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HR function in facilitating Corporate Governance

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Abstract

Corporate governance is concerned with set of principles, ethics, values, morals, rules regulations, & procedures etc. Corporate governance establishes a system whereby directors are entrusted with duties and responsibilities in relation to the direction of the company's affairs.

The term "governance" means control i.e. controlling a company, an organization etc. or a company & corporate governance is governing or controlling the corporate bodies i.e. ethics, values, principles, morals. For corporate governance to be good the manager needs to meet its responsibilities towards its owners (shareholders), creditors, employees, customers, government and the society at large. Corporate governance helps in establishing a system where a director is showered with duties and responsibilities of the affairs of the company. For effective corporate governance, its policies need to be such that the directors of the company should not abuse their power and instead should understand their duties and responsibilities towards the company and should act in the best interests of the company in the broadest sense.

The concept of 'corporate governance' is not an end; it's just a beginning towards growth of company for long term prosperity.

Excerpts from speech by the Hon'ble Prime Minister of India, Sh. Narendra Modi on 15.08.2014:

Quote -"Good governance is the modern mantra of development agencies. It has become a fashionable word in development circles, among activists, international funding agencies like World Bank, UN agencies and even in press and media. The fact that in party meetings we discuss about good governance really shows that it has come of age. It should no longer remain a buzz word, an inevitable phrase to be included in the funding proposals, but a political reality. In the literature on good governance we see mainly discourses which try to portray as if good governance is apolitical. But good governance cannot be apolitical. It cannot be achieved without political parties realizing the need for good governance and make it part of their manifesto. Hence I have to congratulate the organizers for recognizing this fact.

Is good governance new to us? '*Suraj'* (Good Governance) or 'Sushashan' (good administration) is not new to us as we Indians have been hearing the concept of 'Ram Rajya' since our childhood days. Barthwal says that the concept of Ram Rajya and the advice given by Lord Krishan to Arjuna in Gita is only about good governance. In fact as he rightly points out some of these are embedded in our Constitution itself. Hence the question here is not about what good governance is but how to achieve it? What are the challenges and issues? However, *Suraj* has come to mean different things to different people; and we need to focus and understand it right so that unless we see its significance it is difficult either to fix peopleoriented goals or bring in about a change for the betterment of our people. It is the poor who are badly hit.

The Good Governance is the ability to differentiate between right and wrong, just and unjust, fair and foul and moral and immoral. Kautilya in his *Arthashastra* says that in order to ensure this the person who governs should understand that his happiness lies in the happiness of his subjects, his welfare in their welfare. He adds, he will not consider whatever pleases him as good, but will consider what is good for their subjects as good. But this in itself does not make it democratic governance. But in the context of democratic good governance, people are no longer subjects but are participants. This explains the concept of Governance which includes all the stakeholders: legislature, judiciary, executive, private sector, civil society and the citizens. Governance transcends files and procedures of a government.

Good governance is very difficult to define. For some it is securing justice, empowerment, employment and efficient delivery of services. Some even define good governance as the relation between market, state and civil society. You can talk about several key components of the same like rule of law, accountability, transparency, equity, respect for human rights and dignity. According to ADB the four key components of good governance are: Accountability, Transparency, Predictability and Participation. According to World Bank good governance means public sector management, accountability, legal framework, and information and transparency as the key components of good governance. According to Department of International Development good governance is centered upon three main concepts: 1. State Capability 2. Accountability and 3. Responsiveness.

Key Components

All those who talk about good governance broadly agree on the following as the key components of good governance:

1. *Accountability both political and bureaucratic*
2. *Participation of various stakeholders in the decision-making process*
3. *Rule of law*
4. *Transparency and freedom of information*
5. *Responsive*
6. *Equitable and inclusive*
7. *Effective and efficient administration*
8. *Robust grievance redress mechanisms*

Good governance is the cause as well as effect of these contributing factors. Sometimes when I read about the discussion on good governance it appears like the chicken and egg story. Which comes first? Does good governance creates all the above, or all the above create good governance. The question is if there is no good governance, then how to bring about it? This is the main point of difference between political parties and international funding agencies and NGO's. IFAs and NGO's think that it can be brought about mainly through the civil society, and NGO's. But though the role of civil society is critical, can it be achieved without political processes and political will? Can it be sustainable without political parties recognizing the need for good governance? Even through projects, external funding and aid such good governance is achieved will it be sustainable and permanent? Hence this discussion becomes very important.

