

CORPORATE GOVERNANCE : THE STATE, PROBLEMS AND PERSPECTIVES

KORPORATIVNO UPRAVLJANJE : STANJE, PROBLEMI I PERSPEKTIVE

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Abstract: *The structure of corporate governance in Serbia corresponds to the European model, primarily to the Germanic legal tradition. The research in this paper has aimed at the establishing of the state of corporate governance in Vojvodina and giving the recommendations for further development. The research was conducted in the period 2004-2008 by the method of the data analysis, of the survey and of the interview with: the members of board of directors and the members of supervisory board, the shareholders and the persons in charge of the contact with investors. The survey questionnaire was composed on the basis of OECD Principles. The questions in the questionnaire are grouped into four groups: the first group of questions refers to the basic data on corporation, the second group is about the manner of governance, the third group comprises the data on the composition, operation and remuneration of board of directors and supervisory board, and the fourth group of questions refers to transparency and audit. Besides the survey, the data is analysed on: the ownership structure, the composition of boards of directors and supervisory boards, the reporting by web pages and the volume of trading in the stock market. On the basis of the research results, the recommendations for improvement have been given.*

Key words: *Corporate governance, ownership structure, legal protections, board of directors.*

Apstrakt: *Struktura korporativnog upravljanja u Srbiji odgovara evropskom modelu prvenstveno germansko pravnoj tradiciji. Istraživanje u ovom radu je imalo za cilj da utvrdi stanje korporacionog upravljanja na uzorku kompanija u Vojvodini i da da preporuke za dalji razvoj. Istraživanje je sprovedeno u periodu 2004-2008.godina metodomanalije podataka, ankete i intervjua sa: članovi upravnog i nadzornog odbora, akcionari i osobama zaduženim za kontakt sa investitorima. Anketni upitnik je sastavljen na osnovu OECD Principa. Pitanja u upitniku su grupisana u četiri grupe: prva grupa pitanja se odnosi na osnovne podatke o preduzeću, druga grupa o načinu upravljanja, zatim treću grupu čine podaci o sastavu, delovanju i nagrađivanju upravnog i nadzornog odbora, a četvrta grupa pitanja je vezana za transparentnost i reviziju. Pored ankete analizirani su podaci o: vlasničkoj strukturi, sastavu upravnih i nadzornih odbora, izveštavanju putem web stranica, trgovanju akcijama na berzi i rezultatima poslovanja. Na osnovu rezultata istraživanja date su preporuke za unapređenje korporativnog upravljanja.*

Ključne reči: *Korporativno upravljanje, vlasnička struktura, zaštita akcionara, odbori direktora.*

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1. Introduction

A modern corporation, as an organisational form of business company, is the innovation of the last century. It has been a crucial incentive for the acceleration of economic growth, it has had an impact on the efficient allocation of the resources, it has contributed to the creating of new technologies, products and services and to the increasing of productivity. It is a form of business company in which the owners are not accountable for the responsibilities that business company creates, there is the separation of two functions: ownership and governance. The essential requirement that is set to a modern corporation is the creating of wealth for the owners and other groups of interest in a responsible way. In order to

fulfil its economic purpose, a corporation must harmonize the various interests such as: be ethical, be responsible and profitable.

Successful corporations require top-class corporate governance that leads to the progress. Good practice of corporate governance ensures: prosperity in the market, obtaining of the capital on favourable terms, competitive advantage, foreign investments and economic growth. Corporate governance achieves the goals through governance structure. It enables the owners (investors) of business companies to: supervise the business, ensure the return on investment and assure the survival and prosperity. Corporate governance includes the set of relationships between managers, shareholders, board of directors and supervisory board and other groups of

interest (stakeholders¹), it sets the goals, defines the means for attaining those goals and follows the achievement of the goals through the business results. If the system of corporate governance is „healthy“, it will ensure the attaining of goals that are in the best interest of the company and shareholders. The efficient supervision of business stimulates the companies to use the available resources effectively.

The transition process towards the market economy leads to the changes in the ownership structure and at the same time it changes the rules and practices of the governance in business companies. Besides the expectations of investors and uncertainty that the market implies, the requirements of the regulatory institutions are set before managers and other members of management, chairmen and members of supervisory board, accountants, lawyers and other participants in making business decisions. Complex legal, institutional, economic and social framework in which corporate governance is taking place requires the responsibility for success and the legality of business. Besides the existing organisational, technical, marketing, legal and financial knowledge and experience, a manager is also required to gain new knowledge and experiences necessary for a successful solving of the quoted issues and problems. Also, it requires that new knowledge and experiences necessary for successful solving of the quoted questions and problems should be gained besides the existing organizational, technical, marketing, legal and financial knowledge and experiences.

