

CORPORATE GOVERNANCE PROBLEMS IN TRANSITION ECONOMIES

Verica Babic

1. Introduction

Corporate governance has become a topic of a worldwide political debate. A series of events over the last two decades has placed corporate governance issues - including the power and responsibilities of boards of directors, the rules governing takeovers, the role and influence of institutional investors, and the compensation of chief executives - as a top concern for both the international business community and international financial institutions.

Research in the area of corporate governance spans multiple disciplines, including finance, strategic management, sociology and political science. The state of current knowledge is such that we need to have an interdisciplinary approach to studying the problem of corporate governance. The study of corporate governance can involve the problems of corporate decision making, strategic management, leadership, organization theory, and the sociology of elites. It can also be related to a whole range of other broader subjects, including macroeconomic policy, the level of market competition and political science. The framework of corporate governance also depends on the legal and regulatory environment. In addition, the factors of corporate responsibility and ethics are significant aspects of the problem of corporate governance. Thus one must first recognize the complexity and interdisciplinary nature of corporate governance before attempting to research its problems in a transition economy.

In developed market economies, a system of corporate governance has been built gradually through centuries, and today it can be defined as a complex mosaic consisting of laws, regulations, politics, public institutions, professional associations and ethics codes. However, in transition economy countries a lot of details of the mosaic are still missing. Trying to develop a system of good corporate governance in these countries is made difficult by problems such as complex corporate ownership structures, vague and confusing relationships between the state and financial sectors, weak legal and judicial systems, absent or underdeveloped institutions and scarce human resource capabilities.

This research brings an often-overlooked governance problem in transition economies to the attention of management researchers. Four key areas deserve concerted research attention in order to develop a sound corporate governance system for transition economies: 1) the scope and validity of the definition, 2) the corporate governance framework, 3) the appropriate corporate governance model and 4) the specific corporate governance settings in

transition economies. Before elaborating on some relevant elements in each of the areas mentioned above, I will first focus on the importance of corporate governance as a research problem.

2. The importance of corporate governance for transition economies

The recent experience of countries in transition shows that the assumption that a strong system of corporate governance will appear automatically as a result of ownership transformation is unrealistic. Even in developed market economies, differences in the ownership structure and level of concentration or dispersion of owners influence the selection and adjustment of corporate control mechanisms. For the countries in transition, the problem of good corporate governance development becomes more complicated due to the underdeveloped institutional infrastructure. For this reason there is a need for a careful approach to governance restructuring so that a private sector can be formed, powerful enough to realize successful economic transformations towards a market economy.

The importance of sound corporate governance for transition economies can be explained through its four main influences: (1) creation of the key institution, the private corporation, which drives the successful economic transformation to a market based economy, (2) effective allocation of capital and development of financial markets, (3) attracting foreign investment and (4) making a contribution to the process of national development (Babic, 2000).

The development of corporate governance demands the establishment of certain market economy institutions necessary for economic growth. Without good corporate governance, corporations cannot fulfill their main missions of profit-making and contributing to the social welfare with maximum effectiveness. Companies cannot operate successfully without adequate rules of governance and the institutions that support them, or without the acceptance of a culture of corporate governance among managers, owners and other stakeholders.

For countries in transition, corporations and associated institutions are the key to successful economic transformation towards a market economy. Well-developed corporate governance requires that all relevant actors recognize and understand their roles. Mass privatization gives birth to numerous owners who are not active participants in ownership because they do not recognize their roles, rights and responsibilities. Most of them simply wait for the paying out of dividends, which are often worthless in their value. Also, managers do not understand their roles of agents when they are compared to owners, but they run companies as if they were their property, satisfying own interest to the detriment of owners and the company as a whole. Corporate governance requires coherent and strict legal regulations which implies an urgent mission for the makers of economic policies of countries in transition. Furthermore, it is important to provide for systems to recruit, train and reward professional managers who can be held to high standards of competency, ethics, and responsibility.

