Corporate Governance: System of Rules, Practices, and Processes to Direct and Control the Business

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Abstract
The combination of laws, rules and processes by which a business can be controlled, operated and regulated is known as corporate governance. The term of corporate governance including the external and internal factors that affects the stakeholder of company’s partners. For corporate governance for creating the framework the board of directors is responsible and they ensure that the align business is conduct with the already set targets.

Keywords- laws; rules; processes; corporate governance.

INTRODUCTION
Corporate governance is the arrangement of processes, rules, and practices by which a firm is controlled and directed. Corporate governance basically includes adjusting the interests of an organization's numerous partners, for example, investors, senior the board administrators, clients, providers, agents, the legislature, and the network. Since corporate governance likewise gives the system to achieving an organization’s goals, it includes for all intents and purposes each circle of the executives, from activity plans and inward controls to execution estimation and corporate divulgence.

Figure 1: Corporate governance

Explicit forms that can be sketched out in corporate governance incorporate activity plans, execution estimation, divulgence rehearses, official remuneration choices, profit approaches, techniques for accommodating irreconcilable situations and express or understood agreements between the organization and partners.

A case of good corporate governance is a well-characterized and upheld structure that works to assist everybody worried by guaranteeing that the undertaking clings to acknowledged moral models, best practices and formal laws. Then again, terrible corporate governance is viewed as inadequately organized, questionable and rebellious, which could harm the financial health or image of a business

PRINCIPLES OF CORPORATE GOVERNANCE
While corporate governance structure may vary, most organizations incorporate the following key elements:

a. The top managerial staff must keep up a pledge to guarantee responsibility, decency, decent variety and straightforwardness inside corporate governance. Board members should likewise have the satisfactory aptitudes important to survey the executives rehearses.

b. All investors ought to be dealt with similarly and reasonably. Some portion of this is ensuring investors know about their privileges and how to practice them.

c. All corporate governance approaches and methods ought to be straightforward or uncovered to significant partners.

d. Organizations ought to characterize a set of principles for board individuals and administrators, possibly selecting new people on the off chance that they fulfill that guideline.

e. Legal, legally binding and social commitments to non-investor partners must be maintained. This incorporates continually
conveying relevant data to representatives, financial specialists, sellers and individuals from the network.

For the practice of the best corporate governance five golden rules are as follows:

a. An Organisation: To effect the better corporate governance an organization is suitably structured suitably
b. Business Ethics: To the business a clearly ethical basis
c. System of Reporting: To provide accountability and transparency structured reporting system
d. Strategic Management of Strategy: For incorporates value of stakeholder maintain an effective strategy process
e. Business Goals align: Through the building of an appropriate model of stakeholder decision making appropriate goals should be set

**BOARD OF DIRECTORS AND CORPORATE GOVERNANCE**

The board of directors is the essential direct partner affecting corporate administration. Executives are chosen by investors or named by other board individuals, and they speak to investors of the organization. The board is entrusted with settling on significant choices, for example, corporate official arrangements, official remuneration, and profit approach. In certain occasions, board commitments stretch past monetary improvement, as when investor goals require certain social or natural worries to be organized.

Boards are regularly made of inside and autonomous individuals. Insiders are significant investors, authors and officials. Free executives don't share the ties of the insiders, however they are picked in view of their experience overseeing or coordinating other huge organizations. Independents are viewed as accommodating for administration since they weaken the centralization of intensity and help adjust investor enthusiasm with those of the insiders

**RULES OF CORPORATE GOVERNANCE**

Fruitful effective management and integration of manageability at an organization requires having submitted initiative, clear course and key impact — and none of this will occur without a powerful administration structure. Maintainability administration enables an organization to actualize supportability procedure over the business, oversee objective setting and revealing procedures, reinforce relations with outer partners and guarantee in general responsibility.
Here are four contemplations to remember when building effective governance structures:

a. Flexibility to adjust and develop on the manageability program crosswise over specialty units and districts can propel the manageability motivation. Taking into consideration some adjustment can help guarantee the manageability program’s significance to a specialty unit’s own techniques or area’s nearby conditions. It additionally can produce worker commitment.

b. Alignment between the structure and the business is basic. Manageability administration structures that line up with and supplement the current plan of action and hierarchical structures can be more fruitful than making excess or contending structures.

c. Accountability must be set up and conveyed plainly. Responsibility guarantees that supportability is coordinated with different business objectives. Counting supportability execution into the organization’s yearly objectives and worker execution survey and remuneration procedures might be useful systems.

d. Commitment starts at the top. Answering to the CEO or other key C-suite authority can help exhibit that an organization is not kidding about supportability.

**REGULATION OF CORPORATE GOVERNANCE**

Corporate governance has gotten expanded consideration in view of prominent outrages including maltreatment of corporate control or asserted crime by corporate officials. Along these lines, laws and guidelines have been passed to address the parts of corporate administration.

a. Basel II: This is a business standard that limits the monetary impact of hazardous operational choices. The privileges of investors are secured under this standard, hence influencing corporate administration.

b. Gramm-Leach-Bliley Act: his demonstration managed the manners in which that money related establishments dealt with privatization data, making it essential for corporate administration to incorporate how to administer monetary associations and partners.

c. Sarbanes-Oxley Act: This demonstration was passed after it was discovered that prominent organizations and their administrators were submitting misrepresentation. Therefore, accentuation was put on corporate administration as an approach to reestablish confidence openly organizations.

**PRACTICES OF CORPORATE GOVERNANCE**

In light of these contemplations, here are instances of best practices in shaping manageability governance structures.

