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CORPORATE GOVERNANCE IN CENTRAL EUROPE AND RUSSIA

The aim of this course is to present the development and the current functioning of corporate governance in Central Europe and Russia with the focus on the emergence of control structures within the transition process from centrally planned to market economy. This transition has been observed in Poland and Russia since ca. 1989 and allowed these economies to grow and improve the economic and social standards. The transition process was crucial from the perspective of the development of corporate governance as the state which was a dominant player had to withdraw or lower its interference with the economy and allow for the market mechanisms to take over. These reforms not only resulted in the new regulations and the development of certain institutions such as stock market and supervision authority but also led to changes in the governance and management of companies (active shareholders, board, motivation of executives). The pattern of the emergence of corporate governance observed in these countries also depicts the characteristics of the transition process noted in other countries of Central (the Czech Republic, Slovakia, Hungary) and Eastern Europe (Ukraine) as well as in Baltic States. Finally, the changes adopted within the last 5-10 years correspond with the worldwide reforms of corporate governance observed in many developed and developing countries. These reforms refer to the increase of the number and importance of independent directors on board, increase of the standards of corporate disclosure (the information policy and the investor relations websites and initiatives), strengthening the shareholder rights and providing conditions for larger exercise of these rights and finally supporting diversity management with the increase of the role of women on corporate boards.

This course will mostly refer to the functioning of corporate governance with the focus on the development these control structures in Central Europe (Poland) and Russia noted in line with the process of transition from centrally planned to market economy. The course also addresses

the issues of the emergence of new institutional order, development of transparency standards, efficiency of corporate governance mechanisms and relations between corporate governance and with the emphasis placed on the Polish experience. However, some observations upon China or former Soviet Republics will be made where appropriate.

The general outline of the whole course, which all together includes 10 lectures, is as follows:

1. Instruction of the course - today's lecture on definitions, tasks and theories of corporate governance
2. Corporate governance in practice – the lecture devoted to the presentation of mechanisms of corporate governance such as the ownership structure, board, executive compensation, creditor, employees and the discussion on national systems which developed in different countries
3. Best practice and standards – the lecture focused on the presentation and discussion on main recommendations of the so called codes of best practice. The reference will be given to the very first document of this form proposed by Sir Adrian Cadbury in 1992 and the following documents from the UK, France and Germany. The suggestions formulated by OECD will also be presented and the referred to the other national codes of best practice for instance for Poland and Russia. The short outline of the most important reforms and regulations of corporate governance
4. Corporate governance during socialism and central planning – the lecture will deliver the historical evidence how corporate governance functioned under the socialistic doctrine, its main characteristics and problems generated. The experience of socialist countries assured for the need for transition to market economy and the development of the sound corporate governance
5. Transition reforms and emergence of corporate governance in Eastern Europe – the lecture will present the main reforms implemented after 1989 with the focus on the macroeconomic reforms, privatization, financial system and stock market development and adoption of new laws. These reforms were central element in the process of corporate governance development. The experience of Central Europe and Russia shows how different schemes and reforms resulting in the current structure of governance and control of companies sand which of these programs proved to be successful and led to higher efficiency

6. The development of corporate governance in Central Europe – the lecture will discuss the selected mechanisms of corporate governance such as ownership structure, board, executive compensation with the use of the cases of Poland, Czech Republic and Hungary. The development and the current stage will be presented
7. The development of corporate governance in Russia I – the lecture will present the outline of the politics and regulation in Russia with the focus on corporate governance institutional order including the functioning of the stock market, investor protection and transparency
8. The development of corporate governance in Russia II – the lecture will deliver data and evidence on the selected mechanisms of corporate governance with the emphasis given to ownership structure and the emergence of business groups, functioning of the board, the role of executive compensation and recommendations and compliance with Code of Corporate Governance
9. Corporate governance in Russia III – the lecture will address specific topics of the unique Russian experience and environment focusing on risks in corporate governance, the practice of corporate social responsibility and the features of corporate governance in companies with participation of the State
10. Challenges of corporate governance in Eastern Europe – the final lecture will provide the summary of the whole course pointing at main strengths vs. main shortcomings and discussing the directions for future development

Modules 1-6 will be prepared by prof. Maria Aluchna, Warsaw School of Economics

Module 7-10 will be prepared by prof. Irina Tkachenko, Ural State University