Corporate governance is directly related to financing and investments. Making managers disciplined by means of corporate governance mechanisms results in an efficient allocation of resources. For countries in transition it is doubly important: the scarcity of domestic savings demands that capital be directed towards the most profitable companies, which is possible only if principles of corporate governance are given publicity, transparency and monitoring; in addition, due to the imperfection of market mechanisms (underdeveloped stock and bond markets and an ineffective banking system), corporate governance presents an additional mechanism for discipline and effective management control in corporations. We can conclude that good corporate governance is an important factor for the functioning of a financial market, which leads to efficient allocation of financial resources and is the key to economic growth. The efficient financial market itself should promote better practice of corporate governance, reinforcing market discipline for corporate managers.

International capital flows enable companies to tap sources of financing from a great number of investors. If countries want to take full advantage of global capital markets and if they want to attract long-term capital, they must follow clear standards of corporate governance at the international level. The degree to which corporations use basic principles for good corporate governance is a relevant factor for investment decisions as well. It is especially important when we talk about direct investments, which are of the greatest benefit to countries in transition because they mean not only capital, but the transfer of skills, technology and know-how as well. Although direct investors exercise a lot of control, they also pay considerable attention to the framework of corporate governance. They request adapting to the global standards (of transparency, accounting), in order not to be in an environment where local companies may externalize their costs by means of corruption and hidden government subsidies.

Corporate governance is of great importance for national development because it has a growing role in helping to increase the flow of financial capital to firms in developing countries. Equally important are the potential benefits of improved corporate governance for overcoming barriers to achieving sustained productivity growth, such as the actions of vested interest groups. Improved corporate governance, however, cannot be considered in isolation. In the financial sector, attention must also be given to measures to strengthen the banking sector, and a country's financial institutions as a whole. In the "real" sector, close attention must be given to competition policy and sector-specific regulatory reform (OECD, 2001)

2. Defining Corporate Governance

In the literature of corporate governance, there is a disagreement about the boundaries of the subject of corporate governance. Depending on their perspective, different authors define corporate governance in different ways.

In its narrowest sense, corporate governance can be viewed as a set of arrangements internal to the corporation that define the relationship between

the owners and managers of the corporation. An example is the definition by Monks and Minow (2001): corporate governance "...is the relationship among various participants in determining the direction and performance of corporations. The primary participants are (1) the shareholders, (2) the management, and (3) the board of directors."

The World Bank defines corporate governance from the two different perspectives. From the standpoint of a corporation, the emphasis is put on the relations between the owners, management board and other stakeholders (the employees, customers, suppliers, investors and communities). Major significance in corporate governance is given to the board of directors and its ability to attain long-term sustained value by balancing these interests. From a public policy perspective, corporate governance refers to providing for the survival, growth and development of the company and at the same time its accountability in the exercise of power and control over companies. The role of public policy is to discipline companies and, at the same time, to stimulate them to minimize differences between private and social interests. (World Bank, 1999)

The OECD (1999) original definition is: "Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance." The OECD also offers a broader definition: "...corporate governance refers to the private and public institutions, including laws, regulations and accepted business practices, which together govern the relationship, in a market economy, between corporate managers and entrepreneurs ('corporate insiders') on one hand, and those who invest resources in corporations, on the other." (OECD, 2001)

Another perspective in defining corporate governance is called path dependence. Central to the idea of path dependence is that initial historical conditions matter in determining the corporate governance structures that are prevalent today. A national system of corporate governance evolves in order to exploit the advantages of the corporate form of organization while mitigating concomitant agency costs in a manner consistent with a country's history and legal, political, and social traditions (Gedajlovic, Shapiro, 2002). Therefore, a nation's system of corporate governance can be seen as an institutional matrix that structures the relations among owners, boards, and top managers, and determines the goals pursued by the corporation. The nature of this institutional matrix is one of the principal determinants of the economic vitality of a society (Davis, Useem, 2000). In order to understand the problem of corporate governance it is most important to stress that it is, first of all, dependent on the political system of any country and the country's historical and cultural characteristics.

