Jus Corpus Law Journal

Open Access Law Journal – Copyright © 2022 – ISSN 2582-7820
Editor-in-Chief – Prof. (Dr.) Rhishikesh Dave; Publisher – Ayush Pandey

The Synergy of Globalization in Corporate Governance Regime

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Received 01 February 2022; *Accepted* 19 February 2022; *Published* 23 February 2022

Globalization is the key factor driving the corporate forces with their vision of expansion around the world. The concept of Globalization has affected and changed the dynamics of businesses, the economy, society, and the environment. The rapid changes in the market have evolved various self-regulatory and mandatory corporate governance codes. The few aspects of globalization and corporate governance are competition, transfer of knowledge and information, intellectual capitalization, market integration, transplanted regulations for prevention from any crisis. The corporates play a significant role in the globalized world and it is necessary to regulate the working structure of these corporates through corporate governance. The companies are now global citizens, and now shall adhere to the global as well as local rules and regulations, in order to maintain transparency and efficiency in their business.

Keywords: *corporate governance, globalization, institutional accountability, GDPR, UNCTAD.*

INTRODUCTION

Globalization integrates the world economies, technology, culture, and governance framework. Globalization has impacted society for its betterment. The working of the economies is interlinked, forming a nexus and creating a global economy. The corporates fulfill their responsibility through a self-regulatory corporate governance framework. Globalization is the transformation of the spatial organizations of its societal relations and business transactions happening around transcontinental, with free flow of capital[1]. Globalization firstly involves and covers large political, economic, and social activities. Secondly, globalizations are the interconnectedness pr interdependence of trade and investments as it ranges from transcontinental and interregional spaces. Globalization is also speeding up the connectivity and exchange of ideas and knowledge among several nations. It has deeply impacted and increased the velocity on which the goods and services are catered to the customers. Globalization is intensified, widening, speeding up, and growing in the activities in the world creating uniformity in the practices. Corporate governance is a framework of rules and regulations directing the process or practices to be followed to control the activities of the companies. Corporate governance strikes the right balance between the stakeholders and the objectives of the company[2]. It regulates the corporate decision, prioritizing the best interest of stakeholders as well as shareholders. Transparency is one of the primary principles of corporate governance, it directs disclosure of various transactions of the company, specifying its position in the market. Accountability, through the corporate governance structure, leads to the executives and management, holding them responsible for their duties toward the company and its objectives. Corporate governance lays down the platform for just and fair opportunity and treatment with the shareholders and stakeholders of the company.

GLOBALIZATION AND CORPORATE GOVERNANCE

The most salient exemplification of globalization is the advancement of technology by the corporates. The digitalization of the working of the corporates has enhanced the effectiveness in the market. Internet and E-commerce measures have highlighted the involvement of international corporate houses. Technology has acted as a major tool in the rise of competition in the market, advancing from physical to metaphysical market. In order to keep one's position intact in the market, the corporates have to keep themselves updated on the digital

[1] David Held & Anthony McGrew, 'Globalization/Anti-Globalization' (Joel Krieger) *The Oxford Companion to Politics of the World* (Oxford University Press 2003)
[2] Stephen S. Cohen & Gavin Boyd, *Corporate Governance and Globalization: Long Range Planning Issues* (2nd Edition, Edward Elgar Publishing 2002)

world[3]. Globalization has helped in adaptation as well as the advancement of technology around the world by the corporates. The companies involved in the capital market are more exposed to risk and need to keep amending their practices to cater to the needs of the customer and their expectations[4]. Globalization has forced companies to step up on their management aspects focused on technology, digitalization, and other such research and development. In present times, the most valuable asset for any corporate is the Information it possesses[5]. The information can now be transferred in real-time irrespective of the geographical distances. Globalization has benefited the corporates to share knowledge and information instantly and to maintain the secrecy of such data, the companies have to make sure the compliance of regulatory framework in order to preserve themselves from risk. The risk management committees around the world of various corporate institutions have accessed a new aspect of risk as Data Privacy and Data Protection[6]. The issue has been undertaken by international organizations such as UNCTAD- United Nations Conference on Trade and Development and GDPR- EU General Data Protection Regulation monitoring and suggesting improvement on provisions of Data Privacy and Data Protection in various nations and their legislation, also followed by many international corporate houses to strengthen their data framework and safeguard their valuable information consisting details of both company and their clients. The concept of Globalization leads to oneness in the practices adopted by the corporates around the globe, to maintain an equal standard in preserving the data privacy and data protection of the companies.

