



Chakraborty, Swati¹
Khan, Priyotosh²

ANALYSIS OF THE CORPORATE GOVERNANCE STRUCTURE IN ALL BHUTAN CONNECTION (ABC) PRIVATE LIMITED

Abstract:

After the dotcom crises in 2001, there was a need for guidelines for the management and the supervision of a company. Corporate governance aims to strengthen the relationship of the company with all its stakeholders by providing clear rules and practices regarding accountability, fairness and transparency. If the codes of Corporate Governance are followed, a long - term success is ensured (Monks & Minow, 2004). The objective of this project is to do a detailed analysis of the corporate governance structure in All Bhutan Connection (ABC) Private Limited.

Keywords:

corporate governance; stakeholders; long-term success; ABC Private Limited

Author's data:

¹ Swati Chakraborty, PhD, Associate Professor, Royal Thimphu College, Royal University of Bhutan, Faculty of Business, P.O. Box 1122, Ngabiphu, Bhutan, swati.chakraborty72@gmail.com

² Priyotosh Khan, PhD, Professor, Gyalpozhing College of Information Technology, Royal University of Bhutan, Department of Information Technology, Mongar, Bhutan, priyotosh.gcit@rub.edu.bt

Introduction

The corporate world has become very competitive over the years whereby companies now have to ensure that their stakeholders are satisfied while they also abide by certain regulations and structure. Corporate governance is one of those practices that companies implement in order to function efficiently with transparency and accountability. In simpler term, corporate governance describes the relationship between the managers, directors and other stakeholders wherein the corporation also assures the investors that their investments are utilized in the most suitable and profitable manner [3]. Corporate governance plays a significant role in the overall performance of the company as well as the global economy as a whole. The former President of World Bank, James David Wolfensohn has stated that the governance of the corporation is equally important as the governance of any economy or country during one of his speeches [3]. Corporations come into existence due to the need of the society whereby various services and goods are produced which enhances the living standard of the people as well as contributes to the economic growth of a country. This is why proper corporate governance has to be practiced in an organization in order to avoid unethical practices and to enhance a standard operation in all the corporations. Hence all these corporations will work effectively towards the development of the economy.

On this note, given the importance of corporate governance this project aims to analyze the

corporate structure of ABC Pvt. Ltd. which is one of the companies operating in Bhutan.

Objective

The core objective of this project is to do an analysis of the corporate governance structure of All Bhutan Connection (ABC) Pvt. Ltd. , a private enterprise has been chosen to study the Corporate Governance structure. The question for investigation is whether the private enterprise in Bhutan are compatible with the norms of Corporate Governance.

Company Profile

All Bhutan Connection (ABC) Pvt. Ltd. was established in the year 2003 when tourism industry was just blooming in Bhutan and they aspired to be the leading travel agents in country [1]. Their determination and their effective operation have indeed made them the second largest tour operator in Bhutan.

Data Structure

For the purpose of Data collection we applied Questionnaire method for primary data collection. The time zone for the study has been considered for sixteen (16) years from 2003 - 2019

Analysis

The company has operated in ethical manner and various aspects related to each stakeholder have been analyzed below which help in understanding the CG structure of the company. All the analysis

done henceforth is based on the answers retrieved from the survey questionnaires which were given to the relevant stakeholders of the company.

General Analysis

ABC Tours and Treks Private Limited is one of the aspiring travel agents in Bhutan whose vision is to give the best of Bhutan to all the tourists that come to the land of thunder dragon. The company is run by two pioneers who were already in the industry for more than fifteen (15) years. The company started as a small firm and, as of now, it is in its growing stage and it is headed by the board and various departments as shown in the organogram. The company has seen tremendous changes and growth in itself with both financial performance as well as other areas from the year 2003 onwards. The company has the best set of employees and management team which is one of the sole reasons for how it has grown over the years. The company employs those potential candidates who qualify the requirements and some of these requirements are experience whereby ABC does have employees whose experience level is more than ten (10) years.

The company has mixture of employees whose qualification is none while some have masters and degree and this all depend on the nature of work. The company provides various employee welfare plans viz. Group insurance schemes, travelling allowance, incentives if anyone in the family expires, casual leave, earned leave; yearly bonus and maternity leave for four (4) months with salary. These benefits have led to the satisfaction of the employees which is also why the employee turnover ratio trend is around 2.5 to 3% only in ABC.

