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THE TRANSFORMATION OF THE CORPORATE GOVERNANCE MODEL: A LITERATURE REVIEW

Keywords: corporate governance, corporations, agency theory, ownership structure, board of directors, executive compensation, ownership structure.

J E L Classification: G30, G34, G38.

Abstract: This study intends to present a review analysis of the CG literature with a view to discover and categorize the macro and micro level determinants of CG framework. Apart from this, it targets to signify long enduring CG debate concerning shareholders VS stockholders value orientation. This study presents a comprehensive understanding of a broad assortment of macroeconomic governance issues such as measures against hostile takeover, board formation/composition, capital market actions, mana-

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gerial incentives, debt covenants and leverage, market for managers & directors, capital structure and managerial ownership, legal framework etc has been also integrated. Moreover issues associated to relative corporate governance and convergence of global corporate governance model has also been discusses by putting specific emphasize on the conflict of interest occurring from the association between executives and investors and the connection involving the value of the firms and CG. It is noted that because of the limitations in existing significant hypothetical and functional inadequacies, external controlling mechanisms might not be able to solely resolve the CG challenge, even though these could be significantly successful in some specific situations, Thus, corporations have to implement balancing internal firm specific controlling mechanism to reduce the overall costs associated to agency problem. The analysis also reveals that Both stockholder and stakeholder models are competing on the ground of superiority however, in practically there has been a vibrant modification with both standards are becoming progressively equally appealing in different regions over the last two decades.

Introduction

Although the corporate form of the organization has been prevailing for the centuries, yet the issue of expounding a set of standards of governance of the corporation is still undergoing. So there have been always a trend of complaining and appeal to improve the principles or standards of governance which resulted in the chronological development of various corporate rules and regulations such as Sarbanes-Oxley (Baskin & Miranti, 1997). The term Corporate Governance (CG *as proceed*) was not very well-known research topic just a few decades ago. Financial crisis initiated at the later of 90's in central Europe, Asia and Latin America strongly raised the issue of imperfection in CG which severely upset the macro economic and financial stability (Claessens & Yurtoglu, 2013). The issue further gained momentum when United States experienced the largest financial insolvencies which had been identified later as the consequence of weak existence and poor execution CG in the financial and corporate institution. Now a days CG become an everyday corporate term and corporate participants and academic contributors have become fairly educated and informed about the potential holistic and long-term significance of the inefficient CG system.

In General, Most of the CG arguments are piled on the practical issues such as corporate embezzlement, misapplication of managerial authority and ignorance of social responsibility. The purpose of these arguments is to quest the solution of these apparent problems in corporate practice. Many reviewer state CG as a useful tools and measures to comply with either the broader social expectations or to gratify the shareholders goal of wealth maximization. Quite a few significant universal proposals have been placed with a view to address these practical issues such as (Cadbury, 1992b), (Greenbury, 1995), (Turnbull, 1999). So, in a nutshell CG is the institutional relationship framework among interconnected economic and corporate participants holding primary or secondary interest in corporation's affair such as shareholders, credit partners, employees, managers, suppliers, customers, pressure groups and general people.

Contemporary study of CG put more emphasize on assessing and evaluating two distinct models of CG namely shareholder and stakeholder model (Letza, Sun & Kirkbride, 2004) with a view to address the superior one (Lazonick & O'Sullivan, 2000), that often resulted in one sided argument with slight alteration such as progressive shareholder model (Gamble & Kelly, 2001) and balanced stakeholder model (Jensen, 2001). Corporations have conventionally been regarded as self-purposed, profit-exploiting concerns forming the fundamental views of capitalism and open market philosophies (Marsiglia & Falautano, 2005). However, latest and colossal financial failures have transmitted awareness to the subject of decent governance, integrity, faith, and answerability, intensifying the argument on matters of corporate governance (CG) and the conscience of economic act and simultaneously questioning the pure revenue boosting philosophy (Jamali, Safieddine & Rabbath, 2008). Such argument generate division on the purpose of the corporation and the governance arrangement linked to it (Friedman & Miles, 2002). One context is the conventional shareholder model, that view the corporation as a legal framework stand on a three-phase vertical governance system (i.e. Equity holders, BOD and Managers) to make the most of shareholders investment popularly known as the system of "Check and Balances". On the contrary a new perspective namely, stakeholder model evolved in the late twentieth century. It exhibits its stance in favor of the broader stakeholder's interest and management mechanism rather than traditional perception and understandings of the corporation as a shareholder's wealth maximizing tool. According to (Freeman, 1999) Stakeholders' involvement in business resolutions, long-term contract based relationships between the corporation and stakeholders, confidence and business integrity are the main offerings of stakeholder theory.

The recent financial crisis in USA and Europe has emphasized on several fundamental transformations of economic and business environment and focuses on the importance of CG for economic welfare. The privatization of market-oriented investing, the firms getting bigger in size, the effective participation of financial mediators, the growth of organizational investors, the increased mobility of the capital as the investment opportunities have increased with the open market economy have increased the corporations' risk exposure. These structural changes have made it difficult to observe the use of capital investment therefore heightening the necessity for good CG (Claessens & Yurtoglu, 2013).

Management concept has transformed considerably in current times. Regardless of a large number of practical works on corporate governance (CG) and its consequence on strategic decision making and valuation, very less is acknowledged about how CG progresses over time (Hillier & McColgan, 2006). There have been ongoing both theoretical and empirical transformations in the ways that academicians and corporate practitioners think of governance of organization.

This study tries to present a review of several prominent academic and practical literatures on the corporate governance, identifying the key determinants of corporate governance framework as well as subjects of conformity and disagreement among academicians and researchers concerning the types and consequences of the agency problem and on the efficiency of the macro and micro level determinants of CG framework. Additionally the paper also attempts to address this shift of ideology from "stockholder" to "stakeholder" and understand the background of it.

This paper provides a comprehensive review of both the "shareholder" and "stakeholder" framework of CG. An important finding of the study is that, CG framework has been build and controlled by several micro level/ firm specific internal factors such as debt policy, internal shareholding policy, managerial compensation policy, capital structure and also the macro factors such as hostile takeover measures, market for executives and directors, legal policy, capital market control mechanism etc. moreover, there has been no static model for the corporate governance model. Although there has been seen a legislative or dominance-based transformation from equity holder concept to stakeholders' concept from 1980s to 2000 but that was more of strategic policy rather than moral or psychological attachment. As the business and social context are continuously changing there should be a flexible CG framework addressing the contemporary demand of the business trend.

The paper is organized as follows; the first part covers the definitions of corporate governance and understanding of the theoretical framework of CG mechanism. Section two discussed about the macro drivers of corporate governance followed by the internal and external controlling variables of CG mechanism in section four. Section five attempts to present contemporary convergence issue of corporate governance as well as signify the classical debate between shareholders vs. stakeholders oriented CG model. Sections six recommend some views on potential research followed by conclusive remarks.

