

# Management vs Corporate Governance

\* Dr. Vedula Gopinath



Few people assume that management and corporate governance are synonymous but, both are distinctive and different wings of corporate body. In this article writer wishes to differentiate both the wings.

In short, management is not merely the task of managing the business, it is an essential accompaniment of all social organizations and is to be found everywhere as a distinct and dominant activity.

It provides new ideas, imaginations and visions to the group working so as to account for better results or performance. It ensures a smooth flow of work in the organization by focusing on strong points, neutralizing weak links, overcoming difficulties and establishing team spirit.

## Management Importance:

The significance of 'Management' may be enumerated in the following manner

1. **Meeting the Challenge of Change** - Change has become intense and critical in recent years.
2. **Effective Utilization of the Seven M's** - There are seven M's in business, such as Men, Materials, Money, Machines, Methods, Markets and Management.
3. **Directs the Organization** - Just as the mind which directs and controls the body to fulfil its desires, management also directs and controls the organization to achieve the desired goal.
4. **Integrates Various Interests** - In the group efforts, there are various interest groups which put pressure over other groups for maximum output and Management by balancing these pressures integrates the various interests.
5. **Provides Stability** - It provides stability in the society by changing and modifying the resources to cope up with the demands.
6. **Provides Innovation** - Management provides new ideas, imaginations and visions to the organization and necessary life for better and greater performance.
7. **Establishes Team-spirit (esprit de corps)** - Management coordinates the activities of the various departments in an

organization and establishes team-spirit among the personnel.

Corporate Governance (CG) is defined differently by various experts and organisations. The Institute of Company Secretaries of Indian defined CG as:

“Corporate Governance is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders”.

For general understanding, the following lucid definition is given:

Corporate Governance is the system by which business corporations are directed and controlled in order to create value not only for the shareholders but also for other stakeholders.

Governance applies to all activities. Public governance we all know that there is State Assembly and union Parliament that supervise the government. Both these bodies have formal powers that are exercised by elected leaders and Civil Servants ensuring statutory compliance and rule of law.

Defined by legal doctrines and regulatory activities which elaborates the rights and responsibilities in the two-dimensional relationships between the Board, acting as agents for stakeholders and senior managers.

More often than not managers think that CG is a part of Management and vice versa. But in reality, and practice corporate governance and management are quite different.

The fundamental distinctions are as follows:

- Managers operate within the hierarchy of the delegated responsibility and authority.
- Board members jointly and individually responsible and they have equal rights and duties. Responsibility is to govern the company whereas the manager is to run the business.
- Governance has external focus whereas managers is having internal focus.
- Governance assumes open system and management opens the

closed system.

- Governance is strategy and belief oriented and the management is task oriented.
- Governance leads to where the company is going, the management is getting the company there.

In conclusion it can be said that better governance will yield better results. Poor governance or mis-governance leads to disasters and end up in value erosion. ■

\* **Dr. Vedula Gopinath** is a Senior Corporate Lawyer engaged in Arbitration and a Researcher in Corporate Governance.

Institute of Directors, India



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## INSTITUTE OF DIRECTORS

M-56 A, Greater Kailash Part - II (Market), New Delhi-110048, India  
Board Nos.: +91-11- 41636294, 41636717, 41008704  
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