
Corporate Governance Reporting Practices: Evidence from Selected IT & Hotel Companies - A Comparative Approach

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Abstract

Corporate Governance has become a catchphrase for the organizations today. It has become necessary for every organization to ensure higher shareholder and stakeholder values, and this has been in light with the Securities and Exchange Board of India (SEBI) guidelines- Clause 49. Corporate governance practices makes the industry to serve its shareholders and stakeholders, in the most transparent and fairer way. This paper makes an attempt to study the corporate governance practices of the Hotel industry- by giving a boost to a yet another unexplored area and the well established and popular IT industry. The study shall discuss all the corporate governance disclosures in the annual reports of the selected Hotel & IT companies and thereby, makes a comparison regarding the best business practices under taken in relation to corporate governance.

Keywords - Corporate Governance, Reporting Practices, India, IT Companies, Hotel Companies

Introduction

Not to be confused with a corporate state, a corporative government rather than the government of a corporation, Corporate governance is the set of processes, customs, policies, laws, and institutions affecting the way a corporation (or company) is directed, administered or controlled.

Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed. The principal stakeholders are the shareholders, management, and the board of directors. Other stakeholders include employees, customers, creditors, suppliers, regulators, and the community at large.

Corporate governance is a multi-faceted subject. An important theme of corporate governance is to ensure the accountability of certain individuals in an organization through mechanisms that try to reduce or eliminate the principal-agent problem.

Though corporate governance in general focuses on all stakeholders, yet it has been looked upon at-through different dimensions. Some of the dimensions are discussed as under :

- Corporate governance comprises the long-term management and oversight of the company in accordance with the principles of responsibility and transparency.
- Corporate governance is the framework of how directors and management perform their respective duties to add and create shareholder value.
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A laboratory scale study was performed on mixed hardwood pulp for evaluating energy savings due to enzyme treatment in the papermaking refining process. The commercial enzyme used in study was a cellulase preparation. The different enzyme dosage and reaction times were used in the study. This treatment resulted in energy reduction with better pulp and paper quality than untreated pulp.

Research Methodology

After having an overview of the various dimensions of corporate governance disclosure practices, the corporate governance disclosure practices in the selected IT & Hotel companies are discussed in detail. The research involves review of literature pertaining to the selected Hotel & IT companies in general, and corporate governance practices, in particular, which is the secondary data.

To acquaint about the corporate governance disclosure practices of the Hotel industry- Taj (Indian Hotels Co. Ltd.), ITC Ltd., and from IT industry- Infosys Ltd. and Wipro Ltd. has been selected for the sample survey, for having been proved their excellence in the said industry. In order to explore the disclosure practices of the selected companies, annual reports of the last four years (i.e., 2007-08, 2008-09, 2009-10 and 2010-11) has been taken into consideration. The said study is explorative in nature and only qualitative aspects of reporting have been focused thereon.

Corporate Governance Disclosure Practices of the Selected Hotel & IT Companies

Various Corporate Disclosures findings of the selected Hotel & IT companies :

Philosophy

1. Taj (Indian Hotels Co. Ltd.)

Corporate Governance is a system of structuring, operating and controlling a company with a view to achieve long term strategic goals to satisfy its stakeholders including shareholders, creditors, employees, customers and suppliers, as well as complying with the legal and regulatory requirements, apart from meeting environmental and local community needs. It involves defining and implementing a system of rules, processes, procedures and relationships to manage the organization and fulfill its legal, financial obligations and setting up & implementing processes that guarantee transparent information, to all stakeholders.

2. ITC Ltd.

ITC defines Corporate Governance as a systemic process by which companies are directed and controlled to enhance their wealth-generating capacity. Since large corporations employ a vast quantum of societal resources, ITC believes that the governance process should ensure that these resources are utilized in a manner that meets stakeholders' aspirations and societal expectations. This belief is reflected in the Company's deep commitment to contribute to the "triple bottom line", namely the development, nurture and regeneration of the nation's economic, social and environmental capital.

1. Infosys Ltd.

Corporate Governance at Infosys is a value based framework to manage the company affairs in a fair and transparent manner. As a responsible corporation, the company use this framework to maintain accountability in all their affairs, and employ democratic and open processes.

2. Wipro Ltd.

Corporate Governance philosophy is put into practice at Wipro through the following four layers, viz.,

- Governance by Shareholders;
- Governance by Board of Directors;
- Governance by Sub-Committee of Board of Directors; and
- Governance of the Management Process.

Shareholder's Satisfaction Survey

- | | |
|-----------------------------------|-----|
| 1. Taj (Indian Hotels Co. Ltd.) - | Yes |
| 2. ITC Ltd. - | No |

3. Infosys Ltd. - Yes

4. Wipro Ltd. - Yes

Awards & Ratings, for CG, if any

1. Taj (Indian Hotels Co. Ltd.) - Information not Present

2. ITC Ltd. - Information not Present

3. Infosys Ltd.-

- Named the best company for corporate governance in Asia money Poll.
- Voted the best company in management, corporate governance, investor relations, and corporate social responsibility (India) in a survey by Finance Asia.
- ICRA has rated the corporate governance practices as CGR 1.
- CRISIL has assigned CRISIL GVC level 1 rating to the company.