The concept of good governance is usually associated with the task of running a government or tackling the day-to-day business of government by its executive branch. But here we are discussing "Suraj Sankalp" and to understand the broader meaning of the term. 'Suraj' which obviously means which is done to secure the welfare of all and involves interaction of all branches of government with that of civil society in a manner that is just and without discrimination. It is the proper use of political power for the larger good of society which impacts on public life leading to genuine social upliftment.

Ability to rule in a fair and judicious manner depends on certain qualities that cannot be compromised for the public good and this as a concept has been misunderstood. We therefore need to understand, perceive and differentiate between what we are led to believe is good governance and what exactly that the good governance exemplifies. Let there be no doubt that we must first understand good governance before we can think of meeting challenges of tomorrow successfully. If we are really concerned with the future generation, for their sake let us bring about a change through Good Governance.

Improving human resources, education, security, and standard of life are some of the things which can help good governance. My own philosophy of Panchamurt is the basis of good governance. We focus on Gyan Shakti, Raksha Shakti, and Janshakti which can help good governance. The school enrolment program or the Kanya Kelvani drives etc aim at empowering people, particularly women. I mention them as these are unique initiatives of Government of Gujarat. "- Unquote

1. HISTORY & NEED OF CORPORATE GOVERNANCE

Corporate governance concept emerged in India after the second half of 1996 due to economic liberalization and deregulation of industry and business. With the changing times, there was also need for greater accountability of companies to their shareholders and customers. The report of Cadbury Committee on the financial aspects of corporate Governance in the U.K. has given rise to the debate of Corporate Governance in India.

Need for corporate governance arises due to separation of management from the ownership. For a firm success, it needs to concentrate on both economical and social aspect. It needs to be fair with producers, shareholders, customers etc. It has various responsibilities towards employees, customers, communities and at last towards governance and it needs to serve its responsibilities at the best at all aspects.

The "corporate governance concept" dwells in India from the Arthshastra time instead of CEO at that time there were kings and subjects. Today, corporate and shareholders replace them but the principles still remain same, unchanged i.e. good governance.

20th century witnessed the glossy of Indian Economy due to liberalization, globalization, and privatization. Indian economy for the 1st time here was together with world economy for product, capital and lab our market and which resulted into world of capitalization, corporate culture, business ethics which was found important for the existence of corporation in the world market place.

DIFFERENT DEFINITIONS OF CORPORATE GOVERNACE

1. Cadbury Committee[1] (U.K.), 1992 has defined corporate governance as such : "Corporate governance is the system by which companies are directed and controlled. It encompasses the entire mechanics of the functioning of a company and attempts to put in place a system of checks and balances between the shareholders, directors, employees, auditor and the management."

2. "Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides this; it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance." [2]

3. Definition of corporate governance by the Institute of Company Secretaries of India is as under :

"Corporate Governance is the application of best Management practices, Compliance of law in true letter and spirit and adherence to ethical standards for Effective Management and distribution of wealth and discharge of social Responsibility for sustainable development of all stakeholders". [3]

Table 1: Theories on government per historical period

Approach	Period	Specifications
Classics	1870-1920	- Limited interference of government (defense, security, legislation, public affairs) - Private sector as the main axle of economic activities - Government can only establish institutions within its limited scope of activities
Keynesians	1920-1970	- Government is not only a producer of public goods, but also is an economic actor - Government's interference in economic affairs through financial and monetary policies is necessary

