Corporate Governance in Romania: Academic Literature Review and Research Perspectives

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Abstract

Corporate governance, comprising an environment of confidence, integrity, ethical values and trust, respectively a synergic exertion of all the actors involved, has become a pivotal concept, vital to most companies. Corporate governance in Romania advanced from the centralized model in the early 1990s, to the market economy-based model, concerning not only the respect for the rule of law, but also social economy and inclusive sustainability. This paper proposes a theoretical approach of the corporate governance framework in Romania. The research establishes the importance of good practices for ensuring effective corporate governance, the results pointing out some pitches for improving the Romanian legal framework in the corporate governance field, as well as provide a useful standpoint in comprehending the complex conversion of legislation and research, thus developing the existing literature on accounting and corporate finance. Finally, specific areas for future research in relation to corporate governance in Romania are suggested.

Key words: effective corporate governance; good practices; research perspectives
J.E.L. classification: G34; G30; M40

1. Introduction

The concept of governance is not a new-fangled one, but currently one can perceive notions such as *qualitative organizational governance* or *effective governance* more recurrently.

The term corporate governance was first coined by Tricker (1984), while eight years later, the Cadbury Report (1992) gave it impetus, as did following reviews of corporate governance best practice. The pillars the principles of good corporate governance are based on, consistent with the Cadbury Report, are *integrity* – through which the interests of all users and social responsibility are taken into account, *transparency* – which offers openness and is a prerequisite for performance and efficiency, respectively *accountability* – which facilitates the development of written and formalized operational procedures through the internal control system, as well as through audit.

Essentially, corporate governance – or, as defined in ISO FDIS 26000 (2010) – "organizational governance", is "the system by which an organization makes and implements decisions in pursuit of its objectives". Simply put, "governance" means: the process of decision-making and the process by which decisions are implemented (or not implemented). And according to ISO FDIS 26000, it is "the most crucial factor in enabling an organization to take responsibility for the impact of its decision and activities and to integrate social responsibility throughout the organization and its relationships".

As stated by OECD (2010), on the other hand, corporate governance finds its correspondent in the system that ensures a fair and reasonable treatment for investors or more broadly, for society as a whole. Since each country is located in different regions, the cultural features of different nations can influence the practices of business – in general and of corporate governance practices – in particular.

More attention should be focused on the practical aspects of the corporate governance and its run-through in real business environment, since these particular aspects need to be studied closely. Within an economic entity, regardless of its form of organization (public or private), different interests are manifested between managers and other stakeholders. In this context, *corporate governance* deals with how – through the equitable distribution of rights and responsibilities among all stakeholders – this multitude of interests can be harmonized in order to streamline all activities.

Thus, in order to understand (and, at the same time, to implement!) good practices relating to an effective corporate governance, approaching the main theories underlying the concept of corporate governance, namely systems for quantifying corporate governance, its purpose and determinants, is a vital process.

Recently, one can notice that deep crises – either the financial crisis of 2007 or the current crisis caused by the new Coronavirus pandemic (CoVid-19) – which can, for example, cause the collapse and fraud of multinational companies, increase the concern for both good practices regarding corporate governance, as well as concern about regulations regarding the accuracy of reported information. As a result of major financial scandals, corporate governance and corporate accounting have become key areas of modern management, representing a basic concern for investors, managers, bankers, accountants, auditors, financial markets, including government bodies.

Like any extremely paradigmatic concept, in its evolution, corporate governance had specific connotations for each stage of its development, in which the environment, level of development or specific culture to each country, economy or entity has left its mark.

Hence, the literature attributes a wide variety of connotations to corporate governance.

Henceforth, aware of the importance of corporate governance for the sustainable development of an entity and, implicitly, of an economy, at international, community and national level, numerous theoretical and empirical studies and papers have been developed that have focused on addressing different segments or areas of manifestation (developed or emerging countries) or other aspects specific to the analysed concept (principles, axes, responsibilities, indicators, contributions and other aspects).

This paper provides an overview of corporate governance, with precise highpoints on governance research with a Romanian perspective. The paper starts by investigating various definitions of corporate governance. Various theories applied in prior empirical international research are discussed, this being followed by a summary of prior empirical Romanian research. The research aims to encourage Romanian researchers to consider obtaining a more comprehensive view of prior corporate governance research, in order to focus, further on, on specific issues regarding corporate governance, especially in the context of a sensitive socio-economic environment.

This qualitative research starts from the assumption that, based on the regional performed literature review, an eloquent conclusion can be drawn in order to anticipate the trends regarding corporate governance in Romania for the years 2020-2021.

