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Case Research: U.K. Corporate Governance Code 2010

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Abstract

In 2010, a new code of Corporate Governance was issued in the UK. In this paper, we make a comment on the impact of this code in combination with the important problems encountered by large enterprises in the past 10 years, such as strikes, employee supervision, etc.

Keywords: Code, Corporate Governance, UK, Impact

1. INTRODUCTION

A new Code on Corporate Governance replaced the Combined Code in 2010. This revision of the code of Corporate Governance is positive, and the positive significance lies in the corporate culture coordination, stakeholders, and other aspects of the company's board of directors. Other management bodies and personnel put forward more specific governance ideas (Martin&He,2001). But what is the longer-term impact of this code revision? In our view, the new code puts forward more specific ideas and requirements in dealing with stakeholder relationships, crises, corporate culture unification, and other aspects of corporate governance. Therefore, fundamentally speaking, it provides a stronger legal basis for implementing corporate governance responsibilities, and our points are similar to Martin & He (2001).

2. SPECIFICATION AND IMPACT

2.1 Specification of Multi-Interest Concern and Arrangement of Companies

First, let us discuss the Specification of Multi-Interest Concern and Arrangement of Companies. The company stakeholders' concerns are more unified, and there are more detailed descriptions of employees' interests and concerns. For example, Provision 6: 'There should be a means for the workforce to raise concerns in confidence and – if they wish – anonymously. The board should routinely review this and the reports arising from its operation. It should ensure that arrangements

are in place for the proportionate and independent investigation of such matters and follow-up action.' While the previous version only emphasizes the review responsibility.

As can be seen, the board of directors needs to have a specific mechanism for dealing with employees' concerns and concerns and emphasizes independent investigation, so more detailed requirements are put forward.

This change provides a way of thinking to improve the relationship between the company and its employees to participate in the solution in advance from the top level. If the conflict between employees and companies is not intervened at the right time, it may evolve into more severe conflicts (Goel & Thakor, 2008), such as strikes. Historically, there have been many strikes by employees.

2.1.2 Case about the London Underground

On the evening of July 8, 2015, 20,000 employees of the London Underground launched a 24-hour strike and had a severe impact on tens of thousands of citizens.

The strike was triggered by plans by London Metro to switch part of its lines to weekend overnight service. The company first proposed to raise wages by 0.75% in the year, then by 2% after being rejected, and to increase salaries by 2,000 pounds for drivers who participated in overnight subway services and 500 pounds for all staff who participated in overnight subway services. However, it still failed to meet the union's requirements. Trade unions say they are fighting for salaries and the safety of late-night subway passengers, and the treatment of late-night overtime workers. Finally, the negotiations broke down, and the Union declared a strike.

The London Metro strike is the largest in more than a decade. There are different trade unions on different lines of the London Metro. Previous strikes took place on a limited number of lines, and the impact on metro-intensive London is not very significant. Four unions, 20,000 employees, participated in the strike, which almost paralyzed London's subway system.

The London Underground carries up to 4 million passengers a day, with more than 535 trains running during busy hours. During the summer tourist season, tens of thousands of tourists travel in London. Millions of people go to work every day. The annual Wimbledon tennis tournament, a major sporting event, is also taking place. The subway strike has had a severe impact.

Mick Cash, the trade union secretary-general, said that despite the hard work of unionists in communicating with London Metro, the company had not come up with any satisfactory solutions. Labour leader candidate Jeremy Colbin and other Labour MPs also said the unfair treatment of workers saddened them.

Brown, general manager of London Metro, urged the unions to stop the strike. Brown said the overnight subway would reduce the average time spent on night trips by 20 minutes, boosting London's nighttime economy.

2.1.3 Case about Toshop

In 2016, workers at Toshop's online distribution warehouse announced plans for a joint strike to protest against the company's low pay.

According to the General Labour Union, the Living Wage Commission stipulates that workers should be paid 8.45 an hour, but the company refuses to pay the standard salary. At present, workers

receive 7.2 an hour as the minimum wage in Britain.

Following Monday's Cyber Monday is the first working day after Black Friday. Online distribution warehouses face huge workloads when labor is needed, so more than half of the workers plan to strike on that day to gain the company's attention.