Globalization has also introduced new dimensions of portfolio investments in the securities market. The free flow of funds has helped in developing economies The investments from foreign nations have liquidated the market. The investors can now invest in companies of

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[3] Alseddig Ahmed Almadani, 'Globalization and Corporate Governance' (2014) 5 (5) International Journal of Innovation, Management and Technology, 394 <http://www.ijimt.org/papers/547-E10020.pdf> accessed 01 February 2022

[4] Dr. C Murughnathan, 'Globalization and Corporate Governance' (2011) 3 Indian Journal of Applied Research

[5] Richard W Wright & Hamid Etemad, 'SMEs and The Global Economy' (2001) 7 (3) Journal of International Management, 151-154

[6] Eric Lachaud, 'Adhering to GDPR Codes of Conduct: A Possible Option for SMEs to GDPR Certification' (2019) Tilburg Law School Research Paper Forthcoming <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3399509> accessed 01 February 2022

other countries. The investments can be made through institutional investors indirectly or directly as retail investors[7]. The benefits of globalization lead to long-term investments activities creating stability in the economy[8]. Whereas in scenarios of short-term investments it can pull down the economy, wherein the investor can exit the market with their capital. The corporate governance framework has been established to regulate the foreign investors in the market. Globalization tends to open the universal market, increasing the competition for the corporates. The competition can be regarding the product, pricing of the product, quality of the services, technological advancement, swift adaptation for solutions, and other such goods and services rendered by the companies. The most important criteria lie in customer satisfaction, which can turn the market upside down and vice versa for the company[9]. The increase in the competition provides various options to the available at their ease and can negotiate for a better cheap price and quality products. The corporates have to cater to these requirements of the customer, to provide the product or service at low cost and also maintain the quality[10]. This increases the competition within the market, serving the best interest of the customers. Customers prefer products from a company having goodwill in the market, and goodwill can be attained through adherence to the regulatory framework and good corporate governance conduct[11]. To check the abuse of dominance and other malpractices to stop corporates in their operations, the Anti-Trust laws or Competition laws are enacted in most economies.

Globalization has evolved the law of numerous jurisdictions. The developing nations admire the regulatory framework of developed countries and transplant the best codes into their own legislations. The regulators keep assessing the risk and threats to the corporates and amend accordingly. To maintain uniformity in the working of the company, the company adopts

[7] Alan M. Rugman, 'The Globalization of Corporate Governance' (2009) 51(6) Business History, 971-973
[8] Sita C. Amba-Rao, 'Multinational Corporate Social Responsibility, Ethics, Interactions and Third World Governments: An Agenda forthe 1990S' (1993) 12 (7) Journal of Business Ethics, 553-572
[9] Klaus Gugler, Dennis C. Muller, & B. Burcin Yurtoglu, 'Corporate Governance and Globalization' (2004) 20 (1) Oxford Review of Economic Policy, 129-156
[10] Nigel Dower, 'Global Economy, Justice and Sustainability' (2004) 7 (4) Ethical Theory and Moral Practice, 399-415
[11] David Bevan & Matthew Gitsham, 'Context, Complexity and Connectedness: Dimensions of Globalization Revealed' (2009) 9 (4) Corporate Governance Journal, 435-447

several international standards. This mitigates the risk irrespective of the geographical placement of the organization. It is inferred that international principles protect all the stakeholders and minority shareholders. The corporate governance standards are shared among the nations as the companies operate in several jurisdictions. Globalization has developed an international market compromising several economies. This has created a financial structure in the international market. Globalization has prominently integrated companies from different spaces through mergers and acquisitions, expanding their business in other jurisdictions.[12] Globalization has enhanced intellectual capital mobility. The experience and knowledgeable professionals are employed in the corporates from different nations. The company utilizes its employees to increase its effectiveness in different spaces. The employees share their work experience and exchange their knowledge with employees in other parts of the world. The companies operating in multiple jurisdictions directly or through their subsidiaries require the appointment of highly professional and skilled employees, these employees act as managers of the company and establish an agency relationship with the promoters. These managers are required to balance the interest of the company along with the interest of the stakeholders[13]. The employees at key-managerial positions are responsible to maintain proper checks within the company and with external laws. The employees have to be active and keep adopting the new policies and their implementations. Nomination and Appointment committees are set up by the Board of the company, and regulate the appointment of the key-managerial employees. The companies also adhere to the labor laws, which are uniform at international governing platforms such as International Labor Organization. These labor laws play an important role in the regulation of the employees with their employers.[14] It is mandatory for the company to strengthen the employee-employer relationship and adhere to the corporate governance framework through employment rules.

