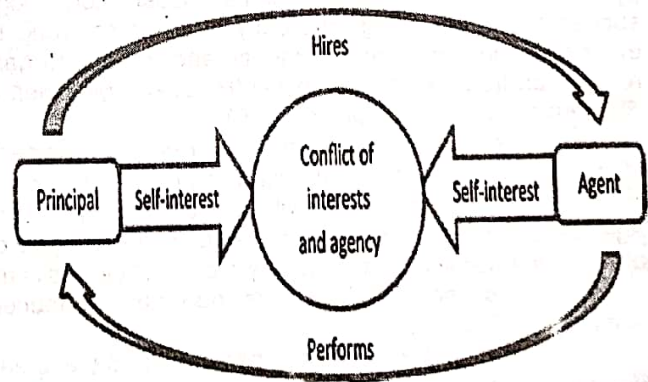

Figure 1:Agency Theory

Similarly, theory of organizational economics is concerned toforbid managerial "opportunistic behavior" which includes indulging in excessive perquisites at the expense of shareholder interests(Williamson, 2010). A major structural mechanism to curtail such managerial"opportunism" is the

Scanned by CamScanner

board of directors. The members of the board of directors are appointed by shareholders. This body is entrusted with responsibility to monitormanagerial actions on behalf of shareholders. This review will be more comprehensive and effective where the chairperson of the board is independent of executivemanagement. In cases, where the chief executive officer is chair of the board of directors,the impartiality of the board is compromised. Agency and organizational economics theories predict that when the CEO also holds the dual role of chair,then the interests of the owners will be sacrificed to a degree in favor ofmanagement, that is, there will be managerial opportunism and agency loss.

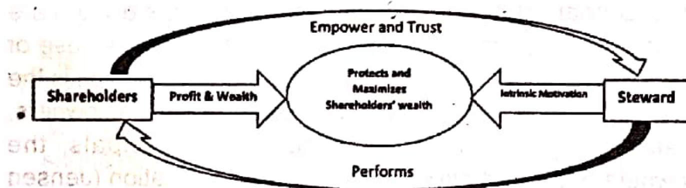

Figure 2:Stewardship Theory

The "model of man" underlying these theories is thatof the self-interested, rational and interested in maximizing their own personal economicgain. The model is individualistic and is predicated upon the notion of an in-builtconflict of interest between owner and manager. Moreover, the model is one of anindividual calculating likely costs and benefits, and thus seeking to attain rewardsand avoid punishment, especially financial ones. This is a model of the type calledTheory X by organizational psychologists (McGregor, 1960).

There are, however, other "models of man" in researches in organizational psychology and sociology. Here organizational role-holders areconceived as being motivated by a need to achieve, to gain intrinsic satisfactionthrough successfully performing inherently challenging work, to exerciseresponsibility and authority, and thereby to gain recognition from peers and bosses(Herzberg, Mausner, & Synderman, 1959; McClelland, 2010).

Moreover, with long tenures managers identifythemselves with the corporation. This also helps in merging of individual interest with that of the corporation. Again, even where a manager may calculatethat a course of action is unrewarding personally they may nevertheless carry it outfrom a sense of duty, that is, normatively induced compliance (Etzioni, 2012).

Further, while agency theorists posit a clear separation of interests betweenmanagers and owners at the objective level (Jensen & Meckling, 1976), this maybe debatable, and organizational sociologists would point out that what motivatesindividual calculative action by managers is their personal perception (Silverman, 1972). To the degree that an executive feels their future fortunes are bound to theircurrent corporate employers through an expectation of future employment and benefits, then the individual executive may perceive their interest as alignedwith that of the corporation and its owners, even in the absence of anyshareholding by that executive.

These theoretical considerations argue a view of managerial motivationalternative to agency theory and which may be termed stewardship theory(Barney, 1990; L. Donaldson, 1990; Lex Donaldson, 1990). The executive manager, under thistheory, far from being an opportunistic man, essentially wants to do a good job,to be a good steward of the corporate assets. Thus, stewardship theory holds thatthere is no inherent conflict of executive motivation. Stewardship theory holds that performance variations arise from whether thestructural situation in which the executive is located facilitates effective action bythe executive. The issue becomes whether or not the organization structure helpsthe executive to formulate and implement strategic plans for high corporate performance(Donaldson, 1988). Structures will be facilitative of this goal to the extent that theyprovide clear, consistent role expectations and authorize and empower seniormanagement.