4. Wipro Ltd.-

- The company has been awarded the highest rating of stakeholder value and Corporate Rating 1 (called SVG 1) by ICRA Ltd.
- The company has been awarded the National award for excellence in Corporate Governance from Institute of Company Secretaries of India during the year 2004.
- The company has also been assigned LAAA rating to Wipro's long term credit.
- The company was ranked among the top 5 in Greenpeace International Ranking Guide and regained its top position among Indian IT Brands.

Shareholder's Information

1. Taj (Indian Hotels Co. Ltd.) - Present

2. ITC Ltd. - Present

3. Infosys Ltd. - Present

4. Wipro Ltd. - Present

Shareholding Pattern

1. Taj (Indian Hotels Co. Ltd.) - Given

2. ITC Ltd. - Given

3. Infosys Ltd. - Given

4. Wipro Ltd. - Given

Details of Remuneration to Directors

1. Taj (Indian Hotels Co. Ltd.) - Yes

2. ITC Ltd. - Yes

3. Infosys Ltd. - Yes

4. Wipro Ltd. - Yes

Table 1: Committees' formed.

Committees' Formed	Taj (Indian Hotels Co. Ltd.)	ITC Ltd.	Infosys Ltd.	Wipro Ltd.
1. Audit Committee	✓	✓	✓	✓
2. Investor Grievance Committee	✓	✓	✓	✓
3. Remuneration/Compensation Committee	✓	✓	✓	✓
4. Nominations Committee	✗	✓	✓	✓
5. Sustainability Committee	✗	✓	✗	✗
6. Project Review	✗	✗	✗	✗
7. Committee on Issue of Shares	✗	✗	✗	✗
8. Share Transfer Committee	✗	✗	✓	✗
9. Finance Committee	✗	✗	✗	✗
10. Risk Management Committee	✗	✗	✓	✓

Table 2: Attendance of members of committee in meetings (%).

Attendance at Various Committees	Taj (Indian Hotels Co. Ltd.)	ITC Ltd.	Infosys Ltd.	Wipro Ltd.
1. Audit	62.5%	91.67%	100%	100%
2. Investor Grievance and/ Share Transfer	100%	57.5%	100%	100%
3. Remuneration/Compensation	100%	100%	100%	100%
4. Board of Directors	92.5%	94.03%	100%	100%
5. Nominations	----	79.17%	100%	----
6. Sustainability	----	100%	----	----
7. Risk Management	----	----	100%	100%

Whistle Blower Policy

- | | |
|-----------------------------------|-----|
| 1. Taj (Indian Hotels Co. Ltd.) - | Yes |
| 2. ITC Ltd. - | Yes |
| 3. Infosys Ltd. - | Yes |
| 4. Wipro Ltd. - | Yes |

Clause 49

- | | |
|-----------------------------------|-----|
| 1. Taj (Indian Hotels Co. Ltd.) - | Yes |
| 2. ITC Ltd. - | Yes |
| 3. Infosys Ltd. - | Yes |
| 4. Wipro Ltd. - | Yes |

Information on Plant Location

1. Taj (Indian Hotels Co. Ltd.) - Yes
2. ITC Ltd. - No
3. Infosys Ltd. - No
4. Wipro Ltd. - Yes

Investor Correspondence

1. Taj (Indian Hotels Co. Ltd.) - Given
2. ITC Ltd. - Given
3. Infosys Ltd. - Given
4. Wipro Ltd. - Not Given

Negative remarks received in CG report by the Auditor

1. Taj (Indian Hotels Co. Ltd.) - No negative remarks
2. ITC Ltd. - No negative remarks
3. Infosys Ltd. - No negative remarks
4. Wipro Ltd. - No negative remarks

Table 3: Disclosures of Non-mandatory requirements.

Non-mandatory requirements disclosed	Taj (Indian Hotels Co. Ltd.)	ITC Ltd.	Infosys Ltd.	Wipro Ltd.
1. The Board	✓	✗	✓	✗
2. Remuneration Committee	✓	✓	✓	✓
3. Shareholder's Right	✓	✓	✓	✓
4. Audit Qualifications	✓	✓	✗	✓
5. Mechanism for evaluating non-executive Board members	✓	✓	✓	✓
6. Whistle Blower Policy	✓	✓	✓	✓
7. Non-Executive Chariman's Office	✗	✓	✗	✓
8. Tenure of Independent director	✗	✓	✗	✓
9. Training of Board Members	✗	✓	✓	✓

Means of Communication

Taj (Indian Hotels Co. Ltd.)

