

CORPORATE GOVERNANCE INSTABILITY AND DYNAMICS

NEPOSTOJANOST KORPORATIVNOG UPRAVLJANJA I DINAMIKA

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Abstract: *The issue of corporate governance has become increasingly important as globalisation has begun to accelerate and the economic and financial turmoil have intensified. Post-crisis context has imposed the need to expand the prospects for analysis over governance and companies, as well as the need to identify new ways of administration and resource management. From this perspective, the author aims to highlight the conditions, factors and events that have generated profound changes within the business environment. The establishment of new governance rules is demanding a theoretical approach based on new methodological requirements which are needed to reform theoretical foundations and to promote creative and effective shapes and governance systems.*

Keywords: *finance-driven economy, shareholder capitalism, financialisation, shareholder value.*

Sadržaj: *Pitanje korporativnog upravljanja postaje sve važnije kako globalizacija sve više ubrzava intenzitet ekonomskih i finansijskih previranja. Postkrizni kontekst nametnuo je potrebu da se prošire izgledi za analizu preko uprave i preduzeća, kao i potrebu da se identifikuju novi načini administracije i upravljanja resursima. Iz ove perspektive, autor nastoji da istakne uslove, faktore i događaje koji su generisali duboke promene u poslovnom okruženju. Uspostavljanje novih pravila upravljanja traži teorijski pristup zasnovan na novim metodološkim zahtevima koji su potrebni da reformišu teorijske osnove i da promovišu kreativni i efikasni oblici upravljanja sistemima.*

Ključne reči: *ekonomija vođena finansijama, akcionarski kapitalizam, finansijalizacija, vrednost za akcionare.*

1. INTRODUCTION

The debates dedicated to corporate governance after the 80s, which dominated business world and many theoretical fields, were dedicated to the relations between shareholders, on the one hand, and the heads of companies, on the other hand, being largely centered on the issue of control of the heads of companies by the minority shareholders. This new paradigm that prioritized the methods and mechanisms of practical action has influenced the relationship between growth, profitability and financial structures, as well as models for the production of wealth, revenue sharing, financing the economic growth and the management methods.

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Corporate governance is presented as a management and control system and indicates the priority given to methods and mechanisms of transforming the action of companies, as well as methods to adapt management. The central aim is represented by the more efficient management of the shareholders-investors' interests so as to ensure maximization of their profits. In this view, only the interests of shareholders seem to be taken into consideration.

In an economic system where companies with dispersed ownership used to occupy an important place and where institutional investors, particularly pension funds, played an important essential role, the main aim was a stricter enclosing of the heads of companies power so they do not wear their prerogatives detrimental to the investors' interests. The heads of companies' action was essential and they were omnipotent within the organizations that held power and also benefitted from all information so that to represent the best interests of investors. A veritable touchstone of companies' regime was represented by the relationship between the heads of companies and shareholders, namely the holders of other interests within large companies, mostly held in listed companies.

The Anglo-Saxon doctrine of corporate governance had to be "acclimated" to the continental specificities, thus exceeding the mere transposition of prescriptions born in a profoundly different economic and legal environment and favoring the enthroning of an optimal system, by reference to certain values and objectives. (Thiriou N., 2007, p. 141).

Contemporary debates on the governance of the companies have highlighted the complex and multidimensional character, its interdisciplinary nature, as well as the difficulty of the analysis from the perspective of a conceptual system, mechanisms and instruments specific to a single disciplinary area. Consequently it was felt the need for the intake of some connected and related scientific fields (the corporate law, finance, ethics and responsibility in business, etc.).

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The multitude of financial and economic, legal and ethical-moral precepts and laws expresses the preferences of various authors for one category or another. The multiple approaching perspectives, the theoretical-methodological debates and controversies specific to the economic and finance science enhance the difficulties of the reform endeavor of the companies' governance and their adaptation to the new modalities imposed by the post-crisis situation.

Comparable assessments and approaches have distinguish the persistence of multiple and distinct forms, as well as the vulnerabilities and dynamism of corporate governance systems, complied with a complex process and interrelated by changes aiming to bring new codes of best practice for companies. (G. Morgan, R. Whitley, E. Moen 2005, p.80).

Business systems have permanently been subject to variation in time and space (between economies) and they reflect the complexity of the process of corporate decision making. Specific factors and conditions marked the persistence of distinct systems of coordination and

control in developed market economies. The characteristics of the national business systems are determined by the stages, transitions and various versions of the capitalism, by the ideological and intellectual context, by the features of the economic systems, the development of the property and power relations, the concepts of management, and others. Models of capitalism coexist with divergent models of governance companies.

