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Policy's beneficiaries of corporate governance and diversification strategy

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Abstract

The present study is highly important because, when used properly, it can lead to an immediate positive impact on organizational management. Therefore it offers the chance to cumulate the interests of all stakeholders of a company, leading it upward. The study pays special attention to prospects for management/diversification/corporate governance in an attempt to provide an objective perspective on the system, highlighting those weaknesses that require intervention. Governance started in Romania, in conceptual terms and regulations, in the early 2000s. The delay is explained by the fact that the political, legal, economic and social realms were developed slowly and difficultly. Recently however, the context of corporate governance in Romania has changed. Accountability and transparency have become key factors not only for shareholders, but also for investors, lenders, suppliers and other parties involved. Good corporate governance adds value and helps reducing the cost of capital, providing effective financing capital from bidders. In this context, it is worth analyzing, based on statistical data, the degree of development of corporate governance in Romania. Indicators are tied to the board's attributes, in particular board structure, size, independence, frequency of meetings and other factors. The source is the official data published by companies listed on the Bucharest Stock Exchange (BVB). The results will be compared with results of other studies conducted in the case of emerging countries and the European average. The relationships between public managers and owners of financial or non-financial interests must be built on the corporate governance principles.

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1. Introduction

During 1990 a range of information in the field of strategic management with strong influence corporate diversification on firm value. Closer to the time where we are today in terms of management and corporate governance were advanced some arguments about the benefits of this strategy.

Many studies have tried to discover the difference that exists between companies and the difference between localized effects at the company, leading to the idea of corporate governance, the main role being to correctly and efficiently manage the resources and bring profit more rapidly.

Corporate governance defines a set of relationships and responsibilities between people involved in companies and external stakeholders, establishing rules, policies and procedures appropriated for the management, administration and business control.

Lately I've noticed on the international market more and more statements coming from various companies which informs us about the steps they have taken to improve corporate governance system. Headlines inform us on corporate initiatives in this area, and this is because they want to show the public and investors that take the practice seriously.(Anderson, R., Bates, Thomas, Bizjak, John M si Lemmon, M. 2000)

Although various governments and regulatory authorities insist a while on the subject, corporate governance has been in the attention of the media, investors, and more importantly, the companies for just a few years.

The subject has come in the spotlight after a chain of events, namely a series of highly publicized scandals that created a sense of anxiety and a lack of confidence on the international capital market. It all started with the collapse of energy giant Enron, which practically became a symbol of contemporary corporate fraud, and continued with a considerable number of companies that have failed as dramatically. WorldCom, Tyco, Parmalat, Comroad are just a few examples that have shaped the global scope of corporate failure.

Therefore, there were doubts about whether investors should make correct decisions based on information provided by companies and the capital market. The question of whether these scandals were simply the result of a lack of integrity of leaders or the result of flaws in the legislation was a natural one. The fact is that due to these events was spread an atmosphere of doubt and uncertainty in the stock market.(Belkaoui, Ahmed și Pavlik, Ellen, 1992)

In response, governments and competent bodies have initiated various changes, tightening corporate governance laws and especially introducing sanctions aimed to force companies to adopt transparent and ethical policies .Currently, most of the developed and developing countries have a Code of Corporate Governance issued by various regulatory bodies. Among the best known are Sarbanes-Oxley Act in the U.S., Great Britain's renewal code at the initiative of Derek Higgs, Cromme Code of Germany, the French Financial Security Law. Romania does not have a formal corporate governance code, but BSE is currently working on a formal code that will be soon published. Corporate governance is a set of "rules of the game" by which companies are managed and supervised by the board of directors, in order to protect the interests of everyone involved. It "specifies the distribution of rights and responsibilities among different participants in a company and the board, managers, shareholders and other parties involved, and specifies the rules and procedures for making decisions about your business. Therefore, it provides the structure through which the company's objectives and means of achieving and they are monitoring the performance.(OECD 1999)

Spectacular bankruptcies, financial crises and the gap between compensation of directors and corporate performance in the last three decades have shown that the establishment of corporate governance is not just a mean of survival today, but a strategy to thrive.

Governance helps companies attract investment and increase its economic performance and competitiveness in the long term. Such support is achieved particularly by the fact that corporate governance requires transparency on all transactions and adoption of standards for transparency in dealing with investors and lenders. In addition, corporate governance improves company management by limiting the abuse of power by

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