Volume **XIV**/ 2020 ISSN 2344-102X
Issue (XXIV) /**October** 2020 ISSN-L 2344-102X

THEORIES AND PHILOSOPHIES OF CORPORATE GOVERNANCE

Assistant professor PhD Cristina Gabriela COSMULESE
Stefan cel Mare University of Suceava, 720229, Romania
gabriela.cosmulese@usm.ro

Abstract
Taking into account the complexity of economic and financial events taking place today, we can say that the process of globalization of markets is not enough to support the coveted economic and socio-cultural development, but requires the globalization of cultures, their integration into evolution and development. mankind. Unfortunately, global pressures can motivate managers to manipulate revenue and delay or hide not-so-positive news. In this sense, financial accounting is a privileged information tool for governing relations with financial partners. It provides the necessary information to manage possible conflicts of interest, related to the distribution of wealth created by those transactions. The paper wants to highlight the importance of corporate governance characteristics in expressing the performance determined with the help of accounting data.

Key words: *corporate governance, financial performance, theories, developing country*

JEL Classification: *M 41*

I. INTRODUCTION

Given the complexity of economic and financial events taking place today, we see that despite the growing interest in corporate governance, many questions still exist. In our attempt to cover all important aspects of governance we will address the main theories of corporate governance starting from the three essential theories: the theory of agency, administrators and interest groups and ending with the theory of resource dependence, hegemonic management and presentation of the theory of the political model (Grosu, 2018).

The process of globalization of markets is not enough to support the coveted economic and socio-cultural development, but requires the globalization of cultures, their integration into the evolution and development of mankind. But we ask ourselves how can this be done? The answer could be: by communicating in the same economic-financial language that implies unity in the way of expression and thinking, in the methodology of organization, control and management of entities, as well as the standardization of accounting principles, practices and methods.

In recent years, heated discussions on corporate governance have had a variety of repercussions on corporate organizations as well as management. The influences were due to the existing theories, but also to the governance models developed by each nation. In the following, we will dedicate ourselves to the deepening of these theories.

Reviewing the literature, I initially found that there are four historical historical sources that have led to the formation of the notion of corporate governance, namely: agency theory (agent as some authors call it - Agency theory), stewardship theory, party theory stakeholders (theory) and company policy theory. The dynamism of the development of the economy in general and of the companies in particular, brought to light other theories such as the one of resource dependence, the theory of transaction cost, the theory of hegemonic management, etc.

II. DEVELOPMENT OF ACCOUNTING UNDER CORPORATE GOVERNANCE

Beyond efforts to theoretically clarify the links between corporate governance and accounting information, another stream of the academic literature has focused on investigating differences in corporate governance practices in various countries and regions, and identifying key factors that explain these differences (La Porta, Lopez - de - Silanes & Shleifer, 1999; Matoussi & Jardak, 2012). Most academic research on this topic has categorized institutional conditions, such as the legal system and political intervention as determinants of corporate governance. I believe that financial-accounting information is one of the main tools that chart directions in corporate governance. To argue this statement, we need to think about the following: what is the major interest when we talk about a society? If we put ourselves in the position of investor, what would determine us to acquire shares? Before determining with the help of some financial indicators the performance of that entity, we will certainly ask ourselves if the respective company is profitable, ie if it has obtained a positive result.

Volume **XIV**/ 2020 ISSN 2344-102X
Issue (XXIV) /**October** 2020 ISSN-L 2344-102X

Accounting is a source of data on the position and performance of an entity and can help those charged with governance to develop their knowledge of the organization in a variety of ways. First, accounting information gives visibility to those events that are not identifiable through the daily activities of a manager and to the same extent generates an overall quantitative picture of his work. Second, accounting can bring to light some issues that are overlooked during routine actions and can provide independent control over operations, supporting directors with current information. We therefore appreciate that, through the accounting information, important elements related to the success and development of the entity are made available to the corporate governance.

Studies on the relationship between governance mechanisms and financial performance have caught the attention of many researchers (Yakhou & Dorweiler, 2004). The shadow motive behind the research is the "conflict of interest" between managers and shareholders inherited from the principal-agent relationship (Jensen & Meckling, 1996). This conflict increases the organizational costs of an agency due to the lack of control of shareholders. We notice that the problem is often encountered in large organizations that have a very large number of shareholders, who are usually less organized, and who can not have sole control of the company's activity. By speculating on this, managers can "arrange" published results, thus distorting the company's image. This means that interpretations of accounting behaviors based on agency theory do not exhaust the wealth of motivations that can inspire these behaviors. At the heart of these organizational issues, corporate governance mechanisms have been used to align the interests between the principal-agent and therefore improve organizational performance.

I believe that better corporate governance brings or creates more value for all stakeholders. The presence of corporate governance can have a definite effect on the availability and cost of capital for all businesses, promoting financial stability as well as healthy economic growth. Rigorous corporate governance helps companies improve management accountability, use capital effectively, and attract long-term quality investors at lower costs. These, in turn, will contribute to the competitiveness of an entity and therefore to its development.

Companies must provide relevant, reliable, and timely information to stakeholders to maintain efficient capital markets. Accounting, auditing, and the corporate governance environment are key components in the flow of information to capital market participants. However, accounting failures in history have illustrated the need for substantial improvements in these systems.

