

Corporate Governance Structure

John Kling*

Department of Economic Studies, Walden University, USA

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Corporate Governance deals with the way the investors confirm they get a good return on their investment. In Corporate Governance, there's a transparent distinction between the role of the owners of a corporation (the shareholders) and therefore the managers (the executive board of directors) when it involves making effective strategic decisions.

In today's market-oriented economy and with the consequences of globalization, the importance of corporate governance is growing. This is often thanks to the very fact of governance being a crucial way of ensuring transparency that creates sure the interests of all shareholders (big or small) are safeguarded.

Corporate Governance Models

There are many models of corporate governance within the world and there's no universal most suitable option. The selection of the simplest model for a corporation depends on not only on its goals, motivations, mission and business context but also on their economic, legal, political and social frameworks. Nevertheless, there are two dominant governance models. Find them below.

The Anglo-American Model of Corporate Governance

According to Ooghe and De Langhe, in Anglo-American countries, shareholders hold few percentages of the entire number of shares that are publicly traded and most shares are within the hands of the agents of monetary institutions. Moreover, within the USA and therefore the UK, many companies are listed and their shares are publicly traded which suggests that there's little personal contact with their shareholders. Also, block holders (owners of huge blocks of companies' shares) within the USA are less common than in Europe meaning that the shareholders' voting power is smaller and thus it's not so relevant for companies to think about them.

Because of this greater specialise in the interests of independent persons and individual shareholders, this model is usually mentioned because the shareholders model. Hence, in countries where most companies follow this governance model, there's a better individual power to carry shares and make

investments within the capital markets. As a consequence, there's a better dispersion of capital and there isn't a structured shareholder map.

Corporate Governance & Sustainable Development

First of all, it's important to clarify what sustainable development is. And consistent with the Brundtland Commission report, sustainable development is "the one that satisfies the requirements of this without jeopardizing the power of future generations to satisfy their needs." so as to realize this long-term corporate sustainability goal, the sustainable development concept is made on top of three important "pillars" that has got to be fulfilled by companies: economic development, social equity, and environmental protection (check our complete sustainable development definition for more information).

Although companies are performing on developing the economic "pillar" that has got to do with production, sales, and profit, it hasn't always been like this for the environmental protection and social responsibility pillars that are nowadays getting inside the companies' agendas.

The environmental pillar has got to do with managing pollution, waste or energy consumption issues and thus re-optimizing value-chains. The social pillar has an external dimension meaning companies making up for the communities where their activities caused some quite damage or inconvenience. Inside the company's workplace, it also means taking excellent care of the workers with fair wages and benefits, ensuring diversity and inclusion and respecting basic human needs and ethics.

Despite the continued debate about the meaning and application of sustainable development during a business context, it's common to assume that if a corporation is in a position to satisfy these 3 pillars, then it's a socially responsible corporation.

It is usual for these sorts of organizations to voluntarily information concerning their triple bottom line (another expression for the three pillars mentioned above) not only to prove they are doing the talk but also to realize a competitive advantage. By its turn, this information that's provided is usually called sustainability reporting and it are often done using standard frameworks just like the Global Reporting Initiative (GRI) or TM, or just by following methods and impact indicators chosen by a corporation .

*Address for Correspondence: John Kling, Professor, Department of Economic Studies, Walden University, USA; Tel: + 17468958124, Email: johnkling@gmail.com

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