2. Literature review

2.1. The concept of corporate governance in the international specialty literature

Multiple valences have been attributed, over time, to the concept of corporate governance. Most often, however, the notion is used to define the actions and operations necessary for the overall management, running or administration of an entity, as well as for its ownership or control in order to achieve its objectives. Thus, as early as 1932, Berle & Means (1932) highlighted one of the initial dimensions of the concept, since, starting from the importance of the governing processes of an entity, they showed that the new concept defines the processes of regulating the behaviour of leaders, as well as designing the rules that make up the managerial game.

Discussions on corporate governance and its importance in corporations, thus, began in the American academic world, and only later, in Europe.

In line with the principles set out by the Organisation for Economic Co-operation and Development (O.E.C.D.), corporate governance involves a set of "relationships between a company's management, its board, its shareholders and other stakeholders". Therefore, it can be defined as a system that ensures a fair and reasonable treatment for investors or more broadly, for society as a whole.

Although shareholders play a key role in a company's life, it must also take into account the multiple interests of other actors in the life of the company, including creditors, customers, suppliers, employees and the local community, as both Ardalan (2007) points out, as well as Wei & Geng (2008) and, later on, Messabia & Elbekkali (2010).

Consequently, one can note how the quality of corporate governance is influenced by the shareholding structure, the level of protection and a proper balance of the of majority and minority shareholders, the decision-making power of the board of directors, accounting policies applied to prepare financial statements (Rao et al., 2012), including their compliance with the International Accounting Standards (Talamo, 2011). Although there is a permanent conflict and a close interdependence between the long-term and short-term interests of a corporation, respectively (Lin-Hi & Blumberg, 2011), an economic entity that is balanced and well-run maintains good relationships with all stakeholders (Talaulicar, 2010).

The concept of corporate governance or organizational governance, as defined by ISO FDIS 26000, includes the way an entity is run, representing the system through which an organization adopts and implements the decisions necessary to achieve its objectives. In other words, the term "governance" equals the decision-making process, as well as the procedures by which they are implemented, as Crowther & Seifi (2011) point out. Corporate governance can also be defined as a structure used to determine the responsibility and authority of the various groups involved in the operation of the organization, or as a system of rules and practices by which managers and owners become responsible for the performance that society expects from an entity (Haspeslagh, 2010).

On the other hand, as evidenced for the first time in the Romanian specialty literature, good corporate governance increases trust in the entity, reduces the cost of capital and determines a more efficient use of information, material, financial and human resources (Tabără & Ungureanu, 2012).

Reducing the conflict between an entity's managers and its shareholders leads to a significant increase in profit (Holder-Webb et al., 2008). Hence, firms that perform well (either by having an increased value for the Return on Equity, or a high Asset Turnover Ratio) are able to obtain loans at a lower cost, as they receive financing resources more easily because they are able to pay their debts on time (Shan & Xu, 2012; Abor, 2007).

International specialty literature points, accordingly, an all-encompassing selection of inferences to corporate governance.

On one hand, corporate governance was initially seen as the system through which entities are governed and controlled, respectively, both the system of management and control of activities carried out by an entity to protect the interests of all stakeholders, and the set of rules, principles and methods imposed to achieve the pursued objectives (Cadbury, 1992). Four years later, Bengoechea (1996) considers that corporate governance finds its counterpart in the mechanism governing shareholders' rights, board's responsibilities, but also in the way they are guided and controlled, while later, Shleifer & Vishny (1997) point out that the focus is in fact on "the means by which investors ensure that they will receive the expected benefits from the investments they have made". Deakin & Hughes (2002) consider that good governance is where the parties receive what they reasonably want, while poor governance is when the results obtained are below expectations.

On the other hand, some researchers consider that the definition of corporate governance should highlight the set of rules and principles that govern the conduct of shareholders and directors of the company, establishing the obligations and responsibilities of minority shareholders. Amato et al. (2009) depict that corporate governance refers to the way in which the rights and obligations of different stakeholders of a particular company are distributed. Alternatively, corporate governance can be seen as the mechanism by which the value created by entities in society is directed and distributed equitably; in this sense, Crowther & Seifi (2011) start from looking at it as a "decision-making process and the procedures through which they are implemented", respectively, as a "system through which an entity takes and puts in place implementation of the decisions taken in order to achieve the objectives pursued". In unison, Sifuna (2012) postulates: corporate governance refers strictly to that system of laws and approaches by which corporations are governed and controlled, which emphasizes internal and external structures in order to monitor the actions of management and directors, and hence, on reducing the risks that may affect inappropriate behaviours.

Nevertheless, it seems the concept of corporate governance is considered deeply situated within the sphere of agency theory (Jensen & Meckling, 1976; Shleifer & Vishny, 1997; Nakpodia & Adegbite, 2018).