To summarize, we can say that a precise definition of corporate governance does not exist, even in developed market economies. Moreover, scholars have

not, to date, given sufficient attention to providing a policy-oriented definition suitable for the transition countries and their ongoing fundamental structural reform.

3. Developing a corporate governance framework

The system of corporate governance can vary to a significant degree depending on the mechanisms which the owners of a corporation use to influence the managers (Davis, Useem, 2000). We may single out three different ways that owners maintain control over the work of management: 1) the owners directly influence the corporate strategy and selection of the top management team, 2) the owners delegate their rights to the board but ensure that compensation and other incentives are aligned with share price maximization and 3) the owners rely on the market mechanisms of corporate control, such as a takeover, when due to a decreasing share price new owners take over a company and change to management in order to rehabilitate the company and increase its market value.

In other words, the corporate governance mechanisms can be both internal and external (Table 1). The internal mechanisms of corporate governance include: 1) ownership concentration, 2) board of directors, 3) ways of rewarding managers and 4) multidivisional organizational structure. The external mechanism of corporate governance refers to the market for corporate control, i.e., a group of potential owners attacking the undervalued companies in order to change the ineffective top management team and improve the competitive position of the company (Babic& Janosevic, 2001a).

Table 1. Mechanisms of corporate governance

INTERNAL MECHANISMS:

OWNERSHIP CONCENTRATION

- A relative amount of shares owned by individual owners or institutional investors

BOARD OF DIRECTORS

- Individuals responsible for representing the owners' interests by means of controlling strategic decisions made by the top management

REWARDING MANAGERS

- Using earnings, bonuses and long-term stimuli in order to reconcile managers' and owners' interests

MULTIDIVISIONAL STRUCTURE

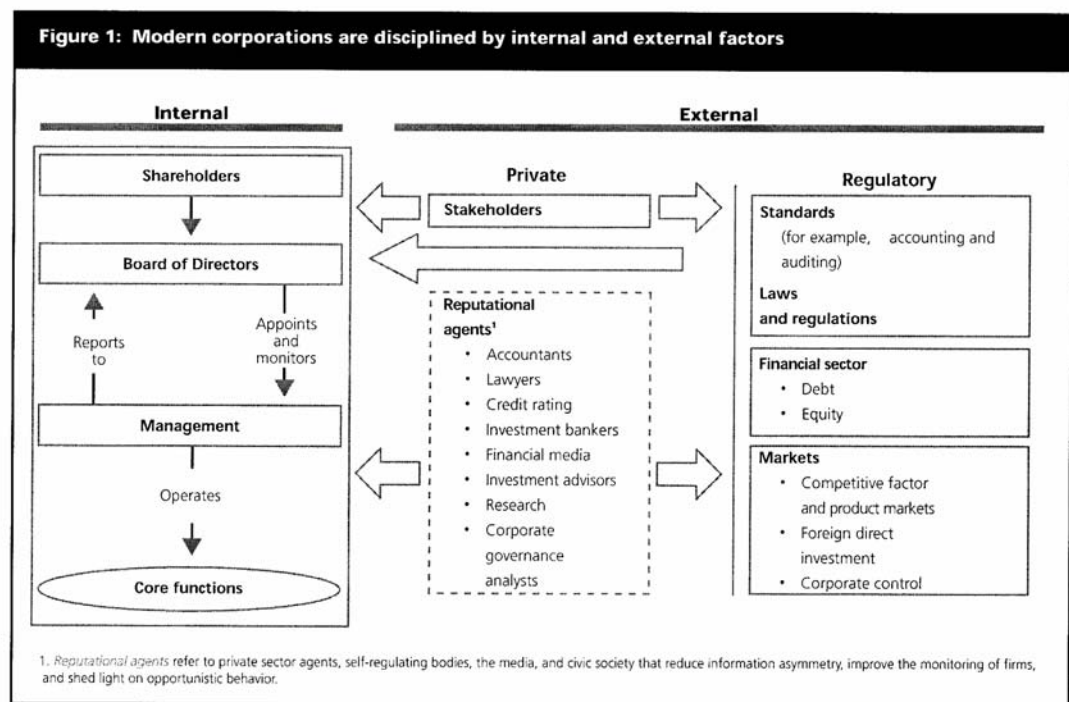
- Business division movement in order to control managers' strategic decisions