The new developments in the world economy, globalization and financialisation of the economy, the virulence of the economic and financial crises have imposed further clarification on corporate governance, management, organization and control over company management. The comments and analyses aimed primarily to the diversification of the forms of expressing the governance, the new management methods and also the modification of the objectives as a result of the repositioning of the actors involves. A distinct remark aims at the issue of the “historical” role of finance within the contemporary capitalism, namely its role in the new growth regime established in the 90s. The emergence of the finance-driven economy and finance-driven capitalism imposes the objective of creating shareholder value detrimental to the group of actors involved in the activity of the companies.

Financialisation and corporate governance concepts refer to phenomena that occur inside companies, directly related to the new shareholders represented by institutional investors. Financialisation creates a new image of capitalism where financial markets have become privileged places of action and the expression of the shareholders relation. The new actors of the financialised capitalism have the ability to participate in the construction of the companies’ strategy.

Growth trajectories of large enterprises were affected by the economic environment changes. Focusing on contemporary changes in corporate governance systems and the analysis of the economic changes, especially in terms of companies, become priority axis for sustainable development and economic performance. A good corporate governance is important not only for an individual company, but for the whole economy, becoming an important factor for economic growth.

2. DYNAMISM AND INSTABILITY

The diversified concepts and practices of the corporate governance have their origins in the emergence and action of lasting and circumstantial conditions and events, of political-ideological, economic-financial and legal-institutional nature, which, on the one hand, have stimulated the emergence and expansion of divergent models of governance and, on the other hand, have boosted the perpetuation of similarities and complementarities.

Identifying the events that had a direct impact on governance systems, and also identifying the sources and the promoters of change becomes the prerequisite for highlighting the major transformation of capitalism and development of concepts regarding the organization and management of national business systems. The general factors which have contributed to changing the nature of capitalism and, therefore, the essence and mechanisms of governance at the level of companies and economy as a whole, refers to the acceleration of globalization and the liberalization of international capital markets, which has opened new horizons for the investors and has promoted the dissemination of the model and the Anglo-Saxon financial culture, the deepening of the European economic integration, which, by promoting common policies and by establishing the community control in many fields, is contributing to the presence of features shared by governance systems, theoretical and ideological background

marked by the triumph of modern economics and pro-finance ideology, the explosive growth of finance and the establishment of new relationships with economy, the level of development and the characteristics of the economic system, the institutional context, the characteristics of the capital markets and corporate financing, the changing of the nature of ownership and new power relationships, cultural traditions, etc.

The sources of change within the corporate governance relates mainly to the intensification of the competition on the products and services market, the legislative support for financial liberalization, the modernization of capital markets having as benchmark the model of stock markets on companies, encouraging greater transparency and accountability of companies for investors. Despite the accelerating dissemination and expansion of the Anglo-Saxon model of corporate governance, the hallmark elements are maintained due to the existence of some different sets of values, the manifestation of the specific role of the state in the economic processes, as well as the institutional features and the national specificities within the field of macroeconomic policies.

Mutations that took place as a result of the action of factors and conditions are essential for characterizing a new corporate governance operational context: the expansion of the financial capitalism, whose key-institution is represented by the corporate governance; the enhancement of the tendency to financialise the economy, trend which is manifested by the decoupling between risk carriers (shareholders) and the decision to invest carriers; emphasizing the disconnection between a hyperactive financial economy and a stagnant real economy; new actors, institutional investors, have the ability to participate in the construction of company strategy, the obsession with the short-term profitability, which itself carries certain the risk of compromising the increasing of the long-term capital profitability; the reordering of the objectives, in the direction of requiring the creation of shareholder value at the expense of the whole group of actors involved in the activity of the enterprise; the central role of finance within the new regime of growth; new methods of management, organization of production and labour; a new division of power and the reordering of the actors' role within companies; new conditions on the development of regulation and control strength, the regime of accumulation and growth, wage ratios and remuneration of production factors; new trends in companies' interaction with the environment, the accumulation of interdependencies with their stakeholders, whose influence has increased within business problems.

All these represent only some of the arguments justifying the need to expand the analysis prospects of corporate governance and a new approach to the role and functioning of companies. The audacity to meet such ambitious objectives calls for both theoretical efforts, as well as for a new approach based on new realities.

