NEW TRENDS IN CORPORATE GOVERNANCE OF PUBLIC SECTOR

Cosmin Sandu Badele Ph. D Student
University of Craiova
Faculty of Economics and Business Administration
Craiova, Romania
Daniela Fundeanu Ph. D Student
University of Craiova
Faculty of Economics and Business Administration
Craiova, Romania

Abstract: In Romania, rebuilding the system of corporate governance has been a major component of the reform, although its awareness developed gradually and relatively late, driven on one hand by the accumulation of evidence of inefficiency of the system of corporate governance of state-owned enterprises, and on the other hand by the increased activism of shareholders.

Corporate management is a multi-tiered approach on the relationships between interest groups (employees, managers, shareholders, business partners, regulatory bodies, the general public and the media). Thus corporate governance includes relationships which are established between the Board of Directors and internal or external stakeholders.

Corporate governance has its origins in the corporation bankruptcy laws and mechanisms from each country and in the mechanisms of judicial sanction, which set the basic rules of the internal relationships between various participants in a corporation.

The concept of governance (corporate) has been used in national institutions, commercial organizations, but also in the administration of the colonies and occupied territories. Subsequently, the concept of corporate governance has been developed in the private sector and was picked up and applied in most areas of activity. In recent years it has expanded rapidly, especially in the public sector.

The term corporate leadership appeared in common parlance in the 1970 in the United States of America in the midst of the Watergate scandal when it was discovered the American companies involvement in politics through contributions to various political parties.

The importance of this study is based on a correct approach that can lead to a managerial and organizational system with immediate, positive impact. Therefore it can offer the chance of bringing together the interests of all parties in order to lead a company to an uptrend.

Good corporate governance adds value to listed entities and contributes to reducing the cost of capital, thus assuring an effective financing of the tenderers.

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Key words: Corporate Governance, public institutions, national economy, public domain, interested parties financial or non-financial.

1. INTRODUCTION

Corporate governance is the set of rules that govern the Administration and control system within the Government (State), the interrelationships of public guardianship authority and bodies of public undertaking, between the Board of Directors/supervisors, directors, directorship/stockholders and other interested parties (employees, investors, people entering into contractual relations with the company- "stakeholders").

The rules that ensure balance legitimate interests pursued in the establishment and operation of a State:

- public interest (in most cases, strategic interest): energy, aviation, railway, mining, etc.
- developing government policy in industries crucial to the national economy;
- payment of interest of the shareholder-State: payment of dividends, taxes, taxes.
- the interests of minority shareholders: payment of dividends, increasing the value of the securities portfolio held for involvement in the decision-making process.

Governance is a very extensive concept that includes a solid and effective supervision of the way in which something is done, led, managed, or controlled in order to protect the interests of the said areas, organizations or institutions. The term has been used in national institutions, such as banks, but also in the administration of the colonies and territories.

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In recent years the concept of "corporate governance" is found in the organizations operating in the public sector, in the same extent as in the commercial.

In practice, implementing and developing the concept of corporate governance in particular influenced the nature and evolution of the internal audit.

2. IMPLEMENTATION OF THE PRINCIPLES OF CORPORATE GOVERNANCE

At present, all organizations and most countries are concerned with the implementation of the principles of corporate governance.

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Basically, corporate governance is an attempt to implement systems for risk analysis, verification, assessment, control that contributes to establishing an effective management for their functioning. Therefore, the concept of corporate governance should be addressed together with the entire organization of risk management (ERM) and with the evolution of the system of financial management and internal control (MFC).

The concept of corporate governance is supported by internal audit, which has an important role to play in assisting the reorganization system of internal control and advising management. For these reasons, internal audit has evolved in recent decades, in the implementation of corporate governance in organizations.

Internal audit has become increasingly important over the years, thus expanding both the scope and activity and coverage of endorsed activities. Governance gained interest all over the world in the last two decades, thus increasing the importance of internal audit.

Consequently, considering only these few reasons, it is interesting to understand what corporate leadership means as most of the countries want to adopt regulations in this regard.

Corporate governance has emerged as a response to a series of spectacular failures in the private sector, in a relatively short time, which rocked, in terms of investors' confidence in the way big corporations and public institutions were led.

Lack of investor confidence in the management of the organizations would decreased corporate activity and would affect both private sector and public sector, and especially the way they are led. If such a measure would not have been made, the commitment to investors would be diminished, and the corporate life would be affected.

In the United Kingdom, Sir Adrian Cadbury was concerned and made research into the causes of common failures of corporations in the private system, elaborating, after the crisis of the 1980s, CADBURY REPORT in 1992.

The report showed that corporate bankruptcies have emerged as a result of major problems of organization and functioning of the internal control system, issues which are in the competence of top management.

General management not only failed to avert disaster, but, in some cases, even was the source of these failures.

Subsequently other reports appeared which confirmed concerns Lord Sir Adrian Cadbury and contributed to the construction of practical rules and codes in all areas.

Corporate governance principles and codes have been developed and used by the OECD and the World Bank, which have been involved in this process.

In 1999, the OECD Principles concerning the administration of corporations have been developed, which, today, are the only set of principles widely accepted worldwide, and recognized as one of the 12 pillars of international financial stability.