EXTERNAL MECHANISMS:

MARKET FOR CORPORATE CONTROL

- Take control of an underperforming firm in order to improve the strategic competitiveness
-

The framework for the study of corporate governance in developed market economies is defined by the World Bank (Figure 1). Within the framework there are internal and external forces facing one another and affecting the behavior and activities of existing corporations. The internal forces define the relationship among the key players in the corporation. The external forces are used as amplification for disciplining the behavior of insiders. In developed market economies, these forces are institutions and policies that insure greater transparency, monitoring and discipline for corporations. Specific examples of external forces include the legal framework for competition policy, the legal machinery for enforcing shareholders' rights, the system of accounting and auditing, a well regulated financial system, the bankruptcy system, and the market for corporate control. These internal and external features have come together in different ways to create a range of corporate governance systems that reflect market structures, legal systems, traditions, regulations and cultural and social values.



Source: World Bank, Corporate Governance: Framework for Implementation, Overview, 1999, www.worldbank.org, pp 5

There are two basic dilemmas connected with the corporate governance problem in transition economies. First, is it possible to have the identical framework that has evolved over centuries in developed market economies for the emerging markets, or is it better to adapt the system of corporate governance to the specific circumstances of a transition economy.

The second dilemma involves the question of the appropriateness of the mechanism used for corporate governance. The existing corporate governance literature is almost exclusively concerned with external mechanisms –

accounting transparency to improve the accuracy of stock market valuations, regulatory pursuit of fraud, the role of the shareholders' general meeting, "disciplinary" takeovers, legal requirements for the appointment of "external" directors, and so on (Monks, 2002). In these external mechanisms the crucial role belongs to the well-developed stock market or to the monitoring role of the banks. Unfortunately, in transition economics these mechanisms of market discipline hardly work because of the lack of such institutions as a stock markets and an efficient banking sector.

At the same time, in the transition economies, the internal mechanisms-owners, board of directors and managers - differ significantly in comparison to the internal mechanisms of the developed market economies. First, the concept of ownership itself is problematic. Ownership of post-socialist enterprises was often shared between the state, public corporate bodies, banks, municipal bodies, managers, employees, other state or private companies, private individuals and foreign individuals and corporations. The absence of 'real owners' leads to neglect of the interests of capital itself and thus to degradation in the quality of the capital, damaging the long-term interests of the firm (Babic, 2001).

Second, the boards of directors fail to exercise a true monitoring role. Because the state is the key stockholder, there is a misbalance of power among the various stockholders. The members of the board of directors are usually the representatives of the state, the ruling party, public corporate bodies or even the banks. For individual board members the motivation to act is inhibited by their dependence on management for benefits such as lucrative appointments to boards of directors. Even if they have the motivation to exercise direct control over managers, they lack the knowledge to make managerial decisions. As a consequence, the role of the board of directors is reduced to financial control, which assumes maximization of the short-term results and evaluation of the managers' performance retroactively.

Third, the upper "echelon" of managers acquired their knowledge and skills in a business environment which did not require the development of the skills of transformational or strategic leadership. So, transition countries have an archaic cadre of managers who do not possess a capacity for strategic thinking, vision creation, team work, risk taking and change management. Potentially new managers and leaders are facing a new challenge which comes from the Western countries in the form of ready-made solutions, but they are also facing a challenge to respond to specific requirements of the business environment encountered in particular countries. Another problem is related to the non-existence of a market for management talent and the difficulty of evaluating managers in an impartial manner.

