

WHAT IS A CORPORATION?

○ Chief Justice John Marshall,

- “A corporation is an artificial being, invisible, intangible and existing only in the contemplation of the law.
- Being the mere creature of the law, it possesses only those properties, which the charter of its creation confers on it, either expressly or as incidental to its very existence.
- Among the most important are immortality and individuality, properties by which a perpetual succession of many persons are considered the same and may act as a single individual.”

WHAT IS A CORPORATION?

○ Melvin Avon Eisenberg:

- *“The business corporation is an instrument through which capital is assembled for the activities of producing and distributing goods and services and making investments.*
- *Accordingly, a basic premise of corporation’s law is that a business corporation should have as its objective the conduct of such activities with a view to enhancing the corporation’s profit and the gains of the corporation’s owners i.e. shareholders.”*

WHAT IS A CORPORATION?

- Ambrose Bierce, The Devil's Dictionary:
 - “*An ingenious (clever) device for obtaining individual profit without individual responsibility.*”

WELL IT IS AN INDEPENDENT ENTITY BUT...

- It is associated with different constituents like

directors

managers

employees

shareholders

customers

creditors

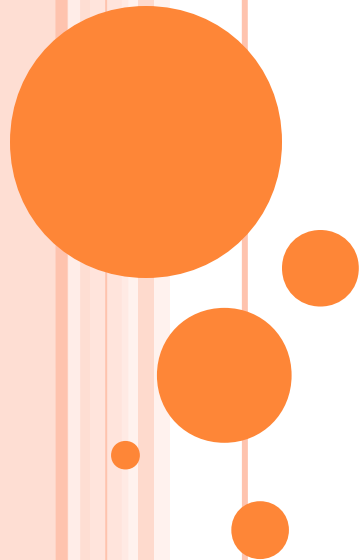
suppliers

community

government



EVOLUTION OF THE CORPORATE STRUCTURE



NEED FOR BUILDING FLEXIBILITY

- Economies of scale → mass production → need for large firms employing large work forces
- Need for greater number of investors
- Acceptance of private ownership of private property as a “social norm”

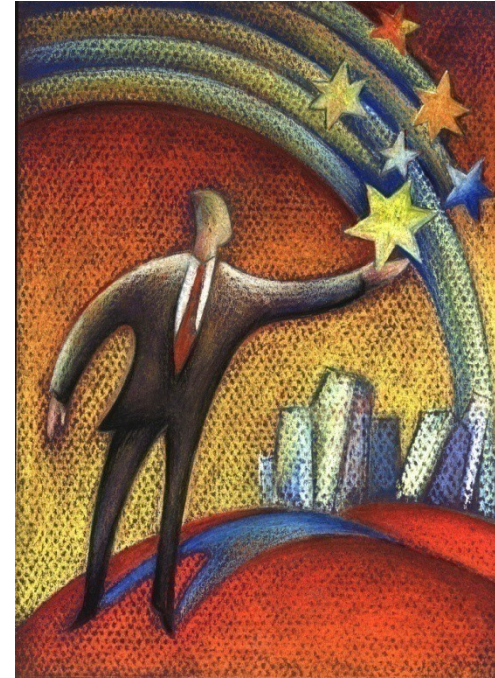
CHARACTERISTICS OF CORPORATION

- Limited Liability
- Transferability
- Legal Personality
- Centralised Management



PURPOSE OF A CORPORATION

- Human Satisfaction
- Social Structure
- Efficiency and Efficacy
- Ubiquity and Flexibility
- Identity



EXPECTATIONS OF SOCIETY

- Jobs and good and fair remuneration
- Goods and services that fulfill their needs
- Exhibit creativity
- Maintain a healthy environment
- Assurance of growth and progress



CORPORATION AS A PERSON

- ***Should a Corporation be given the same rights as individual citizens?***
- Corporation as a Moral Person

RELATIONSHIP BETWEEN SOCIETY & CORPORATION

- Laws by legislature - set basis for minimum standards
- *Governments and Corporations influence each other*

EXPECTATIONS OF THE MARKET

- Final arbiter of corporate performance
- Laws of marketplace influence decisions and operations
 - Laws of economics
 - Social norms
 - Environmental norms





WHY CORPORATE GOVERNANCE

- A prerequisite for attracting funds from FIIs
- Investors: Control Mechanism for optimum use of resources
- International Regulations (e.g. GATT, WTO) call for adherence
- Instances of blue chip companies involved in illegal transactions

