Unit 1- **Rohini Engineering College and Technology, Palkulam,**

# Unit 1- STRATEGY AND PROCESS

## Corporate Governance ( Case Study)

### Corporate Governance

Corporate governance is a mechanism established to allow different parties to contribute capital, expertise and labour for their mutual benefit the investor or shareholder participates in the profits of the enterprise without taking responsibility for the operations. Management runs the company without being personally responsible for providing the funds. So as representatives of the shareholders, directors have both the authority and the responsibility to establish basic corporate policies and to ensure they are followed. The board of directors has, therefore, an bligation to approve all decisions that might affect the long run performance of the corporation. The term corporate governance refers to the relationship among these three groups (board of directors, management and shareholders) in determining the direction and performance of the corporation

### Responsibilities of the board

Specific requirements of board members of board members vary, depending on the state in which the corporate charter is issued. The following five responsibilities of board of directors listed in order of importance

1. Setting corporate strategy ,overall direction, mission and vision

2. Succession: hiring and firing the CEO and top management

3. Controlling , monitoring or supervising top management

4. Reviewing and approving the use of resources

5. Caring for stockholders interest

**Role of board in strategic management**

The role of board of directors is to carry out three basic tasks

1. Monitor
2. Evaluate and influence
3. Initiate and determine

**Corporate Social Responsibility:**

Corporate Social Responsibility (CSR) is an important activity to for businesses. As globalization accelerates and large corporations serve as global providers, these corporations have progressively recognized the benefits of providing CSR programs in their various locations. CSR activities are now being undertaken throughout the globe

**What is corporate social responsibility?**

The term is often used interchangeably for other terms such as Corporate Citizenship and is also linked to the concept of Triple Bottom Line Reporting (TBL) that is people, planet and profits., which is used as a framework for measuring an organization‘s performance against economic, social and environmental parameters. It is about building sustainable businesses, which need healthy economies, markets and communities.

**The key drivers for CSR are**

Enlightened self-interest - creating a synergy of ethics, a cohesive society and a sustainable global economy where markets, labour and communities are able to function well together. Sustainability You need to understand sustainability. It is being used mostly in organizational forums and a basic understanding is needed for you. The discussion on sustainability is only for your understanding.

Sustainability means "meeting present needs without compromising the ability of future generations to meet their needs‘. These well-established definitions set an ideal premise, but do not clarify specific human and environmental parameters for modelling and measuring sustainable developments. The following definitions are more specific:

1. "Sustainable means using methods, systems and materials that won't deplete resources or harm natural cycles".

2. Sustainability "identifies a concept and attitude in development that looks at a site's natural land, water, and energy resources as integral aspects of the development".

3. "Sustainability integrates natural systems with human patterns and celebrates continuity, uniqueness and place making".

Combining all these definitions; Sustainable developments are those which fulfil present and future needs while using and not harming renewable resources and unique human-environmental systems of a site:[air, water, land, energy, and human ecology and/or those of other [off-site] sustainable systems (Rosenbaum 1993 and Vieria 1993).

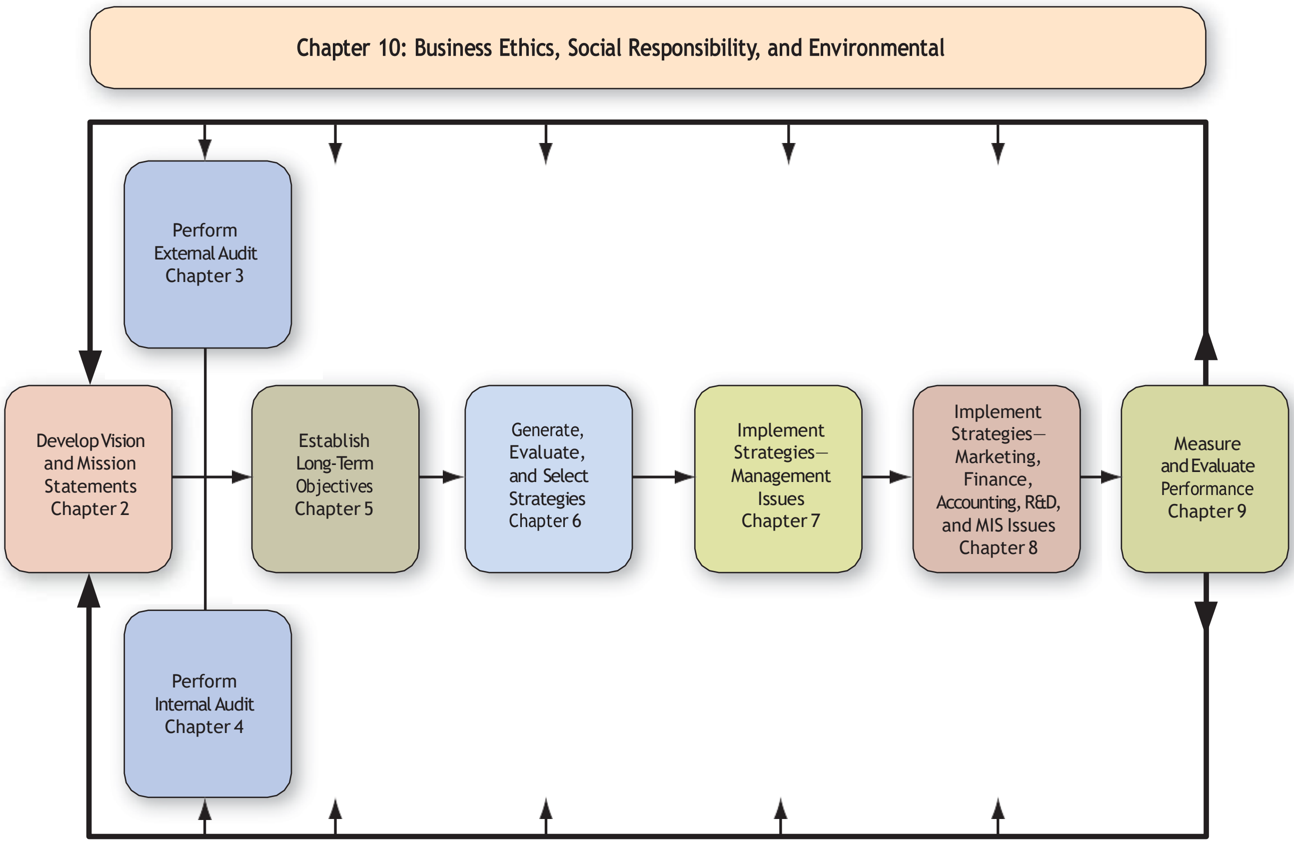
**Social investment -** contributing to physical infrastructure and social capital is increasingly seen as a necessary part of doing business.