The warehouse of the strikers, located in England, is a division of DHL Logistics, which handles online orders for Arcadia Group brands Topshop, Miss Selfridge, and Burton.

David Warwick, a trade union organizer, said Sir Philip Green, the principal owner of Arcadia, the parent company, should be moved to shame because he owned the funds of the DHL contract; that is to say, he decided on workers salaries. He used these loyal workers to enhance their reputation but refused to pay more reasonable remuneration.

2.1.4 Case about British Airways

In 2016, 1,500 staff at 18 major airports and 2,500 cabin attendants of British Airways went on strike during Christmas. It is estimated that at least 40,000 passengers were blocked. More than 1,500 Swiss International Airport Services (Swissport), which serves several airports, went on strike because disputes over pay and working conditions could not be resolved, the United Trade Union said.

More is like Provision 5 notes that the board should understand the views of the company's other key stakeholders and the board should keep engagement mechanisms under review so that they remain effective.'

2.2 Specification of Governance Effectiveness

The Chairman ensures that the board receives timely and correct information to clarify and ensure the constructive relationship between executive directors and non-executive directors, which plays a vital role in unifying the governance level's ideas.

Principle F notes that the chair leads the board and is responsible for its overall effectiveness in directing the company.

If the skills of communication, negotiation, and management are not effectively improved among corporate governance levels, the impact on the company may be enormous.

2.2.1 Case about BP

In 2010, BP cleaned up its leadership in a few weeks as the Gulf of Mexico oil spill wreaked havoc on the environment and negatively impacted the company. The Chairman and CEO of the company chose to leave.

Shareholders first criticized Carl-Henric Svanberg, Sweden's Chairman, for not being decisive after the oil spill and not supporting Tony Hayward, the company's chief executive.

Although the U.S. questioned Hayward's ability, investors in some of Britain's big companies said they would support the CEO. They said that the company was also fighting the oil spill, and that letting Hayward go would have a devastating impact.

But in order to restore BP's reputation and maintain its independence, shareholders, after careful consideration, agreed to let Hayward leave.

In terms of risk management, the requirements of the board of directors have been adjusted to emphasize more scientifically the improvement of procedures and the effectiveness of monitoring mechanisms, such as Principle O: ‘The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.’

And before that Incorporates 2016 Code emphasizes the board should maintain sound risk management and internal control systems.

2.3 Emphasizing the direction of cultural guidance and construction

In terms of culture, emphasis is laid on the orientation of cultural guidance and construction by the board of directors, and the formation of a compelling corporate culture should play a fundamental role in the development of the company, such as Provision 2: ‘The board should assess and monitor culture. It should seek assurance that management has taken corrective action. It should include an explanation of the company’s approach to investing in and rewarding its workforce.’

2.3.1 Case about AstraZeneca

AstraZeneca has always been at the forefront of global pharmaceutical innovation. There are numerous classical achievements in drug innovation: from Propranolol, the first beta-blocker in the world in the 1960s, to Novartis, a pioneer cancer drug in endocrine therapy for breast cancer in the 1970s, and the first proton pump inhibitor for acid-related diseases in the 1980s.

AstraZeneca has a strong R&D capability, and its input-output efficiency in R&D is at the leading level in the industry. In the past century, seven senior R&D personnel related to AstraZeneca have won the Nobel Prize for their outstanding contributions in the field of research. AstraZeneca spent \$3.4 billion on R&D in 2005 (an average of \$14 million per working day), while 11,900 of its 64,000 employees worldwide are devoted to the R&D of new drugs.

AstraZeneca's success is closely related to every employee. AstraZeneca is a passionate, dynamic, and permanent enterprise, but also a strict enterprise. AstraZeneca earns up to \$3 million a year in employee training, tailoring various training courses to each employee for an average of more than 60 hours a year. AstraZeneca's training content includes four categories: first, introductory courses including enterprise values and business introduction; second, professional skills training, such as English and computer; third, management training for front-line managers, including target selection, performance evaluation, situational leadership; fourth, leadership development, how to develop organizational structures and directors Courses in Distant Strategic Planning.