The research methodology and the course of the research process

This study applies a descriptive and narrative review of the prominent literatures on corporate governance issue to exhibits the findings. The organized review of prior qualitative and quantitative studies has been carried to accumulate and synthesize the findings to demonstrate the value of a particular point of view in the area of major determinants and drivers of corporate governance, the shifting trends in contemporary corporate governance and convergence issue of governance in general context.

Defining corporate governance

The most confined definition of corporate governance was given by (Shleifer & Vishny, 1997). They define corporate governance as the assurance mechanism though which the investors especially the financial resource provider can ensure the justifiable return of their investment. This definition primarily focuses on the single most important participants in the corporation, the finance provider. (Charreaux, 1997) first incorporates the role of the managers in defining the CG. He argued that CG is the combination of systems that administer the managers' actions and defines their discretionary autonomy. This comprehensive definition covers the prior characterization and exhibits the benefit of assigning the manager the function of chief player (but non-solely) in the value creation activity. A more generalized version of characterization of CG has addressed by Committee on the Financial Aspects of Corporate Governance in the United Kingdom led by Sir Adrian Cadbury, the committee define CG as an organized mechanism through which corporations are governed and regulated (Cadbury, 1992b). This definition also introduces another important dimension that CG is a set of control mechanism where ownership is detached from management.

More broadly defined CG is addressed by (Zingales, 2000), emphases on the partition of claims.

He defines CG as the multifaceted set of control mechanism that regulates and negotiates the claims of the stakeholders over the value generated by the firms through the passage of contract. This definition includes both the purpose of value addition by firms and the distribution of it among associated stakeholders of the firm. Conforming to this extensive meaning, the purpose of an ideal CG structure would be to increase the contribution of corporations to the total economy – that would embrace the affiliation between all the internal and external stakeholders through the system of rules and law (Gillan & Starks, 2000).

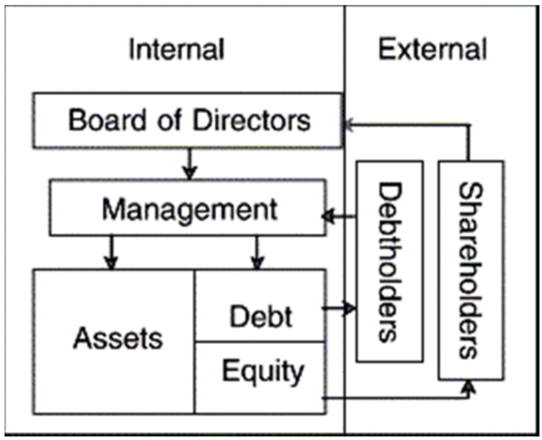
Regardless of the above definition described, researchers often consider CG mechanisms as classified into one of two sets: those applied internal to firms and those applied external to firms.

The straightforward balance sheet model exhibited in the figure 1 demonstrates the principle of this affiliation. On the left side which serves as the basis for internal control mechanism consists of management and board of directors (*BOD as proceed*). Management serves as an agent of the investors deciding on the investing and financing decision whereas the BOD stays at peak of governance structure to perform the duty of guiding and supervising the management team (Jensen, 1993). Equity holders and Debt holders on the right side of the diagram serve as the external governance mechanism. Their existence reveals due to firms financing requirement as well as it focuses on the fact that controller/user and provider of the capital are not the same entity. This difference initiates the urge for good corporate governance framework (Gillan, 2006).

However, the meaning of corporations is considered to reach far beyond the mere boundary of BOD, Management and capital providers. The comprehensive structure of corporations is inclusive of other interest bearers such as suppliers, employees, customers. In the more broader sense it also incorporates the community, political and legal atmosphere as well as the market in which it is operating which truly reflect the true essence of stakeholders' perspective of CG (Jensen, 2001).

Considering the large number of theoretical viewpoints presented and variety of corporate governance applications around the globe, reaching to a clear and universal characterization of corporate governance remains an exigent task. Still researchers and academicians have encountered the topic of corporate governance from economic, social, legal and cultural perspectives. Such as (Dalton, Hitt, Certo & Dalto, 2007) suggest how the agency standpoint of view influence Different CG structure such as formation of the ownership, BOD composition and the corporate control mechanism from a finance and economics point of view. (Adams, Hermalin & Weisbach, 2010) also studies the functions of the BOD and found it as a key element of the CG policy debate.

Figure 1. Balance sheet model of CG Model



Source: Ross, Westerfield & Jaffe, 2002.

Another substitute of the "principle-agent" observation is the "team production" model, which argues that that the companies incorporate a considerable group of stakeholders who spend on firm-specific assets, but mutually abandon power over those assets to the governing board for their own interest with a view to resolve the difficulty of organized resolution within the team (Blair & Stout, 1999). In the same context, the idea of essentiality has been applied to describe the notion that, Firms where human assets are crucial for the productivity of the entity, establishing control through ownership over the fixed assets or legal body of the firm cannot perform as the alternative for the firm's or employee's say in decision formulation (Aoki & Jackson, 2008). Stakeholders theory of corporate governance has been investigated by several researchers such as (Donaldson and Preston, 1995) (Parmar, Freeman, Harrison, Wicks, Purnell & De Colle, 2010) as an important base to describe the multifaceted and broader association of numerous stakeholders within the firm. Legal academics used to think about CG in the public firm perspective however a larger emphasizes is put on the legal framework, which structure and formulate the power and obligation of corporate character. (Parkinson, 1995) argues that CG could be defined as the policy that uphold and control the form of decision formulation inside the firm as an instrument of collective choice and in attachment to a public significance. Therefore, legal academics describe CG elaborately to add aspects that go beyond personal legitimate agreements. For instance, (Blair, 1996) characterize CG as the entire structure of judicial, cultural and organizational measures that decide what public firms could perform, who would be the controller and what would be the control mechanism and how the risk and return associated with the decisions would be balanced.

Business sociologists go for an even generous ideology of the entity that is generally focuses on the control and influential associations within a surrounded organization. (Davis, 2005) in his prominent literature titled "New Directions of Corporate Governance" argues that CG can be defined as the organization, procedure, and organizations around the business ecosystem that distribute authority and control over partners. Likewise, political academicians such as (Gourevitch & Shinn, 2005) have concentrated to the connections of associated party inclination and political institutions, therefore analyze CG as the structure which not merely encourage development and safeguard owners but also bring about employment and promote equal opportunity. (Aguilera & Jackson, 2003) brings an organizational factor-focused point of view of the entity within which the several stakeholders in the business entity fight for resources to describe CG as the authority and obligation of diverse stakeholders toward the organization.