Bureaucracy	1900-1970	- Using bureaucratic principles improves organization's efficiency. - Huge governmental organizations are only useful and justifiable when they follow bureaucratic principles
Marxism	1915-1990 In some countries	- No private ownership - Fully planned governmental economy - Necessity of voluminous governmental organizations for fulfilling governmental duties
Neoclassicism	Beginning of 1970s up to now	- In addition to classical duties, government has other duties related to interfere in and supervision on market mechanism - Free competition maximizes economic welfare in the society - Governmental organizations should be kept as small as possible
Institutionalism	Second half of 20th Century	- Government has fundamental role in producing public goods - Government's interference in society's affairs is necessary to achieve social balance - The necessity of governmental organizations for supervision on economic performance of other sectors
Modern Governmental Management	1980 up to now	- Use of professional management - Performance-oriented management - Emphasis on results - Use of ordinary management techniques in private and government sector
Good Governance	1990 up to now	- Government, private and civil sectors are main institutions in exercising authority. Sustainable development depends on strengthening and effective interactions of these institutions. - Finding suitable mechanisms for engaging civil society in making decisions and managing affairs. - Limiting government duties to control, supervision and adjustment.

What the HR function can do to facilitate good governance.

If there was such a job called whistleblower, no one would apply because being a whistleblower is an awfully difficult thing. Unfortunately, though, this job has needed to be self-created when people have chosen to stand up to shocking activities. In 2002, Time magazine portrayed three salaried employees on its cover, employees who had withstood corporate and peer pressures and who had dared to challenge the ways in which their organisations were run.

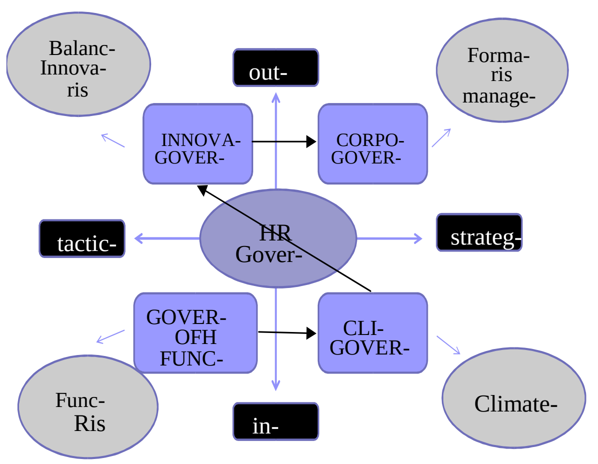
Yet, despite their efforts, these organisations malfunctioned or imploded because there were no systems in place to either prevent or to act the fraud or deceit quickly enough. Lives were lost, careers were ruined and the fabric of the rule of law that is necessary for a fair and free market was deeply torn. Sadly, we have still not learnt our lessons. Seven years later, numerous events — global and in India — have thrown the spotlight back on the need for far more robust corporate governance processes and capabilities than we currently have.

The current governance debate is focusing not only on the changes and enhancements that need to be made, but also on the different players who need to have a role in either driving or monitoring governance. Within a company, focus is required from all functions; and we would like to explore here is what the HR function can do to facilitate good governance.

We suggest three main areas of focus for HR :

1. First, HR specialists can set and implement a framework for executive pay.
2. Second, they can drive performance evaluation beyond the corporation and into the board room.
3. Third, they can ensure that there are good systems for succession planning.

Figure 2. HR, Governance and Risk
(adapted from Paauwe, 2008)



This model highlights a potentially causal relationship between innovations in the governance of the HR function itself - how it is structured and how receptive it is to new knowledge - and the governance of organizational climate, which refer to the mechanisms for giving employees greater voice in decision-making and in encouraging them to collaborate and share knowledge. Both of these internal HR and people management governance functions have important consequences for externally-oriented innovation and corporate governance.

The Board's Role in HR

As the governing body of a nonprofit, a board of directors provides oversight to ensure that the organization meets its mission and is operated effectively and in the best interests of the stakeholders: members, clients, funders, employees, and the community at large.

The board has overall responsibility for strategic planning, finances, organizational operations, community relations and human resources. This section of the HR Toolkit focuses on the board's responsibilities for HR.

Governance and board structure

As the oversight body of a nonprofit organization, the board of directors is ultimately responsible for an organization's HR management activities. However, the level of involvement in HR management practices will depend in part on how long the organization has been in existence and the governance structure (model) used. In most established organizations, the board is charged with hiring and managing the performance of an executive director to which the responsibilities for operational HR management are typically delegated.

