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## Quarterly results format faces flak

OUR BUREAU  
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Stock investors should ignore quarterly reports and take a long view of a company's performance in which they intend to invest. One of the prime factors that led companies to collapse was the 'mortal fear of the stock market' in which today's chief executive officers live forcing them to inflate quarterly earnings.

A study indicates that companies with better corporate governance perform better on the stock market at least in the medium term.

All the Big Five accounting firm has helped Wall Street investment banking firm to engineer hypothetical transactions to make company results look better every quarter than they actually were.

Addressing a one-day seminar on 'Challenges of Corporate Governance in Turbulent Times' organised by the Centre for Corporate Governance, Madhav Mehra, president of the World Council for Corporate

Governance said, "Till now, corporate governance was viewed purely from the point of view of shareholders. Computer simulations of stake holder collaboration have indicated that these can enhance the corporations value by 10 per cent. Employees knowledge alone contributes as much as 70 per cent of corporate assets. This shows that the approach of focusing purely on maximising wealth for shareholders alone is self-defeating."

"The seismic wave of corporate collapse that continue to rip through the boardrooms are not so much because of accounting frauds but a poor model of corporate governance adopted by the west and now being apishly copied by our own corporate," Mehra said.

CEOs have not been focusing on creating wealth but manipulating figures to justify large bonuses to enhance their pay packages. The worst sufferers are the very companies which were held as model of corporate governance.



Brampton Mundy, regional head, eastern India, HSBC, Somnath Chatterjee, chairman, WBIDC, and Madhav Mehra, president, World Council for corporate governance, at a seminar in Kolkata Subrata Majumder

Through the last two decades CEOs have been grabbing power that belonged to shareholders in the name of corporate governance and misusing it for personal gains. During the period workers saw their wages rise 60 per cent, while CEOs managed to justify a 4300 per cent rise in their pay packets.

The difference between an ordinary worker and a

chief executive has moved from 1:20 per cent to 1:400 per cent in the same period. The figure for India has crossed 1:300.

Instead of bashing Enron we should be grateful to it for throwing open the murky world of corporate and providing us an opportunity of getting real with the huge problem of cleansing it," Mehra added.