Analysis of the Individual Stakeholders

Board of Directors

The analysis has been done based on the survey questionnaires prepared for every relevant stakeholders. Based on the analysis, it has been found that there are mismatch between theory and reality for certain criteria for the following stakeholders (given in the appendix). The probable reasons for the mismatch are as follows:

- REASONS
- BOARD OF DIRECTORS

Sl. No.	Criteria	Reasons (not matching)
1.	Chairman of the Board	The reason for the mismatch could be because of the fact that ABC is private company which was started by two pioneers and one of the pioneers himself served as the chairman.
2.	Qualification of the BOD	The reason for mismatch could be because at the time of establishment of the company there was not many postgraduate and only those who could not continue their further studies were in tourism business.
3.	Roles of the BOD	The reason for mismatch could be because ABC being a private company their primary focus is on profit and loss.

CEO/ MANAGEMENT

Sl. No.	Criteria	Reasons (not matching)
1.	Qualification	The reason for the mismatch could be due to the fact that ABC is a private company which was started by a guide himself with his passion for the Tourism industry and later he himself served as the CEO.
2.	Relationship between CEO/ management and board	The reason for the mismatch could be due to the fact that the ABC does not have an ideal BOD composition whereby limited people sit on the BOD with CEO and BOD functioning together.
3.	Preparation of agenda for the board meetings	The reason for the mismatch could be because ABC does not have board secretary.
4.	Decision maker	The reason for the mismatch could be because the CEO is more powerful due to the fact that he is the founder whereby he heads the BOD and makes the decision.

CUSTOMERS

28

Sl. No.	Criteria	Reasons (not matching)
1.	Disclosure of information to customers	The reason for the mismatch could be that ABC is a tourism company, basically they do not disclose all information. The only information that they disclose is about the key person to contact with, about office and the office address.
2.	Disclosure Policy	The reason for the mismatch could be because the company does not feel the necessity to let the customers know about their disclosure policy as the customers are tourist who stay in the country for a short duration.

SUPPLIERS

Sl. No.	Criteria	Reasons (not matching)
1.	Disclosure Policy	The reason for the mismatch could be because ABC is not obliged to disclose their crucial information to their suppliers. May be they do not want to share information about how they handle their business to the suppliers.

Solutions

Based on the above reasons, the following solutions have been proposed to address these issues.

BOARD OF DIRECTORS

Sl. No.	Criteria	Solutions
1.	Chairman of the Board	The probable solution for ABC would be to restructure the BOD and have an independent director as the chairman of the board because the decision can be taken independently without any manipulation.
2.	Qualification of the BOD	The probable solution would be to have a strong board of directors with minimum qualification of postgraduate degree with required experiences so that the decisions are taken wisely and professionally.
3.	Roles of the BOD	The probable solution would be to have a well-established board who will be responsible for establishment of vision, mission, and values, responsible for developing strategies so that the company can fulfill their main motive by aligning their activities with companies mission and vision.

CEO/MANAGEMENT

Sl. No.	Criteria	Solutions
1.	Qualification	The probable solution for ABC would be to appoint new CEO as per the requirements while the existing person serving as the CEO can remain the proprietor or the founder.
2.	Relationship between CEO/management and board	The probable solution for ABC would be to distinguish the position of CEO and BOD and CEO should not be heading the board rather BOD should function independently and make final decisions.
3.	Preparation of agenda for the board meetings	The probable solution for ABC would be to have a board secretary.
4.	Decision maker	The probable solution for ABC would be to distinguish the CEO and the board. The ideal board composition should be followed so that CEO does not dominate the board and the board could make the final decision independently.

CUSTOMERS

Sl. No.	Criteria	Solutions
1.	Disclosure of information to customers	The probable solution for ABC would be to share more information about the organization rather than only providing the information when the customer ask for it.
5.	Disclosure Policy	The probable solution for ABC would be to let the customers know about the disclosure policy of organization in order to maintain relationship with them for long run as customers will have more confidence in the company.

SUPPLIERS

Sl. No.	Criteria	Solutions
1.	Disclosure Policy	The probable solution for ABC would be to have a proper disclosure policy in place. It is important for the company to disclose all the necessary information so their stakeholders know how the company is performing. Proper disclosure policy means that there is accountability and responsibility in the company.