In Serbia, the change and concentration of the ownership structure is the consequence of the privatization. The goal of the privatization was to eliminate the state and social ownership in the economic sector, to establish competition and private property, and to create the conditions for functioning of the market economy. It was not possible to carry out the privatization in a short period of time, since there were not any domestic investors, and foreign investors had a low interest because of the undeveloped capital market and ineffective transfer of ownership. Therefore, the state was selling its share directly to the investors, which has resulted in the conflict of interests, which has arisen from the state's double role, as an owner and as a regulator. In contrast to the privatization, creating the complete legal framework, and especially its effective enforcement in the area of corporate governance may be the object of constant change and adaptation to good corporate governance practice.

The transition path to the market economy is not at all easy. All the greater awareness is of the role and importance of the market economy and the success in the development that the post-communist economies have achieved on the one hand, whereas the globalization of the world economy weakens the control of the key

domestic policies and imposes the need of solving the problems of bureaucracy and corruption on the other hand. The management of public and private sector is important in decision-making, and the companies search for: the best combination of resources, increasing the market share, the best workers and favourable conditions of financing.

The issue of corporate governance becomes increasingly important by the process of privatization and forming the institutions of the market economy. Spreading a good practice of corporate governance goes slowly because of the ineffective laws and institutions, and it results in non-transparent business of business companies, weak protection of the shareholders' rights, insolvent and undeveloped capital market. For expanding of good practice of corporate governance, it is especially important that the private sector identifies its importance and potential benefit to the business in the fields such as availability and the cost of capital, raising the efficiency of business, the improvement of business strategy, better operation of supervisory board and board of directors, strengthening of reputation and confidence of groups of interest etc. The company activities, and which contribute to the improvement of corporate governance, should be directed to the creation of: the code of conduct, the standard of governance, the application of international accounting standards, audit and reporting and socially responsible investing.

The code of conduct represents the innovative and important instruments for the promotion of fundamental human rights, gender equality, right to work and protection of the environment, as well as the fight against corruption, especially in the countries where the official normative regulation does not determine the minimum. The codes of conduct should be complementary to the national and international standards in the EU. The adoption of the code of conduct means also its effective implementation, application, monitoring and verification. The business company publishes the code of conduct on its Website or in print and gives it on request to the shareholders for inspection [12, Article 318].

The standards of governance include the expansion of issues about complex relations with stakeholders, everyday application and monitoring of these relations. This means also the introduction of so-called system of governance that would ensure everyday clear insight into governance and mutual influence of the corporation and the company from the economic, social aspect and the aspect of the environment. During the last decades there are more and more corporations that apply the standardization of accounting statements and audit reports, so as to make them mutually comparable.

In the process of decision-making on buying the products and/or services, the clients expect and believe that the recognizable labels on the products are correct, available, useful to the client and comprehensive in terms of quality, content and other relevant data. The labeling is the characteristic of products and services of corporations that thus influence on the creation of their sales oppor-

¹ Stakeholders include the interested parties that in the market economy have implicit and explicit relationships with the company and that from time to time may become interested in goals and business of the company or be in the position to influence on them. These interested parties are marked as holders of material interests, and/or resource providers, employees, creditors, investors and suppliers.

tunities. The international competition rules and existing practices of good practice should be applied in labeling, so as the labels of products/services can be objective, transparent, credible and non-discriminatory. Socially responsible investing means the respect of the criteria and indicators that identify the factors of comparative advantage and business success. Thus, at the capital markets in the world nowadays it is required that the provisions of the act that require the corporations to publish the data about the business, and about investment decisions, environmental and social performances should be observed. The goal of transparency is giving the information about potential opportunities and risks that the investment brings.

The enacted laws constitute the basis for the development of corporate governance in Serbia, such as: Law on business companies, Law on privatization, The Accounting and Auditing Law, Law on the market of securities and other financial instruments, Takeover Law, Law on Banks, Law on investment funds, Code of business ethics and Code of corporate governance. The enacted laws are only prerequisite for development of good practice of corporate governance.