According to steward theory the structures will assist executive in delivering a superior performance. CEO is intrinsically motivated, they have complete authority over the corporation and that their role isunambiguous and unchallenged. This situation is attained more easily where theCEO is also chair of the board. Power and authority are concentrated in oneperson. There is no room for doubt as to who has authority or responsibility over aparticular matter. The organization will enjoy the classic benefits of unity ofdirection and of strong command and control. Thus, stewardship theory focusesnot on motivation of the CEO but rather facilitative, empowering structures, andholds that fusion of the incumbency of the roles of chair and CEO will enhanceeffectiveness and produce, as a result, superior returns to shareholders thanseparation of the roles of chair and CEO.

In policy discussion to date, there has been an increasing tendency to approach theissue of CEO duality from the perspective of agency theory (Kesner & Dalton, 1986). However, this is in reversal to earlier trend where among large corporations, themajority have CEOs who are also the board chair (Dalton & Kesner, 1987; Kesner & Dalton, 1986). This widespread practice of CEO duality has been roundly criticized in the U.S. andcalls have been made to create separate incumbents of the roles of CEO and boardchair to restore industrial performance and shareholder returns (Kesner & Dalton, 1986). In India also, majority of the companies have CEO duality. Recently a SEBI appointed Committee on Corporate Governance also recommended for separating board chair and CEO role (Kotak, 2017).

An implication of agency theory is that where CEO duality is retained,shareholder interests could be protected by aligning the interests of the CEO andthe shareholders by having a suitable monitoring mechanism and a suitable incentive scheme for the CEO. Where CEOs hold the dual roleof chair, the presence of long-term compensation will align their interests withshareholders and forestall the loss in shareholder benefit which otherwise willresult from the dual role. Any superiority in shareholder returns observed amongdual CEO chairs over independent chairs would be

Scanned by CamScanner

explained away by agencytheory as being due to the spurious effects of financial incentives. By contrast,stewardship theory would hold that any observed superiority in shareholder returnsfrom CEO duality was not a spurious effect of greater financial incentives amongCEO-chairs than among independent chairs.

Transaction cost economics

Closely related to agency theory, transaction cost economics focuses on the cost of enforcement or check and balance mechanisms,such as internal and external auditcontrols, information disclosure, independentoutside directors, the separation of boardchairmanship from CEO, risk analysis, andaudit, nomination and remuneration committees.The argument is advanced that suchenforcement costs should be incurred to thepoint at which the increase in costs equals thereduction of the potential loss from noncompliance.Like agency theory, transactioncost economics assumes that directors act intheir own best interests, not primarily inthose of the shareholders. But transactioncost analysis focuses on governance structuresand mechanisms, whereas agencytheory sees the firm as a set of contracts(Williamson, 1989).

Corporate Ownership Theories

Issue of ownership of the company helps in deciding about primary concern of the corporate governance. Should corporate governance primarily focus on shareholders' interest or the interest of the company? Do shareholders own the company? To most people, this idea is so axiomatic that the question hardly seems worth asking. However, the long-simmering debate about the age-old argument over the board's responsibilities to shareholders versus the rights of all company stakeholders flared up again recently, drawing attention once again to that central question.

Recently, two leading corporate governance experts—Lucian Bebchuk, Harvard Law School professor and ardent shareholder-rights proponent, and Martin Lipton, founding partner of Wachtell, Lipton, Rosen & Katz and a stalwart defender of the view that it is management's prerogative to do what is in the best interest of the corporation—squared off in the pages of the VirginiaLaw Review(Bebchuk, John M. Olin Center for Law, & Business, 2006; Lipton & Savitt, 2007). The central issue in this debate iswhether directors of a public company owe their primary fiduciary duty to its shareholders, as Bebchuk insists, or have to consider the prerogatives of all the stakeholders, as Lipton maintains.

