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Current situation of corporate governance practices in Albanian joint stock companies: a Delphi-based approach

Amali Çipi^{a*}, Shyqyri Llaci^b, Fernando A. F. Ferreira^{cd}

^aFaculty of Economics, University of Vlora "Ismail Qemali", Sheshi Pavarësia, 9401 Vlorë, Albania

^bFaculty of Economics, University of Tirana, Rruga Elbasanit, 1016 Tiranë, Albania

^cISCTE Business School, University Institute of Lisbon, Avenida das Forças Armadas, 1649-026 Lisbon, Portugal

^dFogelman College of Business and Economics, University of Memphis, Memphis, TN 38152-3120, USA

Abstract

The implementation of “good” practices of Corporate Governance (CG) allows companies’ to strengthen long-term financial performance, attracting more and powerful foreign investors. Due to the importance that foreign investors have in developing countries, such as Albania, one may assume that the implementation of CG mechanisms in such places is beneficial both for companies and the countries’ economy. In this sense, Albania has been struggling to find a CG model that fits under its historical, cultural and political landscape. This paper aims to analyze the current situation of CG practices in Albania, based on an application of the Delphi technique to a panel of Albanian Chief Executive Officers (CEOs). Despite the short life of Joint Stock Companies (JSC) in the Albanian trade market, results show that CEOs have a good level of knowledge regarding the basic mechanisms of CG. There is still room, however, for improvements in the implementation of these mechanisms and in the adoption of the internationally accepted CG best practices.

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* Corresponding author. Tel.: +0-355-033-202-442.

E-mail address: amalia.cipi@univlora.edu.al

1. Introduction

A “good” Corporate Governance (CG) framework should protect shareholders’ rights and ensure their equitable treatment, including minorities and foreign shareholders. It should also recognize rights established by law, and encourage active cooperation between corporations and stakeholders in creating wealth-generating economic conditions, jobs and sustainability of financially sound enterprises. In addition, a “good” CG framework should ensure that timely and accurate disclosure is made with respect to all aspects of the corporation, including its financial situation, performance, ownership and governance. It should also ensure the strategic guidance of companies, the effective monitoring of management by the board, and the board’s accountability to the company and respective shareholders (OECD, 2004). In this sense, it is worth noting that a CG-based culture is important to improve not only the firm long-term financial performance but also benefits society at large. From this premise, the challenge of CG in transition economies is to generate an environment in which shareholders and managers are encouraged to target long-term performance and to influence the decision-making portfolio of foreign investors. Based on this initial background, and through the construction of a panel of Albanian Chief Executive Officers (CEOs), this paper aims to analyze the current situation of CG practices in Albania.

The Delphi technique has been applied in situations where the problem under discussion cannot be resolved by precise analytical techniques, simply because there are no historical data or relevant information available (Ferreira & Monteiro Barata, 2011). Given that this is the case of CG practices in Albania, we believe that there is considerable scope to explore this methodological approach in this particular context. Our research involves a panel of joint stock companies’ (JSCs) CEOs from the most representative cities in Albania, and it is focused on five CG dimensions: (1) *shareholders’ rights*; (2) *stakeholders’ (other than shareholders) rights*; (3) *transparency and disclosure*; (4) *supervisory board’s role*; and (5) *law enforcement*. To the best of our knowledge, there is no prior research using the Delphi technique to analyze the level of knowledge and implementation of CG mechanisms in Albania.

The remainder of the paper is structured as follows. The next section presents the literature review highlighting the prominent role of CG. Section three discusses the most relevant benefits and limitations of CG practices. Section four presents a brief methodological background of the Delphi technique and justifies its application in the context of the present study. Section five presents the results of our study; and section six concludes the paper.

Nomenclature

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| CEE | Central and East Europe |
| CEO | Chief Executive Officer |
| CG | Corporate Governance |
| CIPE | Center for International Private Enterprise |
| JSC | Joint Stock Companies |
| IFC | International Finance Corporation |
| OECD | Organisation for Economic Cooperation and Development |

2. Literature review on the prominent role of CG

CG is becoming popular even in small economies. The concept has been spreading worldwide, and the debate and interest around its definition have been increasing over the years, despite its recency: “*while the term ‘Corporate Governance’ had not yet been coined 25 years ago, it has since become common in the modern business lexicon, used by academics, practitioners, and the popular press [...]*” (Denis, 2001). The contributions from the economic literature notwithstanding, the concept of CG remains arguably poorly defined, mainly because it can potentially cover a large number of distinct economic phenomena. This has resulted in different authors having come up with different definitions, each reflective of their own particular interest in the field. According to Yuksel (2008), this is unlikely to change in the near future, such that the best way to define the concept might be to simply list a few different definitions, rather than just sticking to a single one. In broad terms, the OECD (2004) presents

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