5. Examining corporate governance models

The countries with developed economies apply two different systems of corporate governance - the group-based system and the market-based one (Carati, Tourani Rad, 2000), or as it is referred to more often - the insider and

outsider systems. They have both grown from different institutional, regulatory and political surroundings, but with an internally consistent governance system and a unique mixture of corporate control.

In concentrated ownership structures, ownership and/or control is concentrated in the hands of a small number of individuals, families, managers, directors, holding companies, banks and/or other non-financial corporations. Most countries, especially those governed by civil law, have concentrated ownership structures. Insiders exercise control over companies in several ways. A common scenario is where insiders own the majority of the company shares and voting rights. At other times, insiders own some shares, but enjoy the majority of the voting rights. This happens when there are multiple classes of shares and some shares enjoy more voting rights than others. It also occurs if there are proxy votes and voting trusts. If a few owners own shares with significant voting rights, they can effectively control a company even though they did not provide the majority of the capital.

Hence, the insider model, characteristic of continental Europe and Japan, has a less developed stock market with a large concentration of owners. The control over the company is executed by a small number of significant shareholders structured in relatively closed networks and committees through planning and industrial policy mechanisms. In realizing long-term economic goals, special attention is paid to the relationship between the state and industry (Babic&Janosevic, 2001b).

Companies that are controlled by insiders enjoy certain advantages. Insiders have the power and the incentive to monitor management closely thereby minimizing the potential for mismanagement and fraud. Moreover, because of their significant ownership and control rights, insiders tend to keep their investment in a firm for long periods of time. As a result, insiders tend to support decisions that will enhance a firm's long-term performance as opposed to decisions designed to maximize short-term gains. However, insider systems predispose a company to certain corporate governance failures. One is that dominant owners and/or vote holders can bully or collude with management to expropriate firm assets at the expense of minority shareholders. This is a significant risk when minority shareholders do not enjoy legal rights. Similarly, when managers control a large number of shares or votes they may use their power to influence board decisions that may directly benefit them at the company's expense. In short, insiders who wield their power irresponsibly waste resources and drain company productivity levels; they also foster investor reluctance and illiquid capital markets. Shallow capital markets, in turn, deprive companies of capital and prevent investors from diversifying their risks.

Dispersed ownership is the other type of ownership structure. In this scenario, a large number of owners each holds a small number of company shares. Small shareholders have little incentive to closely monitor a company's activities and tend not to be involved in management decisions or policies. Hence, they are called outsiders, and dispersed ownership structures are referred to as outsider systems. Common law countries such as the UK and the US tend to have dispersed ownership structures. The outsider system or Anglo-American, market-based model is characterized by the ideology of

corporate individualism and private ownership, a well-developed and liquid capital market, with a large number of shareholders and a small concentration of investors. The corporate control is realized through the market and outside investors (Tricker, 1999).

In contrast to insider systems, owners in outsider systems rely on independent board members to monitor managerial behavior and keep it in check. As a result, outsider systems are considered more accountable and less corrupt and they tend to foster liquid capital markets. Despite these advantages, dispersed ownership structures have certain weaknesses. Dispersed owners tend to be interested in short-term profit maximization. And they tend to approve policies and strategies that will yield short-term gains, but that may not necessarily promote long-term company performance. At times, this can lead to conflicts between directors and owners, and to frequent ownership changes because shareholders may divest in the hopes of reaping higher profits elsewhere, both of which weaken company stability. Small-scale investors have less financial incentive to vigilantly monitor boardroom decisions and to hold directors accountable. As a result, directors who support unsound decisions may remain on the board when it is in the company's interest that they be removed (OECD, 2001).