**Transparency and trust -** business has low ratings of trust in public perception. There is increasing expectation that companies will be more open, more accountable and be repaired to report publicly on their performance in social and environmental arenas. Increased public expectations of business - globally companies are expected to do more than merely provide jobs and contribute to the economy through taxes and employment.

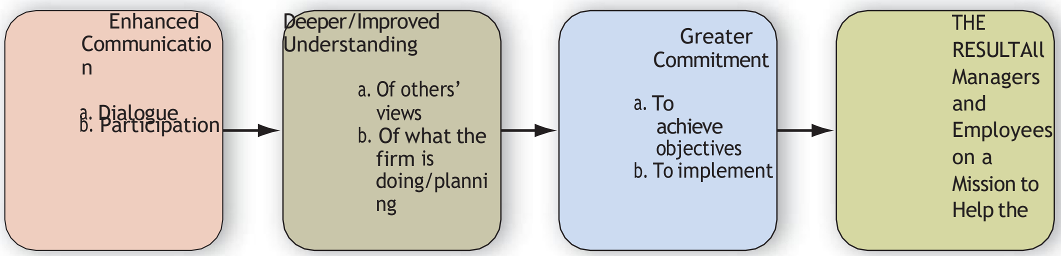
Corporate social responsibility is represented by the contributions undertaken by companies to society through its core business activities, its social investment and philanthropy programmes and its engagement in public policy. In recent years CSR has become a fundamental business practice and has gained much attention from chief executives, chairmen, boards of directors and executive management teams of larger international companies.

They understand that a strong CSR program is an essential element in achieving good business practices and effective leadership. Companies have determined that their impact on the economic, social and environmental landscape directly affects their relationships with stakeholders, in particular investors, employees, customers, business partners, governments and communities. According to the results of a global survey in 2002 by Ernst & Young, 94 per cent of companies believe the development of a

Corporate Social Responsibility (CSR) strategy can deliver real business benefits, however only 11 per cent have made significant progress in implementing the strategy in their organization. Senior executives from 147 companies in a range of industry sectors across Europe, North America and Australasia were interviewed for the survey.




## Benefits to a Firm That Does Strategic Planning




## Why Some Firms Do No Strategic Planning

Some firms do not engage in strategic planning, and some firms do strategic planning but receive no support from managers and employees. Some reasons for poor or no strategic planning are as follows:

***Lack of knowledge or experience in strategic planning***—No training in strategic planning.

***Poor reward structures***—When an organization assumes success, it often fails to reward success. When failure occurs, then the firm may punish.

***Firefighting***—An organization can be so deeply embroiled in resolving crises and firefighting that it reserves no time for planning.

***Waste of time***—Some firms see planning as a waste of time because no marketable product is produced. Time spent on planning is an investment.

***Too expensive***—Some organizations see planning as too expensive in time and money.

***Laziness***—People may not want to put forth the effort needed to formulate a plan

- ***Content with success***—Particularly if a firm is successful, individuals may feel there is no need to plan because things are fine as they stand. But success today does not guarantee success tomorrow.
- ***Fear of failure***—By not taking action, there is little risk of failure unless a problem is urgent and pressing. Whenever something worthwhile is attempted, there is some risk of failure.
- ***Overconfidence***—As managers amass experience, they may rely less on formalized planning. Rarely, however, is this appropriate. Being overconfident or overestimating experience can bring demise. Forethought is rarely wasted and is often the mark of professionalism.
- ***Prior bad experience***—People may have had a previous bad

experience with planning, that is, cases in which plans have been long, cumbersome, impractical, or inflexible. Planning, like anything else, can be done badly.

- ***Self-interest***—When someone has achieved status, privilege, or self-esteem through effectively using an old system, he or she often sees a new plan as a threat.
- ***Fear of the unknown***—People may be uncertain of their abilities to learn new skills, of their aptitude with new systems, or of their ability to take on new roles.
- ***Honest difference of opinion***—People may sincerely believe the plan is wrong. They may view the situation from a different viewpoint, or they may have aspirations for themselves or the organization that are different from the plan. Different people in different jobs have different perceptions of a situation.
- ***Suspicion***—Employees may not trust management.

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