Corporate Governance

Click here to read about Removal of Independent Directors.

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What is the issue?

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- Even though in reality, in many ‘promoter-run’ companies, the original promoter’s stake may have been reduced to a minority, no one questions the authority or decisions of the founder/family heir.
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- Regardless of whether they have de jure control or not, their authority is pretty much unlimited.
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- They continue to **hire and fire as they please,** appoint kith and kin to powerful positions, do deals with related parties where the gains flow to the promoter family and not the public shareholders and **appoint compliant boards,** despite the mandated presence of independent directors.
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What is happening lately?

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- Mr. Ratan Tata talked about independent directors, and the need to protect the interests of other shareholders and not just the chairman.
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- Mr. Narayan Murthy rightly argues whether exorbitant remunerations for CEOs can really be justified in a poor country like India.
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- Both valid points need discussion, which isn’t happening. This is because of the manner in which these have been raised.
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- Both Mr. Tata’s charges against Mr. Mistry (and the latter’s response to them) as well as Mr. Murthy’s concerns are being seen as **spiteful attacks in a very personal feud.**

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- Because of this, it is **investors in Infosys stock who have paid the price,** having thousands of crores wiped off from the value of their holdings.
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- Ditto at the Tata Group, which has shed thousands of crores in market capitalisation after the surprise sacking of Mr. Mistry.
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- The many issues raised by Mr Tata, as well as the detailed concerns pointed out by Mr Mistry, deserve greater attention, but were not given their due because of the personal resent which overlay all these actions.
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Source: The Hindu

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