In the outsider model, the discussions about corporate governance are focused on the responsibility of corporate managers, the lack of control and direct supervision from the owners' part, and the imperfection of existing control and compensation mechanisms. In the current Anglo-American version of stock-market capitalism, the criterion of success is shareholder value, as expressed by a company's share price. The problem of corporate governance contemplated in this way bore the concept of *creating shareholder value*, which was originally promoted for the purpose of obtaining the quantitative indicators of managers' responsibility to maximize the shareholders' value. Hence, while the approach to value in the USA means that weaker owners should try to "tame" strong managers, in Europe it means that managers and minor holders should show resistance to powerful blockholders. It is considered (Becht, 1997) that the success of the European managers in showing resistance (and succeeding in relating the dispersed ownership to dispersed right to vote) could be counterproductive due to an absence of developed market mechanisms of discipline which exist in the Anglo-American model.

The globalization of the entire economy, including the financial and investment market, in the 90s has led to a growing convergence of initially separated initiatives in the field of corporate governance. Comparative studies about corporate governance systems point to the possibility of their gradual convergence thanks to the influence of corporate standards and business practice. There are basic principles of corporate governance defined by some major world organizations (World Bank, OECD, ECGN, EASD). The OECD principles are systematized in five different groups— the rights of shareholders, the equitable treatment of shareholders, the role of stakeholders in corporate governance, disclosure and transparency, and the responsibilities of the board. The OECD guidelines are somewhat general and both the Anglo-American system and the Continental European (or German) systems would be quite consistent with them. However, there is growing pressure to put more

enforcement mechanisms into those guidelines. The challenge will be to do this in a way consistent with market-oriented procedures by creating self-enforcing procedures that do not impose large new costs on firms.

The convergence of the two corporate governance models would mean the coexistence of the active market of corporate control and direct control of blockholders. The outsider model includes two groups of changes which point to the convergence: one group includes the changes in the market control from the hostile takeover to a slow, gradual restructuring, while the second group refers to the more active role of institutional investors in the direct control of the company. In the insider model, the changes refer to the development of financial markets, the increasing market control of corporations and the emphasis on the concept of creating shareholder value.

The influence of international investors and capital markets contributed to the convergence of different practices of corporate governance and to setting up the standards, but so far only the direct actors of this process have applied them. The extent to which the corporations use the basic principles of good corporate governance is a relative factor for making investment decisions. International capital flows enable companies to find sources of financing in a wider circle of potential investors. Even when corporations do not primarily use foreign sources of capital, the application of good corporate governance practices will help them to gain the trust of domestic investors, reduce their capital costs and induce more stable financial sources (Holly, Weil, 1999). However, the dynamics of today's changes are such that potential fields for investors quickly lose their attractiveness. Therefore, new standards of corporate governance should not be introduced through a slow process of economic osmosis. It is necessary to have a coordinated initiative at the global level which will promote good corporate governance standards.

To summarize, although there are considerable differences between the Anglo-American, German, Japanese corporate governance systems, they all share the luxury of defining the subject of corporate governance within the context of functioning market systems and highly developed legal institutions. However, many developing and emerging economies lack or are in the process of developing the most basic market institutions. That is the main reason why corporate governance problems in the contexts of transition economies require a much wider range of issues.

6. Explaining current corporate governance settings in transition economies

In emerging economies, the term "corporate governance" is new, yet it has caught on rapidly. A set of formal legal frameworks, often modeled after the Anglo-American system, frequently exists. Nearly all firms have shareholders, boards, and "professional" managers, which are the components of modern corporate governance. However, the similarities in governance between emerging and developed economies are often more in form than in substance.

The countries in transition are facing the problem of corporate governance in a specific way.

Their corporate sector consists of “instant corporations” formed as the result of mass privatization, without the simultaneous development of legal and institutional structures necessary to operate in a competitive market economy. Under the circumstances of diffuse ownership, it enables insiders to strip assets and leave little value for minority shareholders (World Bank, 1999).

The business environment is without a lot of elements needed for making competitive relationships, which provides an advantage to old, large, dominant companies and discourages entrepreneurship and the appearance of new companies. Unstable macroeconomic conditions create a surrounding of great uncertainty and shorten the time horizon in business. Under unpredictable economic circumstances, managers see their positions as temporary and uncertain which leads to maximizing their own profit instead of maximizing the company profit.