The Institute on Governance identifies three distinct roles in an organization:

- Governance - The interface with stakeholders, the source of strategic decisions that shape the organization and its work, and the ultimate accountability for the work and actions of the organization.
- Management - The link between governance and work. The organization of tasks, people, relationships and technology to get the job done.
- Work - Performing the tasks required to fulfill the mission.

Newly established organizations often have a **working** or **administrative board** where board members are directly involved in the day-to-day operations of the organization. These organizations often have no staff or they may hire a small number of staff to do work however the board volunteers take on the management role and some of the work as well.
As organizations grow, the board will eventually hire a person (executive director, administrator or coordinator) to manage the day-to-day operations of the organization. Even with a manager in place, the board of directors is usually still involved in some aspects of management which is reflected in a **mixed board structure**.
Mature organization usually develop a governance structure where the board of directors provides oversight on human resources management issues and only has direct involvement in the human resources management activities required to hire, supervise, and evaluate the executive director. Usually, one of two models of governance is adopted by mature organizations: **Traditional Policy Board** or a **Policy Governance Board** (Carver model).

Advantages
• Directors with expertise in HR management provide hands-on management of human resources
Disadvantages
Consensus driven decision making can be time consuming and conflict ridden Heavily dependent on board members to volunteer for additional responsibilities Limited ability to respond quickly to employment issues

Mixed board

Board is less involved in management but remains involved in the work of the organization.

Advantages

- Board committees can be established to work on areas such as HR management

Advantages

- Committees made up of board members and senior staff may be established to develop HR policies and practices
- The roles and responsibilities of the board and executive director for HR management are clear

Disadvantages

Quick changes in HR management practices are difficult to make if approvals are required at the committee level

Policy governance board (Carver)

Board develops policy to set the ends to be achieved by the organization, the means to achieve those ends and the limits on the executive director for HR management; board as a whole directs the executive director; the board needs to establish a thorough reporting structure so that it can fulfill its oversight function for HR management.

Advantages

- Responsibility for HR is delegated to the executive director within the limits set by the board
- Executive director develops and implements all HR policies and practices

Disadvantages

Role and responsibilities for HR management

In a mature organization, there are three participants in HR management: the board, executive director and line managers who directly supervise the work of other staff.

N.B: The level of autonomy of a line manager for HR activities will depend in part on the size of the organization. Also, in larger organizations which have a dedicated HR management position, some of the roles assigned to the ED and the line manager will be the responsibility of the HR manager.

An organization with good governance practices clearly establishes the division of authority and accountability among the board, executive director and line managers. The role of the board is governance and the role of the executive director is management. Sometimes the roles can get blurred. In clarifying whose job it is, the board and the executive director must always keep in mind the board's legal responsibilities and liabilities as the employer.

HR governance:

The word governance has several definitions and meanings; however, in its simplest terms, it is the practices and processes that are put in place to help organizations achieve their goals ethically and in the best interest of all stakeholders.

Human resources governance in the nonprofit sector focuses on managing power and resources for the benefit of all stakeholders. This includes management, employees, the clients, and the larger community that the organization serves.

The framework for HR governance often includes, but is not limited to, the process and practice introduced by an organization in determining the roles, authority, responsibilities, decision-making, and ultimately the accountability of all employees and management for the benefit of its stakeholders.

Despite the seeming complexity of HR governance, management in the nonprofit sector can simplify the process by introducing four basic pillars as their governance framework: developing human resources policies, implementing and adhering to the policies, reviewing and updating polices, and making sure that human resources expertise is represented as part of the skill set of the board of directors.

olicy

As a starting point, it's important to have a set of human resources polices that are documented and approved by both senior management and the board of directors. These polices should comply with the human rights code, employment standards, workplace and occupational health and safety and all relevant legislations applicable to the sector, and the provinces in which the organization operates.

Most nonprofits set out their human resources management policies in the form of an employee handbook that is available either in print or online. Regardless of the format, policies filed away and forgotten in desk drawers' filing cabinets or on computer drivers and USB keys are just as ineffective as having no policies at all.

