

Assignment

What are the main factors that increases the efficiency of corporate governance?

Solution

The basic factors in good corporate governance are the board of directors, shareholders en masse, and management. How these three power centers work together can make all the difference for a company. The basic structure is to keep management accountable for its actions, maintain good cash flow, and satisfy the shareholders as a group. New factors have been introduced in the first decade of the 2000s. The basic model of board-management-shareholders is still valid, but newer actors, or modified actors, have also presented themselves. Increased government oversight, especially in auditing, has caused a new legal culture to emerge in firm governance.

Also we can identifies four factors of influence on corporate governance

- (1) influence of majority shareholders,
- (2) influence of outside minority shareholders,
- (3) influence resulting from internationalization/ globalization and
- (4) influence exerted by the state in the form of legal regulation.

All these factors also can lead to increase in the efficiency of corporate governance.