

# Chapter 3

## Corporate Governance: Introduction, Roles, Codes of Corporate Governance

**Marios Eugene Menexiadis**

*National and Kapodistrian University of Athens, Greece*

### **ABSTRACT**

*Corporate governance is the cornerstone for the organization, when it comes to effective internal control systems by modern organizations. Over the last 20 years, several business giants have collapsed under the weight of illegalities and frauds, such as Enron, WorldCom, Guinness, Maxwell Group, Barings Bank, etc. The impact of the failure of these organizations on the economies in which they were operating was particularly significant and had a negative impact on those directly or indirectly associated with them. The shareholders, as well as all stakeholders such as suppliers, customers, creditors, employees, and governments of the countries where the above organizations were active, were adversely affected. The failure of the organizations was attributed to the inadequacy of their boards and the lack of organized and effective control mechanisms by their management.*

### **CORPORATE GOVERNANCE**

#### **1.1 Introduction to Corporate Governance**

Corporate Governance is the cornerstone for the organization, when it comes to effective Internal Control systems by modern organizations. Over the last twenty years several business giants have collapsed under the weight of illegalities and frauds, such as Enron, WorldCom, Guinness, Maxwell Group, Barings Bank, etc. The impact of the failure of these organizations on the economies in which they were operating was particularly significant and had a negative impact on those directly or indirectly associated with them. The shareholders, as well as all stakeholders such as suppliers, customers, creditors, employees and governments of the countries where the above organizations were active, were adversely affected. The

DOI: 10.4018/978-1-7998-4805-9.ch003

## **Corporate Governance**

failure of the organizations was attributed to the inadequacy of their Boards and the lack of organized and effective control mechanisms by their management.

### **1.2 Importance of Corporate Governance**

Corporate Governance System means the framework of the statutory and non-statutory rules governing the governance of an organization. More simply, it is the system or the way with which organizations are guided and managed.

A key element of Corporate Governance is the way the organization is governed by the competent management teams and their impact on results. The most important reason for implementing effective Corporate Governance practices, is the necessity of subjecting specific interests that characterize individual stakeholder groups (eg executives, shareholders, Board of Directors, etc.) to the general interest of the organization and of its shareholders. Corporate Governance is mainly practiced by the Board of Directors of organizations, whose operations are restricted by those who have a direct or indirect interest in them.

It is important to separate those who are interested in the organization's progress within it and those outside it. The second category concerns stakeholders. Specifically within the organization the stakeholders is the management, which is responsible for the Corporate Governance process and its effectiveness, the shareholders associated with management, among other ways and through the financial statements, while outside the organization are employees, customers, creditors, banks, public bodies etc.

The day-to-day management of the organization is in the hands of the directors appointed by it and for whom it has delegated responsibilities. The results are submitted for approval to the shareholders at the General Meeting.

It is important to have structures in place, as well as procedures to ensure that those concerned with the organization are not offended by the actions or omissions of their managers. As it is the management of corporate affairs, so does the burden of implementing sound corporate governance rules. It is important to manage the organization in the best possible way for the benefit of the shareholders, but also for the benefit of employees and other interested parties.

### **1.3 The Shareholders' Role**

By definition, shareholders have the most significant interest in the decisions of the Board of Directors. The basic right of the shareholders is to participate in the General Assembly of the shareholders in order to receive information on the activities of the invested organizations and to ask any questions to their directors.

Shareholders exercise their rights at the Annual General Assembly of shareholders. Each share represents one vote and there should be no multiple voting shares. Organizations should ensure that the rights of minority shareholders are secured by using a representative, in case they are unable to attend.

The General Assembly of shareholders approves the preparation of the financial statements as well as the distribution of profits, following a proposal by the Board of Directors of the organization. Shareholders of the organization should be adequately and timely informed by management for issues that will be required to make decisions such as approval of statutes, share capital increases and issuance of new shares, major decisions such as mergers, acquisitions, approvals and revocation of members of the Board of Directors, etc.

15 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:

[www.igi-global.com/chapter/corporate-governance/269132](http://www.igi-global.com/chapter/corporate-governance/269132)

## Related Content

---

### Recommendation Systems

Houda El Bouhissi (2023). *Encyclopedia of Data Science and Machine Learning* (pp. 2839-2855).

[www.irma-international.org/chapter/recommendation-systems/317715](http://www.irma-international.org/chapter/recommendation-systems/317715)

### Shape-Based Features for Optimized Hand Gesture Recognition

Priyanka R., Prahanya Sriram, Jayasree L. N. and Angelin Gladston (2021). *International Journal of Artificial Intelligence and Machine Learning* (pp. 23-38).

[www.irma-international.org/article/shape-based-features-for-optimized-hand-gesture-recognition/266494](http://www.irma-international.org/article/shape-based-features-for-optimized-hand-gesture-recognition/266494)

### Performance Prediction and Optimization of Solar Water Heater via a Knowledge-Based Machine Learning Method

Hao Li and Zhijian Liu (2022). *Research Anthology on Machine Learning Techniques, Methods, and Applications* (pp. 714-733).

[www.irma-international.org/chapter/performance-prediction-and-optimization-of-solar-water-heater-via-a-knowledge-based-machine-learning-method/307480](http://www.irma-international.org/chapter/performance-prediction-and-optimization-of-solar-water-heater-via-a-knowledge-based-machine-learning-method/307480)

### Three-Layer Stacked Generalization Architecture With Simulated Annealing for Optimum Results in Data Mining

K. T. Sanvitha Kasthuriarachchi and Sidath R. Liyanage (2021). *International Journal of Artificial Intelligence and Machine Learning* (pp. 1-27).

[www.irma-international.org/article/three-layer-stacked-generalization-architecture-with-simulated-annealing-for-optimum-results-in-data-mining/279277](http://www.irma-international.org/article/three-layer-stacked-generalization-architecture-with-simulated-annealing-for-optimum-results-in-data-mining/279277)

### Face Detection and Recognition From Distance Based on Deep Learning

Hui Wang and Wei Qi Yan (2022). *Aiding Forensic Investigation Through Deep Learning and Machine Learning Frameworks* (pp. 1-17).

[www.irma-international.org/chapter/face-detection-and-recognition-from-distance-based-on-deep-learning/309779](http://www.irma-international.org/chapter/face-detection-and-recognition-from-distance-based-on-deep-learning/309779)