Approaches to Global Sustainability, Markets, and Governance
Series Editors: David Crowther · Shahla Seifi

Vinay Kandpal
Arun Kumar Tripathy
Nidhi S. Bisht *Editors*

Developments in Corporate Governance

Emerging Market Perspective

Springer

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Series Editors
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Preface

In the past several decades, a huge amount of progress has been made in identifying corporate governance, and it has been recognized increasingly for its importance to company performance and longevity. Corporate governance entails the intricate partnership among stakeholders (shareholders, management, employees, customers, and public at large) in order to promote openness, accountability, and moral behavior in corporate decision-making. This is a book on the shifting trends in corporate governance with an eye to the emerging markets. Different market environments should be studied, as governance structures are derived from the local traditions and cultures of different countries. Further, they're rapidly integrated into world trade and finance infrastructures, providing further resonance.

Our book is based on the belief that corporate governance isn't a concept. It is critical that institutions continue to seek new modes of governance, continuously testing and adjusting practices to meet the evolving needs and demands of companies and societies. It just shows how necessary it is to continually assess and update governance strategies in order to maintain effectiveness. These readers will be aided by this book's comprehensive coverage of the topics of corporate governance in the current context. Written by practitioners, researchers and practitioners, this book aims to provide clarity on the changing nature of corporate governance, Environmental, Social and Governance (ESG) reporting and sustainable development. Companies are shifting, and they will need to implement processes to serve shareholders and more of their stakeholders—workers, communities, governments, and society. As we do so, we take governance into account when thinking about what a future for business might look like: profit and purpose. This series has four main themes on critical corporate governance and sustainability topics.

Corporate Governance and Ownership Structure: This module covers governance structures for ownership models ranging from the family business to multinational corporations. Transparency, accountability, and robustness are achievable through boards, directors, and institutional mechanisms—new economies and international corporations are explanatory.

Sustainable Governance and CSR (Corporate Social Responsibility): CSR has become no longer an optional but a fundamental business model. Chapters of this section provide an in-depth explanation of CSR strategies that drive environmental and social sustainability while fostering community and building long-term business relationships.

Corporate Governance, Compensation, and Data Protection: This part touches upon the cutting edge from executive compensation to data sovereignty and what the Digital Personal Data Protection Act 2023 means for businesses. Whether it is pay equity, technological risk, or regulatory change, these questions matter to companies looking to develop sustainable organizations moving forward.

ESG Reporting, Risk Management, and Sustainability: As ESG reporting has become a critical part of investment decisions and corporate strategy, this section will focus on the process, issues, and implications of ESG reporting on corporate attributes and financials. It also focuses on companies' strategies for climate risk, sustainability issues, and ESG indexes globally.

This book is the product of collaboration across a number of researchers and practitioners dedicated to uncovering and developing corporate governance, ESG, and sustainability strategies in developed and emerging markets. This article will be of interest to scholars, policymakers, and practitioners alike as it presents concrete guidance for building sustainability into the global corporate culture.

We hope that the information found in this book will motivate readers to see corporate governance not merely as a legal necessity, but also as a vehicle for ethical, responsible, and sustainable business change. As corporate governance evolves, so should stewardship, openness, and global collective prosperity. We would like to thank all the contributors for their experience and hard work in creating this book. Also, we would like to thank the continued assistance of our institutions that have helped us to complete this project.

Dehradun, India — Vinay Kandpal
Gurugram, India — Arun Kumar Tripathy
Gurugram, India — Nidhi S. Bisht

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The book is the result of our collective commitment to advancing the literature on corporate governance by offering insights from emerging markets. We are deeply grateful to all the chapter contributors for their invaluable contributions, which have enriched this volume with diverse perspectives and broadened the understanding of corporate governance in the global context. Their willingness to go above and beyond in responding to our editorial reviews is greatly appreciated.

We extend our heartfelt appreciation to the peer reviewers whose constructive feedback enhanced the quality and depth of each chapter. Their expertise and diligence ensured that this work met the highest academic standards.

Special thanks go to Mamun Mishra, Editor for Business, Management, Economics, Finance, Law, & Statistics at Springer, Australia and New Zealand, whose support was instrumental in bringing this project to fruition. Her responsiveness and guidance throughout the editorial process were invaluable. We would also like to thank Garima Singh, Teaching and Research Assistant at Management Development Institute Gurgaon, for her assistance in compiling the book chapters and managing communications with the authors.