2. The subject, goal and method of research

The subject of research of this paper is the establishing and analyzing of the state of corporate governance in Vojvodina as a question of essential importance for the economy development, and it aims at pointing out the problems of the corporate governance in Vojvodina, and at giving the recommendations for their solution. The problems of the corporate governance primarily arise in those business companies in which there is a clear separation of ownership and governance. They manifest themselves in the form of the conflict of interests between shareholders and managers, and/or major shareholders and minority shareholders, of the reporting that is not objective, of violation of capital market integrity, but also of disrespect for the regulation that only can disable the abuse. Corporate governance has the direct influence on striking the balance among all holders of material interest within and out of the business company and on overall economic development. It is a dynamic and current form of governance that arises due to necessity for overcoming the conflicts of interest that occur in every joint stock company.

The aim of this paper research has been the achievement of the level of scientific knowledge on the subject of research, in terms of establishment and analysis of the state of corporate governance in Vojvodina, and the suggestion of the measures for its improvement on the scientific basis, with particular reference to the definition of elements of the corporate governance strategy and the creation of the recommendations for its further development. Studying the phenomenon of corporate governance, researching and analyzing of the significant parameters that influence on its course and effects create the conditions for creation the recommendations and conclusions

about pace, direction and way of the corporate governance development.

The fundamental characteristic of the modern market is the increasing level of globalization. The globalization leads to freer flow of commodities and services, capital, information and the creation of highly globalized, standardized and integrated market. The result of this process is the transfer of competitiveness from the local to the global level. Increase in competition on the global scale and the development of the global market affect the need for forming the new pattern of international business and governance. Considering those, a key question becomes the enlargement of capital and the need for raising the company competitiveness to transnational level. The improvement of corporate governance is of great importance for raising the competitiveness of the companies in Vojvodina.

The corporations in Vojvodina, whose shares are quoted at Belgrade market, are included by the survey method implemented in 2008. The analysis of the corporations in Vojvodina is focused on the specific relations and questions about the practice, with the aim of pointing out the state and prospects for further development of corporate governance. Besides the survey, the data on the ownership structure of the corporations from the sample has also been analysed, and on the business results as well. The business of the business companies, in the period 2004-2008, is analysed in the categories of size, business success, solvency, leverage and economy of financing.

The data has been analysed on the ownership structure, the composition of boards of directors and supervisory boards, the information on reporting by means of web pages and the scope of trading in the market. The survey focuses on the specific relationships and questions concerning the governance, remuneration and transparency in the corporations, with the aim of evaluating the state of the corporate governance.

The survey includes four groups of interviewees, which comprise the basic structure of corporate governance in the corporations:

- *the members of board of directors*
- *the members of supervisory board*
- *the shareholders*
- *the persons in charge of the contact with investors.*

The survey questionnaire for the members of *board of directors* contains the questions grouped into four entireties, which refer to:

- *the basic data on the business company*
- *the composition and operation of board of directors*
- *remuneration and*
- *transparency and audit.*

The questions in the survey questionnaire for the members of *supervisory board* refer to:

- *the basic data on the business company*
- *the composition and operation of supervisory board*

- remuneration and
- transparency and audit.

The shareholders have answered to the questions that refer to:

- the basic data on the business company
- the ownership and participation in the management and
- transparency and audit.

The persons in charge of the contact with investors have answered to the questions in the questionnaire referring to the way of convening and work of shareholders' assembly. Results of the analysis of the state of corporate governance The surveyed companies have been privatized. Of total capital of the surveyed companies 15% is in the state ownership. The ownership structure includes current and former employees of the company, domestic and foreign shareholders, institutional investors, natural persons and legal entities, and also the members of board of directors and the members of supervisory board. The members of board of directors and the members of supervisory board possess the shares by virtue of the privatization of the business company, or by virtue of buying in the exchange market, and not by virtue of the remuneration through shares or options.

Ownership structure is extremely concentrated in the first ten shareholders. Namely, in 40% of the business companies there is one, the owner with major share in the capital, who disposes of more than 50% of the capital, no matter whether it is natural person or legal entity, whereas the first ten shareholders possess 93% of the capital. The research of concentration of ownership indicates that there is the separation of ownership and governance in the corporations in the sample. High concentration of ownership prevents the opportune behaviour of management because of the control of the owners, but they may accomplish self-interests at the expense of other material holders, and first of all, at the expense of small shareholders.

The process of privatization has caused the concentration of ownership. By the privatization, small shareholders became the owners characterized by poverty, lack of knowledge and information about the shares and functioning of the capital market. On the other hand, the companies did not achieve high yields, nor did they pay the dividend to the shareholders, so the tendency towards the sale occurred. Further concentration may cause the closing of companies, and/or withdrawal of such corporations from the capital market.

