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THE IMPLEMENTATION PRINCIPLES OF CORPORATE GOVERNANCE

This paper will make a general survey of corporate governance literature. The aim of the paper is to identify various perspectives and to identify the methodological gaps in the literature. Thus, the main purpose of this paper is to look the methodology of corporate governance studies. In doing this it looks at some of the important theoretical perspectives about management studies such as the agency theory perspective, the stakeholder perspective, and the strategic management perspective.

Key words: Management, Methods, Corporate Governance, Corporate Social Responsibility

Problems relevant to the research. Though new findings come out often, the study of corporate governance goes back for decades. However, the American approach to corporate governance which mainly focuses on the issue from the viewpoint of the shareholder has predominated. For example, Brennan & Solomon (2008) quote Parkinson's definition of Corporate Governance as being " [. . .] the process of supervision and control [. . .] intended to ensure that the company's management acts in accordance with the interests of shareholders (Parkinson, 1993, p. 159, Quoted in Brennan & Solomon, p.887). As globalization impacts business practices the world over it is time to move out of this approach that privileges investor stakes and look at new angles rather than agency theory influenced definitions of Corporate Governance (Huse, 2005, p.S65). Cultural differences play a major role in corporate governance. For example, Lin et.al (2016) show that though China has adapted Western modes of corporate governance how they will actually play out in China remains to be seen. Moreover, the structure of corporate governance in most post-soviet countries does not suit to any models of corporate governance regardless governmental support. For example, with the intention of implementing corporate governance principles in Azerbaijan the Ministry of Economic Development of Azerbaijan Republic cooperated with IFC to prepare Azerbaijani Corporate Governance Standards. " The purpose of the Standards is to help companies implement good corporate governance mechanisms by achieving balance between the Azerbaijani and the international corporate governance practices. As a result, the Standards attempt to strengthen the competitiveness of joint-stock companies in any economic area and to make them more attractive to investors". (Azerbaijani Corporate Governance Standards, 2011, p.3). Despite the governmental support, still there a host of difficulties to apply corporate governance.

However, corporate governance is not so diverse that general principles cannot be ascertained. For example, Dimopoulos and Wagner (2016) argue that in both Germany and the United States that have major structural differences between their corporations, if

CEOs could be fired for underperformance, then they strived for greater profitability for the firms. Claessens and Yurtoglu (2013) show that across the world higher access to financing, lower cost of capital, better performance, and more positive treatment of all stakeholders work at all level of firms, sectors and countries—with causality clearly visible.

It finds that better corporate governance benefit firms through greater access to financing, lower cost of capital, better performance, and more favorable treatment of all stakeholders. Numerous studies show these channels to operate at the level of firms, sectors and countries—with causality increasingly often clearly identified.

Much of current research does not look at actual practice of corporate boards but gives too much importance to the structure of the boards. However, Roberts, McNulty and Styles (2005) point out that the current literature does not take into account behavioral processes and how they impact boards of perspectives. In fact, they assert that it is not the structure of the board but the way in which the non executive interacts with the executive is what determines how efficient a corporate board is. Existing studies show that traditional theoretical divisions between agency and stewardship theory, and control versus collaboration models of the board do not mirror what non executive directors and other directors on the board actually experience. New research goes beyond agency conceptions of the work of non executive directors to explain accountability. Huss (2005) shows how real board task performance does not fulfill theoretical explanations. This interesting field of what Huss calls the "black box of actual board behavior" (Huse, 2005, S66) helps towards governance can help define corporate accountability.

Literature Survey. One major research gap in corporate governance is the central job of the board that Taylor (2010) terms "corporate entrepreneurship" - setting up conditions for corporate renewal, supporting the development of new activities and the rejection of old ones has not been studied. He asserts that without such dexterity companies cannot last in today's market and calls for the building of dispersed structures. Instead today's analysis looks primarily at how to control and limit corporate decisions by giving actual power to boards of subsidiaries, divisions and joint ventures.