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Chapter 5
The Role of the Board of Directors in Corporate Governance: A Case Study of Byju's

Kabirdoss Devi and V. Vardhini

Abstract Corporate Governance is weighted highly as the companies going globally and the stake holders of the companies increasing significantly. This chapter discusses about the board of directors in the governance structure of modern corporations by taking Byju's as a case study—a company having been at the forefront of the list of edutech companies. The impact of the board composition, diversity, and functioning on the strategic direction, risk management, and overall performance of the company is, therefore, examined with respect to Byju's. The chapter opens with a brief explication of the theoretical framework about corporate governance with respect to fiduciary duties and responsibilities of board members. The second is challenges which are specific to technology-driven firms like Byju's: leapfrogging market changes, keeping pace with regulatory compliance, and impetus for innovation. The focus falls on the composition structure of the board: executive versus non-executive directors, experience counting independence. It sits through a review of how the board structure has undergone strategic development ever since Byju's transitioned from just a start-up to a global edutech giant, overcoming problems arising from fundraising to international expansion and integration of acquisitions. There is also discussion on the role played by the board in developing the culture of compliance and ethical conduct and how it impacts the response of Byju's toward external scrutiny and criticism. The chapter has insights into how effective the board is with regard to aligning the interests of shareholders, employees, and customers. This would be done through a complete review of board meetings, committee structures, and decision-making processes at Byju's. Finally, there are lessons from the governance model of Byju's, and recommendations to companies, including those in the technology sector, on how to improve the effectiveness of boards toward long-term sustainability and success.

Keywords Byju's · CSR · Stakeholders · Governance · Board of directors

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5.1 Introduction

Corporate governance assumes great importance in India if there has to be economic growth with investment and trust in the business environment. It would help to have transparency, accountability, and fairness in management and control of companies. Where family-owned business concerns abound in a country, good corporate governance helps strike a balance between the interests of majority and minority shareholders.

The risks drop, corruption comes down, and operational efficiency goes up. There is room for better decision-making by adding independence of directors and expertise in multifarious disciplines that bring in diversity into the decision-making process—very critical in the dynamic economic landscape that India is in.

These standards of governance have been enhanced multi-fold under the Companies Act, 2013, and SEBI guidelines. However, there are challenges to their implementation and enforcement. Improved corporate governance framework can help raise India's global competitiveness, attract higher inflows of foreign direct investments, and build conditions for long-term sustainable growth. The reason for corporate governance is to make available to the world a resilient, ethical, and successful business if India has to be a lead player for economic power.

While corporate governance typically works to the advantage of companies, it also presents challenges to owners. Theoretically, diminished control can prevent owners from doing what they want, because of oversight by boards and independent directors. Corporate governance, including structures, audit, and compliance measures, can be expensive to erect and maintain. Governance processes can be time-consuming, thus slowing the decision-making process and reducing the agility in high-speed markets.

Disclosure requirements may compel business owners to reveal proprietary business information that might benefit competitors. It also involves focusing too much on quarterly targets and not enough on long-term goals. Governance that is too strict may strip businesses of flexibility and hamper the degree of creativity that firms can propose to fully realize the idea of business practice or strategies.

Stricter scrutiny and more stringent accountability add to the legal exposure of owners. More stringent governance rules can scare away some executives, and holding onto the best talent becomes tougher. Power structures shake up in a family-run business. From this perspective, too much governance process may breed too much red tape that will make anything efficient totally unworkable. These disadvantages have to be balanced with the general benefits of good corporate governance.

5.2 Brief Over View of the Case

Byju's is an Indian multinational ed-tech company, founded in 2011 by Byju Raveendran and headquartered in Bangalore. The company offers personalized learning programs for students from kindergarten through 12th grade and for those preparing competitive exams like IIT-JEE, NEET, CAT, and IAS. Combining interactive videos, quizzes, and assessments, the Byju's app has achieved tremendous results in making learning fun and interesting.

The journey of the company from a small start-up to that of a global ed-tech giant is marked by its innovative use of technology combined with robust educational content. The acquisition of a string of platforms such as Osmo, WhiteHat Jr, and Aakash Educational Services led to rapid expansion for Byju's. But this came at a cost. Its shift to selling hardware like tablets and SD cards preloaded with content diluted its core focus on education. Failure to repay the $300 million loan in 2021 scared investors due to financial mismanagement. Further governance-related controversies in 2023 still incurred a loss of trust and proved that with this very competitive ed-tech space, growth must go with the core values of education.

5.3 About Byju's

Byju's is a multinational ed-tech company that offers engaging, personalized learning programs to students from kindergarten to the 12th grade and those appearing for competitive exams like IIT-JEE, NEET, CAT, and IAS. No other app is at par in comparison to interactive videos, quizzes, and assessments so that one learns through enjoyment.

