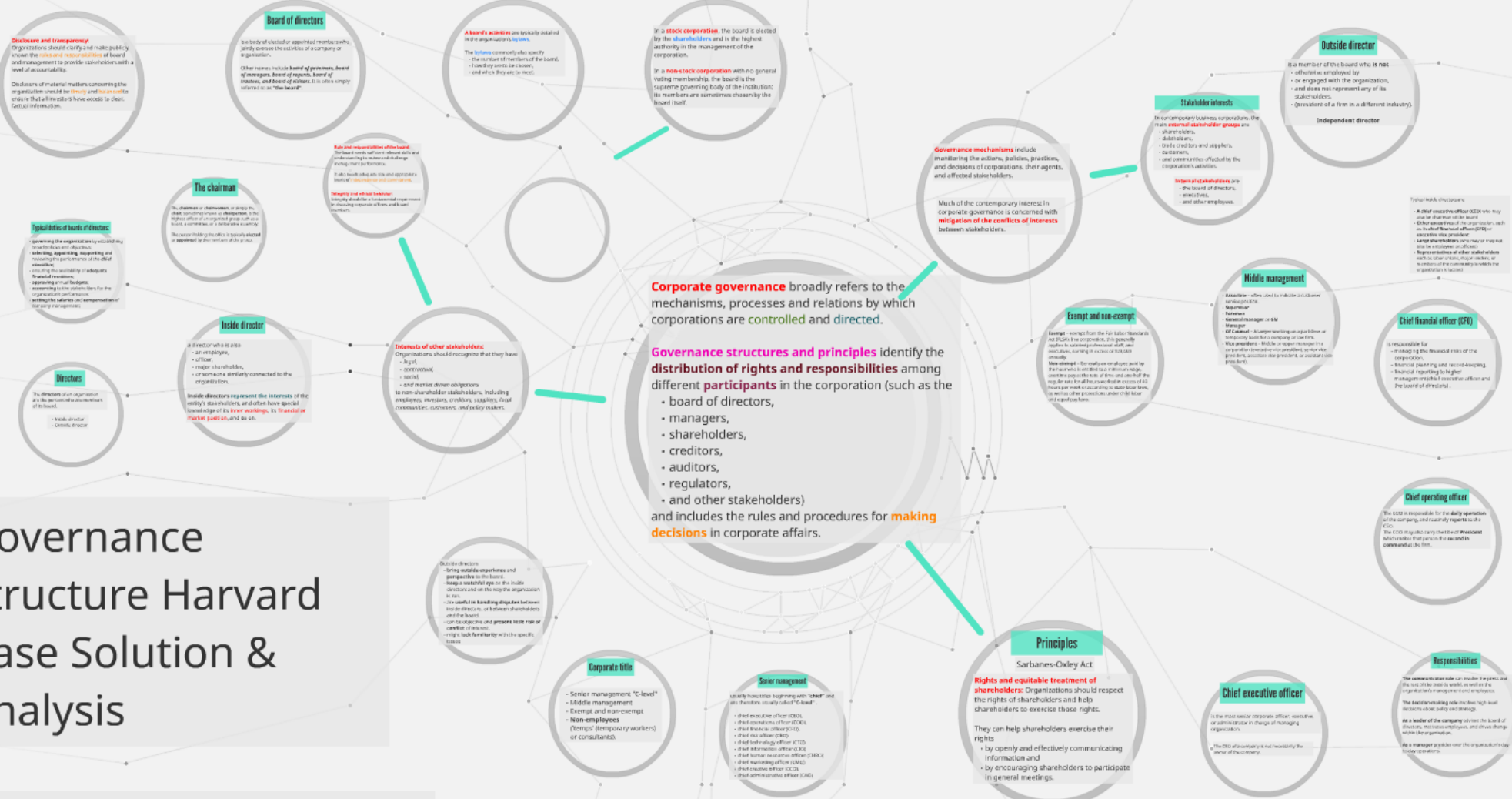


# Governance Structure Harvard Case Solution & Analysis

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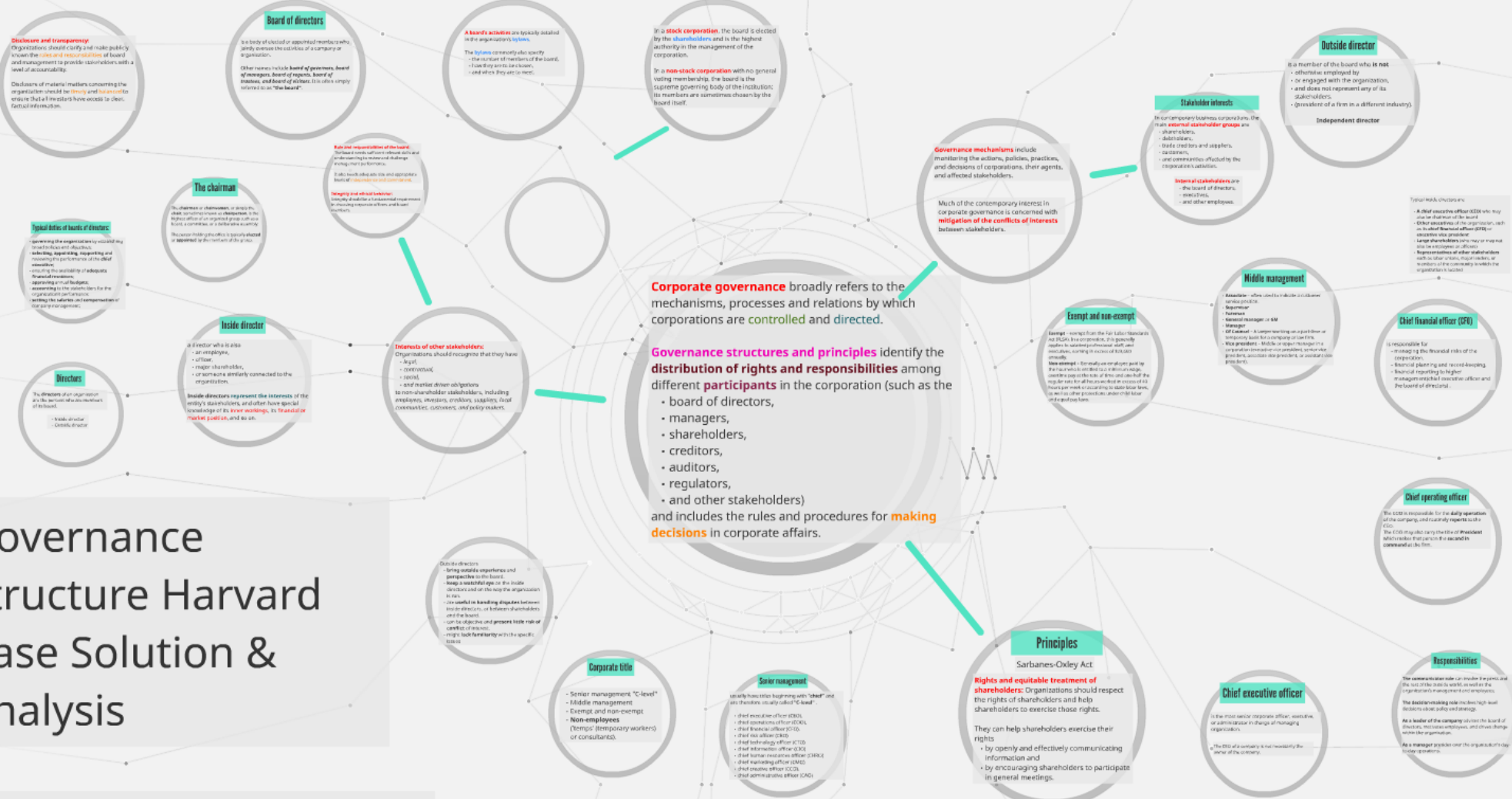
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**Governance mechanisms** include monitoring the actions, policies, practices, and decisions of corporations, their agents, and affected stakeholders.

Much of the contemporary interest in corporate governance is concerned with **mitigation of the conflicts of interests** between stakeholders.

# Stakeholder interests

In contemporary business corporations, the main **external stakeholder groups** are

- shareholders,
- debtholders,
- trade creditors and suppliers,
- customers,
- and communities affected by the corporation's activities.

**Internal stakeholders** are

- the board of directors,
- executives,
- and other employees.

# Principles

## Sarbanes-Oxley Act

**Rights and equitable treatment of shareholders:** Organizations should respect the rights of shareholders and help shareholders to exercise those rights.

They can help shareholders exercise their rights

- by openly and effectively communicating information and
- by encouraging shareholders to participate in general meetings.

## **Interests of other stakeholders:**

Organizations should recognize that they have

- *legal,*
- *contractual,*
- *social,*
- *and market driven obligations*

to non-shareholder stakeholders, including *employees, investors, creditors, suppliers, local communities, customers, and policy makers.*



## **Role and responsibilities of the board:**

The board needs sufficient relevant skills and understanding to review and challenge management performance.

It also needs adequate size and appropriate levels of **independence and commitment**.

## **Integrity and ethical behavior:**

Integrity should be a fundamental requirement in choosing corporate officers and board members.