

Chapter 2

Aligning Corporate Governance With Employee Share Ownership for Value Creation

Pulle Thirupathi

 <https://orcid.org/0009-0001-1159-8322>

Sharda University, India

Vishal Jain

 <https://orcid.org/0000-0003-1126-7424>

Sharda University, India

ABSTRACT

Corporate governance, employee share ownership, and corporate social responsibility (CSR) are crucial for corporate success and enhancing shareholder value. Governance elements like management integrity, board structure, and audit quality significantly impact performance and reputation. Employee Share Ownership programs improve productivity, retention, and organizational culture. CSR initiatives address societal and environmental challenges, enhancing reputation and customer loyalty. This chapter explores the influence of governance, employee share ownership, and CSR on Indian publicly listed companies, highlighting their role in driving growth, financial performance, and transparency.

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1. INTRODUCTION

1.1 Definition of Corporate Governance (CG)

Corporate Governance are the mechanisms, processes, and relations in a corporation structuring, directing, controlling it to operate as an effective entity with managing interests among shareholders, management, staff, customers, suppliers, financiers, government, and community. Such a firm is said to operate appropriately if it is in tune with the stipulated rules, regulations, and ethical measures in its field of work and societal demands.

Corporate governance essentially is not about compliance but about making sure that companies are viable, competitive, and aligned to the broader responsibilities of society. It talks about how decisions should be taken, how performance should be measured, and how strategic goals should be set and pursued. Companies with the strongest corporate governance are best placed to attract investments, better manage risks, and build sustainable businesses. Proper governance keeps an organization's integrity and reputation in check, but it also improves the ability to deliver sustainable long-term value.

This chapter will explore the principles of corporate governance, the role of employee share ownership as a tool for alignment, and their integration for sustainable corporate success.

1.2 Role of Corporate Governance in Corporate Success and Sustainability

The role that Corporate Governance plays in steering corporate success and sustainability can never be underestimated. There is a foundation of sound governance that will surely deliver financial performance while assuring the organization meets the legal and ethical responsibilities required of it. It operates based on the principles of transparency, accountability, responsibility, and fairness and supports businesses in navigating through such complex webs of stakeholder relationships.

1.2.1 Ensuring Accountability

Accountability will be the bedrock of CG, so the management of a firm is answerable to the board of directors, and the board is responsible to the shareholders. An accountability mechanism decreases the possibilities of managerial self-interests by making decisions more inclined toward the greater good of the organization and the shareholders.

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