Abhisheet Kumar (2024) in his article briefed that the case of Byju's showcases tremendous growth from a small, out-of-the-box idea into one of the largest ed-tech companies globally. The reason the firm succeeds is through the harmonious fusion between technology with strong educational content and styles of learning diversity. It grew into a global player by the acquisition of multiple education platforms such as Osmo, WhiteHat Jr, and Aakash Educational Services. This rapid growth has been framed with controversy over high valuations and aggressive marketing tactics, but it is still one of the very potent forces of change in education through technology and access to quality learning for millions of learners worldwide.

5.4 Fall of Byju

Rafsan Billah (2024) in his articles stated that Byju's was strong at first, having built its muscle in education services, but it was diluted with the introduction of hardware sales, like tablets and SD cards, pre-installed with educational content. This made more financial sense but diluted the very core essence of the brand and created questions in people's minds on what the priorities of the company were, alienating users seeking quality educational content. Byju's aggressive expansion has been at the root of serious money problems—cash flow mismanagement, heavy debt, and prominent loan defaults.

The company missed the on-schedule repayment in 2021 of a $300 million loan taken from a Singapore-based entity that had already triggered warnings about the financial health of the institution and shaken the confidence of investors. (Gupta, 2023) In 2023, governance and ethical concerns rocked Byju's, with the resignation of auditor Deloitte and the exit of three board members, marring its internal governance practices and reducing stakeholder confidence. Its aggressive marketing and sales-driven strategy, which propelled it to exponential growth, soon turned against it amid the rising public ire over their negative impact on customer trust.

The most critical mistake that the company did was to shift away from its core purpose of providing quality education. In the race to scale up and diversify at a fast pace, Byju's changed from enriching the learning experience to aggressive scaling and monetization, consequently affecting product quality and a loss of trust among their core audience: students and their parents. These challenges requires a strong strategies that are in line with core values, and extending to the fullest ability to the limit possible to overcome the competition in the EdTech sector.

5.5 Objectives of the Case Study

The objective of the case study is to-

1. Provide information on how Byju's transition from an educational services provider to a hardware seller has impacted the company's core values and brand identity, thereby assess the consequences of this shift.
2. Bring out the mistakes done through Byju's financial strategies that affected the cash flow management, excessive debt accumulation and loan defaults due to unplanned rapid expansion.
3. Rule out the reasons for auditor resignations and board member departures, to determine the company's internal governance challenges.
4. Analyze Byju's aggressive marketing and sales tactics which resulted in their initial success followed by subsequent public backlash and the consequences that affected the customer trust and brand reputation.
5. State the reasons and show how Byju's deviation from its primary goal of providing quality education changed the product quality and customer trust, particularly among students and parents.
6. Assess lessons learnt from Byju's experience as to the need to be in sync with the growth strategies and the core values and the downside of doing too much too fast within the environment of competition in the ed-tech sector.

7. Suggest recommendations for Byju's to restore with its core educational mission, improve financial management, enhance governance, and re-build stakeholder trust.

5.6 Problem Statement

Byju's, a leading ed-tech company, faced significant challenges as it shifted from their core educational services business to hardware sales. This resulted in brand dilution and user alienation. Governance issues highlighted by the resignation of auditor Deloitte and three board members also undermine stakeholder confidence. Aggressive marketing strategies generated public backlash and damaged customer trust and the company's reputation. This case study aims to explore these issues including aligning growth strategies with core values and the risk of over-expansion in the highly competitive ad tech sector.

5.7 Discussion

Byju's app was created by Think and Learn Pvt. Ltd., a company founded in 2011 by Byju Raveendran, Divya Gokulnath, and a group of students. Byju, originally an engineer, had been coaching students in mathematics since 2006. Initially, the company focused on providing online video-based learning programs for the K-12 segment and various competitive exams. In 2012, Byju's earned a spot in the Deloitte Technology Fast 50 India and Deloitte Technology Fast 500 Asia Pacific rankings and has maintained its presence there ever since.

5.8 Shift in Business Model

Gaurav Kumar and Padmini Muvel (2019) in 2015 studied about the Byju's e learning app among children. They made content analysis and confirmatory test to check on the effectiveness of Byju's e- learning app among children. They identified in their study that Byju concentrated in the four subjects mainly such as Mathematics, Chemistry, Physics, and Biology to start with for the classes from 4 through 12 inclusive of effective delivery for the competitive exams. Byju created the video lectures chapter wise for the effective learners understanding. They had become popular with the content made available in online portals, through solving queries on subject posted by the students online, quizzes and short notes made available for everyone considered as a strategic move attracting many students join the byjus.

Rafsan Billa (2024) in his article mentioned the shift of Byju from the core values and how the consequences affected its business. Byju's initially built its reputation and success on its innovative educational services, offering engaging, personalized learning programs through its app. However, a significant shift in strategy occurred when the company began focusing on hardware sales, including tablets and SD cards preloaded with educational content. While this move proved financially lucrative, it also diluted the essence of the Byju's brand, which was originally centered on delivering high-quality educational content and learning experiences.