Quarterly, half-yearly and annual results of the Company are published in leading English and vernacular newspapers viz. Business Standard, Financial Express, Indian Express and Loksatta. Additionally, the results and other important information is also periodically updated on the Company's website, which also contains a Separate dedicated section "Investor Relations". Further, the Company also holds an Analysts' Meet after the quarterly, half-yearly and Annual Accounts have been adopted by the Board of Directors, where information is disseminated and analyzed. Moreover, the Company also gives important Press Releases from time to time.

ITC Ltd.

Audited annual results are published, inter alia, in 'The Times of India' and 'Aajkal' from Kolkata, and on an all India basis in major newspapers, and also in Luxemburger Wort, Luxembourg. All these results were posted on the Corporate Filing and Dissemination System (CFDS) website.

Infosys Ltd.

Quarterly reports to each shareholder are sent via email. The quarterly report along with additional information is also posted on the website. Moreover, the quarterly/ annual results and official news releases are generally published in 'The Economic Times', 'The Times of India', 'Business Standard', 'Business Line', 'Financial Express', and 'Udayavani' (a regional daily published from Bangalore).

Wipro Ltd.

The company's Quarterly, Half-Yearly and Annual Results as well as copies of the Press Releases and Company Presentations are displayed on the websites. The financial results are published in 'The Business Standard' and 'Kannada Prabha'.

Whether prepares a separate code of conduct for prevention of Insider Trading

Taj (Indian Hotels Co. Ltd.) -	No
ITC Ltd. -	Yes
Infosys Ltd. -	Yes
Wipro Ltd. -	Yes

Table 4: Overall Disclosure of Corporate Governance of Selected Companies (Score Board).

Criteria	Taj (Indian Hotels Co. Ltd.)	ITC Ltd.	Infosys Ltd.	Wipro Ltd.
Philosophy	1	1	1	1
Shareholder's Satisfaction Survey	1	0	1	1
Awards of Ratings, for CG, if any	0	0	1	1
Shareholder's Information	1	1	1	1
Shareholding Pattern	1	1	1	1
Details of Remuneration to Directors, given	1	1	1	1
Committees Formed	1	1	1	1
Attendance Information, given	1	1	1	1
Whistle Blower Policy	1	1	1	1
Clause 49	1	1	1	1
Information about Plant Location	1	0	0	1
Investor Correspondence	1	1	1	0
Disclosure of Non-mandatory Requirements	1	1	1	1
Prepared a separate code of conduct for Insider Trading	0	1	1	1
Total Criteria Fulfillment	12	11	13	13

Hypothesis

H0: There is no significant difference in corporate disclosures reporting among the selected companies.

H1: There is significant difference in corporate disclosures reporting among the selected companies.

Table 5: Hypothesis Testing: ANOVA Test.

Anova : Single Factor				
SUMMARY				
<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>
<i>Taj (Indian Hotels Co. Ltd.)</i>	13	11	0.846154	0.141026
<i>ITC Ltd.</i>	13	10	0.769231	0.192308
<i>Infosys Ltd.</i>	13	12	0.923077	0.076923
<i>Wipro Ltd.</i>	13	12	0.923077	0.076923

ANOVA						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	0.211538	3	0.070513	0.578947	0.631672	2.798061
Within Groups	5.846154	48	0.121795			
Total	6.057692	51				

Inference

To test the significant difference in means of corporate disclosures reporting among the selected companies, Analysis of Variance (ANOVA) test was applied. For testing the hypothesis by ANOVA procedure, F test was applied. In ANOVA table calculated, value of F test with corresponding p value is given. F value is 0.578947 and p value is 0.631672. Here p value is greater than 0.05 hence, we reject the alternate hypothesis and accept to the null hypothesis i.e., There is no significant difference in corporate disclosures reporting among the selected companies.

Overall Findings

Looking to the corporate governance disclosure practices of the selected IT & Hotel companies, the below mentioned practices were found:

- All the companies have defined corporate governance in their own way as a part of their philosophy, covering all the aspects pertaining to societal development and commitment towards the stakeholders, at large.
- The companies Infosys Ltd. and Wipro Ltd. has to its credit many awards for their best corporate governance reporting practices.
- Almost all the selected companies are on the way of good corporate governance reporting practices which are well exhibited by the score board above.
- Looking onto the score board, IT industries have the best score (same of both the selected companies) as compared to the Hotel Industry which are almost very nearer to them.
- There is no significant difference in corporate disclosures reporting among the selected companies.

Conclusion

Comparing the Corporate Governance Report of the selected companies, it seems that all the companies are good so far as Corporate Disclosures are concern. However, CG Disclosure practices of IT industries (i.e., Infosys Ltd. and Wipro Ltd.) seem to be the best which is well exhibited by the Score board above. Nevertheless, all the other selected companies (i.e., Hotel companies) are on the way to the fulfillment of the best corporate practices.

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