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IMPACT OF STAKEHOLDERS ON CORPORATE DECISION-MAKING

Y. RAVINDRA PRASAD

Research Scholar, Ph. D. in LAW
P. K. University, Shivpuri, M.P.

ABSTRACT

The shareholders' meeting, the board of directors, and the board of supervisors are the three main entities that make up the conventional corporate governance structure. Key players in corporate governance include shareholders, directors, and senior executors. In light of shareholder primacy, contemporary corporate governance systems have started to progressively provide the board of director’s discretion or include stakeholder representatives in corporate governance organizations in order to honor and safeguard the involvement of non-shareholder stakeholders. In the US, boards must fairly take into account the interests of all stakeholders when making decisions, but shareholders still have the last say. In contrast to previous claimants like creditors, shareholders only have residual claims during lucrative business times and face the risk of a company's failure. As residual claimants, shareholders are only entitled to a portion of the company's earnings or residual property upon the complete payment of all creditors, including suppliers, customers, and workers. Given that they ultimately split the company's earnings or assets in order to maximize their own gains, shareholders will inevitably work to increase the size of the "cake" while they retain ultimate control over the business. According to legal reasoning, the shareholder must have ultimate control over the business in order to be entitled to the residual assets of the corporation. Non-shareholder stakeholders may have an indirect impact on business choices, but they cannot take the position of shareholders as the company's ultimate decision-makers. The German supervisory board employee involvement system, or codetermination as it is more often called, is the only one of its kind in Europe. Employee representatives make up at least one-third of the supervisory board members under this arrangement. In the event that the interests of shareholders and employee representatives diverge, the shareholder will still maintain the position of chairman of the supervisory committee and retain ultimate authority over the business.