Once the policies are developed, they should be followed by ongoing audit and updates relevant to changes both in the internal and external environment. Policies must be read and understood by both new and existing employees. They must also be accessible by all employees within the organization. This means that the language, content and format of policies need to be developed with respect for the diversity of the employee population.

It is also imperative that written acknowledgement is received from all employees confirming that they have read and understood the policies of the organization. This should be done for new hires and each and every time there is a change to a policy as a result of HR audits, legislative changes or organization change, as this further strengthens the governance framework for human resources.

Practice

In their initial stages, nonprofits tend to focus on first fulfilling the mission of their organization, such as their clients and stakeholders needs. As a result, the employees or others involved in getting a nonprofit up and running (for example, board members) are often professional experts in a given area, such as social service work. This focus on the fundamentals without dedicated consideration for human resources management sometimes leads to unintended consequences such as contravening employment legislations or developing practices that are not aligned to the policies that may have been developed for the organization.

Organizations should of course continue to focus on fulfilling their missions. However, it is important to allocate some resources to gaining human resources expertise and education, to more effectively manage and govern people resources and to reduce and avoid potential risks.

The importance and benefit of practicing good HR governance often is realized only after an issue such as harassment, wrongful dismissal, inappropriate budget allocation, or voluntary attrition has incurred a cost to the organization. All of these unintended consequences direct resources away from the overall objective and goals of nonprofits, and serve to undermine the management of the organization.

The old adage "practice what you preach" is very important in the framework of HR governance. If your practice is not aligned with your policy and there is an issue, judgment will be based not on your policy, but rather on what has been practiced in the organization over time. Policy on paper becomes totally irrelevant if your standard of practice is well below accepted norms or legislative requirements.

Periodic review/audit

The third pillar is to implement a regular review or an audit of both practice and policy. Periodic review of policy is built into the culture of the organization to ensure that both policy and practice continue to be aligned to the organization's vision, mission, goals and objectives. In addition to periodic audits, policies and practices need to be updated to reflect all changes to legislation as well as innovative human resources practice that will help to govern the organization to further serve the interest of all stakeholders.

Management staff accountable for human resources should be conducting a regular "environmental scan" to keep abreast of both external and internal factors that may impact human resources practice. The sector may use existing resources readily available in the sector, found in places such as the Charity Village resource centre, HR Council for the Nonprofit Sector, or workshops and seminars to inform the process. Forward thinking organizations and those with resources also hire human resources professionals to assist with both building the policies and conducting the auditing process. Those with limited resources, or those who have not yet started building the framework for HR governance, can enlist the services of volunteers or co-op students from local community colleges enrolled in post-graduate human resources diploma and certificate programs. These students are a great resource for assisting nonprofits with basic policy development and audits as part of a work-term requirement.

Professional expertise on boards

In order to develop an effective strategic plan, input is required from a variety of areas of expertise. As such, professional expertise represented on the board should be diverse, including members that represent the community and clientele that is being served by the organization, as well as from a variety of disciplines, including human resources. Human resources expertise can offer guidance to executive directors and management staff in clearly delineating the roles and accountability of managers, human resources staff, employees and the board and also in building the basic pillars required for an effective HR governance framework.

The four pillars of HR governance are essential for sustained growth and development of the nonprofit sector. They ethically support the achievement of the sector's goals and operate in the best interest of all stakeholders.

Our former President Late Dr. A P J Abdul Kalam said in an exclusive interview with Gulf News, Dubai: “Corruption is a cancer-like situation engulfing India’s political-bureaucratic-judicial system, requiring an urgent chemotherapy.” We have been talking about corporate governance. Year after year, we find new scams at the top level or the entire organisation is involved.