3. METHODOLOGICAL REQUIREMENTS

- **The mutations that took place in the financial and corporate governance systems are the result of the interaction of economic and political actors** (G. Morgan, R. Whitley, E. Moen 2005, p. 46). Starting the 80s, corporate governance takes place in the context of a financial environment which is more or less driven by the political and monetary authorities. For more and more authors, the economics-politics nexus exerts a considerable influence on the development of the coordination and control systems, as well as the characteristics of the management methods. At the same time, the obstacles faced by the coordination of the political actors' and the market's activities are recognized, both from the perspective of the aimed objectives, as well as the time horizon taken into account. Thus, the economic actors'

efficiency and profit objectives may conflict with the objectives which are simultaneously pursued by various political actors. In addition to the difficulties of achieving the coordination of the increased number of economic and political actors, there are also reasons to believe that they act on different reasoning.

- **Placing the study of governance in the context of capitalism stages, as well as performance criteria.** The major transformations of capitalism have marked the evolution of concepts and concrete forms of leadership, management and control of companies. Different capitalisms acquire distinct forms of governance. The existence of capitalism versions determined the variety of governance systems. The establishment of the new capitalist mixed system ensures the presence of common features shared by the governance systems.

Western capitalism is deeply reshuffled after the 80s, together with the imposition of a financial logic characterized by increasing liquidity of assets and risks associated dissemination. The emergence of a new era, namely the one of financial capitalism, disqualifies the institutional arrangements and conventions of the Fordist industrial capitalism. The Fordist model becomes inoperative and destabilizing and enables the possibility to the transition to make the transition to a new stage of capitalism and corporate governance.

Financial capitalism displays characteristics compared to the previous forms regarding the expansion of a “financial logic” on two levels: on the one hand, at the level of the assets markets, marked by the increased transfer of risk between financial actors, on the other hand, at the level of enterprises whose governance is amended in favour of the shareholders. (Rebérioux, A., 2009, p. 63). Within the companies’ management, the interests of the shareholders are prioritized in accordance with the stock exchange. The return on equity and dividends become crucial compared to the Fordist period, where increasing the turnover, productivity the gains with the employees and the reinvestment of profits were all privileged. This financialised form of capitalism brings to the foreground the shareholder, as well as the shareholder’s place and role in the process of management and control. At the core of the debates dedicated to governance lies the shareholders-managers relationship, the conflict of interest between the representatives of ownership rights and the power management ones. Finance turns into a means of “governing” a specific instability, the financial destabilization being a part of Fordism crisis.

After the “managerial” capitalism comes the “Fordist” capitalism which has prevailed after the Second World War, and the “financial” (shareholders) capitalism (shareholders), which has as features “the financialisation” of the management of the company (Plihon, D., 2003, p. 56), the dedication of the trader’s triumph over the manufacturer, the speculator’s triumph over the contractor (Virard, M.P., 2008, p. 108), the primordial position of the financial logic over the industrial and occupational logic (Harribey, Y.M., Plihon, D., 2009, p. 79). “The Great Disruption”, meaning the emergence of the collective institutional representatives who manage a “collectivised” saving or a “social ownership over the capital (Batsch, L., 2002, pp.12-13), requires the reviving of the shareholders’ activism, which implies the heads of listed companies’ to obtain more information regarding the management with the sole purpose to use them in the shareholders’ interests. The separation between ownership and control as a result of the pronounced dispersion of ownership, led to the emergence of a principal-agent problem, meaning that professional managers primarily aim to satisfy their own interests and not the shareholders’ profit. The proposed solutions aimed at balancing the interests of both categories of governance actors by establishing the principle of maximizing the shareholder’s value (Chang, H.J., 2014, pp. 92-93). Considered “the spirit of the American corporatist world”, for some authors, this desideratum is inadequate both from the perspective of the

company, as well as for the rest of the economy. The act of ignoring the company's long-term interests by the shareholders, represents the main argument over the maximization of the shareholder value and the company management in the shareholders' interests as legal owners (Chang, H.J., 2011, pp. 34-38).

The location and depth of the mutations generated by "the return to shareholders" and by the establishment of a dictatorship of "the financial value" are appreciated as a political vision on the enterprise which certifies the domination of the interests of a category detrimental to other parts which are involved in the companies' activity and which are labelled as a genuine cultural revolution. (Virard, M.P., 2008, p. 109).

• **Evolution of governance under the impact of companies' mutations. New challenges regarding the operation of companies after the current global crisis. The need to expand the prospects analysis**

The object of governance is represented by the company. Moreover, good governance is applicable to all types of organizations and its objectives are represented by performance and the act of promoting a culture of transparency and openness.

