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The Power Stakes Between those who Finance it- The New Managerial Models

The paper presents the conceptual background and aspects concerning the governing that means the system by which the organizations are leaded and controlled, covering the ensemble of dispositions that allow the insurance that the objectives wanted by the managers are legitimate and the means put to work are adapted to reach these objectives. Considering that the presented models (Stareholder and Stakeholder) are stakes of power between those who lead and those that finance the organization, the convergence of the European and international governing models and systems that involve the existence of some superior governing models, economically, socially and political efficient, the approach of these issues presents special interest being a challenge to Romanian economy. The globalization gives a plus to the convergence - pleading for the Stareholder model and the cultural differences plead for the resort to one of the Stakeholder model's variants.

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1. Introduction

In the field's literature more definitions of the enterprise's governance are accepted (Anglo-Saxon term "the corporate governance"), because of reasons related to the need to simplify: the governance is the system by which the organizations are lead and controlled. Many authors consider that the right expression would be "the great enterprises' governance" because, essentially, the research and recommendations are referring to this type of entities.

The enterprise's governance is the ensemble of dispositions that allow it to ensure itself that the managers' objectives are legitimate and that the means put to work are adapted to reaching these objectives.[1]

The study of the enterprise's governance can be placed into a long term perspective, in the context of the capitalism's history. The corporation's governance is fundamentally considered a problem of socio-political nature, for its understanding and interpretation we must apply to the knowledge about the society's rights, about the national economy's history, about the sociology of the organizations, the financial markets and the portfolios' management, accountancy and audits. The theoreticians of the ownership right have tried to understand the internal functioning of the enterprises. The goal of the ownership's right's theory is to interpret in what way a type of property influences a type of economical system. (Amann,1999) [2]

Considering the traditional parting of the ownership rights in three categories (Furubotn, Pejovich 1972): **usus** which is the right to use the object; **fructus** which represents the right to get the fruits of the object; **abusus** means the right to sell. The two authors have suggested a typology of the great models of these rights, referring to different types of enterprises:

In the capitalist corporation, usus, abusus and fructus are in the hands of the same person: the owner or manager; and so, there is no separation between the functions of decision and of ownership, which, normally, should confer this type of organization a higher efficiency. **In the managerial enterprise**, the ownership rights are dismembered: the owner has fructus and abusus (he gets, totally or partially, the dividends and has the right to sell his ownership titles), while the managers have usus (the rights to use, because they manage the entity daily). Such a separation of the ownership rights concerning the organization can create possible interests conflicts between the owner and the not owning manager, because the leader has but a small part of the capital and he won't necessarily look for the maximizing of the stockowners' wealth. It is accepted that the dismembering of the ownership rights (Williamson 1996) confer the managerial teams larger areas of maneuvering and it is considered that these can use them in three modes: looking for the ways to maximize their pay, but also to maximize the profit for the stockowners; looking for the ways to maximize their pay, without considering the stockowners' interests; looking to make some personal pays to increase their consuming, in the detriment of the stockowners.

In the public organization, usus belongs to the employees, collectively, while fructus and abusus belong to the public power; this type of organization is considered to be inefficient. Notice the fact that in the public organization the employees altogether have the interest to progress, but taken individually, each prefers to work less.

In the cooperative enterprise, the ownership is collective and unbreakable. Fructus belongs to the employees (including the managers), collectively, which leads to a structural inefficiency of such an organization.

The theory of the ownership's rights has been criticized sometimes, because its primal objective was to show the superiority of the private ownership systems over the collective forms of ownership. The economical relations in an organization

are relations between agents. They are of diverse nature. Some of them have particular characteristics, like those that tie the managers to the investors.

Jensen and Meckling define the agency relation like being a contract in which one or more persons apply to the services of another person to fulfill in their name a certain task, which involves a decisional delegating. The relation can have any form of cooperation. In the agency relation "stockowner-manager", the stockowner will give us to an agent (manager) for the leading of the enterprise according to his interests.

Through the agency theory, the enterprise is seen as a real "contract knot", in which an ensemble of relations is being established between the different parts participating. [3] Obviously, the agency's theoreticians focus their attention on the stockowner-manager relation, considered to be the potential source of the most significant interests' conflicts. In such a conception, each enterprise must organize a specific governance system to favor the aligning of the managers' and the stockowners' interests. The internal disciplinary methods are: the stockowners' right to vote, the administrative council's control, the managers' way of interest, the mutual overseeing, the financial market, the leaders work market, the competition on the goods and services market, the financial politic, the external control systems, the internal control systems.

2. The conceptual background of the enterprises' governance

The conceptual background also integrates the incomplete contracts' theory, and a enlarged vision of the agency theory, to justify the necessity of a governance system. It must show the main conflicts with which the participating parts are being confronted and the means that permit their solving.

The stockowners and managers have a specific utility function which they seek to maximize. How the decisions taken by the managers have direct consequences on the stockowners' wealth, they will propose to the managers a pay system that permits the ensuring of their own utility maximizing. The cooperating relations between the stockowners and the managers have three important problems: **the conflicts; the agency costs; the conflicts' solving.** [4]

3. Models concerning the enterprises governance: convergent or divergent to the models used in Europe

There are two models of enterprises' governances: the shareholder model and the stakeholder model.

The shareholder model is the model seen in the Anglo-Saxon countries. The objective is **the maximizing of the value for the stockowners**, which means the profit and the stock market course. In these countries, the financial markets are very evolved and the capital of the enterprises is relatively atomized.

The stakeholder model is used in most European countries. The objective is less the maximizing of the stockowners' wealth, and more the defending of the involved parts' interests, in one way or the other, in the life of the organization (employees, commercial partners, stockowners, managers etc.). The financial markets aren't very evolved, and the capital of the enterprises is often controlled by the powerful stockowners that have a significant part. The convergence of the European and international models and governance systems call for the existence of a superior and politically, economically and socially more efficient model.

4. Conclusions

This phenomenon leads to the idea of aligning the European Union's countries to the Anglo-American example, to the enterprises that massively apply to the financial markets, to the stockownership governance. Considering the cultural differences between the European countries and the slow progress that the southeastern economies of the continent make in this area of the management, finance and governance, it seems like a hard bet to win. The difference between the Anglo-Saxon and the continental European countries in the matter of the enterprises' governance has been expressed in structural terms referring to settlements through the financial markets or through banks, taking the form of juridical, political, competitive explications and through the institutional investors' analysis. Globalizing isn't necessarily similar to uniformity-pleading for the stakeholder model while the cultural differences plead for the stakeholder model, and the enterprises' governance model of a country is a political, juridical, economical, financial, social and bookkeeping construction, depending on the nature of the society and its evolution.

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