

# Corporate Governance and

competitiveness:  
theoretical  
observations and  
practical  
evidence

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# Main topics

- About the theoretical background of the relationship corporate governance- competitiveness ( micro and macro perspective)(1)
- Practical evidence: or are the world champions in the area of corporate governance the most competitive economies(2)
- EC Action plan and corporate governance role for the countries' competitiveness or from laws and enforcement to encouragement of the competitiveness perspective of corporate governance(3)
- Lessons learn from the research and research findings(4)

# About the theoretical background of the relationship corporate governance- competitiveness (1)

- The focus of presentation : to share views, ideas and the results of my project( 2009-2012) about the role of corporate governance **from the perspective of its contribution as a system of checks and balances to company's and country's competitiveness**
- **Two approaches** towards the examination of the relationship between corporate governance and competitiveness: corporate governance school of thought and competitiveness school of thought

# Corporate governance school of thought(1.1)

- The topic is not on the research agenda of corporate governance scholars.; limited number of researches about the relationship: corporate governance competitiveness
- Current academia examines the relationship : **corporate governance-economic growth**((development(Maher M. and Th ,Andersson , 1999;S. Claessens, B. Yourtoglu; 2012;J. Köke, L.Renneboog , 2003) and the **impact of the corporate governance on the company value**

J. He and J. Mahoney(2006) concept about the role of corporate governance for the development on competitiveness:

- **From the agent - principal theory towards the resource based theory** : capability of the boards, their motivation; performance of non-ex and the ways, in which they shape competitive behaviour.
- The shift of the paradigm about the role of the corporate governance from pure **financial indicators to competitive advantages: cost leadership, differentiation or shared value**

- neo-institutional school of thought: CG as a **factor for the distribution of the resources** and, namely, the distribution of international flows of capital.( Linz, Leuz and Warnock2008).
- CG and country 's investment attractiveness(Saidi,2004 A.Kapur,2008)

## M. Porter views on competitiveness(1.2)

- The category/phenomenon **competitiveness** is studied by strategic management scholars.
- M. Porter(1998) concept regarding **competitiveness incl. key drivers on company level and on national level**

# How to understand the competitiveness

- The knowledge and the awareness that competitiveness matters on the global market place and there is **no an final answer what is it( Garreli,St. 2011)**
- ” We define **competitiveness as the set of institutions, policies, and factors that determine the level of productivity of a country** “(WEF Report 2012-2013) .



- How does WEF concept serves to the research of the relationship between CG and competitiveness : **private institutions and competitiveness**
- private institutions: **efficacy of corporate boards; ethical behaviour; strength of auditing and reporting standards and protection of minority shareholders.**( Pillar N1) from the 12 pillars ' model for Competitiveness(GCR 2008/09)
- Private institutions ' concept reflects on corporate governance basic principles
- WEF Financial Development Report 2010/11 and corporate governance

## Corporate governance and competitiveness(WEF The financial Development Report 2010/11

- Corporate governance is examined as a **system with six/seven components** in the WEF 2011 publication “ Economic development:Ethical behaviour ; strength of auditing and reporting standards , efficacy of corporate boards; protection of minority shareholders; willingness to delegate authority , professional management and ?? extent of incentive –based compensation??”
- the system of the **above six/seven components is qualified explicitly as “corporate governance”** .



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# Practical evidence: ~~or are the world~~ champions in the area of corporate governance the most competitive economies(2

Country/rankings	GC index-rankings	GC index-scores	CG scores
Switzerland	1	5,74	5,38
Singapore	2	5,63	5,64
Sweden	3	5,61	5,69
Finland	4	5,47	5,89
US	5	5,43	5,12
Germany	6	5,41	5,25
Netherlands	7	5,41	5,61
Denmark	8	5,40	5,52
Japan	9	5,40	5,14
UK	10	5,39	5,48

## EC Action plan and corporate governance role for the countries' competitiveness (3)

:" An effective corporate governance framework is of crucial importance because well run companies are likely to be more competitive and more sustainable in long term." (2012 Action plan, EC)

## Action plan priorities and the role of corporate governance for the long term competitive and sustainable development of the countries

- Action plan' priorities : **enhancing transparency** :disclosure of board diversity; improving CG reporting: C or E : good practice ( Finland, UK); **engaging shareholders**: better shareholder oversight of remuneration policy, better oversight of related parties transactions
- Action plan priorities : **confirmation or rejection** of the theoretical views about the role of corporate governance for the companies 'and countries competitiveness or
- About the new priorities: from law making and enforcing to law making, enforcing and **encouraging the competitiveness??!!**

# Lessons learned from the research and research findings and topics for future studies and discussions(4)

Lessons learned from the research and research findings:

- the relationship between the corporate governance and competitiveness-still neglected area by the academia
- theoretical views are supported by practical evidence
- the State and the business community have to encourage good corporate governance as a driver for competitive and sustainable development of the national economies





- Q&A

- Thanks

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