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CONCEPTUAL APPROACHES TO PUBLIC GOVERNANCE. CORPORATE GOVERNANCE VS. PUBLIC GOVERNANCE

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Abstract: *This paper tries to define the concepts of corporate governance and public governance, to describe and analyze the most significant models while trying to answer the question What would be the most efficient model of corporate governance/ public governance? The article is structured in two parts, in the first part are presented conceptual explanations on corporate governance in the context of globalization, while in the second part there will be presented conceptual references regarding the public governance. From the content of this article the concept of corporate governance plays an important role in the business sector, which represents a central and dynamic aspect of economic reality and is increasingly present in many countries of the world. The concept of public government implies more than the provision of quality for public services, preserving the life and freedom of citizens and their participation in the decision-making process.*

Keywords: governance, corporate governance, public governance, public institutions, citizens, globalization

JEL classification: H83

1. Introduction

The concept of governance is not a new one, but it gains new valences with the increase in the complexity of economies and the development of civilization. Etymologically, the ruling word originates in the Latin *navigation*, which is metaphorically defined as the activity of leadership, guidance and fulfillment of the objectives. In Romanian language, the term of government is taken from the French *gouverner*, with the meaning of leading, managing, governing a state or a people. Several studies have influenced the term governance and the theories which contributed to the development of this concept are varied (Badulescu and Badulescu, 2008).

2. Conceptual definitions of corporate governance in the context of globalization

The internationalization of the markets and the activities of enterprises determine the bigger or smaller companies to adopt measures in consequence, the process of globalization being a profound and irreversible phenomenon and in continuous expansion. Corporate governance systems differ greatly from country to country, and these differences directly affect both the development of global strategies and the types of strategies that can be adopted. Since the 1980s, globalization and computerization have brought a paradigm shift across the political, socio-cultural and economic world, causing dramatic changes in every part of human life. The paradigm

shift has led to substantial changes in corporate governance, causing active talks to date.

The term corporate governance is apparently new, being used about 20 years. As for the definition of the concept, there is no unanimously accepted definition, so I will try to make a brief summary of the most important terminological clarifications: A well-known definition is that given by A. Shleifer and R. Vishny stating that corporate governance refers to the way the suppliers of funds, the capital of a company ensure that they will receive the appropriate benefits, the profit, from the investment made (Shleifer and Vishny, 1997: 752).

Thus, most studies have defined corporate governance as a set of rules issued by the company's management, through which companies are run and controlled to use their resources economically and achieve maximum financial results. In 1996, Hawley & Williams made a review on corporate governance in the US as a documentary foundation. They have theorized the following theoretical sources theory: Agency Theory, Stewardship Theory and the Theory of Stakeholder (Haslina and Benedict, 2009: 89).

The concept of "corporate governance" has developed from agency theory (agent theory). This theory assumes that the one who owns the shares (the investor / shareholder) is not the same as the one running the business (manager / administrator). Between shareholders and managers is established a relationship of representation on a contractual basis: as shareholders, shareholders designate managers as agents to act in their own interest. The "Holder" possesses limited knowledge of competence, actions and the conflict of interests and informational asymmetry between shareholders and managers generates a series of ethical dilemmas for each of the two categories, both related to their relationships and to the approach of positions distinct relationships between each group and the other categories of stakeholders. The nature of these dilemmas differs, however, according to the dominant corporate governance model.

The foundations of the agency's theory can be found also in Adam Smith's writings: "you cannot expect those who administer the money of others to be as careful and caring as if it was theirs; waste and negligence are always present, more or less, in the management of business affairs" (Predescu, 2015: 73). After Adam Smith's formulation, it is understood that in its simplest form the theory of the agency limits the debate on corporate governance in the simple face-to-face between the shareholder and the leader, the former playing a leading role and the second acting agent, being only considered a manager of the money of others.

3. Conceptual clarifications on the public governance

Large areas of the globe are characterized by what we call weak, fragile states, rapid economic decline. This weakness of the state, seen as a public government incapacity (to manage public affairs), should be distinguished from what some consider to be an alteration of the actions the nation-state can undertake in the context of globalization. Regarding the economist, here we can talk about a redefinition of the role of the state, whether as an assistant state or as a guardian of the regulations of economic life, "if in the US the emphasis falls on regulations and orders of the state addressed to the private sector, in Europe the public sector has a greater visibility". (Dănescu et al, 2008: 37)

Decentralization, delegation of attributions and responsibilities have generated both opportunities and vulnerabilities for local public institutions. This justifies the essential role of principles and good practices in the relationship between public, political and

citizen structures. The principles that govern the relationship between bidders and local public service users are: active participation of public service consumers in the development of decisions of common interest, promotion of the transparency of the governance process of the public institution, ensuring the efficiency and effectiveness of public service delivery, common good, consensus and equal treatment. According to Surendra Munshi cited by Dănescu, good governance is characterized by a participatory government that functions responsibly, transparently, based on principles of efficiency, legitimacy and consensus to promote citizens' individual rights and public interest in ensuring material welfare and development sustainable society (Dănescu et al, 2008: 42).