2.3.2 Case about Amazon

In May 2018, a former Amazon warehouse worker described being frightened by the "terrible smell" emitted from the trash can. He said the stench was a "undeniable," and he concluded that his colleagues had to urinate in the garbage can for fear of taking too long breaks in the bathroom¹.

¹ More than 30 Amazon warehouse employees exposed their horror work experience and urinated in trash cans., retrieved on December28,2018 from <http://tech.qq.com/a/20180504/016220.htm>.

His story echoes a survey by James Bloodworth, who conducted a confidential survey at an Amazon warehouse in Britain in 2016 and wrote a book on low-paying jobs. Bloodworth said that he had found a bottle of urine on the shelf and that employees often chose to do so because they feared that they would miss strict schedules for too long breaks.

Since Bloodworth's story was released, more than 30 people have said they worked in Amazon warehouses in the United States, Britain, and Germany and shared their warehouse experience. Amazon's "buyer" moves around the warehouse along a predetermined route and scans each item with a hand-held scanner to collect supplies. This process takes a long time. They say that buyers must complete a certain number of scans every hour, and if they fail to achieve their target volume, managers will appear to see what they are doing. Employees say that chatting with colleagues, drinking, and even spending too much time looking for packaging are called "desertions" and that too many of these things can result in employees being punished by penalty points. Once the penalty points reach a certain level, they will be dismissed. These employees said that they felt like "robots," combined with security cameras in warehouses, airport-style security checks, and short breaks, they felt like "robots". All this is to be able to deliver consumer packages faster.

Amazon nevertheless denied the work environment described by its employees. Others expressed frustration as daily warehouse stress helped Amazon CEO Bezos become the richest person in the world. "These indicators are very aggressive, most of my colleagues are in a state of constant anxiety, and we may be fired at any time for not meeting them," said a current American employee. The employee added: "Amazon needs a global trade union representative. This is modern slavery. Bezos has become the richest man globally, but behind it is our despair at work, and we have to endure this abuse.

Because of various reasons such as operation, profit distribution and so on, enterprises always reduce employees' wages. If enterprise management is not very strict, employees have relatively free time and relatively low pressure, then employees can barely accept relatively low wages. Loose management can be used as a welfare supplement for employees with low wages. However, some enterprises have low wages, strict management requirements and high intensity of work. In order to maximize profits, one person should do several people.

In this case, employees' dissatisfaction or turnover rate may increase (Tirole, 2010), and the reputation of enterprises will suffer a significant loss. For such improprieties in matters, the company management and supervision department should pay attention to and arrange the response processing plan as early as possible to improve the situation (Skaife et al. 2009) effectively. Amazon said it had canceled its points-based attendance system, but some employees said it still existed.

Amazon has repeatedly told the media that it no longer uses the scoring system to track employee attendance. The following is what it said in its recent statement: "Like most companies, Amazon has a fair and predictable system for recording employees' attendance, taking into account their circumstances. We have made it clear to all our employees. If employees are sick at home or on leave, Amazon has a series of measures to support our employees. We have recently added some on-site support measures. We realize that even if they want to, sometimes employees can't go to work. If someone is sick, we hope to get them back to work when they feel better. "We no longer have an integral-based attendance policy, and we have rectified it based on employee feedback. If someone is sick, we will talk to them to know their personal situation. We fully support our employees and use appropriate discretion when applying the absence policy. Anyway, Amazon sees the problem and tries to solve it gradually in some areas, which is a positive attitude.

3. CONCLUSION

The establishment of a corporate governance structure can safeguard the interests of all parties in the system because in the process of the development of the company, the interests of all parties are involved. If the governance mechanism is not perfect, some stakeholders will be treated unfairly. That is to say, more minor risks will bring significant benefits, or bear greater risks, without equal benefits. Corporate governance needs to pay attention to these institutional injustices and adopt positive measures and plans to balance and improve them. Only in this way can it develop healthily as a collection of interests. The new code puts forward more specific ideas and requirements in dealing with stakeholder relationships, crises, corporate culture unification, and other aspects of corporate governance. Therefore, fundamentally speaking, it provides a more robust legal basis for implementing corporate governance responsibilities (Martin & He,2001). From this point of view, it is very positive.

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