Theories of Corporate Governance

1. **Definition of Corporate Governance**
   - Corporate Governance = a system of rules, policies, and processes a corporation follows to meet its …….
2. **Shareholder Theory**
   - Promoted by Milton Friedman in the 1970s.
   - Has been the dominant business model since the 1980s.
   - States that a company's primary responsibility is to …….for shareholders.
   - Argues that a company's …… is to increase profits.
   - Criticized for its …….on profits.
   - Led to the rise of other models that consider the interests of more groups.
3. **Stakeholder Theory**
   - Developed in the 1980s by R. Edward Freeman.
   - Says that a company must consider the interests of all ……. , not just shareholders.
   - Stakeholders include employees, suppliers, customers, community members, and ……..
   - Example: A company might choose not to move a factory abroad to protect local employees and the community, even if it reduces ……..
   - Emphasizes …….over profit maximization.
4. **Corporate Social Responsibility (CSR)**
   - States that a company should seek both …….and a positive impact on the …….and environment.
   - Example: Google Inc. has initiatives to protect the environment and promote ……. in the workplace.
   - CSR has become increasingly popular in the last decade, as consumers and investors expect such actions.

LIVEWORKSHEETS