External and internal forces compiling corporate governance framework

The extensive view of CG framework constant with the definition provided by the study of (Gillan & Starks, 1998) integrate factors that were not customarily considered as the elements of CG framework. However, these were elements of the business atmosphere assumed to imply minimum influence on corporate governance. According to the (Gillan & Starks, 1998) CG can be divided into two large distribution namely; Internal Governance motivators and External Governance motivators. Where, internal CG factors are; Composition of BOD (and their function, organization, and enticement), Managerial Compensation, Capital Formation, Bylaw and Charter Provisions against hostile takeover, and Inner Control Mechanism. Likewise, External factors of governance into five groups for example Legal framework and internal regulation, Markets for capital, corporate control, labor and goods and service, Markets of contributor of capital market information such as financial and governance analyst, Markets for external service provider such as accounting, auditing and legal services from entities outside of the corporation and Sources of outside supervision, mainly the media and external legal allegation.

External governance mechanism

Apart from the external governance factors exhibited by (Gillan & Starks, 1998) usual external governance means have been stated in the studies of several researchers such as The threat of hostile takeover (Manne, 1965) (Fama & Jensen, 1983a), rivalry in the goods and capital markets (Hart, 1983) and the managerial compensation (Jensen & Meckling, 1976; Fama, 1980a). As conferred previously, corporations do not function in isolation, but within the boundary of legal limitation. Corporations are uncovered to market forces and under the supervision other external sources. The subsequent segment illustrates these and other prospective influential governance factors.

The legal setting

Characteristic of the legal and regulatory frameworks are closely associated to CG, and a significant number of prominent studies established linkage between governance and legal environment. For instance, studies examine the direct influence of legislative changes on investor's wealth and the efficiency or the cost of single or multiple supervising policies (Szewczyk & Tsetsekos, 1992); (Coles & Hoi, 2003). For reference, in the USA several States have approved laws intended to evade or raise the expenditure of unfriendly acquisition. This initiates a serious impression on the survival of the acquisition tool as a usual means to dominate management actions within the legal boundary.

Another instance is the cases where legal rule is there to promote payout policy as an effective tool to deal with possible agency problems. Countries in South America like Brazil, Chile, Colombia and Venezuela have such legislative policies where corporations deal with obligatory dividend policy (Mitton, 2004). A significant outcome of this type of national level legal proposal has been exhibited by (Dahya, McConnell & Travlos, 2002), who investigate the connection between the turnover rate of the CEO and firm operating result prior and later the publication of the (Cadbury, 1992a) policy in the UK. They discover that after the publication of the policy, the negative association between the turnover rate and operational achievement turn out to be much robust, along with rise in sensitivity between these two factors.

One more vital part of the legal setting, which might also affect CG strategy, is the concern with the safeguard of small investors. (La Porta, Lopez-De-Silanes, Shleifer & Vishny, 1997) and (Shleifer & Vishny, 1997) exhibited that the subsistence and usefulness of laws defending shareholder are the foremost decisive factors of the progress of domestic financial market. They have also argued that the eminence of the legal environment of shareholders security is a key factor on the capability of corporation and shareholder to form a suitable CG arrangement.

Furthermore coherent to the perception that the legislative framework holds momentous influence on the formation of CG, (Coffee & Black, 1994) carried a relative research on the legal framework in the USA and the United Kingdom covering the actions of 'institutional investors'. They examine that the regulation plays a insignificant role in determining 'institutional investors' eagerness to engage in supervising management dealings. There are also significant numbers of researches, beginning with (La Porta, Lopez-De-Silanes, Shleifer & Vishny, 1997) concentrating on CG and how it is associated with the legal safeguard devoted to investors and creditors.(Denis & McConnell, 2003) argued that Dissimilarities in legal structure determine the size and intensity of capital markets, and the capability of the corporations to gain access to external funding.

The threat to hostile takeover and the market for corporate control

In many context threats to hostile takeover and corporate control mechanism are considered as the fundamental CG system. A characteristic of the hostile takeover practice is that it can be effectively enforced in an unbiased pattern to all business units. Where, other means like debt covenant and dividend disbursement might be depend on managerial discretion. In consistent with this argument, (Fischel & Easterbrook, 1991) and (Jensen, 1993) also suggest hostile acquisition in the united state as a critical CG means of regulating managers' decision. The practical findings exhibited that hostile takeovers resulted in considerable upward value generation for the target firms is persistent with the earlier perception in addition to parallel standpoint such as 'synergistic boost'.(Gompers, Ishii & Metrick, 2003) found that corporations those are protected by several anti takeover measures are found to be more demanding for takeover. (Hartzell, Ofek & Yermack, 2004) exhibited that, in general, chief executives of the acquired firms are compensated by the same margin as they would have received as chief executive. Nevertheless, the researchers also convey that extraordinary compensation would eventually reduce the threat to takeover while reducing fundamental agency problem. (Chen Firth, Gao & Rui, 2006), (Gaspar, Massa & Matos, 2005) and (Qiu & Yao, 2009) gave proof that large institutional owners used to observe the pre and post acquisition actions seriously. In common, these studies uncover that particular category of institutional shareholder are linked with superior takeover or the pulling out of poor acquisition. Constant with the perception that acquisition is the tools for managerial control, (Martin & McConnell, 1991) exhibited facts that successful acquisition resulted in high executive turnover, the turnover rate is even higher in case of the less performed firms within the industry. (Shivdasani, 1993) convey findings similar to the standpoint that aggressive acquisition results managerial order while inner governance system such as the BOD being unsuccessful to manage agency problem.

Moreover, (Mikkelson & Partch, 1997) showed that the reduction in hostile takeover events in the USA in late 80's to early 90's was primarily motivated by a decline in disciplinary force on executive. Researchers explain that the association involving turnover rate of managers and managerial accomplishment is noteworthy only in active takeover environment. (Kennedy & Limmack, 1996) examine the achievement of targeted firms in the pre-acquisition phase and its association with following managers' turnover rate and found positive association between two variables. They also showed those corporations that change chief executive following hostile takeovers face inferior returns prior to acquisition than those of other targeted firms. In opposite, (Franks & Mayer, 1996) refuse the theory that there is positive association between unfriendly acquisitions and managerial disciplinary performance.

Conversely, the hostile acquisition and takeover procedure is consists of lots of drawbacks. (Grossman & Hart, 1980) find out that hostile acquisition is associated with other significant cost to convince unwilling shareholders, investigation costs and other operational costs (Williamson, 1970) that eventually prove takeovers as a very costly platform.

Hence, considering the large cost involved managers are flexible to depart from the most favorable outcomes as long as the firms' value don't fall beyond the cost of the acquisition. In addition to that, the implementation of self-protective measures such as anti-takeover law has additionally amplified the expenditure and risk of hostile acquisitions and takeovers.