HR is one function, which touches each and every person in an organisation. The HR’s are the first to meet the new candidates and it is they who will be with employees at the time of separation. The impression what they create in the first meeting with employees has a major impact. They talk more loudly on vision and mission statements. All their talks, behaviour, actions are watched and assessed daily by all employees. Morale and motivation depends on the ethical practices and healthy working environment the organisation provides to employees. Time has come for the HR professionals to introspect whether their actions fall in line with the good value system which is free of corruption. Show the world that Human Resource professionals stand high for human values, to uphold the dignity and respect of people. HR professional bodies should start addressing the HR community more regularly and bring credibility to the profession.

Why HR Governance Matters
Marsha Sussman - Mercer Human Resource Consulting

MERCER

Historically HR leaders have not been challenged to think formally about functional governance issues. By "functional governance" we mean applying an approach to governance that focuses on performance (results) as well as conformance (compliance) to key support functions (HR, Finance, Technology).

Sarbanes Oxley has made all corporate and functional executives much more aware of their personal and legal accountabilities. In the few instances where HR governance has been made explicit, it is usually synonymous with compliance and does not address the central issue - improving leadership and management of a function that invests an average of 36 per cent of operating revenue in remuneration, retirement, training and other human capital programmes.

With over a third of company revenue at stake, it's time for CEOs to expand their focus from compliance-driven corporate governance to the far more productive and profitable issue of functional governance. In this article, we explore the potential performance enhancement opportunities achievable with improved HR Governance.

What is HR Governance?

As HR Governance is a relatively new organisational practice, there is not as yet a commonly acknowledged definition. Mercer defines HR Governance as the act of leading the HR function and managing related investments to:

- optimise performance of the organisation's human capital assets;
- define stakeholders and their expectations;
- fulfil fiduciary and financial responsibilities;
- mitigate enterprise HR risk;
- align the function's priorities with those of the business; and
- assist HR executive decision making.

It's important to note that while corporate governance is treated as a strategic objective to attain, HR governance is not. HR Governance is a ***systematic approach to management*** that enables the function to achieve strategic and operational objectives and performance outcomes.

The chart below illustrates the relationship between business, human capital and HR functional strategies that influence HR's operating model and inform its governance system.

Why does HR Governance matter?

HR Governance can have a measurable impact on your business by improving productivity and helping to drive organisational change.

Some of the benefits of establishing a workable HR governance structure are:

- clear reporting structures
- role clarity and value-adding HR activities and decisions at each level of the organisation
- logical decision making boundaries and controls
- integration and alignment with business priorities
- clarity around an organisation's tolerance of duplicative activities
- transparency of process and resultant employee trust/commitment
- demonstrable evidence of HR's value to the business.

The following case studies demonstrate "HR Governance in action" in different situations. The issue for every organisation is to have assurance that, given its own unique context, its governance processes will reduce operational and legal risk while enhancing its ability to deliver strong performance**.**

HR Governance in action

Striking the right balance in operating philosophy

A pharmaceutical company decided to consolidate its collection of independent operating units into a unified global supply chain. Previously each country had operated as an independent franchise, with marketing, HR and production based on local requirements. Under the new model, a drug could be developed in the US, start production in Ireland, finish production in Brazil and be sold in Germany.

In the past, the HR function in each country operated autonomously, delivering locally acceptable results but not taking advantage of existing capability in other parts of the world. For example, there were multiple executive development programmess around the organisation, each with unique entry, participation and advancement requirements.

The company could not estimate how much money it spent on major human capital investments such as training, so it could not say how much the duplication was costing, nor could it measure the relevance, effectiveness or alignment with business requirements of various HR programmes.

In line with the global rationalisation taking place in other functions, HR formed a governing council, composed of both the regional and corporate HR leaders, and set forth to identify opportunities to cut spending on duplicate schemes. At first the council defined global guiding principles, which sought to put standardised workforce practices in place across all geographies. Not only did this not cut costs - it increased them, as local HR functions staffed up to implement irrelevant programs.

The HR council realised that the way to eliminate duplication while aligning with the business was to focus exclusively on those workforce practices that were sources of global competitive advantage, such as succession planning, performance management and leadership development. The team developed guidelines to state explicitly who had control and decision-making authority for all of the major activities.