Governance practices become inseparable from the concept of enterprise from the moment when one creates dissociation between the holders of patrimonial rights and the managers in charge, namely the holders of legitimate rights represented by the owners of the enterprise and its management.

Capitalist enterprise has been the subject of numerous theoretical reviews, gathered together in a vast and rich literature. Diversity and complementarity represent the characteristics of the theories dedicated to the company established theories company (Morin, Fr., 2008, pp.213-218; Weinstein, O., 2008, pp.91-95; Boudry, B., 2003, pp.8-59):

- The modern enterprise represents a complex institution, founded on a system of administrative coordination, of hierarchical nature (A.D. Chandler);
- The company represents a technical and social production unit, as well as an economic and transactional unit, a knot of contracts, essentially defined in its relationship with the market (O. Williamson);
- A way of economic coordination which is alternative to the market. This analysis constitutes the starting point for the contractual vision according to which the company represents a system of contractual relationships between agents. At the core of this approach lie problems which are the direct consequence of the divergence of interests between the parties, determined by selfish motivations and asymmetries of information. In this variant, the theory of agency, the theory of transaction costs and the theory of incomplete contracts have their origin;
- The neoclassical theory of the general equilibrium defines the company as the manufacturer who maximizes his income under budgetary constraints. Such representation is based on individual behaviours which are allegedly perfect in terms of rationality alleged and on the assumption that there is a system of "free" relationships between agents which leads to a social optimum. In general, for the visions of neoliberal inspiration, the company represents a "knot of contracts" between the owners of the production factors;
- Company defined as a unitary structure of governance. Governance theories consider with priority the company as a centre of power, a place of central coordination of activity. In essence, the company is considered a unit of social, economic and financial governance, within the predominant role is owned by the financial function;

- In the context of expanding the practices specific to “the new governance of companies” in the 80s and the process of financialisation which took place in the following years, the vision which considers the company as “a financial asset” is enforced;
- The theory of the participant parts emphasizes the responsibility of the company as a collective entity, producer of positive and negative externalities;
- The theory of incomplete contracts insists on the need to take into consideration the ownership rights. The company is defined as a set of (non-human) assets subject to ownership and a unified control. Defining the system of ownership rights aims at “the allocation of power between agents”. Such allocation of power is linked to the definition of ownership rights on the production factors, especially on the capital. In an alternative vision, a company is more a system of competencies rather than a knot of contracts. Such conceptions which are dominant in period of time or another, may be assigned company models, as well as adequate forms and governance systems, within which it is noted the imposition of some specific objectives, as well as the reordering of the role of the actors involved.

The numerous proposed taxonomies have as theoretical sensibilities the relationships between shareholders and managers and the dispersion measure or the concentration of ownership rights on the capital. The companies in which the owners are also managers are defined as entrepreneurship companies. The small enterprise represents the symbol of the entrepreneurial capitalism. Entrepreneurs have played an important role within the dynamics of capitalism. The transition from the entrepreneurial company to the company that became managerial establishes the separation between company property and its management. The power of decision goes from shareholders to managers, fact which constitutes the essence of “managerial revolution”. The conflict of interest between the two categories of actors holds an important place in the debates devoted to governance. The analyses regarding the agency relationship highlight the difficulties caused by the separation between shareholders (principals) and managers (agents), in other words, the separation between the function of risk taking and the function of managing the activity of the company.

At the end of the twentieth century, some enterprises have entered into the logic primarily dictated by finances rather than by the entrepreneurial spirit. In the early post-war decades, the model of the dominant company was labeled as being “Fordist” and was dominated by the economy of mass production. Following the transformations to which it was subject to (Baudry, B., 2003, p. 58) the foundations of the Fordist company were brought once again into discussion. f during this period the entrepreneur represented a long-gone form of industrial organization, starting with the 80s he becomes an innovator and an agent of economic and social change (Boutillier, S., Uzunidis, D., 2009, p. 19). The entrepreneur’s return also signifies the transition to a new company management company. We are witnessing the emergence of post-Fordist company model, also called as company-network. Within companies there are key changes which are happening, directly connected to the new shareholders represented by the institutional investors. To achieve the objective of maximizing the shareholder value, companies have resorted to sophisticated financial engineering techniques. The enterprise model subdued to the financial market which joined the logic of the shareholder capitalism is starting to prevail. The American type company subjected to the logic of the financial markets is criticized for increasing the benefits / actions, with the sole purpose of increasing the share price and the used practices are accused: subcontracting and outsourcing of some operations, the relaxation of the accounting rules,

financial tricks for embellishing the balance sheets, buyback of own shares, increasing the accounting duty.