Market for product and service

Quite a few significant studies concentrated on product market rivalry and its association with diverse feature of CG, containing payment structure and executive turnover. Prior studies such as (Aggarwal & Samwick, 1999), (Hermalin, 1992), (Kedia & Mukherji, 1999) and presented theoretical point of view on the relationship involving product market rivalry and executive inducement came up with unclear resolution. A contemporary study conducted by (Baggs & De Bettignies, 2007), however, found that competition in the market for goods precisely and clearly reduces the investor's marginal charge of persuading managerial achievement. A number of studies comprising (Aggarwal & Samwick, 1999), (De Bettignies, 2006), (DeFond & Park, 1999) and (Karuna, 2008) showed practical facts regarding these associations. These papers exhibited that rising rivalry is related with the powerful contractual reward policy for executives. Conversely (Shleifer & Vishny, 1997) argued that competition in market for goods might be considered as one of the influential factors regarding economic proficiency but singularly it cannot resolve the CG problem.

Compared to product market competition fewer researches have been conducted to find the relationship between service market and mechanism. Contemporary studies specially concentrated on the association involving corporations and their outside auditor. In precise, these studies tries to identify whether the payment for the non-audit services from this audit firms compromise the audit quality the corporations because there exist a conflict of interest as exhibited earlier in case of Arthur Andersen and Enron. Exploring this issue, (Frankel Johnson & Nelson, 2002) exhibited that compensation for non-audit services can hamper the auditor's freedom. Specially, the researcher showed that the proportion of non-audit to total audit amount is optimistically linked to 'discretionary accruals' a substitute frequently applied for 'earnings management'. On the other hand, (Larcker & Richardson, 2004) proposed that these findings are seen in corporations having inadequate governance, and in addition to that, concern for the auditors market reputation act as a crucial governance driver in reducing abnormal discretionary preference by managers. However with the availability of the audit fee data these associations can be further investigated to identify the additional aspects of CG.

Market for executives, directors and mutual supervision

The finance literature on markets for executives concentrated on Managers, members of the BOD. Established experiential studies, comprising of (Coughlan & Schmidt, 1985),(Raviv, 1985), (Murphy, 1999), (McConvill, 2006) and (Conyon & He, 2011) showed a wide outlook regarding the link involving corporation's wealth and the employment marketplace for executives and managers. These analyses discover that firm's value maximization is positively related with managerial remuneration, while inferior results enhance the chance of turnover or sack of executives. In fact, several researches tried to look at the interaction involving manager's switching rate, governance, and administrative structure. For instance, (Goyal & Park, 2002, Hazarika, Karpoff & Nahata, 2012) and (Martin & McConnell, 1991) found that the responsiveness of CEO switching rate to corporations' performance is considerably lesser once the chief executive and chairman/persons status are parallel. Addition to the existing research, (Agrawal & Cooper, 2017) claimed that external candidates are selected for chief executive rank only in case of the unavailability of the competent internal candidates.

Mutual supervision is connected to the observation that the market for executives might utilize the gains of the corporations to verify each executive's remuneration structure. Furthermore, each executive might believe that his/her performance is expected to be positively correlated with the performance of his/her subordinates and superiors. Classical paper of (Fama, 1980b) therefore imagines that the subsistence of an executive labor marketplace is a crucial element controlling the stage of mutual supervision by executives. beside this secondary influence, (Coughlan & Schmidt, 1985; Firth, Fung & Rui, 2006; Kesner & Dalton, 1994) observed this marketplace as employing a direct force on the corporation to select and pay off executive in line with their accomplishment with a view to stop the most performing executives from switching and maintaining the company attractive for new efficient managers. However, the usefulness of mutual supervision by executives has been the controversial one as (Hansen & Torregrosa, 1992) characterized mutual supervision as an "inaccurate measurement of executives performance due to poor judgment, ethical vulnerability or inferior information" also managerial infringement reduce the usefulness of the in-house evaluation system.

Market information providers

Considerable number of studies observing the relationship involving market analyst and diverse features of CG. (Jensen & Meckling, 1976; Yu, 2011; Aerts, Cormier & Magnan, 2007; Knyazeva, 2007) argued that capital market analysts, engaged by big institutional investors, merchant banks, brokerage houses, investment banks and even traditional banking, insurance and NBFI's perform a supervising part that influence the chance existing to executive to acquire extra monetary and non-monetary remuneration from the investors of the company. (Chung & Jo, 1996; Yu, 2008; Byard, Li & Weintrop, 2006) claimed that agency problem and cost can be notably reduced by the action of the market observer and analysts through examining managerial policy and available information concerning corporations to the market. Supervision may also appear from other market contributor such as those presenting governance study and voting suggestion to large shareholder. (Chung & Jo, 1996) also exhibited proof that the potency of market observer's role has a significant effect on the market value of corporations. (Lin & McNichols, 1998) showed that analyst professional association and contacts might affect the probable observing task of 'market analysts'. Researchers observed that main and sub-sponsor analysts' predictions are considerably more positive compared to those presented by independent analysts even though their earnings predictions aren't usually better.

In the same context, (Bethel & Gillan, 2002), (Morgan & Poulsen, 2001) gave proof that non-affirmative voting advices from corporate governance reviewer are related with considerably lower levels of voting assistance. Therefore, these service-oriented market participants' have the promise to perform as both information source and observer of corporate governance.

Non-public external supervision

Two most significant sources of private external supervision source are the all types of media such as print, electronic and the legal complaint or charges face by the company. The media undoubtedly perform an imperative part in communicating CG practices of the corporation for instance, the famous Enron financial scandal was first exposed by Bethany Mclean of Fortune Magazine

(Dyck & Zingales, 2002, Liu & McConnell, 2013). Finance scholars have also observed the CG function of the media. Particularly, (Dyck & Zingales, 2002) studied the impact of media force on chief executives and directors to act in a socially legitimate way found that Media influence company strategy concerning the environment and stakeholder's interest. (Farber, 2005)found that corporation's convicted with fraudulent activities by the Security exchange commission are likely to practice inferior governance, and it expects to improve from the average scale within the next three years. Similar to this (Van Ees, Gabrielsson & Huse, 2009) convey that board formation improves after legal actions.

Manager's reputation concertn

Manager's concern for market reputation plays an important role to control managerial actions. Fama (1980) and (Lewis, 2003) argues that mangers try to maximize shareholders value with a view to raise their reputation in the labor market even when there is no monetary association between managerial compensation and wealth maximization of investors. Conversely, (Holmström, 1999) exhibited a model which proofs that reputation is not significant enough eliminate agency problem. Moreover, (Holmström & Costa, 1986; Holmström, 1999) in their extended research findings presented that executives career concerns might in fact guide them to act disfavor of investor's value maximization.

Internal corporate governance stimulator

Bond composition

Many of the earlier studies have strongly specified that BOD composition is one of the main prerequisites of CG. Possessing the role of guardian and holding the obligation to deliver strategic objective and supervision, the BDO's part in corporate governance is vital. Usually, study on BOD has concentrated on the association between board construction and the value of the corporations, CG alternatives, and financial management decisions along with the profitability.