Good governance of local public institutions means more than delivering quality public services, means preserving citizens' lives and freedom, creating space for democratic participation and social dialogue, promoting sustainable local development and enhancing the quality of life. Creighton believes that citizen participation is the process of involvement in the public concern, where needs and values are embedded in substantiating governmental and corporate decisions. It consists of an interactive and communicative process in two ways, with the purpose of adopting well-accepted decisions by the public (Dragomir, 2012: 17).

In specialized studies, the concept of "citizen-centered governance" is often encountered, obviously based on the involvement of citizens in decision-making of public interest. Citizen participation in decision-making is an important step in modernizing local public institutions, rethinking the relationship between citizens and public institutions, delivering public services, combating poverty and social exclusion, and promoting social cohesion. Citizens involved in the decision-making process often have different conceptions of what governance means, often confusing and limiting legitimacy to the process of government. Public participation in decision-making must be constructive, promoting proximity between the governing bodies of the public institution and citizens. The public is not a passive actor, so it has to intervene, influence the management of public affairs.

The participatory process of citizens must be emphasized in the planning and forecasting phase of a project of local interest. In this sense, public institutions and local public administrations must create mechanisms for early participation. The quality of citizen participation is enhanced by the knowledge and experience with which the people involved in the decision-making process are endowed. According to the functionalist approach, participation is seen as a process of obtaining all knowledge relevant to the problem analyzed in the process of making and implementing decisions. Employing more than one author in decision-making is the cornerstone of a governmental style based on promoting society's priorities, coherence and responsibility (Dumitrascu et al, 2012: 76).

In the case of Romania, the experience of past years in public institutions reveals the absence of citizen involvement in the process of substantiating decisions of general interest. The only form of expression of citizens' interests is vote. However, there are other forms of community involvement such as debates or public meetings, public opinion surveys, etc. As a result of a study conducted by the Assistance Association and Programs for Sustainable Development (2006) regarding the implementation of the decisional transparency law at the level of the local public institutions, it was found that only 14% of the interviewed persons initiated cooperation with the local public authorities through the participation at a public hearing or issuing recommendations. So we could conclude that the Romanian citizens are very reluctant to get involved in the local decision-making process.

In the context of globalization and the increased dynamics of the needs of the members of society, we consider it essential to depoliticize the decision-making process, to minimize the influence of the governing structures and to emphasize the practices of active participation of citizens in the elaboration of general interest decisions. A society based on the principle of equality is a society that equally promotes citizens' freedoms and aspirations, recognizing that people's needs and goals are different, and which strives to eliminate the barriers that limit their freedoms and aspirations. Respecting the principle of equality is therefore a useful tool in combating those discriminatory institutional processes at the level of public institutions. In order to successfully solve the problems related to the discrimination of the disadvantaged groups, a necessary condition at the level of the public institution is the knowledge of the community itself, the identification of the main groups, their classification according to type or localization. It should be taken into consideration the diversity of the public categories, services offered to the general public, different levels of activity and experience in the field of equal opportunities, as well as the local context (Morariu et al, 2006: 32).

In terms of equal opportunities, it can be seen in two aspects, namely equal opportunities promoted within the public institution and equal opportunities in the relations of the public institution with the persons served. In the relationship between the public institution and the citizens, the principle of equal opportunities has another contour. In this approach, equality refers to the manifestation of the same treatment in public policy making and the provision of public services to the public. The principle of equality is the cornerstone of a modern governmental style within local public institutions, contributing to improve the degree of satisfaction of local public services.

It is strongly believed that public institutions in Romania should pay greater attention to promoting equal treatment in the process of substantiating and implementing local public policies, and their goals must not only stop to meet the general interest of the community. Public governance in the light of the principle of equality and non-discrimination means more than that, it means identifying and solving the inequalities of disadvantaged groups in order to promote social peace (Raileanu et al, 2011: 54).

4. Conclusions

Regarding the question from the beginning of the article, *What would be the most efficient model of corporate governance/ public governance?* we can state that there is no certain model but they are both effective if applied correctly. This aspect can be seen in the private sector and in the public one too due to the investments made in this field.

The corporate governance concept emerged and developed in the last century, influenced by economic environments based on family ownership, institutional investors, anonymous companies, banking capital, intense financial scandals or times of crisis, which had the effect of identifying ways of improving the concept, so that it corresponds to the new stages in economic evolution.

All in all, corporate governance, in a brief definition, means the set of rules by which a company is run and controlled. Governance practices are linked to the concept of an enterprise, once the separation between the different parties involved in the firm's business and those of the rights-holders on the entity, as well as those involved in the processes of the entity concerned.

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