Total incomes are increased for 19%, whereas the total assets grew for 25% in the business companies in the sample. Increase in capital of 16% is followed by much greater obligations (increase for 43%) and reduction in profit for 34% in the period 2004-2006. Boards of directors have 6 members on the average, and 80% of that number are men. In all enterprises the proposers of a nominee for a member of board of directors are sharehol-

ders or nomination committees. In 22% all are the members of board of directors employed in the company, whereas 78% of the companies also include the members who are employed out of the corporation. This means that in most companies there are also the outside, so-called the independent members of board of directors [13, Article 310]. The independent members in any formal way do not depend on the management and may contribute to the work of board of directors with their independent attitude, whereas, on the other hand, they can be less interested in the fate of the business company just because they do not have neither financial nor other interests in it.

The meetings of board of directors are held: over 15 times annually in 22%, from 10 to 15 times in 22% and less than 10 times in 56% of the companies. In 10% of the business companies, the members of board of directors have limited access to the information and documents, which is not acceptable from the aspect of corporate governance. Rules of procedure of board of directors exist only in 60% of the corporations. The situations in which the conflict of interests of the members of board of directors exists or may exist in relation to the corporation or shareholders have also been in 60% of the cases completely or partly regulated.

The members of board of directors are highly-educated and so they possess at least the university degree (77%), and/or master's degree or doctor's degree (11%), but also the secondary education (11%). 87% of the surveyed members of board of directors do not participate in boards of directors and in supervising boards of other companies, whereas only 13% participate in yet two boards of directors and supervising boards. The research has shown that there is not more considerable accumulation of functions that may influence negatively on the quality of corporate governance. In the opinion of 60% of the members of boards of directors, there are no rules of procedure that regulate the transactions with related parties. Since this problem has proved to be the key issue in the development of the quality of corporate governance, it is necessary to give attention to it in the development of the code of corporate governance. The protection of shareholders from the abuse of the market by the insiders should be regulated so as the insiders would not take the advantage over in relation to the shareholders. All those who possess the insider information should be prohibited to buy shares before the announcement of information.

The members of board of directors have on the average 6,7 years of service in the work of board of directors or supervising board of some company. Although there is the fluctuation of memberships in boards of directors of the business companies, the survey points out that the considerable number of members of board of directors holds their functions in the corporations and thus accumulates satisfactory level of management experience. The members of board of directors are in 65% of the cases completely satisfied with the quality of communication, 25% are partly satisfied, and 10% of the surveyed have not answered. The question arises whether the

supervision and transparency of business are adequate towards the shareholders and the public.

The criteria for the remuneration of the members of board of directors are in most cases defined only by contract. There are not explicitly defined criteria of the remuneration, but they are determined by negotiations depending on the specific conditions. The most important criteria for remuneration are fulfillment of the plan, achievement of strategic goals and success of business for the field that the individual member of board of directors is in charge of. The criterion such as loyalty to the company and quality of reporting is of less importance on the occasion of remuneration. Special privileges in the remuneration exist only in 30% of the companies and that is in the form of a car for private needs. In the majority, even 70%, there is not any form of remuneration as a special privilege, which points out the possibility for additional stimulating in achieving the results.

In 60%, the remuneration is paid fixedly in the form of money. In 40% of the companies, the members of board of directors receive the remuneration in the form of fixed and variable part. The ratio of fixed to variable part is in proportion 50%-50% or 70%-30% in behalf of fixed part, whereas variable part is paid in cash. The remuneration in shares and options or in the form of credit of the business company is very little present, and even 40% of the companies do not have the developed criteria of the additional remuneration. The data on remunerations for the members of board of directors are not transparent.

Supervisory boards have 3 members on the average, and only 27% are women on the average. Supervisory boards consist of 83% persons with the university education, and 16% have master's or doctor's degree. Membership in supervisory boards is mostly conditioned by the connection to the company or some shareholders, and not by professional position. The members of supervisory board have something more than 5 years, on the average, of service in board of directors or supervisory board of some company. The majority of companies, even 66%, do not have the programme of introducing the new members of supervisory board into the company business and work of supervisory board. Considering vocational training is rarely used as the measurement of promotion of the work of supervisory board, there is a need for increasing the level of competence of supervisory board members.