(Fama & Jensen, 1983b) describe the tasks of the BOD as being equally the endorsement of executive judgments and the supervising of managerial achievement.

This conveys that the possibility of executive complicity could be abridged by the existence of external directors, who might therefore be viewed as additional prospective basis of corporate supervision (Weisbach, 1988).

According to the above idea BOD are perfectly viewed as expert judges who have the duty of administering the rivalry among top executives and are restricted themselves by an outside market of managers/executives which review and values their contributions as arbitrators.

In line with the agreement of the significance of outside directors as observers, Weisbach (1988) specified that executives of the poorly performed corporations are highly expected to be changed if the firm has got more external board members. However, (Dahya, Lonie & Power, 1998) exhibited that the likelihood of replacing of a top manager from firms is negatively connected to his/her ownership position. Likewise, (Borokhovich, Parrino & Trapani, 1996) showed an affirmative association involving the portion of external board members and the probability of the appointment of an external Chief executive. By describing the significance of the external directors in BOD, (Rosenstein & Wyatt, 1990) specified unusual amplification in corporation's value followed by the joining of the additional external board members. Additionally, (Hermalin & Weisbach, 1988) and more recently (Peng, Buck & Filatotcheval, 2003; Rhoades, Rechner & Sundaramurthy, 2000) found corporations tend to increase the appointment of the outside directors compared to internal due to the prolonged weak performance.

A more theoretical aspect of the BOD has been studied by (Harris & Raviv, 2005) and (Raheja, 2005). They mainly focused on the qualitative characteristics of the board such as the ideal responsibilities of the boards regarding corporate supervision, the best possible board composition and board's autonomy. (Brickley, Coles & Terry, 1994) exhibited an affirmative share price movement in association to the dominance of the external directors in the board while negative relation observed when external directors hold minority position. In line with the previous findings (Lin, Pope & Young, 2003) argued that stock price response to external board members recruitment is considerably more positive while board ownership is little and the members hold strong post supervisory enticement. In opposite, the requirement of executive-allied external members does not seem to provide wealth maximization to investors. Shareholders even in existence of acute agency issue.

(Huang, Hsu, Khan & Yu, 2008) showed extensively affirmative responses of share prices to the news of external director's appointment. They also argued that unusual returns are positively associated with poor corporate performance, the CEO and chairman of the board are same person, more free cash flow, and a high extent of 'information asymmetry'. Additionally (Byrd & Hickman, 1992) exhibited that the capital market reaction to targeting firms that publicize bidding proposal is more positive when BOD comprises of external independent members. In terms of the financial matters, board activities, composition and proficiency are enticing increased consideration. (Agrawal & Chadha, 2005) specified that financial capabilities on boards reduce the possibility of accounting reaffirmations. Moreover, (Heit, Cohen & Anderson, 2005) exhibited that the market assigns additional reliability to earnings declarations while boards and audit committees are both effective and independent.

In contrast to the theory that BOD performs as an important basis of supervising, (Bhagat & Black, 1999) found no considerable proof that the ratio of external board members influences future corporate accomplishment. The findings are also supported by the study of (Demsetz, 1983), who found that in presence of the other effective monitoring mechanism, no significant association between BOD and performance could be seen. In the context of European market, (Vafeas & Theodorou, 1998)found no substantial relationship involving corporate performance and board formation though, (Dahya et al., 2002) found out that the correlation between the CEO turnover and performance could be related to the existence of more outside members in the BOD. In a nutshell above research findings are not subsequent to prove whether Board composition and actions are significantly affecting the firm's performance.

Managerial compensation

Compensation strategies selected by BOD can perform a significant function in associating the welfares of investors and executives. (Jensen & Murphy, 1990) argues that theoretically, a robust association relating remuneration plan and corporate performance will allow an enhanced coalition of interest between investors and executives. Demonstration of such theoretical stand assuming a strong association is, still, not convincing such as (Lewellen, Loderer & Martin, 1987) and (Yermack, 1995) exhibited that stock options enticements have no noteworthy connection with descriptive factors associated to reduction of agency costs. (Gregg, Machin & Szymanski, 1993) in their study in the UK context, found similar outcomes with conclusive remarks that there is very negligible association between managerial compensation strategy and performance however they discovered a strong relation between compensation and value of asset. Contemporary studies such as, (Peng & Röell, 2003, Agrawal & Chadha, 2005) observed the relationship involving share-based performance appraisal and the tendency of companies to repetition of revenues, engage in scams, or vulnerable to litigations found a strong association. (Denis, Hanouna & Sarin, 2006) Intensifying the investigation by adding the ownership formation argued that, the enticement to involve in deceitful action is aggravated by the existence of block and institutional owners who might also be profitable from the scam.

Capital construction (debt/leverage policy)

Last twenty years of empirical researches suggest that debt covenant/leverage can perform as a self-enforcing governance instrument, that convey that having debt embraces managers' actions by obliging them to make interest and principle payments therefore, reducing the possibility of probable agency conflict arising from free cash flow. Debt contract was characterized as a means for lowering agency costs in numerous aspects. Firstly, having more leverages decreases total share financing therefore terminating the chance of the owner-manager conflict of interest (Sarkar & Sarkar, 2008). (Harris & Raviv, 1991) exhibited the empirical facts that the utilization of leverage can lessen equity related agency costs. Similar conclusions have been also drawn by (Faccio, Lang & Young, 2001). Contemporary practical studies on CG and capital formation emphasizes on the connection involving governance and the cost of liability. For instance, (Klock, Mansi & Maxwell, 2005) found that more exercise of 'anti-takeover' initiatives is related to lesser charges of debt financing. Conversely, debt could result in another special type of agency problem that is the conflict of interest between debt and share holders. The basis of the conflict arises from incentive of the stockholders associated with the investment in high risky projects identified by (Myers, 1977). Additionally debt could decrease a firm's flexibility since interest expenditures are fixed and this fixed obligation might direct to aggressive investment decision. Study by (Hui, 2003) suggested that, due to its impact on financial management decision, leverage might have either positive or negative consequence on corporate value. Therefore, debt covenant can play a supervising role in setting a benchmark of managerial performance on top of which executives might have some optimal discretionary power.

Payout strategy

Firm's Dividends disbursement policy is found to have association with the corporate governance. According to the earlier study of (Easterbrook, 1984), dividends might manage equity agency issues by assisting the capital market's supervision of the actions and performances of the firms. The underline reason is that the high dividend paying firms are likely to have under close observation of the individual and institutional investors such as investment banks, brokerage houses, NBFI's etc regarding the firm's management (Mitton, 2004, Farinha, 2003). Contemporary theoretical study carried by (Jo & Pan, 2009) also exhibited agency-hypothetic pattern of dividend performance where executives disburse earnings/profits with a view to evade disciplining measures by investors however the model only effective while satisfactory dividends are disbursed. (Adjaoud & Ben-Amar, 2010) in their study to identify the association between CG quality and payout strategy in Canada found that companies with effective CG have more dividend disbursement. They also revealed that among the four elements of CG, BOD structure and investor's interest are optimistically connected to dividend disbursement ratio. Generally words, there exists a growing level of agreement that payout strategy plays a role of managerial supervision.

