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Content:

The article presents the author's definition of corporate governance and discusses the theoretical framework connected with this subject.

Corporate governance- definition and theoretical framework.

'C*orporate governance is the system of checks and balances, both internal and external to companies, which ensure that companies discharge their accountability to all their stakeholders and act in a socially responsible way in all areas of their business activity' (J. Solomos, 2007).* I would like to present a different approach. In my opinion, three different, but strongly related factors of this issue should be distinguished.

In the basic sense corporate governance should be treated like a set of rules and norms, which help to manage company. In other words, corporate governance includes memorandum of association and other official documents, which are based on Commercial Code. In this context '*corporate governance specifies the company's structure and goals, the way how to reach them and also the monitoring system*' (M. Jerzymowska, 2002).

The second approach is related with a specific enterprise. In this context corporate governance is composed of two elements: management team liability and information policy. The management team liability is a managers' way of accounting for their current tasks. It means that managers take responsibility for their actions and are accountable for this to shareholders and institutions which provide funds for running the business. The second element- information policy- is connected with flow of data. Not only does it answer the question whether the shareholders and stakeholders receive information about the latest decisions, but it also shows how they get them.

In the last approach, corporate governance should be identified with the expression 'best practices'. This is an idea of compromise and moderation which are necessary to satisfy the needs of all sides. I mean owners, managers and the local community. Moreover, 'best practices' is the set of common rules and social principles which should be taken into consideration in all lines of business. This is not a closed catalogue, it is changing along with development of economy.

It is really hard to define corporate governance because this is an abstract expression. Moreover, its meaning

depends on a context, company's goals, economy's development and country. But all definitions have a common feature-relationship between shareholders, managers and stakeholder. Generally speaking corporate governance is the set of flexible rules which help all sides to deal with each other.

There are three theoretical frameworks connected with corporate governance. They consider the issue on different fields. Transaction cost theory is limited to the organisation field. Agency theory seems to cross this boundary but it does not notice the moral side of problem. Thus, stakeholder theory seems to be the best framework for corporate governance because it encompasses all aspects of this issue.

According to Neil A. Shankman (N. A. Shankan, 1999) stakeholder theory seems to achieve a balance between the interests of all stakeholders, including shareholders. This means that stakeholder theory takes goals of all parties involved in company's life into consideration. Not only do managers try to meet owners' commitments, but they also fulfil the '*idea of corporate social responsibility'* (J. Solomon, 2007). Moreover, in this matter, stakeholder theory corresponds with the idea of best practices, which is not immaterial in Polish way of understanding the issue of corporate governance.

Companies' aims might be different, but there is no doubt whatsoever that sooner or later they will start to care about good publicity, low level of staff rotation etc. According to stakeholder theory good treating of employees and good relationships with suppliers and customers guarantee this. In this context, stakeholder theory can be identified with the method of achieving the long- term interests. This issue is strongly related with corporate governance as far the above definition is concerned.

Stakeholder theory is the only one which '*draws attention to the issue of social prosperity and allows other groups than shareholders to exert an influence on company' (*M. Jerzymowska, 2002), not only being affected by it. The same values might be ascribed to corporate governance.

At first glance agency theory seems to competing with stakeholder theory. Moreover, those views are often described as polar opposite or opposite ideological frameworks. But the truth is that '*agency theory can be subsumed within a general stakeholder model of the firm' (*N. A. Shankman, 1999). What is more, after longer studying this subject and consideration, it is quite obvious that those two theories complement each other and pursue the same aim.

According to agency theory managers should maximize the owners wealth, because this is expected by the investors. However, '*this is impossible without taking the interests of other groups into consideration. This point of view is confirmed in American document Statement on Corporate Governance' (*M. Jerzymowska, 2002). Only by caring about employees, suppliers and customers, and by keeping to terms of agreements and deadlines managers can maximize the NPV of the firm and improve company's competitiveness. Good relationships with stakeholders have great value for corporation because they assure the inflow of information and good publicity. This is the matter in which agency theory and stakeholder theory overlap. Obeying stakeholders' needs follows that managers have duties towards shareholders.

It is worth mentioning that usually there is not any conflict, event in long- term, between agents', principals' and stakeholders' interests. However, this conception needs the owners' sacrifice. They have to resign from the part of their profit and donate it to social needs.

The ideas of agency theory and stakeholder theory used to be different. However, the development of economy and markets' needs changed it and proved that those two frameworks have common goal. To summarize that what have already been said I can repeat after N. A. Shankman that '*stakeholder theory is (...) the outcome of agency theory, while agency theory (...) is a narrow form of stakeholder theory' (*N. A. Shankman, 1999).

References

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