Supervisory board exists in 80% of the companies², executive board exists in 77%, whereas commissions within board of directors and supervisory board exist in only 45% [13, Article 322]. In the supervisory board of the surveyed business companies there are neither the representatives of shareholders, the state nor the workers. The most common are the independent experts in all business companies. In 66% of the business companies there are

rules of procedure that regulate the work of supervisory board. The members of supervisory board are to a great extent satisfied with the cooperation with board of directors. The remuneration for participation in supervisory boards is in principle fixed, but in 17% of the companies the remuneration does not exist. Transparency of remuneration is present in 50% of the companies, and supervisory board is appraised as active in 50% of the companies, whereas it is inactive in 50%. It can be concluded that the supervisory boards in the sample, proceeding from their role and importance, are passive, that their members are insufficiently rewarded so that they are inactive in their work.

Of total number of the analysed companies, 93% possess the Internet presentation, and 73% have also the English presentation. Website content is directed towards the information for buyers and its own advertisement, whereas the data of importance for investors is missing. 60% of the analysed companies publish the financial statements on its Website, and the data on members of board of directors and members of supervisory board, and also the important events are published only by 7% of the companies. None of the business companies has the business strategy on its Internet presentation. Websites of the business companies also do not contain the information about: decisions and results of voting at the meeting of shareholders, every member of board of directors and supervising board in company (especially their professional biography, their functions in other companies and their number of shares of companies), code of company corporate governance.

It is perceived that the highest share transaction has been achieved while taking over of the company. After the takeover, the interest of investors for that security has been decreasing, which has led to the decline in share price, decreased transaction and insolvency in the capital market. Privatized companies have not been raising funds by new issues of shares, but they have been getting into debt.. Due to less profit, only 23% of the companies have paid the dividend and that have been in shares. There is a high degree of agreement among interviewees about equal rights of all shareholders. Interviewees also highly appraise legal protection of rights and interests of other interest groups in the business companies. However, there are indications that the shareholders are not always equal, for example, the materials on the strategic plans of the company are not accessible to all shareholders equally. Interviews with the representatives of small shareholders' association also have showed that there are cases of unequal treatment of small shareholders, as e.g. the impossibility of obtaining the financial statement (only in the company premises), then, the disregard of their remarks at the meeting of shareholders and other.

In practice, the participation of all shareholders in the assembly is rarely found. In the business companies in which there are major owners, shareholders' assembly mostly passes calmly. Existing of minority shareholders' clubs is the exceptional example. All shareholders should be able to exercise their right to vote without excessive

² One company, which have more than 2000 employees, does not have (it has declared it) the supervisory board, which is not in accordance with the Law on business companies, Article 329.

costs and procedural difficulties or obstructions by the company. Many aspects of transparency of joint-stock companies are largely satisfied. The information about important events that may significantly influence on the share price of the company is missing. Business companies rarely regulate stock trade by the employees that dispose of privileged information, which may negatively reflect on transparency of stock trade and on processes of their fair price formation in the market.

3. Recommendations and directions of further development

The process of privatization has not been finished yet, although it was determined to be implemented in the short term. Even after the passage of privatization laws, the public companies have not been privatized. Privatization has been slowed because of frequent changes of the government, lack of means in the country, and numerous other economic, legal and social problems. Establishment of private property is the prerequisite for improving of corporate governance. There is still no initial public offerings of new shares (IPO) at the financial market. Under such conditions, the market loses its primary function of the transfer of resources and becomes the mechanism of redistribution of ownership rights resulting from the privatization.

On the basis of the conducted research it can be concluded that the state of corporate governance in the business companies is gradually improving, but that there is still considerable room for improvement and acceleration of these processes. There are positive developments in greater transparency. We are already witnessing that business companies with good business results or with undervalued shares are more and more attractive to individual and institutional investors, thus the importance of the quality of corporate governance becomes prominent. The problem in the system of corporate governance occurs where the mechanisms of protection of some subjects are the weakest. According to the results of the research, the basic problem of corporate governance is the consistent implementation and effectiveness of legal protection and respect for the rights of small shareholders because of high concentration of ownership.

Namely, great investors act through supervisory boards and boards of directors. They appoint most of the members of board of directors and thus they prevent the opportune behaviour of the management in terms of the use of control for its personal benefit, but they may initiate and block the decision making. From all these reasons, the question of role and structure of supervisory board and board of directors present the key question in the discussion of corporate control. On the basis of the conducted research and the results, we can single out several key recommendations of the improvement of corporate governance development. They are:

- definition and promotion of good practice of corporate governance,

- consistent protection of interests of small shareholders in practice,
- strengthening the role of supervisory boards,
- empowerment of the system of internal control,
- greater transparency of the information about the financial results, obligations, the structure of ownership, rewarding the members of board of directors and supervisory board and connecting their income to the business results, the process of making and implementation of business decisions in the companies, the important events that influence the financial operations of the company and share price.
- improvement of the appropriate organizational culture by adopting the code of corporate governance and
- education of participants in corporate governance and
- affirmation of public and social responsibility.

