POLICIES AND STRATEGIES FOR ENHANCING THE PERFORMANCE OF CORPORATE GOVERNANCE

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Abstract: In the paper below, starting with the main models and theories of literature dealing with the subject of corporate governance, we propose to identify and bring to your attention how these theories are most suitable for improving the performance of the company. In this regard, focusing on the stakeholder objectives, we want to emphasize which are the most relevant policies and strategies for the argumentation of corporate governance performance.

Key words: corporate governance, stakeholder, performance, leadership, strategy

JEL Classifications: G34, L25

1. Historical highlights on corporate governance

Along with economic and technological progress of human society, the concept of corporate governance is more and more frequently encountered. Existing since the eighteenth century in Great Britain and the United States, corporations have spread worldwide, representing currently a common form of business organization. Their role in society has increased over time due to the development of economic goods’ market and the capital market, offering today a market able to satisfy most of human needs. Currently, the concept of corporate governance is seen as a method that supports shareholders, but at the same time provides answers to society through its continuous development and reliability.

Although corporate governance is a concept that had developed over time, the term began to be widely used along with the emergence and development of corporations. According to the author Tricker (2000), although corporate governance has its origins in the past, theoretical discussions on this subject are relatively recent. Thus, a significant step in the development of corporate governance was the emergence of limited liability companies, since it was known till then that a company can only be established and developed by a single owner. According to the same author (Tricker, 2012), the topicality of corporate governance concept is also highlighted by the number of over 12 million searches for it provided by online search engine Google.

In this context, Keasy (2005) maintains the idea that the concept of corporate governance has its origins in practice before 1990, culminating in a strong development in the last two decades and being currently used and involved in a wide range of issues related to finance or business.

Corporate governance works on two levels: microeconomic and macroeconomic. The microeconomic level is the direction in which the company must ensure the achievement of predetermined goals, by increasing stock prices, the value of company and also the shareholders’ satisfaction; at macroeconomic level, according to Keasey (2005), corporate governance has to optimize the return on capital and national welfare.

According to the author Tricker (2012), a clear distinction between corporate governance and management has been set. Thus, while the management covers the administration of a company, corporate governance is focused on the functioning of an organization in the best direction. Corporate governance is helped by directors (members of the Board), which are developing the strategy and the direction towards which the firm is oriented, and also the company board of directors, which monitors the management. According to the same author (Tricker, 2012), the Board is not part of the management structure, being an independent entity within the organizational structure, each member having equal powers, rights and responsibilities conferred by law.
In the practice of companies, the concept of corporate governance has emerged as a response to failures in the private sector, in a relatively short time, failures that led to the loss of investors' confidence in the managers' the ability to run a business. Thus, in 1992, in the UK, Sir Adrian Cadbury has published a comprehensive report regarding his research on failures of large companies in the private sector. The Cadbury report on the financial aspects of corporate governance, defines this concept as a set of processes and policies by which a company is managed and controlled, and at the same time directed towards achievement of predetermined goals established by the shareholders. According to this report, an effective corporate governance should be based on: the importance of controlling and monitoring a company's executives by the Board, the importance of independent members of the Board and their orientation, the differentiation of salaries and bonuses awarded for performance, and last but not least, the establishment of an audit committee with at least three independent directors.

As a conclusion of this report, it was found that the bankruptcy of large corporations was due to serious shortcomings of the internal control system. Another report on the subject appeared a few years later - the Higgs Report - proving that the role of corporate governance is to make sure the company is managed for the benefit of its shareholders.

In 2008-2009, the Bucharest Stock Exchange revises the existing governance code to align it with EU directives and issues the new code of corporate governance, which includes the following points: the rights of shareholders; the role and duties of the Board; Board structure; appointment of board members; remuneration of Board members; transparency, financial reporting, internal control and risk management; conflict of interest and transactions with related parties; corporate information system; corporate social responsibility; corporate governance organisms and the dual and unified management and control system.