The role of the state in the transition economies is ambiguous. On the one hand the role of the state in post-socialism should be limited. On the other hand, strong state power is needed to carry through the political programs required by economic transformation. Weak governments have proved to be incapable of economic transformation (Martin, 2002). In reality, the state still has a great role in both the industrial and financial sectors. State authorities and company managers are tightly related, so that the line between the “controllers” and the “controlled” is unclear. In practice, informal constraints, such as relational ties and family and government contacts play a greater role, leading to different outcomes. The state gives subsidies to companies directly or indirectly while on the other hand, companies enable state representatives to have a certain amount of control over the process of making decisions and cash flow. Behaving in such a way, managers are constantly searching for new subsidies instead of looking for existing or potential strategic partners.

The creation of networks of linked enterprises, rather than of autonomous independent firms is a relationship characteristic of transition economies. Transactions between privatized enterprises become linked to each other, to banks and to the state through complex structures of cross-shareholding and corporate interlocks. Relationships between enterprises and banks are especially crucial in view of the shortage of capital and credit, and continue to be influenced by personal and institutional connections. Where credit is not available from banks, barter relationships amongst organizations known to and trusted by each other provide an alternative means of financing. So, the relationships between firms in post socialism are based on networks rather than Williamson markets or hierarchies (Martin, 2002).

In transition economies the most important firms, such as public sector companies that contribute more to the nation’s gross national product, employment, income, and capital use than private sector firms, are controlled by the state. Moreover, public sector companies often shape public policies. From a governance perspective, state-owned firms are controlled by bureaucrats with control rights but with no formal ownership. Although all

citizens of a country own the firms, in practice control rights rest with powerful ministries. As a result, citizens subsidize state firms and end up as “minority shareholders” with practically no voice .

The missing element in the context of corporate governance development in transition economies is the lack of institutions associated with successful market economies. In the market economies there is a standard set of institutions that have been successful as the tools used to control corporations. Institutions are the “rule of the game” in a society (Yeager, 1999). They are the rules that society established to reduce the uncertainty of human interactions. The institutional framework has three components: formal rules, informal rules and enforcement mechanisms. While both the formal legal environment and the informal institutional constraints affect corporate governance, institutional theory states that when formal institutions are weak, informal constraints play a larger role in shaping firm behavior (Young, et. al., 2002).

The question is whether it is possible to reproduce all at once the institutions from developed market economies in transition economies. The standard institutional portfolio has evolved gradually in different circumstances. Merely transplanting these institutions is not possible because there are new conditions and many cultural differences. On the other hand to develop entirely new institutions would be an unpredictable adventure. The transition economies cannot afford the luxury of searching for new third way between socialism and capitalism. Instead, they have to find a way to accept the existing institutional portfolio and to make it work in the specific cultural, historical and economic environment. Each region is in a different stage of establishing a democratic, market-based economy and a corporate governance system. Hence, each nation has its own particular set of challenges.

7. Suggestions for future research

Future researchers in governance issues in transition economies need to be aware of the above research areas. Solutions derived from a principal-agent perspective – while applicable to developed economies (especially the US and UK) – may fail to address the corporate governance problems in a different institutional setting. To develop another further perspective, integration with the stakeholder-agency theory may be helpful. The stakeholder-agency theory puts less emphasis on the rights of shareholders and instead recognizes several groups, which have an arguably legitimate claim on the firm. Therefore, future work may explore in more detail how organizations influence institutions, shedding light on how these two evolve together. Finally, it is important to point out that division of the world into two different camps, namely, “emerging” versus “developed” economies, risks over-generalization. National and regional cultures also generate idiosyncratic differences in governance across countries (Gedajlovic & Shapiro, 1998). However, as a group, transition economies tend to exhibit governance characteristics that cluster around relatively similar dimensions.