III. Future Limits And Directions For A General Theory Of Corporate Governance

The disciplines that have contributed to the study of corporate governance so far are diverse, ranging from accounting, finance, economics, law, management, sociology to politics and philosophy. The two dominant theories, agency theory and stakeholder theory, are practically based on the delimitations of real models: agency theory, from an economic perspective, interest group theory, from a legal point of view. Inevitably, each perspective is limited and each theory has a different vision. I belive that, on a governance stage, some lights will bring to the fore some of the actors, others will illuminate different artists from different angles. Each spotlight will leave certain actors and certain actions in the shadows. Some theories perceive shareholders and the management board as a whole, together with advisory committees and external auditors; other theories analyze independent directors and their relationships; we also encounter theories that paint the perspective of the capital market, investors and regulators, etc. What I did not find in the literature is a general theory of corporate governance, a theory that illuminates the whole scene, to highlight all the actors and to suggestively reflect the "action".

We ask ourselves, what would be the limits of corporate governance? As I mentioned in the first part of the paper, governance means the way in which entities are governed. In this circumstance, we must not identify the “actors” nor define the “scene” on which they operate. Judging by the analysis of numerous studies conducted in the field, perceptions differ depending on the purpose of governance. For some, principles and good practices are important, for others, GC means the relationship between owners and corporations, about the exercise of power by shareholders, institutional investors, and for some researchers governance means social responsibility for stakeholders. Although academics' interest in the subject has exploded since the 1990s, researchers have not been able to provide a firm explanation for how governance works. Today, the boundaries of governance are being quickly removed by the fact that good governance is recognized by investors and regulators. As the management process affects global financial markets, we can say that the importance of corporate governance in ensuring the long-term success of the company is special.

In the following, I intend to bring together the characteristics derived from the analyzed theories and to propose some perspectives in creating a general theory of corporate governance. For this, we mention that it is necessary to respect the following:

- Relationships between individual, entity and state;
- Defining the taxonomy of entities that adopt GCs to cover each organization in which the administration and management are separated by distinct members;
- Defining for each participant the specific rights and obligations, expectations and requests;
- Highlighting the elements affected and affecting the governance of that organization;

Volume **XIV**/ 2020 ISSN 2344-102X
Issue (XXIV) /**October** 2020 ISSN-L 2344-102X

- Establishing concretely, from the very beginning, the power offered, the responsibilities and at the same time the sanctions for each participant;
- Transparency of financial-accounting information.

Although the list can go on with many elements, we stopped at these six perspectives which, in our opinion, concretely capture the indicators that reveal an overview of corporate governance and which would illuminate the whole scene, all actors and the action of the whole entities.

IV. CONCLUSIONS

Corporate governance is a modern reflection of the current issues of an entity regarding the liability of managers in terms of the interest of shareholders, investors and the procedures necessary to offset this liability.

Governance has been a hotly debated topic lately. This concept is part of a linguistic ensemble that expresses the neoliberal vision (ideology) of recent times. In this article we have defined the corporate governance from various perspectives, of well-known researchers in the field such as: Tricker, Cadbury, Mallin, Shleifer & Vishny, Hofstetter, Mayer, of various international bodies such as: the World Bank, the Organization for Cooperation and Economic Development, International Federation of Accountants (IFAC), corporate governance codes, etc.

Taking a retrospective of the information presented in this chapter, we can say that corporate governance is primarily aimed at how investors "hire" managers in order to provide them with a return on capital invested. This problem is affected by the theory of the agency trying to flatten and moderate the consortium of managers towards efficient management activities that ensure performance as investments.

The approach aims to highlight the topicality of the concept of corporate governance through existing theories. Through the theory of agency, the theory of administrators and interest groups as well as the theory of resource dependence, hegemonic management, political model, we have drawn directions and created the necessary connections with all areas of interest of an organization.

We paid special attention to the analysis of stakeholders (stakeholders) seen as users of accounting information.

We considered it necessary to present the main principles of good governance as well as the corporate governance codes that regulate the activity of companies traded on a regulated market.

We can say that the decision-making strategy of any management system is concretely based on financial reporting. In this context, a key role is played by the accounting information reflected in the annual financial statements.

Closely pursuing the purpose of corporate governance analysis, several ideas emerge and developed, such as the fact that corporate governance does not only involve supervision and stimulation in order to achieve performance, it must encourage experiments and the dissemination of advanced practices, make a decisive contribution. not only in defending the interests of investors but also in ensuring social stability, encouraging mobility and qualitative growth of human capital, orderly development of production processes, close correlation with cultural values.

In conclusion, we can say that this concept of corporate governance continues to be in a process of adapting to the requirements of a modern economy, to the increasingly obvious globalization of social life and also to the information needs of investors and third parties interested in the activity of companies.

REFERENCES

1. Grosu, V. (2018). Short Analysis Of Convention Between Corporate Governance And Internal Audit. Ecoforum Journal, 7(3). Retrieved August 10, 2020 from http://www.ecoforumjournal.ro/index.php/eco/article/view/860
2. Jensen, M. C., & Meckling, W. (1996). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. The Theory of Corporate Finance, 1, 35-90.
3. La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (1999). Corporate ownership around the world. The journal of finance, 54(2), 471-517.
4. Matoussi, H., & Jardak, M. K. (2012). International corporate governance and finance: Legal, cultural and political explanations. The International Journal of Accounting, 47(1), 1-43.
5. Pirtea M., Ceocea C., Ionescu A. (2014). Guvernanța corporativă, Economică, Bucharest, 87-96.
6. Yakhou, M., & Dorweiler, V. P. (2004). Dual reforms: Accounting and corporate governance. Managerial Auditing Journal, 19(3), 361-377.