**External advisory councils**

While external advisory councils may not be a piece of the administration structure, they can fill in as an important instrument to propel the organization’s plan and get outside point of view on an assortment of ESG issues. Dow Chemical, for instance, has a Sustainability External Advisory Council made out of worldwide idea assortment of ESG issues. Dow Chemical, for instance, has a Sustainability External Advisory Council made out of worldwide idea assortment of ESG issues. Dow Chemical, for instance, has a Sustainability External Advisory Council made out of worldwide idea assortment of ESG issues.

**committee of cross-functional executive sustainability**

Underneath the board level, having a cross-functional executive committee that draws in authority crosswise over specialty units, areas and capacities gives further oversight and vital direction. It additionally assembles representatives to actualize procedures. The capacities included can shift, yet may incorporate hazard the board, production network, activities and offices, showcasing, open issues and correspondences, HR, ecological wellbeing and security, and financial specialist relations. For instance, Bank of America has a Global Environmental, Social, and Governance Committee drove by the bad habit executive and made out of senior pioneers over the organization.

**Supporting structures of Sustainability**

Working gatherings or boards of trustees, which may have a specked line announcing relationship to the head of sustainability, can help coordination of procedure and objectives by supporting and in any event, substituting supportability groups. People in these help structures might be the “proprietors” of need manageability subjects and are liable for actualizing procedures, following execution, and connecting with representatives. Agents may originate from land and offices, interchanges, HR, hazard the executives, inventory network and different gatherings. IBM, as one model, has a Corporate Responsibility Working Group that meets month to month.

**committee of formal board**

Sustainability oversight by the top managerial staff progressively is incorporated over a few proper board councils yet in addition can be practiced through a devoted advisory group. Board panels can be a significant vehicle for teaching the board on maintainability issues and showing corporate promise to supportability at the most elevated levels. Organizations that have sheets that survey and screen different parts of their CSR programs incorporate American Express, which has a devoted Public Responsibility Committee, and Shell, which has a Corporate and Social Responsibility Committee.

**Teams of Sustainability**

Having a center group can help organize day by day exercises and actualize companywide activities. While a committed group is normal, yet rather coordinated and drew in with specialty units and capacities. NIKE Inc. (PDF download), for instance, has a reasonable business and development group that assumes a key job in incorporating supportability over the organization’s worth chain, from advancement to retail.

**Sustainability Head**

Having a devoted “head” is important to guarantee there is center around driving sustainability system and propelling the organization’s program — it likewise can flag the organization’s responsibility. Most top worldwide organizations with which BSR works have devoted sustainability pioneers with fluctuating levels and titles, for example, boss sustainability official. These individuals can be the inward and outside “face” for sustainability for the organization.

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**Governance Structure/Processes**

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Table 1: Process or structure of governance
STEPS TO IMPROVE CORPORATE GOVERNANCE

Organizations need to improve corporate governance. Without powerful administration, organizations will endure budgetary, lawful and reputational hurt. From the risk viewpoint, there is no more serious hazard to an organization than poor governance. Some steps to improve the governance are as follows:

1. Diversity increment

Corporate boards experience the ill effects of a genuine absence of assorted variety. In 2008, the board structure of Fortune 100 organizations was roughly 71 percent white men and 29 percent ladies and minorities, which make up just 16 percent of the chiefs of the Fortune 500 organizations. This absence of assorted variety has been inescapable despite the fact that there are numerous examinations which show that decent variety in the meeting room improves organization execution.

2. Competent Board Members Appointment

The Nominating Committee ought to give sufficient time to distinguish lead up individuals who have the right stuff and industry information to help the load up. That doesn’t imply that there is just one sort of board part who might qualify. There ought to be a balance between those board individuals who know the association, those board individuals who have a supportive mastery and those that offer a crisp point of view. What is significant for a board is that it has a decent comprehension of what aptitudes it has and those abilities it requires. A board up-and-comer ought to likewise be assessed on their relational aptitudes since board cooperation and connections will be imperative to generally speaking board execution.

3. Timely Information Assurance

Timely information brings about better basic leadership. Senior the board needs to give convenient data to guarantee appropriate board supervision and heading. Board individuals; notwithstanding, ought not be overpowered with data. There is an equalization which should be accomplished between vital data and insignificant data. Cooperation between ranking directors and the board are basic to assuring that sufficient data is given to the board. In the event that a board part demands data, ranking directors must react quickly to the solicitation.

4. Risk Management Prioritize

Each board ought to build up a viable framework for risk oversight and the executives “risk isn’t limited to consistence dangers. It is a more extensive term which consolidates the entirety of the dangers to the organization – for example money related dangers, an unnatural weather change, digital security, and different dangers outside the consistence with law and strategy necessities. Successful chance the board prompts better basic leadership and exact money saving advantage or risk-reward choices.

5. Board Performance Evaluation

Boards must be eager to look at their very own qualities and shortcomings. All the time, the load up should lead a self-assessment process, including the presentation of individual executives. The assessment procedure ought to be utilized to recognize shortcoming in board execution, and receive changes expected to improve board execution. The assessment ought to be expansive, cut over all issues and work force and incorporate senior administration collaborations with board individuals.

CONCLUSION

The combination of laws, rules and processes by which a business can be controlled, operated and regulated is known as corporate governance. Corporate governance is the arrangement of processes, rules, and practices by which a firm is controlled and directed. Corporate governance basically includes adjusting the interests of an organization’s numerous partners. Explicit forms that can be sketched out in corporate governance incorporate activity plans, execution estimation, divulgences rehearses official remuneration choices, profit approaches, techniques for accommodating irrecusable situations and express or understood agreements between the organization and partners.

REFERENCES