Efficient corporate governance should make managers leaders, convey corporate visions and values capably, set and be able to set and go beyond goals, and grade business performance both internally and externally. In addition everyone in the company should feel that they belong to it. Such extended definitions of corporate governance that go over and beyond the narrow concern with shareholder concerns that, he argues, mark the American approach.

Such definitions of corporate governance focus on more that the concerns of shareholders that is the American approach. In fact, the dominant theoretical paradigm in corporate governance, the agency theory approach, lays undue importance on solving conflicts of interest (agency problems) between corporate management and the shareholder. That is because the American approach gave importance to the finance paradigm. The roots of this approach are in the work of Berle and Means (1932) on the separation of ownership and control in listed companies that sees shareholders as the only stakeholders. Clarkson argues that "stakeholder is not synonymous with shareholder (Clarkson, 1995, p.116). The agency theory perspective (Fama and Jensen, 1983) argues

that the role of Corporate Governing Boards is to approve of decisions that have been taken. They study how organizations survive in the corporate world. The unit of focus is the company that is seen as a nexus of contracts (written and unwritten). They suggest a new theoretical stance or a theory of contracts that looks at how a governing body (1) allocates the steps in an organization's decision process, (2) defines residual claims, and (3) sets up devices for controlling agency problems in the decision process. These are "survival" traits that allow a company to develop. They insist that the separation of ownership and control in the literature is insufficient (Fama and Jensen, 1983).

Part of the problem that the article seeks to explore. The undue importance given to shareholder interests limits other approaches, as for example, the use of transaction cost theory from economics to study transactions cost theory in economics (Brennan & Solomon, 2008, 886) or the input-output model between a variety of factors and corporate financial performance. Such factors combine factors such as number of board members, the insider/outsider ratio, CEO duality and directors' shareholding. The input-output model has overly influenced research into corporate governance. In fact, in the 1980s and the 1990s, most research on boards and corporate governance had a US-inspired deductive approach (Huse, 2005, p.S67).

Normal measures used in these studies are CEO duality, insider/outsider ratio, the number of board members and the directors' share ownership, and very little importance is given to actual board behavior. The only interest in actual board behavior is through the use of proxies (Huss, 2005, S66). He conceptualizes a framework to widen the study of Corporate Governance. This has four clear areas (a) breaking the interlink between composition of the board and corporate financial performance into transition stages via mid-range theories (b) employing a pluralistic view to board role theories (c) employing theories from the group and cognitive psychology to find out culture of the board decision-making (d) taking the board as an open system that is affected by, and also is a balance of power between internal and external actors (Huse, 2005, S67).

Kosnick, (1987) in their study of 53 companies show how institutional factors can limit the behavior of corporate boards combining agency theory and a theory of managerial hegemony. The 53 companies privately repurchased stock at a premium. This purchase decision is used to evaluate the effectiveness of the board.

Kosnick uses this case study to argue that board decisions are influenced by uncontrollable factors. Such events include the failure of the board's outside directors to restrain management decisions such as paying for the stock at a rate higher than the market, a decision that works against stockholders' interests. In contrast, boards that did not make such purchase decisions had more outside directors or directors with executive experience. Kosnick (1987) holds that corporate management is not held back by institutional limits, nor are strategic decisions the only way to influence corporate management.

Aram and Cowen (1986) hold that the key role of a corporate governing board is to make profit. However, this goal is constrained by how management at the board level is carried out, and the limited information that they have access to. Based on the institutionalist perspective (1983) they demonstrate that outside factors influence how

decisions are made and the nature of director information does not allow directors to carry out these functions effectively. The focus should be on how directors interact with planning and control systems. McCahery et.al (2016) using institutional investors as a case study examine the role that they play in corporate governance show that there are a lot of things that happen behind the scenes and the existence of as governance-motivated exit. They show how long term investors as well as those who are not concerned with stock liquidity play a major role in investment decisions as proxy advisers. Using the institutional perspective they show that the board does not have complete control over investment decisions. The study agrees with the institutional viewpoint

At present, "Social Responsibility of Business" means "Doing Good" or "Not Doing Harm". Clearing up social problems could become a major business opportunity (Drucker 1984). Mintzberg (1983) summarizes the seven roles of governing boards (a) selecting a CEO, (b) assuming direct control during a crisis (c) examining the decisions of management and performance, (d) co opting external influence (e) creating contacts and raising money for the organization (f) intensifying the reputation of the organization. He also hints at the role complex office politics and power struggles play in the composition of the board while Zahara Pearce (1989) holds that there are three inter related roles that governing boards play--strategy, control and service. The board has to decide on goals and then raise the revenue that are required to reach those goals.