Conclusion

In conclusion, the study of corporate structure of any company helps in understanding the overall performance of the company and their alignment with the corporate governance regulations. ABC Private limited which is a tours and Travels Company based in Thimphu has been in the tourism industry for more than a decade and has been growing and developing since then. This project was done to analyze the CG structure of the company in order to understand how well the CG aspects are being practiced. This analysis on overall basis showed that the corporate structure of ABC does not deviate much from the international codes and best practices of CG or in other words it could be said that the company does follow and abide by whatever the theory states to some extent.

For instance, out of fifty two (52) different questions that were asked to different stakeholders such as BOD, CEO/management, employees, customers and suppliers whereby these questions were taken as the criteria or as a basis of comparison, it was seen that there were only ten (10) mismatches. It means that most of the activities or practices of the company is aligned with what the theories suggest as part of CG. The company can look into these mismatches and work on why this difference is coming up and they could even incorporate the probable solutions proposed by the authors of the report to overcome the mismatch. Similarly, the recommendations provided could be taken in to improve the existing matches in order to enhance the overall corporate structure of CG in ABC Private Limited.

GLOSSARIES

ABC All Bhutan Connection

BOD Board of Directors

CEO Chief Executive Officer

CG Corporate Governance

APPENDIX





ANALYSIS OF THE INDIVIDUAL STAKEHOLDERS

BOARD OF DIRECTORS

The analysis is given for those criteria where there is a mismatch between theory and reality [For Inference the cross sign indicates a mismatch between theory and reality]

Sl. No.	Criteria	Theory (the standard practices of corporate governance)	Reality (what is actually happening in the organization)	Inferences
1.	Chairman of the Board	The chairman of the board should be an independent director [4].	The chairman of the board is not an independent director.	×
2.	Qualification of the BOD	The BOD should have the minimum qualification of Postgraduate degree with required experiences [4].	The company only requires minimum qualification of Graduate Degree with experiences.	×
3.	Roles of the BOD	The board should establish vision, mission, and values and is responsible for developing strategies[6].	The BOD just checks the profit and loss account and attend meetings.	×



CEO/ Management

Sl. No.	Criteria	Theory	Reality	Inference
1.	Qualification	The CEO should have the minimum qualification of Graduate degree with required experiences [4].	Undergraduates (Class 12 pass out) with experience of more than ten (10) years.	
2.	Relationship between CEO/ management and board	Board should simply monitor the management and management should be responsible and accountable towards the BOD [4].	CEO is the chairperson and he heads the BOD.	
3.	Preparation of agenda for the board meetings	The board secretary should prepare the agenda [5].	The Human Resource Department is responsible for setting the agenda and date for the board meeting.	
4.	Decision maker	The BOD should make the final decision [4].	BOD and the CEO make the decision.	


EMPLOYEES

In case of employees, there has been a match between theory and reality for all the criteria.

CUSTOMERS

Sl. No.	Criteria	Theory	Reality	Inferences
1.	Disclosure of information to the customers	All material information of the company should be disclosed to the customers [7].	Only the information regarding the key person to be consulted is shared.	
2.	Disclosure Policy	The customers should be made aware about the disclosure policy of the company [7].	Customers are not aware of the disclosure policy.	

SUPPLIERS

Sl. No.	Criteria	Theory	Reality	Inferences
1.	Disclosure policy	The company should have a disclosure policy through which information is being disclosed to the suppliers [2].	There is no disclosure policy associated with the supplier.	

REFERENCES

[1] ABC Pvt. Ltd. (n.d.). Retrieved from About Us: <http://abc.bt/>

[2] Kuong, J. (n.d). Disclosure and Transparency. Retrieved from ComplianceOnline: https://www.complianceonline.com/dictionary/Disclosure_and_Transparency.html

[3] Mohamad, S. (2018, January 22). The Importance of Effective Corporate Governance. Retrieved from Research Gate: https://www.researchgate.net/publication/228237979_The_Importance_of_Effective_Corporate_Governance

[4] Monks, R. A., & Minow, N. (2004). Corporate Governance. Victoria: Blackwell Publishing Ltd.

[5] Price, N. (2017, October 2). How a Company Secretary Should Prepare for a Board Meeting. Retrieved from BoardEffect: <https://www.boardeffect.com/blog/company-secretary-prepare-board-meeting/>

[6] Price, N. J. (2018, January 12). The Roles and Responsibilities of a Board of Directors. Retrieved from DeligentInsights: <https://insights.diligent.com/board-of->

[directors/the-roles-and-responsibilities-of-a-board-of-directors/](#)

[7] Zemko, J. A. (2005). The Role of Stakeholders in Corporate Governance. St. Kitts: Center for International Private Enterprise.