Managerial shareholdings

One of the important perceived way of reducing agency problem is the escalating the portion of managerial' shareholding or internal ownership, which might result a enhanced coalition of managerial welfare with those of investors.

With the increase of executive's shareholdings, executives hold a large portion of the price of avoidance, privilege spending and other value-diminishing measures. Earlier studies such as (Hermalin & Weisbach, 1991, McConnell & Servaes, 1990) have also argued that internal managerial shareholdings might be a useful instrument in controlling agency costs, even though some inconsistency exists. (Connelly, Hoskisson, Tihanyi & Certo, 2010) in their study on the consequence of alteration in ownership formation on performance found that there is significant positive relationship between managerial shareholdings and firms' performance which is coherent with the position of' interests hypothesis'. On the other hand, other notable researches found no confirmation of an affirmative association between insider managerial shareholdings and corporate performance. (Loderer & Martin, 1997) showed the limitation of the earlier hypothesis by saying that managers might not be interested to increase their shareholdings due to the concern of losing their personal wealth.

Corporate governance transformation

The CG matters have gained increased importance from the past two decades in every developed and developing country around the world. In the industrially developed nations (i.e. UK and USA) CG issues gained more momentum due to the several undesirable malpractices in the business conducts. Most of the cases these severe misconducts resulted in specific conceptual and intellectual response from the policy makers such as Cadbury report (UK) and Treadway commission report (USA). The urge for CG changes, however, has got profounder backgrounds (both in advanced and emerging nations) that link to the significant experience of the states and fundamental modifications in the world wide political economy (Reed, 2002). This section of the study tries to analyze the contemporary changes and reforms in the CG practices around the globe and tries to point out any shift in trend from predominant CG practices *(shareholders to Stakeholders)*.

The dominant standpoint on CG is agent-principle theory, which considers that inconsistencies in shareholders and manager interests creates the key stakeholder dispute in the contemporary firm (Jensen & Meckling, 1976; Jensen, 1989). Although segregating of rights and managerial domination characterizes an effective specialization of role (Fama & Jensen, 1983b), proficient managers with limited or nil ownership right in the firms will barely hold any encouragement to perform in a way towards the shareholders interest. The resolution to this disagreement is contractual in type like 'managerial compensation' via incentive arrangements combined with board and financial supervision (Useem, 1993). In this stockholder wealth maximization concept of the corporation, contractual solutions are suggested and offered to other stakeholders. This type of resolution perceives the corporation as slightly more than a link of agreements (Williamson, Aoki & Gustafsson, 1990) in which internal stakeholder likely to play the intrinsically adversarial role (Roe, 1994). (Hansmann & Kraakman, 2004) argues that the conflict between owners and managers on wealth distribution has lately changed its course from the construction of incentive structure toward the strengthening of the system of supervising and accountability. A great deal of CG reform is reactive to crisis (Coffee Jr, 1999) and the latest CG failure characterized in the financial disaster in the developed world (i.e. USA) have started an exceptional drive for legislative change in CG framework (Carney, Gedajlovic & Sur, 2011).

Shift from shareholder to stakeholder

The typical movement from the 'shareholder perspective' to the 'stakeholder perspective' was particularly noticeable in the later part of the 20th century. The stakeholder model first noticed to be recognized in the 1930 by General Electric company through promoting the interest of broader interest group to tackle the economic crisis (*depression*) (Preston & Sapienza, 1990). This stake holding concept was grasped by other influential corporate bodies and academicians in the mid-1950s, recommended that equity-holders' wealth can be sustainable and may well be increased by nourishing the needs and expectancies of other participants (Hummels, 1998). In between the period of 1960s to 1980s, the stakeholder model gained wide acceptance among the consumer groups, environmental protectionists and communities. The concept was also applied by the CEO's as a safeguard against the potential hostile takeover in 90s for exa*mple* the case of *Paramount Communications v. Time Inc. in 1989*[1] *and Credit Lyonnais Bank N.V. v. Pathe Communications Corp in 1991*[2]*.* The diversion from the traditional shareholders interest based mindset was first exhibited by these two significant verdicts (Sullivan & Conlon, 1997). It was however in the 1990s that the stakeholder view instigated to be extensively applied in the CG argument (Blair, 1995). The new model has been so prominent that by 2000 most of the states in the USA have explicitly recommended executives to make sure the welfares of stakeholders in their policymaking and execution (Stoney & Winstanley, 2001).

(Donaldson & Preston, 1995) argued that, this movement regarding stakeholder orientation is not exclusively a U.S. phenomenon and is manifested in the prevailing and emergent corporate structure of many economically advanced countries (i.e. UK, Germany, Japan).

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[1] In The case of *Paramount Communications v. Time Inc.* in 1989, the court permitted Time's directors to discard Paramount's takeover proposal even though that offer boosted stockholders' financial wealth.

[2] In the instance of Credit Lyonnais Bank N.V. v. Pathe Communications Corp. (1991), the Court again promoted a stakeholder concept on the basis that directors do not owe duties to any single interest group, but to the corporation as a whole.

There is sufficient explanatory proof, that most managers are perceived to be practicing stakeholder model. (Baumhart, 1968) in this survey of top-level executives discovered that about 4/5th of them believe that only concentrating on the equity holders interest while avoiding the interest of other interested contributor (stake holders) in the business is not an ethical behavior. Subsequent empirical studies of (Brenner & Molander, 1977) and (Posner & Schmidt, 1984) about the stakeholders orientation of top executives have unveiled analogous outcomes. (Clarkson, 1995) tried to segregate the practitioner and non-practitioner firms of stakeholders' management found insignificant numbers of entities in the second group. Executives may not make clear indication to "stakeholder theory," but most of them are seemed to be following in practice to one of the fundamental views of the stakeholder theory (Forbes & Hodgkinson, 2014).

Board composition as a representation of stakeholders orientation

One of the most significant expositions of the shift in the CG perception has been exhibited in the formation of the Corporate Boards *(CB as proceed)* and the changes in the legislative recommendation associated to it. Corporate Board formation and its impact on firms' corporate governance has long been subject of attention and argument in social and business arena. Lately denunciation of CB has risen considerably. The debate have been more concentrated on the issue of the freedom and active operation of CB (Mintzberg, 1983). The most regularly advised Board restructurings points at greater representation of non-executive directors *(directors, who are not belong to the managerial board)*. Nowadays nearly all large public limited corporations board comprises of 75% or more non-executive directors (Wang & Coffey, 1992).The underlining philosophy is that external board members are influential to a corporation's performance that is also backed by theories such as "agency theory and the stakeholder theory"(Wang & Dewhirst, 1992). (Eisenhardt, 1989) argues that the board is one of the supervising tool through which equity-holders of large corporation potentially offset the discretionary opportunistic behavior of the top executives.

