

Corporate Governance

Accounting & Finance

The mechanisms that align managers with owners.

The agency problem and its controls.

The problem

Managers may pursue size over value

Empire building and pet projects

Short-term targets over long-term value

Information asymmetry favours managers

The controls

Independent non-executive directors

Audit and remuneration committees

Performance-linked pay

Disclosure and reporting requirements

The market for corporate control

Educational reference. Governance codes vary by jurisdiction; most operate on a comply-or-explain basis rather than hard law.