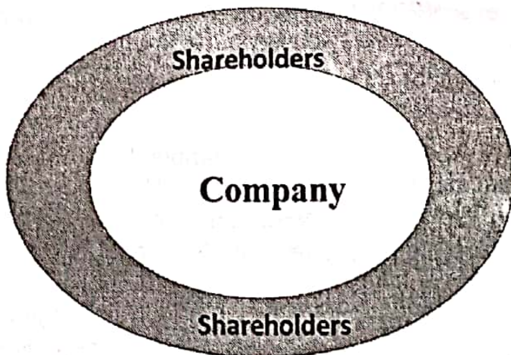

Figure 3: Shareholders as Residual Owners

Bebchuk (May 2007) cites a widely quoted 1988 ruling by the Delaware courts that "the shareholder franchise is the ideological underpinning upon which the legitimacy of directorial power rests" and points out that corporate law gives boards the authority to hire and fire management and set the company'soverall direction. Next, he argues that since directors are expected to serve as the shareholders' guardians, shareholders must have the power to replace them. Thus, the fear of being replaced is supposed to make directors accountable and provide them with incentives to serve shareholder interests.He continues by noting just how infrequently U.S. directors are actually challenged, much less removed, and concludes that shareholder power to replace directors in the United States is largely a myth. To make shareholder power real, he supports the proposal that directors be elected by a secret ballot open to rival candidates nominated by shareholders. What is more, to put them on an equal footing with the slate proposed by the board's nominating committee (usually with management input), he suggests that challengers should be reimbursed by the corporation if they receive a threshold number of votes.

Taking the opposing view and challenging the widely accepted argument that a company's primary goal is to maximize shareholder value, Lipton challenges the very notion that corporations are the private property of stockholders: "Shareholders do not 'own' corporations," he says. "They own securities—shares of stock—which entitle them to very limited electoral rights and the right to share in the financial returns produced by the corporation's business operations"(Lipton & Savitt, 2007). Directors, he argues, are not merelyrepresentatives of shareholders who have a legal responsibility to put investor interests first. Instead, the role of the board is simply and dutifully to seek what is best for the company itself, which means balancing the interests of shareholders as well as other stakeholders, such asmanagement and employees, creditors, regulators, suppliers, and consumers. He concludes that Bebchuk's notion that a board's primary fiduciary obligation is to shareholders is a myth of corporate law.

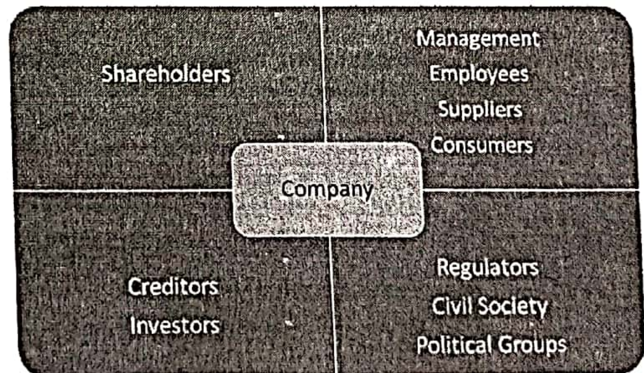

Figure 4: Stakeholder Model

Even though shareholder value maximization is increasingly being challenged on pragmatic as well as moral grounds, its roots in private property law, however—a profound element in the Capitalist ethos— guarantee that it

Scanned by CamScanner

will continue to dominate approach to corporate law for the foreseeable future. As a practical matter, the courts in western countries have given boards increasing latitude in determining what is in the best long-term interests of the corporation and how to take the interests of other stakeholders into account. This latitude makes it imperative that directors openly and fully discuss these issues and agree on a clear, unambiguous statement of purpose for the corporation.

Corporate Governance as a Company Level Mechanism

Most of the earlier approaches view corporate governance as a 'structure' or 'system' or 'process' to achieve corporate objectives. Recently Peter Crow and James Lockhart proposed a new perspective on corporate governance as 'a company level mechanism'. The important strategic management tasks (higher level constructs) necessarily performed by boards appear to be the development of strategy (together with management); the making of strategic decisions (in the context of approved strategy); and, the monitoring of strategy implementation, that is the verification of business performance and the control of management in the context of both approved strategy and statutory requirements. Underlying social mechanisms appear to be the crucial interactions that occur between directors when they work together in order to perform these tasks effectively and thus activate the organizational level mechanism. If directors do not possess the suggested qualities or they do not express them and, by omission,the social mechanisms are not activated, then the important strategic management tasks are unlikely to be completed effectively. Consequently, the company-level mechanism will not be activated and the board's influence over business performance will be minimal(Crow & Lockhart, 2015).

Thus, this proposal suggests that corporate governance is neither a structure, or a process nor a set of policies. Rather, it may be more effectively conceptualized as a company-level mechanism—to be activated by boards and from which to better pursue business performance outcomes. The primary components of the corporate governance mechanism are suggested to be strategic management tasks, lower-order social mechanisms and underlying qualities possessed by directors. The hierarchical expression of these components suggests that corporate governance is, in effect, a multi-faceted and multi-functional mechanism that can be activated by boards to develop strategy; make strategic decisions; monitor strategy implementation; and, verify business performance, all in the context of both the stated long-term purpose of the company and the wider operating context.