Mutations that took place at the level of the company, which can be interpreted as being strategic and structural modifications or formal or informal institutional arrangements, have had a considerable impact on the development of governance. Among them, the following may be mentioned: the acceleration of concentration, the internationalization, reducing the size of production units, the emergence of the “network-companies”, the modification of the ownership and power relations, at the same time with the emergence of the “corporate governance”.

The magnitude and intensity of such changes have generated new issues regarding the organization, management and control of the activity carried out at company level: dissemination of ownership and control, the pre-eminence of the financial function and the transfer of some activities outside the enterprise, outsourcing, transformation of the financial behaviour of the company, the financialisation of the management and / or the enterprise strategy, as well as the wage relationships, reordering the compensation of the production factors, on the first place, based on its mobility level, being the compensation of the financial capital, loss of power in terms of wage negotiations as a result of the new status of employees (shareholders), some important cost elements of the companies' dependence of factors which are outside of said companies, etc.

These new trends and the conjunction of some important and of different type changes require a new perspective on the companies' role and missions in the current period. Such an exigence is imposed by a complex of situations and reasons: companies do not operate in a vacuum, they are embedded in a network of interdependencies; companies manage a significant part of the resources, thus creating value for consumers and having a significant influence on stakeholders; companies represent key actors in the process of economic and social changes; the future of a company is determined by the type of values that represent its foundations; the increasing of the companies' activities impact on the communities in which they operate; increasing companies' social responsibility; ensuring reliable relationships between companies and their stakeholders as a direct consequence of the process of increasing their interests and their role in the governance process; the need to assess companies not only in relation with the economic-financial results, but also in perfect agreement with the legal requirements and ethical expectation; ensuring corporate sustainability and balance between different categories of interest, etc.

- **Perspectives on governance in relation to the evolution of power relations, ownership and management conception.** At the core of the issue of governance lie the relationships between shareholders and managers, the place and role of shareholders within the process of management and control of the company, the participant parties to the governance systems and their rights.

Governance represents more than a set of regulations and rules and it refers to both the leadership, as well as the way in which the authority, responsibility and control are exercised within a company. Of the multitude of approaches in which some favour the economic and financial aspects, and others favour those of judicial nature, one can distinguish the analysis focused on power relations. Governance refers to the structure and the process of exercising power. Three defining issues of power are defined through governance: the way it is acquired, the way it is exercised, the way it is legitimized and controlled.

The theories of governance have as dominant element the debates regarding the legitimacy of power in an organization, granting the mandate to an agent and controlling the agent's activities. Various arguments have been raised to acquire "the legitimate rights" to justify the intervention in the governance system of an organization: holding of a specific right (for example: title of ownership), participation within a contractual relationship (for example: employees, suppliers, customers), etc. (Pérez, R., 2009, p. 73).

The emergence of corporate governance was accompanied by the establishment of new relations of power and ownership, as well as by the displacement of partition of power. The transfers of authority and power, as well as the power sharing in different stages, transmit some peculiarities to the governance forms and patterns. In terms of ownership, there are differences between the various phases and stages of capitalism. The separation between the functions of ownership and those of management continue to exist within modern enterprises. Management is assured by the executive management, and governance is provided by the administration board of a company.

The dissemination of ownership, the transfer of some functions outside the company, the owners' delegation of their management skills etc. emphasizes the dissociation between the ownership right and power management. The separation between ownership, management and control is accompanied by risk sharing between the internal and external "participant parties".

Ownership over capital changes its nature. It becomes employable, since shareholders are mostly employees. The employable shareholder's extension via the institutional investors' increased role enables the ensuring of a new compromise between labour and capital, differentiated by the employable compromise from the Fordist period. In addition to the measure of dispersion or concentration of ownership right, another theoretical sensitivity endorses the relations opposing shareholders and managers.