A. Definition and promotion of good practice of corporate governance

There is lack of knowledge and positive experiences in the field of corporate governance, so there is insufficient activity of educational and professional institutions and associations that bring together the members of supervisory boards and/or boards of directors. Companies with strong systems for governance usually have better results than comparable companies, they ensure greater protection of investors and achieve greater value at the capital market. Last researches show that high-quality corporate governance influences on the important performances of the corporation, financial market and national economy.

B. The protection of interests of small shareholders

Since the system of corporate governance and good practice are still developing, in the part of business companies, the risks of non-transparent business are still present, which reflect the position of shareholders on the whole, and especially the position of small shareholders. In the conditions of concentrated ownership structure, as it is currently in Vojvodina (as in most of European countries) it is necessary to ensure the equal rights to the small shareholders, primarily in terms of their timely and accurate informing, informing about transactions between the company and shareholders with the significant shares in the company, the process of takeover of business companies etc. If small shareholders are not timely informed procedurally they may not be able to react promptly. The violation of rights of small shareholders presents their omission from the process of selection of an independent audit firm, which opens the way to various abuses, of which the greatest is surely the one with „drawing“ of the achieved earnings from the company on behalf of

majority owners (with the help of the management), and at the expense of reduced profits, i.e. yield per one share. New owners with 51% of the ownership, do not repurchase the stocks, during the future business they do not exhibit profit; until small owners lose interest in their own „insufficiently valuable papers“ and offer them by inadequate (low) prices.

Minority and major shareholders are not in the state of permanent antagonism or at least not more than that results from the new understanding (so called contracting concept) according to which the company presents network contract (desires and possibilities) of different interest groups. Thus, for example, higher profit is a common interest, but the treatment of it is not always identical-major shareholders tend to reinvest the realized profit, and minority shareholders are more interested in paying the dividends.

The problems in the system of corporate governance arise where the mechanisms of protection of some subjects are the weakest. The rights of shareholders and possibility of their enforcement are one of the basic standards and indicators at the assessment of the degree of protection of shareholders. Valid legal regulation guarantees the rights of shares, but in practice, there is an easy way to limit or preclude them, which for the shareholders represents a difficult and time-consuming task to prove the deprivation of certain rights. It is necessary to enhance the ability of the judicial system to effectively deal with disputes in the field of protection of the shareholder rights. If the protection of shareholders by court faces delay and the costs exceed the stock value, the securities commission is the last line of defense of shareholder rights.

The rights of shareholders are guaranteed by Law on business companies where the responsibilities are clearly divided between the assembly of shareholders and board of directors and supervisory board. In practice, the assembly as the mechanism of exercising the rights of shareholders is not effective enough because:

- the assembly is usually held once a year and that is why the shareholders do not have the possibility of direct participation in governance,
- organizing and holding of the assembly generate costs for the company and shareholders,
- information that is published at the assembly has often been already published, so that the shareholders do not learn anything new at the assembly,
- if the information submitted to the shareholders is not accurate, complete, timely and presented in a way that is acceptable and understandable, then the right of shareholders to information is encroached and it makes pointless the right to participation in the work of the assembly and the right to vote,
- the assemblies last few hours, but their duration is not enough for more important discussion about the business of the company.

The right to authorize the other person may be abused by managers and they may compel the workers to transfer their ownership rights to them. The financial system that has a developed infrastructure and liberal market typically more easily attract foreign investors. Efficient capital market is a way of protection of ownership rights of minority shareholders.

C. Stronger role of supervisory boards

Supervisory board is the key body for establishing good practice of corporate governance because it links the interests of the company with the interests of current and potential future investors, but also the other interest groups. The members of supervisory board bring face to face and harmonize different interests of owners and that is why they should be people with different education, characteristics, interests and views. Such heterogeneity of the members may cause synergy of actions in their decision-making and operation. Expertise of members of supervisory board is necessary for understanding of business and governance processes. Economic knowledge is needed as well as knowledge of the activities, understanding of strategic vision of the company. In addition to these characteristics, the members of supervisory board should be more active in the work achieving mutual cooperation, the exchange of information and mutual critical discussions, in order to improve efficiency and reputation of the companies.