The overhead arguments suggest that internal and external board members may have dissimilar stakeholder focus. for instance, external board representatives are greater stakeholders oriented (Weisbach, 1988) whom they stand for in the board, than internal board member reflecting the conflict of interest portrayed by agency theory. (Wang & Dewhirst, 1992) however, argued that there is no difference in perspective between board members in terms of their status because according to "resource dependency perception" externals are selected by incumbent board.

Institutional stock ownership as a representation of stakeholders orientation

Another important measure to portray the movement in trend is the institutional stock holding (*large equity investors*). (Johnson & Greening, 1999) argues that institutional investors are proved to be more committed in CG issue; therefore they incline to promote CG practices coherent with greater stakeholder orientation. (Huson, Parrino & Starks, 2001) exhibits that the proportion of institutional investment in USA (i.e. *Banks and Non-Banking Financial Institutions, mutual funds, pension funds, insurance companies*) has grown by almost 25% from 1971 in between 1971 to 1994. (Gillan & Starks, 2000) discover in their study in late 90s that large corporate investors force corporations to uplift board autonomy via the equity-holder proxy proposal system. Thus, the involvement of greater institutional equity holding could lead towards the comprehensive stakeholder's management. (Hermalin, 2005)

Country and firm level empirical evidence of movement

Several country and firm based empirical findings related to board composition have also exhibits the fact that there has been a salient shift from the conventional view of shareholders wealth maximization to stakeholder's management. Such as in the context of USA (Hermalin and Weisbach, 1988) in their study on 142 publicly traded firms in NYSE found that the participation of external members in the board have increased by nearly 16.5% (37.6% to 53.9%) from 1971 to 1983. (Borokhovich et al., 1996) also found the evidence of increase in the percentile (68.3% to 75.6%) of external board participants in their study comprised of 588 PLC covering the period of 1970 to 1988. Likewise, (Huson et al., 2001) in their study on board composition of manufacturing firms also revealed that proportion of external board participants raised from 71% to 86% in between 1971 to 1989. In context of UK, the studies show the similar output as (Dahya & McConnell, 2001) finds in their study of 700 UK listed firms, a significant increase of almost 26% in the outside directors number in the board within the period of 1989 to 1999. Additionally, (Huson et al., 2001) also exhibit that the employ of inducement payments for external directors has raised significantly. They find almost 84% of corporations in the sample were using equity-based reward for their external board executives. Therefore, these drifts toward significant external representation on corporate boards can be perceived to relate to a movement to greater stakeholder orientation among firms.

In case of UK, similar exemplary movement of perception has been seen from the late 1980s (Dine, 2000) which is not solely recognized by scholars and legislators, but also by business communities and executives. A long term research conducted by (Poole et al., 2001) on management standpoint in favor of stakeholders welfares reveal that almost 80% of the managers put emphasize on overall stakeholders wellbeing in 2000 which has sharply increased by almost 30% from 1980, where as in USA the similar rate found to be 75% in 2001 from the study conducted by (Vinten, 2001). but such a typical swing does not essentially illustrate a factual supremacy of stakeholder orientation as the researchers and academicians often argue. For intense, 'Rail-track', a UK company in 1990s, stakeholder welfares were vastly highlighted in its annual reports but in real practice decisions were taken in favor of shareholders rather than overall stakeholders. (Wolmar, 2001). Studies also exhibit that the actual pressure of overall stakeholders concerning about corporations' engagement in stakeholders management did not grow, but in fact reduced by almost 20% in between 1970 and 1990s (Letza & Smallman, 2001). Legislators, academics and media as a section of secondary stakeholders may occasionally apply pressures, but the genuine influences and authorities of primary stakeholders of a corporation are still blurred. (Fligstein, 1993).

Changes towards shareholders-oriented models

Even though most of the studies have exhibited a shifting pattern towards the stakeholders-oriented CG framework, some studies also showed a reverse approach to move towards more shareholders oriented CG framework. Such as (Schmidt & Spindler, 2002) claimed and suggested that the U.S CG framework which is predominantly stockholder oriented system is more proficient in case of economic changes and is flexible to adjust promptly to variation in the market ecosystem compared to the stakeholders oriented CG model practiced in European context. Additionally, many researchers such as (Lazonick & O'Sullivan, 2000) have found in their study on German CG system that numerous market forces have decreased the flexibility of the German CG System which is characterized as stakeholder oriented, that raises doubt regarding the sustainability in its present structure. Another study by Coffee (2001) talked about the modification of stakeholder basis of CG in Europe & Japan. The study incorporates four parts where shifting and alteration in CG is verified; "1) legal Framework, 2) ownership structure, 3) Internationalization of the markets for corporate control, and 4) growth of European Capital markets." The pressure of large institutional investors and their enhanced control on European executives might also be a significant factor for shifting towards shareholder orientation of CG. Furthermore, (Hansmann & Kraakman, 2000) proposed that shifting towards the shareholder-oriented CG model is not only advantageous and unavoidable, it has already taken place. Moreover, The agreement on a shareholder-oriented framework not only increase in the Anglo-Saxon nations, but has also intensified globally due to the attainment of modern firms functioning using this form. They also specified that the shareholder framework has out-performed the stakeholder model, and the financial and societal globalization force will transform stakeholders-oriented model into shareholders-oriented framework. Moreover, research carried out by (Yoshikawa and Phan, 2001) to exemplify the dissimilarity of two CG approaches practiced in Japan. They observed that, the alteration in ownership composition and investor's expectations will stimulate the firms to concentrate more on increase shareholder wealth even though stakeholder welfare are more focused. Yet, another study performed by (Allen & Gale, 2000) argued that even though there is obvious tendency of shifting towards "Anglo-American approach" of CG exhibiting the supremacy of UK and USA economy but in case of Asian economy it is complicated to completely shift toward "shareholders-oriented" model because of its distinctiveness of indigenous trade philosophy and legal structure.

