

Corporate Governance in Post-Covid Era

Neha Kumari (Research Scholar)

Department of Commerce & Business Management
Ranchi University (Ranchi)

Dr. Aditendra Nath Shah Deo (Guide)

Department of Commerce, Marwari College, Ranchi

Abstract: 2020 was the year of COVID-19, which clearly decimated the economy and brought about a long year of uncertainty. Priorly, deciding dividend pay-out and allocation of corporate governance funds was pretty straightforward. It was either done through previously followed methods or after taking into consideration the shareholders' wish. But this year and the upcoming years are different. Several factors have to be taken into consideration by the corporate houses-if they are capable to do so at all. This article is a study of how the companies' strategy would change in a post COVID-19 era. Exploratory research has been undertaken for the same.

Date of Submission: 01-12-2020

Date of Acceptance: 15-12-2020

I. Introduction

"When the going gets tough, the tough get going!"

COVID-19 poses a great challenge for the corporate houses in India and around the world. For the BODs, given the responsibility of dealing with and supervising the short-term and long-term well-being of the company and its business scenarios, steering the COVID-19 crisis needs careful reflection of a wide array of issues in these extraordinary situations. The economy of the nation has fallen. The bearish trends in the stock market are alarming, hence the best thing for a corporate world to do will be to focus on its strength and weaknesses and for the directors to become the frontline warriors and defend the company with optimistic right steps.

II. Research Objectives

To find the steps that should be taken by directors for corporate governance in the post COVID-19 era. To ascertain the best practices that could be implemented to confirm continuousness of business, and disaster management.

III. Research Methodology

This study is of exploratory nature, grounded on various sources of secondary data available from journals, magazines, articles and media reports. A descriptive study has been undertaken keeping in view the requirements of the study. Blog articles, newspaper clippings, old survey reports, previously researched journals, Books and Websites were used which were enumerated and recorded.

IV. Literature Review

- According to Abhyankar and Mishra (2020) in their study, **"Corporate Governance In The Times Of COVID-19**, board of directors will need to address issues like disrupted supply chain, sudden decrease in number of employees, and fraud. In their words, *"2019-20 has not been a great year for many companies. The last quarter will close soon but with a shadow of an overall gloom and doom. The year-end audits at a fairly advanced stage. The Board must constantly watch out for any early warning signals that may put their going concern belief to the most stringent test. The Board must work with the management to prepare and update business forecasts on a real time basis."*¹
- According to PATEL, and DIVYESH (2020), *"Covid has come with inherent commercial risks impacting on business operations due to disruptions to Meetings, Dividend, Liquidity, Disclosure, Capital*

¹<https://www.mondaq.com/india/corporate-governance/919234/corporate-governance-in-the-times-of-covid-19>

Allocation, Risk Management and Internal Control. Regulators should allow companies to conduct a hybrid AGM. It has compelled Companies to step up on building their technology infrastructure. Management should review of their share buyback programmes during such financial crisis.”²

V. Findings Of The Study

STEPS TO BE TAKEN POST COVID ERA BY THE DIRECTORS

- **More Consideration to Investors**

The COVID-19 pandemic clearly showed that each shareholder is an important element of the corporation to keep the business running and winning. Some companies badly writhed survival because their clients vanished post pandemic. Others struggled to manage their workforce as working capital of companies reduced to keep the most essential employees. Hence it is imperative that investors should be handled with utmost consideration.

- **Identification of dynamic risk and uncertainty**

The identification of risk should be done on a critical basis. The board should work closely with the CEO of the company to make sure the employees and the shareholders both are satisfied. their wellbeing is also a matter of the company's concern now onwards.

Frequent supervision of management at different levels main help in minimising the outburst of the pandemic and keeping the work in order. To do so, it is necessary that the operations, finance, human resource, manufacturing, that is, the entire supply chain should work together to avoid distractions in the working of the company. The quantity should be adequate, the quality should not be compromised, and the productivity of the company should be the same. The pricing should be fair and affordable, liquidity of the company should be maintained.

- **Undisturbed finance**

Without changing condition of the company after the onset of the pandemic, the management should frequently inform the investors about the company's liquidity, the financing capability, and risk.