The multitude of actors involved in governance systems, the changing of their place and role, is manifested strikingly together with the progressive transition from individual holdings of assets to a holding "intermediated" by professional managers (investment funds, pension funds, insurance companies). Especially in continental Europe, privatization techniques used, particularly the public sale offer, have enabled the emergence of a shareholder represented by individuals, subsequently replaced by institutional investors. As the importance of the companies listed on the stock markets increased, the issue of the relationship between managers and shareholders-investors begins to shape more obviously. Generally, the established shareholder structures lead to configurations which are specific to capitalism: the first refers to a traditional patrimonial capitalism which comprises large companies characterized by a stable shareholding; the second one, belonging to the financial capitalism, is characterized by the absence of a direct influence from the shareholders (Baudry, B., 2003, p. 68). The conflict of interest is present within the enterprises where the leaderships' and the management's responsibilities are undertaken by non-owners (agents), who are paid and controlled by the owners (principals). The agency relationship generates conflicts between these parties.

In the "30 glorious years", the leader constitutes the dominant figure. The ascension of the managerial power is interrupted, starting with the 80s, by the shareholders' powerful return as

a result of the process of financialisation of the economy and increasing the role of institutional investors.

The new institutional economy and the agency theory share the idea of the leader's control by the shareholders within enterprises where there is noticed the separation between the functions of ownership and management functions. Not all the management models decide the same influence of the shareholding in the act of decision making, management and control. In some cases, there is argued the necessity for the shareholder, the one who bears the risk, to assume the role of principal and to claim its agents (boards of administration) to ensure the priority of their interests, and the maximization of shareholder value to become the first objective pursued. For the stakeholder model it is necessary to ensure a balance between the interests of the staff, the shareholders, the customers and the society in general. In this context, it is estimated that the financial markets and shareholders, in particular, exerts a minimal influence over decisions.

The transition from a traditional shareholding to one polarized by institutional investors has deeply affected the relationship between shareholders and managers, as well as the dominants of the governance system: the emergence of corporate governance, within which the main actors, the institutional investors, are increasingly involved in managing enterprises, fact which emphasizes the shareholders' controlling process over managers; the shareholdings reallocates capital based on the profitability exigency; the placing of the shareholding in the middle of the partition of the value added; the distribution of the largest part of the profit to shareholders in form of dividends and redemption of shares; the main economic actors begin to identify their interests the interests with those of the actors who are short-term oriented (greed and obsession for profit), with professional managers, which affects the company's ability to invest; the institutional investors' active influence on the company's strategic orientations; the more strict enclosing of the managers' power so that they will not use their prerogatives detrimental to the investors' interests.

The conflict relationship between shareholders and managers is approached differently in theoretical analyses. The standard theories favour the shareholding power and, thus, the importance of maximizing the profit as the company's objective function. The agency theory confers the concentration of the ownership right a distinct significance. On the contrary, other theories emphasize the managerial power over the shareholders. Among these theories, the most well-known theory is the theory of the power management. Such theory explains the leading power of techno-structure by weakening the shareholders' power, given the large number and their relative dispersion. In contrast to the shareholder value theory, which places the relationship between shareholders and managers in the context of the governance, stakeholder theory extends governance issues by including all the categories of actors who own rights or "claims" on the company and who are affected by its decisions. According to this theory, the company should be concerned with the actors involved, beyond the shareholders' financial interests. Implicitly, the plurality of the company's objectives is recognized along with the maximization of the shareholders' wealth.

The complexity and the difficulties faced by the economic environment, as well as the essence of good corporate governance, require establishing of some truthful and trustworthy relationships between companies and its stakeholders and the identification of new ways of involving the stakeholders in the mechanisms of governance, due to the growing importance of their interests (Argüden, Y., 2011, p. 95). The ability to create value for stakeholders becomes of major importance. Companies that manage to earn the stakeholders' trust, have

the ability to mobilize to a greater extend its resources and to ensure their effective sustainable and equitable implementation.

4. CONCLUSIONS

The main idea of this paper force is represented by the process of highlighting the dynamism and weaknesses of the corporative governance. Starting from the governance's important role in the development of companies and economy as a whole, it has been emphasized the continuous need to improve the forms and methods of management and to intensify the concerns for making them adequate to the new requirements.

The recent recession and crisis have demonstrated that numerous companies were faced with failures of governance, both in terms of theoretical fundaments, as well as promoted rules and practices. The new acts of defiance addressed to governance take place in the context of agreement of some political, economic and ideological situations and events, fact which amplifies the difficulties present within the revision process of the governance. The research in this field, based on new perspectives and methodological requirements, must aim to reconsider the Anglo-Saxon model of corporate governance, identifying alternative models based on a culture of openness and transparency and to encouraging the sustainable development and harmonization of interests. Quality and efficiency of governance represent essential requirements of the sustainable development of the companies, as well as in terms of the prospects they offer for reforming capitalism.

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