Comparative corporate governance

Researches on the subject of CG have emerged as an imperative field from the last ten years, and have generated considerable attention in global analogy. Previous researches alienated the studies into two extensive classifications namely the Anglo-American CG arrangement, which is outlined by robust equity holders' rights, shorter period equity financing, discrete shareholdings, effective markets for capital control, and responsive market for workforce (Vitols, Hall & Soskice, 2001), (Hall & Soskice, 2001) and other one known as the Continental European CG arrangement, which can be described by longer period credit funding, intensified block holder control, weaker equity holders authority, passive markets for controlling capital and nonflexible markets for workforce. (La Porta et al., 1999); (Ooghe & De Langhe, 2002);(Cernat, 2004). Over the time, these two different opinions regarding CG have been developed and changed by the varied practical implication in different countries. However, these two different arguments act as a handy outline to begin the discussion. Studies carried by several researchers such as (Aoki, Jackson & Miyajima, 2007) (Kang & Shivdasani, 1995) found that both the characteristics of Anglo-American and Continental European CG models are only partly practicable in realities for Japan and Eastern Asian region found by (Dore, 2000); (Fan & Wong, 2005) (Hamilton, Feenstra, Choe, Kim & Lim, 2000). The partial implication has been also experienced while analyzing CG practice in a wide range of EU countries (Lubatkin, Lane, Collin & Very, 2005),(Enriques & Volpin, 2007) and also in case of developing economies (Okpara, 2011; Siddiqui, 2010). With the motion of identifying different CG models, contemporary studies have also tried to identify, which CG model is more effective and high scale up potentiality.

The successive arguments in CG seek to identify the extent of the globalization of the markets and the liberalism has driven to swift adjustments in classical structure of CG therefore both the pure Anglo- American and Continental-European models have not been the auto choice as considerable researches such as (Gugler, Mueller & Yurtoglu, 2004),(Khanna, Kogan & Palepu, 2006; Rugman & Collinson, 2009) exhibited that CG system practiced in different local and global institutions dominated significantly by international pressure. For example, (Buck & Shahrim, 2005), (Fiss & Zajac, 2004), and (Ahmadjian & Robbins, 2005) have exhibited that when shareholder oriented CG model practices specially those are exported from USA to other region of the globe is likely to be transformed and mixed with the local CG systems prior to their practical application. For this reason, only certain degrees of the CG exercise are completely executed and their acclimatization frequently directs to innovative or hybrid structures of these practices.

Convergence of corporate governance

Considerable focus has encircled the subject of convergence of CG structures. features such as changes in the forms of CB (Nietsch, 2005), the continual limitation of market for capital (Vitols et al., 2001), the significance of staff and workers as stakeholders (Jackson & Moerke, 2005), the occupational arrangements of top executives (Kubo, 2005) and business policies built on longstanding associations (Yoshikawa & McGuire, 2008) are adequate to claim that German and Japanese CG framework are still quite different from that of USA or UK but at the same time weight must be given on the noteworthy transformations happening in other developing region alongside Germany and Japan. From a systems-based viewpoint, recent progresses are often viewed as a "mixture" of domestic CG framework (Aguilera & Jackson, 2003). Fundamental features from stakeholder leaned system are reframed with latest aspects of equity-holder leaned models such as comprehensibility and precision. (Aoki, Jackson & Miyajima, 2005) argues that contradictory views, such as shareholder and stakeholder focused CG, might help to create an equilibrium or complement each other such as happening in Germany and Japan. Global standards are also playing a major role in the recent convergence of CG, such as International accounting standards (IAS/IFRS), US Sarbanes-Oxley Act and OECD principles. The OECD principles have been initially accepted by 30-member nations and proved to be a global standard for CG (Jesover & Kirkpatrick, 2005) and providing a precise direction for strategy formulation.

Continuing arguments relating to shareholders vs stahekolders CG approach

Arguments concerning the comparative advantages of the stakeholder and shareholder oriented CG model remain a popular research topic for the researchers. One the one side academicians and researchers have negatively characterized stakeholder governance model on several points such as the existence of the large number stakeholders (Jensen, 2001), insignificant contribution (Becht, Bolton & Röell, 2003) too much consideration may cause delayed decision making (Letza et al., 2004) and not having a sole purpose tasks could weaken administrative accountability (De Langen, 2006). However, several researchers have argued that, shareholder wealth has already been considered stakeholder governance model specifically termed as "instrumental stakeholder theory" (Jones, 1995) or "strategic CSR" (Campbell, 2007). With minor differences, these viewpoints suggested that fulfilling stakeholder's interest/welfare is ethically acceptable and build greater corporate wisdom, although the most important task of operating the firms should be given to executives and they must take into consideration stakeholders only to maximize the shareholders long term value generation (Vinten, 2001; Ntim, Opong & Dambolt, 2012; Ho, 2010).

Conclusion

This study comprehensively reviews prominent literatures to describe the idea of corporate governance (CG) framework, the underlining explanations for the CG challenges and the confirmation of the presence of unresolved agency problems in firms. Some key conclusive remarks are that, agency problem is still dominantly exists in corporations and instruments for containing the significance of the costs associated to agency issue are accessible and comprise of several external/macro level and firm specific internal controlling instruments.

It is noted that because of the limitations in existing significant hypothetical and functional inadequacies, external controlling mechanism such as hostile acquisition threat, and market for managers and directors, managerial reputation, capital market observation, market analyst and institutional investors might not be able to solely resolve the CG challenge, even though these could be significantly successful in some specific situations. Thus, corporations have to implement balancing internal firm specific controlling mechanism to reduce the overall costs associated to agency problem. This internal mechanism consists of the Board structure, managerial ownership/investment, executive's compensation policy, debt covenant/leverage, capital structure, dividend policy and corporate by-laws and strategies. In consistent with that findings, a considerable number of researches have been carried out identifying the compound nature of most of the CG system in corporate practice, signifying that singular instrument based controlling mechanism of CG might not be effective and reasonable. Moreover, this study tries to analyze the contemporary shift in the perception of corporations from the shareholders wealth maximization to stakeholder's valuation. It has been noticed that investigating cross country and firm-based variances in wealth distribution between diverse interest groups is likely to continue as major focus for CG study. It has been experienced that the nature of the corporation is changing around the globe (Zingales, 2000), big multinationals have been splitting into smaller liberated corporation, access to capital market is become easier and physical resources are easily replaceable and less exclusive to business strategy therefore the human resources turn into significantly important means to a corporation's existence and growth. In addition to that firm's relationships with community and goodwill are becoming equally crucial. There has been a progressive movement in conceptual framework of both investors and managers that firm's overall success and sustainability depends on the overall value maximization of the all stakeholders including the stockholders. The empirical evidences of UK and USA are also suggestive to this argument. The analysis also reveals that Both stockholder and stakeholder models are competing on the ground of superiority however, in practically there has been a vibrant modification with both standards are becoming progressively equally appealing in different region over the last 20 years or so. This paradigmatic swing is the main ideology of this paper. For instance, real facts exhibits that Germany and Japan, which have been customarily stakeholder dominated regime, have lately switched to equity-holder based CG framework and market oriented structure because of the dominance of free market economy and global competition (Stoney & Winstanley, 2001). All this suggests that the pretended power and dominance of any particular perception is not sustainable and comprehensive rather circumstantial. A potential scope for future investigation could be taken in the area of the identification of the association between the CG features of corporations and firm's performance.

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