2. Presentation of the models and theories of corporate governance

Over time, a series of corporate governance theories and models developed, and the first to appear, in the 30s and 60s, in the United States was the managerial model (Manager - oriented model), which has enjoyed great success. If at the emergence of this theory, the manager was seen as an individual who ran the company in perfect harmony with the interests of the public, now its role has undergone some changes, the same manager protecting his own interests first and then those of the company. Another model emerged in Germany in the '50 and was focused on the employees (Labor - oriented model), placing the employees at the center of interests of the company, who were directly involved in the Board of Directors and had the right to vote its members or even to join themselves the Board of Directors.

Also, according to the author Turnbull (1997), an issue influencing the allocation of power, profit and benefits between owners, managers and stakeholders is the political model. Thus, according to the Anglo-American political model, its orientation is toward more contemporary issues such as market liquidity, than towards institutional control. According to American researchers, Hawley and Williams (1996), the political model of corporate governance has essential limitations of economic analysis, but it deals with the subject performance-governance in terms of a more diversified political context.

Two models of corporate governance have been addressed with a predominant frequency: a model based on investors (Shareholders) and another model based on stakeholders (stakeholders). According to the shareholder model, the principles of corporate governance protect the interests of investors, who are concerned about the return on investment made and the associated benefits. Conclusions of theoretical and empirical studies existing in the specialized literature converge to the idea that the best method of corporate governance by which can be traced the social welfare is that managers are directly responsible for satisfying the interests of shareholders.

According to the theory of interest groups (stakeholders theory), which was elaborated by renowned professor Richard Edward Freeman (2010), the concept of corporate governance promotes the concept of optimal use of resources for all parties interested in the company such as: shareholders, creditors, employees, suppliers, customers, local community or other external partners. According to the same author, the main objective of a company's management is to manage in the best possible manner the relations between investors, creditors, suppliers, employees and other stakeholders who contribute to society in the long term.

The purpose of this model is to meet the interests of all categories of stakeholders, not just a particular case (i.e. of the owners). The basis of this theory comes primarily from the definition of the stakeholders, who are vital and essential pillars in the foundation and success of a business, and secondly, from the concept of corporate social responsibility, according to which the main goal of companies is to satisfy widest possible range of stakeholders.
Each category of parties interested in the company, from those listed above, contribute to the activity of economic entities and provide to the company various resources (financial capital, skills, knowledge and managerial skills, labor, raw materials, finished products, appropriate environment doing business). Thus, shareholders will require capitalizing the investment, managers will expect their skills and competence available to the company to be rewarded, customers will demand quality products and services, employees will demand satisfactory remuneration conditions and an adequate and safe labor environment, providers will expect stable contracts and convenient prices, and the government and the local community, in exchange of infrastructure, location and possible tax breaks given to the enterprise, will expect the company to improve the quality of life in the region.

According to some authors (Jawahar & McLaughlin, 2001), stakeholders can be classified according to their power and control over the resources of the company, and also, by the impact of their actions in different phases of the life cycle of the organization (Fig. 2). Thus, it was considered that the shareholders, creditors and customers represent primary stakeholders in the process of incorporation of the company, while in the phase of growth and development, the most important stakeholders are represented by owners, creditors, employees and suppliers. The mature stage is represented by the employees, community, suppliers, trade unions and government, while in the transition phase, the shareholders, suppliers, customers, creditors and employees are significant.
Recently, Tricker (2012) considers that the central position in the corporate governance practices is occupied by the shareholders, managers and board of directors, most corporate governance codes and corporate laws focusing on these categories of stakeholders. The specialized literature is constantly changing and expanding, and multinationals, because of the economic - financial crisis, are targeting their interests: maximizing market value and survival of the company.

3. Conclusions

We believe that corporate governance should be based on clear instruments of control and verification of predetermined objectives, which must be measurable, understandable, accurate and consistent with company's policy. In this respect, an important aspect for both management and shareholders is the verification of objectives' achievement and therefore of the performance of both management and company as a whole.

Thus the two concepts of corporate governance and performance are interconnected in a relationship of cause – effect type, or more simply, in a vertical relationship: goal - strategy - instruments - results - performance evaluation.

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