- **Continuous Communication**

The underwriter should maintain a continuous communication with the other regulators of the industry and the government prevailing. The board should keep an eye for upcoming opportunities and make sure to work to convert the opportunities into success.

The experience provided by the board of directors coupled with the hard work of the employees will definitely help in demeaning the impact of the covid-19. The interaction with the major shareholders and investors to help envision their plan, and communicate our plan to them should be done on a daily basis so that together both of them can rise together and save the company from the aftershocks of the Pandemic.

- **Disclosure should be paid attention to**

How can risk be minimised? The first principles is fair disclosure. If the current rising uncertainties are taking into consideration the most beneficial thing for company will be adopting a conservatism approach about disclosing all the risk related features of the company.

Directors cannot solve every issue with a flick of their hand, therefore, if they can communicate the risk to the investors before and they are slight possibility that the investor will have full faith and the director and honest efforts would be taken by them to address this issue. According to the companies act some disclosures are mandatory in nature. They have to be fulfilled without any delay. Legal provision should also have to be considered.

The board of director should foresee supervise the company does not adopt any kind of unfair practices or dishonest work. Covid-19 initially began as a public health emergency and rapidly progressed into a fiscal and monetary catastrophe of a vast extent. As the Novel Corona virus paved its path across the earth, only some lucky companies were saved from its disaster. Some unfortunate ones witnessed a sudden fall in their demand, while some others were forced to adapt to new methods of continuing their work. Some had to fire people, some has to manage with work from home, and some other had to manage with handful employees.

Nonetheless, data analytics are more beneficial nowadays than ever before: administration must show the day to day news to the directors about the working of the corporation, not only in monetary terms but also by signifying how the corporation is handling affairs with its clients and suppliers. The directors can showcase a clear idea of the forthcoming plans in the company by considering where the investors of the company are moving to. It won't be an understatement that there were many companies who got a chance to prove their mettle, companies which retooled their manufacture lines, helped their employees in times of need, and also helped them face this crisis.

²<https://ssrn.com/abstract=3690805>

VI. Conclusion

For a long time, the industry has demanded for the director's to address important issues like the unequal proportion of wealth, the degradation of environment, the frequent change in climatic conditions, and discrimination faced ; both for ethnicity and race, the frequently decreasing public health, the sudden rise in corruption and red-tapism, and the fall of faith in public institutions . These are some factors that have been ignored for too long and hence needed to be faced. The pandemic situation brought the entire world on it's knees. It's time to address issues that actually matter rather than running from it. These aren't issues outside the purview of the business. They are a part of the business. When the the business starts facing challenges. Sometimes, people resort to unfair means. The search for blind spots to talent country or to use the integrity of the company for their own personal gains. In today's world when culture like work-from-home became a new reality it is necessary that the board of directors take appropriate actions to not let the moral flag falter. Ensure that the company does not face issues like fraud and corruption.

References

- [1]. <https://www.bmogam.com/viewpoints/responsible-investment/macro-views/corporate-governance-implications-of-the-covid-19-pandemic/>
- [2]. <https://corpgov.law.harvard.edu/2020/04/29/covid-19-and-corporate-governance-key-issues-for-public-company-directors/>
- [3]. <https://www.mondaq.com/india/corporate-governance/919234/corporate-governance-in-the-times-of-covid-19>
- [4]. <https://www.pwc.com/mt/en/publications/tax-legal/covid-19-some-considerations.html>
- [5]. PATEL, CS DIVYESH and Patel, Dr. Naresh, COVID-19 and Corporate Governance (India): Practical Issues, Implications and New Relief Measures (September 11, 2020). Available at SSRN: <https://ssrn.com/abstract=3690805> or <http://dx.doi.org/10.2139/ssrn.3690805>
- [6]. <https://www.mobiuscapitalpartners.com/emerging-markets-why-will-good-corporate-governance-protect-you-during-covid-19/>

Neha Kumari, et. al. "Corporate Governance in Post-Covid Era." *IOSR Journal of Business and Management (IOSR-JBM)*, 22 (12), 2020, pp. 01-03.