Once this plan was implemented, it increased consistency across the business, eliminated unnecessary duplication and maintained necessary local differences - leading to reduced costs, streamlined processes and local buy-in to the implementation plan. It also had one unintended benefit: it helped HR leverage its investment in a large HR information system, which had thus far been used exclusively to track heads and pay people.

By balancing global, regional and local objectives, the HR council was able to gain commitment to global philosophies and policies and empower the local function to operate more efficiently and effectively.

Reducing the risk of organisational change

At a rapidly growing company, administrative procedures were considered formalities; however, the CEO was finally forced to recognise the major financial and business risks posed by the lack of formal governance systems.

In the HR department, the HR Director was juggling a set of issues - particularly in the area of remuneration - that if left unattended could have resulted in unacceptable financial returns and possible intervention by regulators. The company's decision-making style was heavily consensus oriented, making it difficult for the Rewards Committee members (a sub-committee of the Board responsible for oversight of elements of employee remuneration) to take responsibility for their actions. The Reward Committee was asked to document its governance practices, so it developed a charter that specified procedures and guidelines required by regulators, but also was adaptable for a rapidly changing business.

Once the Rewards Committee members came to terms with their personal accountability and fiduciary roles, they set forth the responsibilities and accountabilities of their own group, the group to which they reported (both the Compensation Committee of the Board and the Board of Directors), and the functional groups they supervised/worked with.

While compliance was the primary driver for this governance activity, it was not the only concern. Any regulatory snags could have had short- and longer-term negative impact on the brand of the up-and-coming company. It was clear that the creation of effective governance systems could enhance the company's viability in the eyes of its customers, potential customers and shareholders - as well as reinforcing its commitment to its workforce.

So, documenting an explicit approach to plan management and control was much more than a risk-mitigation tool for this organisation. It was a powerful means of safeguarding the company's brand assets and building employee loyalty as it grew and changed.

Who's minding your HR Governance?

If you've managed to work your way through the corporate governance issues, it's time to turn your attention to functional governance. Catch your HR Director in the hallway and ask him or her any of the following questions to assess the strength of your company's approach to HR governance:

- What is the model for governance of the HR function?
- What are HR's areas of focus? How are activities in these areas being managed?
- How well do the function's philosophies on risk, autonomy, and delegation of authority align with the business? How do you know?
- Do you understand your fiduciary and financial accountabilities as a function?
- How is the performance of the function being monitored?

If the response is less comprehensive and performance-oriented than you hoped, it's time to get serious about HR governance. Imagine the HR risks that could be lurking in your business, or alternatively, think of the potential untapped opportunities to increase productivity and cut costs, which are lying there waiting to be discovered.

For many companies, there is now an opportunity (soon to become a necessity) to apply the powerful framework of governance to major functions.

Human Resource Development and the Role of Governance

Governance means the process of decision making and the process by which decisions are implemented or otherwise? The concept is not new and as old as human civilization. Since governance is the process of decision making and the process by which decisions are implemented, an analysis of governance focuses on the formal and informal actors involved in decision making and implementing the decisions made and the formal and informal structures that have been set in place to arrive at and implement the decisions.

Government plays a predominant role in governance both in rural and urban, beside other involved in governance depending upon the level, like in rural areas, influential landlord, associations of farmers, cooperatives, NGOs, religious leaders etc, while in urban areas, besides the actors as said for rural areas, media, international donors, multinational cooperation etc. may play a role in decision making or influencing the decision making process. Thus governance can be used in several contexts such as corporate governance, international governance, national governance and local governance.

IMPORTANT ISSUES IN CORPORATE GOVERNANCE

There are several important issues in corporate governance and they play a great role, all the issues are inter related, interdependent to deal with each other. Each issues connected with corporate governance have different priorities in each of the corporate bodies.

The issues are listed as below:

1. Value based corporate culture
2. Holistic view
3. Compliance with laws
4. Disclosure, transparency, & accountability
5. Corporate governance and human resource management
6. Innovation
7. Necessity of judicial reforms
8. Globalization helping Indian companies to become global giants based on good corporate governance.
9. Lessons from Corporate failure

CORPORATE GOVERNANCE IN INDIA PAST, PRESENT & FUTURE

Good corporate governance in the changing business environment has emerged as powerful tool of competitiveness and sustainability. It is very important at this point and it needs corporation for one and all i.e. from CEO of company to the ordinary staff for the maximization of the stakeholders' value and also for maximization of pleasure and minimization of pain for the long term business.