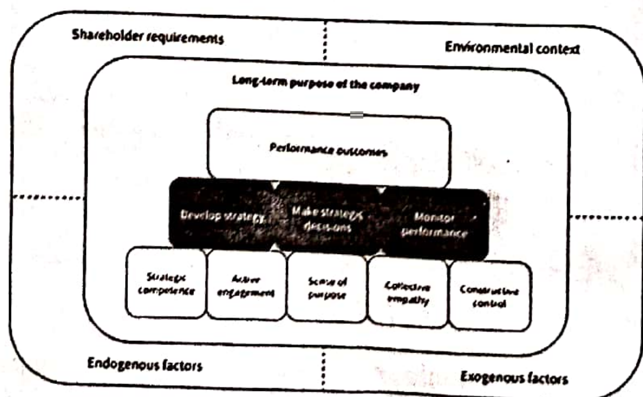

Figure 5: Corporate governance: A stratified company-level mechanism

This conceptualization of corporate governance, as a stratified company-level mechanism, appears to provide a seemingly adequate explanation of the observed board–business performance relationship, and of how boards influence the achievement of business performance outcomes under specific conditions. This is also grounded in the strategic management literature, organizational theory, a critical realist-inspired approach to research and a deep understanding of primary data collected from within boardrooms and of the organizational context within which the boards and the companies operated during the longitudinal study.

Conclusion

Thus, corporate governance as a concept has evolved over a long period of time. From simple structure and process it has evolved as a multidimensional concept. Earlier it was supposed to be a company level phenomenon, but now its scope is broadening in terms of stakeholder involvement and from firm to a social level phenomenon. Some researchers have also connected it with ethics. This paper challenges the conception that corporate governance is a structure (that is, the board) or a process (that is, a sequences of activities), or policy framework (of rules and regulations), or some combination of the three. Rather, the contention of the proposal is that corporate governance is a company-level mechanism that is activated by competent, engaged boards in the pursuit of business performance outcomes, via strategic management.

Reference List

- Adams, R. B., Hermalin, B. E., & Weisbach, M. S. (2010). The Role of Boards of Directors in Corporate Governance: A Conceptual Framework and Survey. *Journal of Economic Literature, 48*(1), 58-107-107. doi:10.1257/jel.48.1.58
- Aguilera, R. V., & Jackson, G. (2010). Comparative and International Corporate Governance. *Academy of Management Annals, 4*(1), 485-556-556. doi:10.1080/19416520.2010.495525
- Barney, J. B. (1990). *The debate between traditional management theory and organizational economics : substantive differences or intergroup conflict?* [S.I.]: [s.n.].
- Bebchuk, L. A., John M. Olin Center for Law, E., & Business. (2006). The Myth of the shareholder franchise.
- Beer, S. (1987). *Cybernetics and management*. London: English Universities Press.
- Berle, A. A., Means, G. C., Columbia, U., & Council for Research in the Social, S. (1932). *Modern corporation and private property*. New York; Chicago: Commerce Clearing House, Loose leaf Service division of the Corporation Trust Company.
- Berle, A. A., Means, G. C., Columbia, U., & Council for Research in the Social, S. (1933). The modern corporation and private property.