The second role is corporate control which includes observing and rewarding executive action and performance. The board also has to represent the interests of the organization in society, connect the firm with an external environment, and finally to harness critical resources. However, from a methodological standpoint most works focus on the roles that governing bodies play and there is hardly any literature on the inter relationship and diversity of these functions.

No single theory can explain corporate governance as there are too many roles that they play, but an attempt has been made to use various theories to explain different aspects of corporate governance. Two key theories are the institutional and strategic choice perspectives based on the work of Judge and Zeithaml (1992). The first studies how and why organizational structures and processes emerge as a result of socialization and institutionalization. Strategic choice perspective, on the other hand, looks at how organizational members adapt to the environment. This clarifies organizational outcomes. The institutional perspective, or the intrinsic influence perspective, is a rather rigid approach that holds that corporate decisions are the result of matters that the corporate boards have little or no control over. Things such as norms or social influence means that a particular board does not have complete control over all its decisions and therefore strategic choice theory holds that conscious choices are the best guide to organizational processes and outcomes. This builds on the work of Gupta, Dirsmith and Fogarty (1994) who argue that two of the most prominent theories, contingency theory and institutional theory, hold contrary approaches in assessing the reasons for why different formal structures develop. Another approach is to pay close attention to the internal environment of governing boards. Originally corporate governance came from the 19th century idea that

men who ran companies could be trusted to run them. In contrast agency theory sees people as selfish and prone to chase self interest.

It is essential to study corporate governance in the proper perspective. Clarkson (1995) argues that (1) corporations manage relationships with stakeholder groups rather than with the society at large, (2) there is a need to distinguish between social issues and stakeholder issues, and (3) it is fundamental to identify the right level of analysis to appraise Corporate Social Responsibility. Many areas are not explored yet. Emerging areas include the close interaction between society and business.

Currently there are a lot of new studies that look at the close interaction between society and business. Currently there are a lot of new studies that look at definitions of Corporate Social Performance (CSP), Corporate Social Responsibility (CSR), or Corporate Social Responsiveness. Clarkson (1995) holds that greater attention to these areas can create a framework or model for the systematic collection, organization, and analysis of corporate data. Considerable research is being carried out into the forging of a theory that covers these areas, the building of a framework or model that includes such approaches and attempt to create a general understanding about the meaning of these terms from an operational or a managerial viewpoint. Clarkson (1995, p.92) proposed a radical methodological approach. Instead of looking at corporate social performance based on models and methodologies that had roots in concepts in management literature, he suggested that it was better to study it based on a framework that looked at the management of a corporation's relationships with its stakeholders. Performance based on models and methodologies that were based on concepts in management literature, holding that it was more productive to analyze it based on a framework that studied the management of a corporation's relationships with its stakeholders.

Thus, he comes up with a new concept, the stakeholder framework the corporation is seen as a system of primary stakeholder groups, which has a social and economic function it carries out. Thus, a corporation has to create and distribute wealth that ensures that each primary stakeholder group wants to belong to the corporation. If the company fails the corporation falls.