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[12] Güler Aras & David Crowther, 'What Level of Trust Is Needed for Sustainability?' (2007) 3 (3) Social Responsibility Journal, 60-68

[13] Ravi Fernando, 'Sustainable Globalization and Implications for Strategic Corporate and National Sustainability' (2012) 12 (4) Corporate Governance The International Journal of Business in Society

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In the process of building an integrating market, throughout the world-embracing several economies due to Globalization. This creates an interlinked network or nexus among various jurisdictions and their corporates. The problem arises when anyone's economy gets disturbed and subsequently affects the world economy. This may turn into a debacle as one occurred in 2009, affecting the global economy. To avoid such corporate failures, uniform international corporate governance standards are adopted by companies around the globe. The previous economic crisis has identified the problems in the corporate governance framework and has been amended to rectify the root cause. The crisis arises due to lack of due diligence, incompetent leadership, accounting frauds, information mismanagement, and other such activities which occurred due to improper compliance of corporate governance framework and regulations. Globalizations have helped the corporates in creating more wealth as they expand their operations in different spaces. The progress of these companies goes hand in hand with the adequate governance measures they implement. The expansion of corporates has a social, ethical, and environmental impact on the nation and economies. The corporates have to adhere to the local laws and also have to simultaneously have a self-regulatory framework, to outgrow in the market. The corporates have to strike a balance between the interest of the shareholders and that of the stakeholders. The corporates are expected to keep the interest of the stakeholders above all, at priority as a part of the corporate social responsibility[15]. The social responsibility comes from the source that they are exploiting the resources for personal growth, widening the gap on economic grounds. Social responsibility works on the idea of the corporates to give back to society. Regulations for the same are voluntary as well as mandatory. The companies are now operating in different spaces and act as a global corporate citizen[16]. It is significant to strike a balance at the places of operations of the company, as a part of their social responsibility in that local area, developing that local community[17]. The key- managerial professionals formulate strategies to achieve a sustainable

[15] Jacqueline Cramer, 'From Financial to Sustainable Profit' (2002) 9 (2) Corporate Social Responsibility and Environmental Management, 99-106

[16] Chris Marsden, 'The New Corporate Citizenship of Big Business: Part of The Solution to Sustainability?' (2000) 105 (1) Business and Society Review

[17] Güler Aras &David Crowther, 'Governance and Sustainability: An Investigation into the Relationship between Corporate Governance and Corporate Sustainability' (2008) 46 (3) Management Decision, 433-448

company status. The UNFCCC- United Nations Framework Convention on Climate Change and Sustainable Development Goal is the global governing guideline that is incorporated in the local legislations[18]. This creates a binding obligation on the corporates to work on these principles and comply with them as part of the corporate social responsibility. This develops a globalized ethical standard for the globalized economy. A company operating in various spaces has to assess the risk of its operations on climate change and the environment. The policies of the corporates are framed in a manner accommodating the values of sustainability and prioritizing the interest of the stakeholders. The contributions made by the corporates are acknowledged as laurels, promoting sustainable and social responsibility[19]. Thus, it can be inferred that corporate decision-making is influenced by the globalized principles of sustainability and social responsibility. The customer regards the social responsibility of the corporates as the corporate conscience. The customer is also aware of the social and environmental activities of the companies and prefers a more sustainable brand around the world. Corporate Governance is recognized by International Accounting Standards and also ISO 26000, this certification specifies that the organizational structure adheres to the principles of Corporate Governance[20]. ISO 26000 signifies that the corporate is responsible for its social responsibility and is dedicated to fulfilling its duties, strengthening the relationship between the corporate and the society.

CONCLUSION

Initially, corporate governance was only limited to investors' relationships with the company. But with the process of globalization, has evolved from shareholders' relationships and is inclined towards stakeholders' relationships. Good corporate governance codes and regulations play a vital role in insphering the relationship between corporate organizations and society. The concept of globalization has led to uniformity in the administration of the

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[19] Stuart L. Hart & Mark B. Milstein, 'Creating Sustainable Value' (2003) 17 (2) Academy of Management Perspectives

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corporates and their organizational structure. Globalization has leveled up the spacial concept and the with the objective of expansion of business around the world, the companies have entered different markets and are operated at the same time. Irrespective of its geographical distances, globalization has brought many advancements in the process of knowledge and information sharing. Good corporate governance is significant in the performance of the company. Globalization has added a few new aspects in corporate governance such as risk assessment regarding information and climate change. Globalization is developing the corporates into a sustainable corporate structure. The companies now vision to go global, along with the sustainable principles foreseeing the competition in the market. Corporate governance establishes the relationship of the company with respect to its stakeholders, trust in society, environmental concerns, and good ethical conduct. The cultural, geographical, and historical elements are unified together and placed efficiently as corporate governance. Efficient corporate governance has been the priority of the companies in this globalized economy. Globalization had an enormous effect on the lives of the citizens of different nations, societies, businesses, economies, and the environment, requiring to be regulated in a more responsible manner and is being done by corporate governance regimes around the world.