Changes in hardware sales shifted Byju's attention and resources away from their core educational services. This has raised concerns about the company's priorities among users and stakeholders. This strategic focus created a connection with Byju's core user base where students and parents demanded reliable and effective educational content of hardware products. But it appears to be more focused on making money than on the company's basic mission of providing quality education. This brought huge tension on the stakeholders of Byju's at all level.

In corporate governance terms, this geographically based change of emphasis provoked basic questions about the overall strategic direction and decision-making. The shift in strategy implied inefficiency in monitoring by the board of directors and called for improvements in the organizational governance to better reflect organizational values. As for the board, they are charged with responsibility over strategic directions as well as ensuring that the company's focus is on its education mission put them under the spotlight. Also, the openness of the decision on such strategic changes and the ability of independent directors to assess the consequences of such changes in the long-term were questioned. This particular scenario highlighted the need to have a good corporate governance structure as a key for implementing growth strategies without straying off from the vision and Identity of the company, while at the same time ensuring that it always retains the trust of its' stakeholders.

5.9 Accounting Practices and Management of Funds

Before, Byju's used another way of recognizing revenues, and so had to practice Ind-AS 115 changes. By these standards, when one agrees to multiple year revenues that requires two, three or four years, the full amount cannot be recorded in the first year's financial statements but has to be spread over the term of the revenues contract. Based on the above analysis, it was detected by the auditor and used to make the change discussed in this figure. From the financial quarter ending September 2022, instead of recording streaming revenues fully in the usage term, Byju's started recognizing them over the usage term, in the contracts. Thus, this new accounting methodology of Hubble has reduced the capacity of Byju's to recognize the income upfront.

Moreover, earlier, Byju's used the funding capital to acquire domestic as well as international business companies and brands under it. Nevertheless, company's fast growth strategy which is associated with the identification of expanding territories has provoked investors' interest. Some of them have questioned Byju's fast expansion by deploying capital for international business and acquisitions and its feasibility and relevance. It was this extra attention which underlines the necessity to strengthen the provisions of corporate governance to prevent reckless expansion and focus on sustainable value creation.

From the lens of corporate governance, (Mishra et al., 2022) these problems signify the need to have proper disclosure of the company's finance and efficient strategies for governance. The requirement of accounting principles and policies to meet are important in order to provide a perfect picture of the financial state of the company and its revenues. Also, the problems revealed by investors about the accelerated rate of capital spending for acquisitions point to the need to board of directors to take stringent supervision to guarantee that the expansion plans will not compromise the overall organizational mission and that it will be manageable to deliver. Strong governance systems are especially important for Byju's to uphold its investors' trust while still keeping their financial and ethical integrity while the company expands.

Founded in 2011 by Byju Raveendran, Divya Gokulnath, and a group of students, Byju's secured seed funding from Aarin Capital in 2013. By 2019, the company had raised nearly $785 million (Thomas, 2018) from prominent investors like Sequoia Capital India, Chan Zuckerberg Initiative (CZI), and Tencent. By March 2018, (Vignesh et al., 2018) Byju's became a unicorn valued at ₹6,505 crore ($1 billion). It attained decacorn status in June 2020, valued at $10.5 billion following investment from Bond Capital, and reached a $22 billion (Singh, 2020) valuation by March 2022 after raising $800 million.

Despite its rapid expansion and strategic sponsorships, including the India national cricket team and Kerala Blasters FC, Byju's faced financial and governance challenges. The company shifted its revenue recognition practices in September 2022 to comply with Indian Accounting Standards (Ind-AS) 115, reducing its advance income bookings. Aggressive capital deployment for acquisitions and international growth drew investor skepticism.

In 2022, Byju's laid off nearly 4,000 employees amid a funding crunch and profitability push. The company faced litigation and grievances from various stakeholders. By December 2023, Byju's grappled with severe financial difficulties, leading to the sale of key assets to raise funds. Bankruptcy proceedings initiated by lenders in January 2024 resulted in Byju's U.S. division filing for Chapter 11 bankruptcy. A U.S. bankruptcy court penalized Byju's directors in May 2024 for contempt, and in July 2024, the National Company Law Tribunal appointed an interim insolvency resolution professional following unpaid dues allegations by BCCI.

The above table shows the (Sharma et al., 2022; Tyagi, 2021) data on the revenue and Profit & Loss in Crores. Byju's remarkably shown the growth and then the progressive losses due to financial turbulence (Table 5.1).

5.9.1 Governance and the Ethical Issues

Prosus is a leading global technology investor and BYJU's largest non-promoter shareholder. It has lambasted inadequate reporting and governance structures of the