D. Transparency

Transparency and publishing of information are in the function of exercising rights of shareholders, and it occupies a central place in practice of effective corporate governance as well as in the functioning of the capital market. Corporate governance should, on the one hand, provide the owners of the capital the right of access to financial and non-financial information about business company, and obligation and responsibility of board of directors and supervisory board for accurate, complete and timely information on the other hand.

Transparency in terms of ownership and control structure influences on the process of decision-making. If more is known about the ownership and control structure, the more successful is the fight against fraud in transactions, especially those between insiders and related parties. It is important for the company that there is a clear view of the company's perspective, as well as an independent, professional management. That increases the credibility and key to success.

It is necessary to improve the transparency of receiving the members of board of directors and the management, as well as the connection between business results and income, then to stimulate their responsibility for business results and strategic decisions of the company. The system of remuneration should be developed through expanding criteria and setting the appropriate mechanisms that will encourage the achievement of goals.

E. Improvement of the appropriate organizational culture by adoption of the code of corporate governance

The sources for rules for corporate governance are different (laws, listing rules), but the codes of corporate governance occur as a dominant solution. The goal of adopting the code of corporate governance is: improvement of business, development and growth of business company, determination of the principles and mechanisms of setting the goals, the protection of investors through efficient use of resources.

F. Education of the participants in corporate governance

It should be emphasized that also an adequate financial education is needed for new market conditions of business. It is the fact that the financial means of those who save, and who are ready to take the risk of investing, would be directed toward those who have investment opportunities in the system where there are many institutions such as the banks, insurance companies, investment funds etc., it is necessary to access to various forms of education of the management, political structures, and small shareholders as well.

G. Public and social responsibility

The company may be profitable, but it may not be publicly and also socially responsible at the same time. Modern financial market should establish the mechanisms that will especially evaluate publicly responsible business, because the successful business is publicly responsible. The responsibility is considered to be: providing the satisfactory yield for shareholders, creating the competitive working conditions, stimulation and participation of employees in planning and governance, production of products that are recognized by experts, respect for the rights of employees, protection of the environment, ethical business etc.

4. Concluding remarks

The research results show that the corporate governance in Vojvodina has the following features:

- the privatization has led to the concentration of ownership,
- small number of majority shareholders has taken over the control in the governance;
- due to the concentration of ownership, the problem of minor shareholders' protection opens;
- after the privatization of the business companies, it comes to the reduction of trade volume and solvency of shares of the privatized companies;
- the transparency of the companies is insufficient, because the information significant for selling and advertisement is published on the Websites, and the information significant for the investors is missing

such as the information about: the results of vote at the shareholders' assembly, every member of board of directors and supervisory board in the company (especially their professional biography, functions in other companies and number of shares of the companies that they possess), the important events, the business strategy, the code of corporate governance of the company.

- the influence of politics on the business in the privatized business companies is significantly reduced;
- the companies are not financed by issue of shares, but by credit;
- the dividends are rarely paid;
- there are rules of procedure about the work of board of directors, but they rarely regulate the situations of conflict of interests and transactions with related persons;
- the system of remuneration of managers is poorly developed;
- the members of supervisory board are poorly stimulated to work, inactive, but very satisfied with the cooperation with the board of directors;
- the shareholders formally have rights, they are often poorly informed, but because of the lack of financial education they make decisions spontaneously;
- the legal acts in the companies do not regulate the stock trade by the employees who have the privileged information;
- internal and external audit fulfill legal preconditions.

Good practice of corporate governance ensures: obtaining the capital under favourable conditions, business efficiency, good business results and efficient instruments of control of business company. The basic problems are the facts that a short-term benefit of corporate governance is not visible because the results are often immeasurable, but that leads to increased costs of business. The results on a long term bring advantages, and the examples are the most successful companies that are rated in the world exchange markets.

In Serbia, the concentration of the ownership structure in business companies is the consequence of the process of privatization. Transfer of ownership is limited because of illiquidity of the capital market. The protection of minority shareholders is insufficient. The shareholders are denied the right to participate and vote in the assembly of shareholders, by statutory provisions on the minimum shares or the limit of the number of votes. Accordingly, the assemblies of shareholders are peaceful and unexciting. Boards of directors do not control the companies because the directors influence on boards of directors. The members of board of directors are often rewarded with a fixed salary. Good functioning of supervisory boards is hindered by the fact that in two-thirds of the companies they do not receive remuneration. Supervisory boards are not active enough. Potential conflict of interest exists in the companies. Transparency

is especially weak point of corporate governance, which manifests itself through the minimum information about the business and the strategy of development of business companies. The influence of politics on business in business companies is reduced, and almost it does not exist. This state of corporate governance requires active engagement of all holders of material interests so that it could become well-conducted and competitive at domestic and foreign market. The application of good practice of corporate governance, the completion of privatization, the establishment of own corporate governance code on the basis of own experience and strengthening the rule of law will doubtlessly increase the effectiveness and competitiveness of the company and of overall economy.