Scanned by CamScanner

- Carver, J. (2010). How policy governance works with other governance methodologies. *Board Leadership, 111*, 9.
- Committee on the Financial Aspects of Corporate, G. (1992). *Report of the Committee on the Financial Aspects of Corporate Governance*. London: Gee.
- Crow, P., & Lockhart, J. (2015). *Is corporate governance a structure, a process, a group of policies, or something else?*
- Dalton, D. R., & Kesner, I. F. (1987). Composition and CEO Duality in Boards of Directors: An International Perspective. *J Int Bus Stud Journal of International Business Studies, 18*(3), 33-42.
- Davis, G. F. (2005). New Directions in Corporate Governance. *Annual Review of Sociology, 31*. doi:10.1146/annurev.soc.31.041304.122249
- Donaldson, L. (1988). *In defence of organization theory : a reply to the critics*. Cambridge: Cambridge University Press.
- Donaldson, L. (1990). The Ethereal Hand: Organizational Economics and Management Theory. *Academy of Management Review Academy of Management Review, 15*(3), 369-381.
- Donaldson, L. (1990). A Rational Basis for Criticisms of Organizational Economics: A Reply to Barney. *The Academy of Management Review, 15*(3), 394-401. doi:10.2307/258015
- Eells, R. S. F. (1960). *The meaning of modern business : an introduction to the philosophy of large corporate enterprise*. New York: Columbia University Press.
- Eisenhardt, K. M. (1989). Agency Theory: An Assessment and Review. *The Academy of Management Review, 14*(1), 57-74. doi:10.2307/258191
- Etzioni, A. (2012). *A comparative analysis of complex organizations on power, involvement, and their correlates*. New York: Free Press : Collier Macmillan.
- Fama, E. F. (1980). Agency Problems and the Theory of the Firm. *Journal of Political Economy, 88*(2), 288-307.
- Fama, E. F., & Jensen, M. C. (1983). SEPARATION OF OWNERSHIP AND CONTROL. *Journal of Law & Economics, 26*(2), 301-326.
- Herzberg, F., Mausner, B., & Synderman, B. B. (1959). *The motivation to work*. New York: Wiley [u.a.].
- Huse, M. (2007). Accountability and Creating Accountability: a Framework for Exploring Behavioural Perspectives of Corporate Governance. *British Journal of Management, 16*. doi:10.1111/j.1467-8551.2005.00448.x
- Iskander, M. R., & Chamlou, N. (2000). *Corporate governance a framework for implementation*. Washington, D.C.: World Bank.
- Jensen, M. C., & Meckling, W. H. (1976). THEORY OF THE FIRM: MANAGERIAL BEHAVIOR, AGENCY COSTS AND OWNERSHIP STRUCTURE. *Journal of Financial Economics, 3*(4), 305-360.
- Kesner, I. F., & Dalton, D. R. (1986). Boards of Directors and the Checks and (Im)Balances of Corporate Governance. *Business Horizons, 29*(5), 17.
- Kotak, U. (2017). Report of the Committee on Corporate Governance *Securities and Exchange Board of India*
- Lipton, M., & Savitt, W. (2007). The Many Myths of Lucian Bebchuk. *virglawrevi Virginia Law Review, 93*(3), 733-758.
- McClelland, D. C. (2010). *The achieving society*. Princeton, N.J.: D. van Norstrand.
- McGregor, D. (1960). *Human side of enterprise 1960*.
- OECD. (2004). *OECD principles of corporate governance : 2004*. Paris: OECD.
- Oxford University, P. (2002). Oxford English Dictionary Online.
- Pitelis, C. N. (2004). (Corporate) Governance, (Shareholder) Value and (Sustainable) Economic Performance. *Corporate Governance: An International Review, 12*(2), 210-223-223. doi:10.1111/j.1467-8683.2004.00362.x
- Pitelis, C. N. (2013). Towards a More 'Ethically Correct' Governance for Economic Sustainability. *Journal of Business Ethics, 118*(3), 655-665.
- Pratt, J. W., & Zeckhauser, R. J. (1985). *Principals and agents : the structure of business*. Boston, Massachusetts: Harvard Business School Press.
- Shleifer, A., & Vishny, R. W. (1997). A Survey of Corporate Governance. *Journal of Finance, 52*(2), 737-783.
- Silverman, D. (1972). *The theory of organisations : a sociological framework*. London: Heinemann.
- Tricker, B. (2005). *Corporate governance - A subject whose time has come* (Vol. 2).
- Wiener, N. (1961). *Cybernetics or control and communication in the animal and the machine, second edition*. New York: Wiley.
- Williamson, O. E. (1979). *Transaction-cost economics : the governance of contractual relations*.
- Williamson, O. E. (1989). Chapter 3 Transaction cost economics *Handbook of Industrial Organization* (Vol. 1, pp. 135-182): Elsevier.
- Williamson, O. E. (2010). *The economic institutions of capitalism : firms, markets, relational contracting*. New York, NY [u.a.: Free Press [u.a.].
- Wirtz, P. (2011). The cognitive dimension of corporate governance in fast growing entrepreneurial firms. *European Management Journal, 29*(6), 431-447-447. doi:10.1016/j.emj.2011.06.004

Dr Mandeep kaur
Assistant Professor
Faculty of Management
I K G Punjab Technical
University Kapurthala

Satish Kumar
Research Scholar

Scanned by CamScanner