OECD principles have served as a reference point to the achievement of national codes of corporate governance. They focus primarily on the public traded companies, but also on issues relating to companies with large shareholders, but not listed on the stock exchange. Lately, corporate governance principles are also implemented for some aspects of the administration of small private companies and state enterprises.

World Bank, when defining corporate governance, considers that its purpose is to maintain a balance between economic and social objectives, between the common and individual, which contributes to the efficient use of resources by encouraging and empowering those who manage them. Keywords in the definition of corporate governance are "balance" and "empowerment".

The World Bank is in line with the conclusions of the CADBURY Report, considering that the aim of the corporate governance is to bring closer the interests of individuals, corporations and society.
Corporate governance principles have been stated very generally, leaving the States the ability to apply them and to grant a lesser or greater importance on some issues.

3. CORPORATE GOVERNANCE PRINCIPLES

Corporate Governance Principles do not follow a universal model of corporate governance, but the long-term trend is to draw up global standards of corporate governance.

The CADBURY Report was sustained by the conclusions of other subsequent reports, which confirmed the initial findings and the fact that top management has not learned from the mistakes of the past and has not acted accordingly.

Principles and practices that built governance can be applied equally in the public sector or non-profit organizations. In fact, many would argue that this concept can bring more value in the public sector, where the taxpayer's interests are at stake and where the general public, who has the right to expect that public institutions to be well led, in the provision of services from public funds. Similarly, the European Union expects that the projects are managed to the highest professional standards.

The concept of corporate management refers to the transparency of transactions and monitoring of the internal control system in order to ensure its capability to assess possible risks to the safety management of organizations.

To avoid inadequate governance, top management must have special concern for the development of strategies, policies and organization of the internal control system with which to master and to evaluate the risks of the organization.

Regarding the definition of the concept of corporate governance, in the literature, there is no universally accepted definition, that's why we present the most important concepts that bring numerous terminological clarifications:

Governance is the system by which companies are managed and controlled;

An effective governance will ensure both the establishment of objectives and long-term strategic plans, but also the existence of management and leadership structures appropriate to achieve these objectives, ensuring the functionality of the structure in order to maintain the integrity, reputation and liability of the Organization which is of interest to the public opinion;

Governance is a combination of processes and structures implemented by the Board of Directors in order to inform, direct, lead and monitor the activities of the Organization, in order to achieve predetermined objectives;

Corporate management is a set of laws, rules, regulations and codes of conduct adopted voluntarily, which allows a company to attract the necessary human and material resources of the business and also offer them the opportunity to develop an efficient activity that generates long-term added value for shareholders, interest groups and for society as a whole;

Corporate management is:

-a set of relationships between the company's management, Board of Directors, its shareholders and other interest groups in society;

-the structure setting out the objectives and the means for achieving those objectives and monitoring performance;

-the system of incentives granted to the Board of Directors and management for the big goals that are in the interest of the company and of the shareholders and to facilitate monitoring, thus encouraging businesses to use resources in a more efficient way.

Corporate governance is a set of practices of the Board of Directors and executive management, carried out with the aim of providing strategic directions of action, achieving the objectives proposed, risk management and responsible use of financial resources.

Analyzing the definitions of corporate governance ensue as the most comprehensive of them is that the OECD, as it produces more precisely a company's relationships with both the internal environment, represented by the shareholders, employees and the environment posed by suppliers, lenders, community, but also the interaction between the two environments and leadership structures, i.e. the Board of Directors, company management.

Schematically, the factors that influence a company's activity, relations between them and the interests of every category in the concept of corporate governance structure is presented in Figure 1.2 - the interaction of internal and external environment of the company and the factors of interest.

In the U.S. and United Kingdom, due to the concentration of attention on the interests of shareholders, we can say that the driving model is a model of corporate shareholders.

In practice, companies tend to employ the best norms/standards of corporate leadership, voluntarily, to be competitive and to attract investors.

In Europe, the policies and legislation have in mind not only the interest of the shareholders, but also of other interest groups: employees, creditors, local community and civic organizations.

4. CONCLUSIONS

The structure of corporate governance (it should be noted that the term in English «corporate governance» was already in most countries, adopted and effectively applied by companies constitutes an instrument through which shareholders watch and control objective to protect and enhance the value of your investment over time.

As a result, corporate leadership influences both, the activity of companies, as well as the national economy of the countries involved.

Under the globalization of capital markets, competition for attracting funds should be growing as adoption of standards and procedures of corporate governance internationally-recognized. This aspect is especially important for economies in transition and those in training, which usually have recovered a handicap of credibility in the eyes of investors.

Analysis of the principles of corporate governance allows us realize that they represent an attempt to make top managers to fulfill their own obligations as fair and qualified as possible, so as to protect the objectives of stakeholders within organizations.

Stakeholders, internal or external, will definitely have different expectations and requirements sometimes in conflict with those of the organization. Also, the various stakeholders can put a certain pressure on the Organization in order to satisfy their own needs and desires.

The concept of corporate governance defines, besides the way an organization is run and controlled in order to achieve the predetermined targets, the system whereby it interrelates with the stakeholders and how it protects their interests.

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