References:

- Babic, V. and S. Janosevic, (2001a) "How to Improve the Process of Strategic Change Management in Transition Economy Enterprises", Strategic Management Society, *21st Annual International Conference*, San Francisco, 21-24 October, pp. 10
- Babic, V., (2001) "The Key Aspects of the Corporate Governance Restructuring in the Transition Process", *Ekonomist*, Vol. 33, No.2, pp.133-143.
- Babic, V. and S. Janosevic, (2001b) "Corporate Governance in the European Union", *Ekonomist*, Vol. 33, No 1, pp. 183-188.
- Babic V., (2000) "The Corporate Governance Mechanisms Development in Post-Privatisation Period", in: *The Transformation Challenges in Real and Financial Sector of Serbia*, D. Djuricin (ed.) Nis, pp. 153-163.
- Becht, M., (1997) Strong Blockholders, Weak Owners and the Need for European Mandatory Disclosure, <http://www.ecgn.ulb.ac.be/>
- Becht, M., Roell,A. (1999) Blockholdings in Europe: An international comparison, *European Economic Review*, 43, pp. 1049-1056
- Blair, M.M. (1995) *Ownership and Control - Rethinking Corporate Governance for the Twenty-First Century*, The Brookings Institutions, Washington, D.C.
- Carati, G., Tourani Rad,A. (2000) Convergence of Corporate Governance Systems, *Managerial Finance*, Vol.26.No.10, pp.66-86
- CIPE, Instituting Corporate Governance in Developing, Emerging and Transitional Economies, A Handbook, March 2002, <http://www.cipe.org>
- Corporate Governance in Europe (1995), Report of a CEPS Working Party, www.cipe.org
- Davis, F. G. and M. Useem., (2000) *Top Management, Company Directors, and Corporate Control*, in *Handbook of Strategy and Management*, ed. Pettigrew, A., Thomas, H. and Whittington, <http://www/calpers-governance.org/>
- EASD (2000) Corporate Governance Principles and Recommendations, <http://www/easd.com/>
- Euroshareholders (2000) Euroshareholders Corporate Governance Guidelines 2000, <http://www.ecgn.ulb.ac.be/>
- Gedalovic, E. and D.M. Shapiro, (1998) Management and Ownership effect: Evidence from five countries, *Strategic Management Journal*, 19, 533-553
- Gedalovic, E. and D.M. Shapiro, (2002) Ownership Structure and Firm Profitability in Japan, *Academy of Management Journal*, Vol. 45., No. 2, 565-575
- Holly, J.G.and G. Weil, (1999) Overview of Corporate Governance Guidelines & Codes of Best Practice in Developing & Emerging Markets, World Bank
- Martin, R. (2002) Politicized Managerial Capitalism: Enterprise Structures in Post-Socialist Central and Eastern Europe, *Journal of Management Studies*, 39:6 September 2002, pp 823-839
- Mayer, C., (2000) *Ownership Matters*, <http://www/ecgn.ulb.ac.be/>
- Monks, R.A.G and N. Minow (2001) *Corporate Governance*, 2nd ed, Blackwell Publishing
- OECD, (1999) Principles of Corporate Governance, www.oecd.org
- OECD, (2001) Corporate Governance and National Development, Technical Papers No. 180, www.oecd.org
- Tricker, B. (1999). *Corporate Governance: The Ideological Imperative*, in: Thomas, H. and O'Neal, D. Strategic Integration, SMS, Wiley, Chichester.
- World Bank, Corporate Governance: Framework for Implementation, Overview, 1999, www.worldbank.org.
- Yeager, T. J. (1999) *Institutions, transition economies, and economic development*, Westview Press, Boulder, Colorado
- Young, M. N., M. W. Peng, D. Ahlstrom, and Bruton G. D. (2002) Governing The Corporation In Emerging Economies: A Principal-Principal Perspective, *Academy Of Management Proceedings BPS:E1*