Global competitions in the market need best planning, management, innovative ideas, compliance with laws, good relation between directors, shareholders, employees and customers of companies, value based corporate governance in order to grow, prosper and compete in international markets by strengthen their strength overcoming their weaknesses and running them effectively and efficiently in an efficient and transparent manner by adopting the best practices.

Corporate India must commit itself as reliable, innovative and prompt service provider to their customers and should also become reliable business partners in order to prosper and to have all round growth.

Corporate Governance is nothing more than a set of ideas, innovation, creativity, thinking having certain ethics, values, principles etc which gives direction and shape to its people, employees and owners of companies and help them to flourish in global market.

Indian Corporate Bodies having adopted good corporate governance will reach themselves to a benchmark for rest of the world; it brings laurels as a way of appreciation. Corporate governance lays down ethics, values, and principles, management policies of a corporation which are inculcated and brought into practice. The importance of corporate governance lies in promoting and maintains integrity, transparency and accountability throughout the organization.

Corporate governance has existed since past but it was in different form. During Vedic times kings used to have their ministers and used to have ethics, values, principles and laws to run their state but today it is in the form corporate governance having same rules, laws, ethics, values, and morals etc which helps in running corporate bodies in the more effective ways so that they in the age of globalization become global giants.

Several Indian Companies like PepsiCo, Infuses, Tata, Wipro, TCS, and Reliance are some of the global giants which have their flag of success flying high in the sky due to good corporate governance.

Today, even law has a great role to play in successful and growing economy. Government and judiciary have enacted several laws and regulations like SEBI, FEMA, Cyber laws, Competition laws etc and have brought several amendments and repeal the laws in order that they don't act as barrier for these corporate bodies and developing India. Judiciary has also helped in great way by solving the corporate disputes in speedy way.

Corporate bodies have their aim, values, motto, ethics and principles etc which guide them to the ladder of success. Big and small organizations have their magazines annual reports which reflect their achievements, failure, their profit and loss, their current position in the market. A few companies have also shown awareness of environment protection, social responsibilities and the cause of upliftment and social development and they have deeply committed themselves to it. The big example of such a company can be of Deepak Fertilizers and Petrochemicals Corporation Limited which also bagged 2nd runner up award for the corporate social responsibility by business world in 2005.

Under the present scenario, stakeholders are given more importance as to shareholders, they even get chance to attend, vote at general meetings, make observations and comments on the performance of the company.

Corporate governance from the futuristic point of view has great role to play. The corporate bodies in their corporate have much futuristic approach. They have vision for their company, on which they work for the future success. They take risk and adopt innovative ideas, have futuristic goals, motto, and future objectives to achieve.

With increase in interdependence and free trade among countries and citizens across the globe, internationally accepted corporate governance standards are of paramount importance for Indian Companies seeking to distinguish themselves in global footprint. The companies should always keep improving, enhancing and upgrading themselves by bringing more reliable integrated product and service quality. They should be more transparent in their conduct.

Corporate governance should also have approach of holistic view, value based governance, should be committed towards corporate social upliftment and social responsibility and environment protection. It also involves creative, generative and positive things that add value to the various stakeholders that are served as customers. Be it finance, taxation, banking or legal framework each and every place requires good corporate governance.

CONCLUSION:

The concept of corporate governance hinges on total transparency, integrity and accountability of the management and the board of directors. The importance of Corporate Governance lies in its contribution both to business prosperity and to accountability.

In the age of globalization, global competition, good corporate governance helps as a great tool for corporate bodies. It existed from Vedic times as the Highest standards in ArthaShastra to today's set of ethics, principles, rules, regulations, values, morals, thinking, laws etc. as good corporate governance.

Corporate Governance is a means not an end, Corporate Excellence should be the end. Once, the good Corporate Governance will be achieved, the Indian Corporate Body will shine to outshine the whole world.

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