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Zaključna razmatranja

Rezultati istraživanja pokazuju da korporativno upravljanje ima sledeća obeležja:

- privatizacija je dovela do koncentracije vlasništva,
- kontrolu u upravljanju su preuzeli mali broj većinskih akcionara,
- zbog koncentracije vlasništva otvara se problem zaštite manjinskih akcionara,
- posle privatizacije privrednih društava dolazi do smanjenja obima trgovanja i likvidnosti akcija privatizovanih kompanija,
- transparentnost kompanija je nedovoljna, jer se na web sajtoima objavljuju informacije značajne za prodaju i reklamu, a nedostaju informacije značajne za investitore kao što su informacije o: rezultatima glasanja na skupštini akcionara, svakom članu upravnog i nadzornog odbora u društvu (naročito njihova profesionalna biografija, funkcije u drugim društvima i broj akcija društava koje poseduju), bitnim događajima, strategiji poslovanja, kodeksu korporativnog upravljanja društva,
- uticaj politike na poslovanje u privatizovanim privrednim društvima je značajno smanjen,
- kompanije se ne finansiraju emisijom akcija nego putem kredita,
- dividende se retko isplaćuju,
- postoje poslovnički o radu upravnog odbora, ali retko regulišu situacije sukoba interesa i transakcije sa povezanim licima,
- sistem nagrađivanja menadžera je slabo razvijen,
- članovi nadzornog odbora su slabo stimulisani za rad, neaktivni ali veoma zadovoljni sa saradnjom sa upravnim odborom,
- akcionari formalno imaju prava, često su loše informisani, ali zbog nedostatka finansijske edukacije odluke donose stihijski,
- pravna akta preduzeća ne regulišu trgovanje akcijama od strane zaposlenih koji imaju povlašćene informacije,
- interna i eksterna revizija ispunjavaju zakonske preduslove.

Dobra praksa korporativnog upravljanja omogućuje: pribavljanje kapitala po povoljnim uslovima, efikasnost poslovanja, dobre poslovne rezultate i efikasne instrumente kontrole privrednog društva. Osnovni problemi su činjenice da se ne

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vidi kratkoročna korist od korporativnog upravljanja, jer su rezultati često nemerljivi, nego da ono dovodi do povećanja troškova poslovanja. Rezultati na duži rok donose prednosti, a primeri su najuspešnije kompanije koja se kotiraju na svetskim berzanskim tržištima.

U Srbiji proces privatizacije je rezultirao u koncentraciji vlasničke strukture u privrednim društvima. Prenos vlasništva je ograničen zbog nelikvidnosti tržišta kapitala. Zaštita manjinskih akcionara je nedovoljna. Akcionarima se ograničava pravo učesća i glasanja na skupštini akcionara, statutarnim odredbama o minimumu akcija ili limitu broja glasova. U skladu s tim, skupštine akcionara su mirne i nezanimljive. Upravni odbori ne kontrolišu kompanije, zato što direktori utiču na upravne odbore. Članovi upravnog odbora najčešće su nagrađeni fiksnom platom. Dobro funkcionisanje nadzornih odbora ometa i činjenica da u dve trećine preduzeća oni ne primaju nadoknade. Nadzorni odbori nisu dovoljno aktivni. Potencijalni konflikt interesa prisutan je u kompanijama. Transparentnost je posebno slaba tačka korporativnog upravljanja, što se ispljava kroz minimum informacija o poslovanju i strategiji razvoja privrednih društava. Uticaj politike na poslovanje u privrednim društvima je smanjen, gotovo i da ne postoji. Ovakvo stanje korporativnog upravljanja zahteva aktivno angažovanje svih nosilaca materijalnih interesa kako bi ona postala dobro vođena i konkurentna na domaćem i stranom tržištu. Primena dobre prakse korporativnog upravljanja, završetak privatizacije, izgradnja sopstvenog kodeksa korporativnog upravljanja na osnovu vlastitog iskustva i jačanje vladavine prava će nesumnjivo povećati uspešnost i konkurentnost preduzeća i celokupne privrede.