From the comparative analysis of the approaches presented through the aspects and elements highlighted in the international literature, it can be considered that corporate governance delineates a series of convergences and divergences, symmetries and asymmetries, especially in terms of cognitive valences attributed to this concept. In relation to the act of ensuring the management or control of an entity, corporate governance incubates much broader connotations. On one hand, it refers to the system of management and control of the activities of an entity, in order to protect the interests of all stakeholders, while, on the other hand, it indicates and defines the set of rules, principles, methods and customs imposed by the achievement of the intended objectives.

Concluding, the concept of corporate governance has been restricted, over time, to a few basic features, such as regulatory enforcement, economic rationalism, materialism, wealth, and power transfer to wealthy shareholders who can appoint and control directors, managers, and auditors, respectively aspects regarding self-interest behaviour, ethics and the needs of stakeholders.

2.2. Problems raised within Romanian literature review

The concept of corporate governance appeared in Romania at the beginning of 2000, with a certain delay compared to other European states. This phenomenon is explained by the difficulties encountered in the line of political, legal, economic and social reform in Romania. However, the quality of corporate governance in Romania has increased in recent years, with transparency and accountability becoming essential pillars for any company.

Thus, Romanian researchers, although with less experience in the field of corporate governance, have also contributed to defining the concept.

Hence, most research focuses on the rules according to which entities are led and controlled, as a result of norms, practices, traditions and behavioural models, developed by legislative systems. In this context, Feleagă & Vasile (2006) considers that through corporate governance managers are legitimate to "sign contracts, buy, sell, decide on the execution of financial operations, hire and dismiss employees, etc.".

In the same framework, Ghiță (2008) defines governance as "the overall management of the entire organization by accepting all internal components, which work together, but which will ultimately be integrated into the management and implementation of risk management within the organization, as well as financial and management systems, internal control, including internal audit".

Corporate governance has been a concept that has preoccupied the accounting profession in Romania more and more in the last 15 years. Analysing the definitions of this concept the first clues on the complexity, but also on the implications it may have within organizations can be identified. Subsequently, it was seen as a set of "rules of the game" by which companies are managed internally and supervised by the Board of Directors, in order to protect the interests of all parties involved (Feleagă et al., 2011). This definition focuses on the distribution of rights and responsibilities between different participants in a company and specifies the rules and procedures for making correct decisions for the entity. In this way, corporate governance provides the structure through which a company's objectives and the means to achieve them are established, as well as performance monitoring.

Another more recent definition presents governance as "the way in which capital providers ensure that they will receive remuneration for the investment made", referring to the way in which companies are credibly committed to return the funds offered by investors and to attract further funding (Dragomir, 2012).

Emerging economies have begun to be considered in recent years the engine of global economic growth, and a consequence was the need to implement codes of good practice in business in order to increase the attractiveness of investors, but also to align with the requirements of institutions (Gîrbină et al., 2012).

Among the factors that generate difficulties in implementing governance principles from developed countries at the level of emerging countries the following must be emphasized: informal institutions, poor execution, poor audit quality, and a greater need for knowledge than independence. In the same direction - the importance of the local environment, it is mentioned that there is no single model of governance. Each structure is unique and, as a consequence, the model it will implement will be influenced by the particularities of the company (Răileanu et al., 2011).

As both public and private entities pursue efficiency and profitability, job creation, competitiveness in domestic and foreign markets, these are the reasons why the adequate disclosure of corporate governance information is a powerful tool for monitoring management and influencing corporate behaviour (Morariu & Stoian, 2006). Thus, strengthening corporate governance practices is an essential part of the process of creating the necessary climate for investment and economic development. However, as Fülöp (2012) notices, Romania is still at the beginning of the road in terms of understanding and applying the principles of transparency.

Following the study conducted by Ionescu et al. (2015), it seems that the general perception of professional accountants and other practicians regarding the implementation of the corporate governance code at the level of each company, regardless of its size, is, indeed, beneficial for the company, because it provides the guarantee of efficient management, ensures the transparency of the transactions carried out, as well as points out an efficient control system, a superior quality of the presentation of the annual financial reports and a certainty that the interests of the investors and of other interested parties are protected.

The following table summarizes the most relevant and cited studies in the Romanian specialty literature that highlight particular aspects of corporate governance in Romania. Therefore, prior corporate governance research is briefly reviewed from a Romanian perspective – the theoretical perspectives adopted, the governance mechanisms studied, the methodologies applied, the issues and particular contexts being considered.

Analysing the depictions in the Romanian specialty literature, it can be concluded that corporate governance, according to Romanian researchers, delineates the system that sums up all the structures and processes regarding the management and control of companies, as well as the relationships between them and other stakeholders.

3. Research methodology

This study seeks to explore the degree to which the key concepts, principles and techniques typical to corporate governance are spread and enabled in the Romanian specialty literature by performing a literature review. The research methodology used, the observation, was based mainly on the analysis of the most relevant and cited Romanian scientific papers.