If the corporation cannot generate enough assets to satisfy one or more of the primary stake holder groups, or if one stakeholder group gets more than the others leading to their unhappiness this could happen and a pullout from the entire system. Clarkson argues that the stakeholder system is a better way to provide data, non-financial as well as financial, that can show whether stakeholder dissatisfaction is rising and advise how a company can change its ways. He comes up with three propositions to look at where exactly corporate governance fails. The first proposition argues that if the corporation fails then it is

The second proposition argues that a corporation that has been able to demonstrate average profits for the preceding five years can be held to have created wealth or value for all its primary stakeholder groups. The third proposition holds that a corporation whose profits have been below the average in its industry for the past five years has not created sufficient wealth or value to satisfy one or more groups of primary stakeholders or to have distributed increased wealth or value to one group of stakeholders, causing unhappiness in one or more of its other primary stakeholder groups (Clarkson, 1995, p.110-11).He holds

that using this approach, with a few conditions, new research can emerge. He argues that it is best to conduct on an industry-by-industry basis to lessen the number of variables when ma comparing and calls for the benchmarks of performance, profit, and stakeholder satisfaction to be industry specific. External conditions will also be taken into account such as market share and growth patterns in the industry and the economy.

Clarkson (1995) insists that for many primary stakeholders, wealth and value are not solely financial. Thus "stakeholder satisfaction" is a more relevant measure. This could be done, for example, by looking at representatives of primary stakeholder groups to ascertain how happy they are with the wealth and value creation of particular companies. Thus both overall shareholder satisfaction rating and satisfaction ratings for each primary group can be measured.

He then argues for a study to separate the relative importance of stakeholder satisfaction in measuring long-term profitability. As the data would have both time-series and cross-section data, he argues that panel data methods could be applied to the analysis. Thus he calls for going beyond the use of a relatively simple tool, the amount of wealth a company creates, and for the widening of Corporate Governance beyond an exclusive focus on shareholders who are seen as the only stakeholders. This will mean looking at the economic and social role of the corporation--to make and disseminate more wealth and value to all its primary stakeholder groups, without promoting one group at the expense of others. This perspective, he argues, would greatly broaden the discipline. For example, when the stakeholder perspective is used management's sole responsibility is not only to deliver dividends, but also to mediate the economic and social role of the corporation, having to deliver to all stakeholders and not only to shareholders.

Conclusion. The above survey of the literature on corporate governance shows that it is quite limited by a narrow spotlight on finance centered governance that is based on the American experience. The “winner take all” attitude of American finance capitalism has made the only stakeholders the shareholder. Corporate Governance should expand to include the larger role of corporation in society. Further, research perspectives have shifted, and Corporate Governance, that began as a purely financial topic has now expanded to other disciplines. This paper makes a short survey of the literature from a methodological perspective.

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ПРИНЦИПИ ЗДІЙСНЕННЯ КОРПОРАТИВНОГО УПРАВЛІННЯ

У статті зроблено загальний огляд теоретико-методологічних та прикладних аспектів з корпоративного управління. Метою даної роботи є виявлення різних перспектив та визначення методологічних прогалин у дослідженні цієї проблеиматики у науковій літературі. Таким чином, основна мета даної роботи полягає в пошуку додаткових аспектів методології досліджень корпоративного управління. При цьому проглядаються деякі важливі теоретичні перспективи щодо досліджень в галузі корпоративного менеджменту, такі як теоретичні перспективи організації системи корпоративного управління на підприємстві, перспективи участі акціонерів в управління, а також перспективи стратегічного корпоративного управління.

Ключові слова: *менеджмент, методи, корпоративне управління, корпоративна соціальна відповідальність.*

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ПРИНЦИПЫ ОСУЩЕСТВЛЕНИЯ КОРПОРАТИВНОГО УПРАВЛЕНИЯ

Эта статья произведет общий обзор литературы о корпоративном управлении. Целью данной работы является выявление различных перспектив и определение методологических пробелов в научной литературе. Таким образом, основная цель данной работы состоит в поиске методологии исследований корпоративного управления. При этом просматриваются некоторые важные теоретические перспективы относительно исследований в области корпоративного менеджмента, такие как теоретические перспективы организации корпоративного управления, перспективы участия акционеров в управлении, а также перспективы стратегического корпоративного управления.

Ключевые слова: *менеджмент, методы, корпоративное управление, корпоративная социальная ответственность*