Since this paper's purpose is to assess research trends in Romania, in comparison with the ones depicted from the international specialty literature, research methodology was fundamentally based on *non-participating observation*.

Therefore, the research required both a qualitative approach, enlightened by the fact that the research has prerequisite *interpretations, clarifications, explanations and deep understanding of the analysed phenomena*.

Table no. 1. Identifying and positioning the approaches to the concept of corporate governance in the Romanian specialty literature – a non-exhaustive approach

No	*Researchers (papers – in chronological order)*	*Method*	*Issue researched*	*Research results*
1	**Feleagă & Vasile (2006a)**	M5	• comparison between the classical and modern corporate governance experiences.	• a grounded study of governance is required with major implications, in which both conceptual and practical aspects should be targeted.
2	**Feleagă (2006)**	M5	• the degree to which the effectiveness of companies has been influenced by institutional investors.	• it is probable that the form of share capitalism, which has spread to the Anglo-Saxon countries, will not apply in the rest of the world but in its diverse models, with strong national differences and particularities.
3	**Morariu & Stoian (2006)**	M5	• identifying the constitutive elements of the corporate management vs corporate governance.	• information disclosure is the most powerful tool for monitoring management and influencing corporate behaviour.
4	**Dobroțeanu et al. (2009)**	M3	• comparison between the different corporate governance frameworks (UK vs US vs Romania).	• BSE's CCG was formulated by drawing up characteristics from both systems, with a strong preference for UK best practice; it is to be seen in the future whether such an option proves to be a viable one for Romanian companies and national particular circumstances.
5	**Feleagă et al. (2011)**	M2, M4	• analysing the principles of corporate governance implemented by companies from emerging countries, where competitiveness in today's global economy is more difficult the case of Romania serves the purpose of demonstrating that functioning market rules need to exist prior to the implementation of corporate governance codes, which would otherwise fail in their purpose of insuring accountability.	• most sample companies do not meet the recommendations of the BSE's CCG regarding the independence of directors and audit committee members; • in addition, for most of the Romanian companies in our sample, the degree of transparency is much lower than that of other European companies.
6	**Manolescu et al. (2011)**	M4	• assessing the implementation of relevant regulations by investigating the opinions of the Romanian public interest entities regarding the forms of control/audit applied in these entities.	• in Romanian companies of public interest (state-owned companies, entities listed on the BSE, credit institutions, non-banking financial institutions) there is a lack of concern regarding the internal control activity; • Romanian entities are not aware that a quality internal audit brings added-value.
7	**Răileanu et al. (2011)**	M4	• investigating who is responsible for implementing an appropriate system of corporate governance and how can the current level of corporate governance in Romania be assessed; • outlining the main obstacles that Romanian companies face in terms of corporate governance, respectively the existence of a governance model that, through its qualities, has proven to be better than the others.	• the 2008 economic and financial crisis has highlighted the benefits of implementing an adapted system of corporate governance, despite the additional required costs.
8	**Ienciu (2012)**	M4	• identifying the existence of certain associations between the characteristics of corporate governance and the existence of environmental reporting in the case of the Romanian companies listed on BSE; • examining the relationship between corporate governance characteristics and the extent of environmental reporting.	• the size and structure of the board, the independence of the board and board size have a significant relationship with environmental reporting as far as Romanian listed companies are concerned.
9	**Fülöp (2012)**	M4	• examining the role of effective corporate governance and application of the principle of transparency by Romanian entities.	• BSE's CCG should be revised as there are a few recommendations and provisions that are not in line with the national law.
10	**Matiș et al. (2012)**	M4	• the empirical analysis focuses on developing a corporate governance disclosure index for companies listed on the BSE, also looking at similar studies in literature and further considering potential determinants of the disclosure index.	• not all companies listed on the BSE meet minimum standards of transparency.
11	**Dragomir (2012)**	M5	• corporate governance as a puzzle / exploring the multi-dimensional character of corporate governance from all actors' perspectives: the managers, the regulators, the academia, but mostly for those gathered under the comprehensive notion of "stakeholders".	• a number of key trends has fuelled the Global Reporting Initiative's swift progress: expanding globalisation; the search for new forms of governance; reform of the corporate governance in the light of the stakeholder theory.
12	**Gîrbină et al. (2012)**	M3, M4	• assessing the level of implementation of good corporate governance disclosure practices by listed companies in Romania, with an in-depth	• the difficulty of "exporting" good practices from developed to emerging economies makes it mandatory that corporate governance disclosures are country and firm-specific

			consideration of the institutional factors characterizing the environment of this country.	(depending on the institutional factors affecting each case).
13	**Mănoiu et al. (2015)**	M3, M4	• analysing the compliance of Romanian listed companies with BSE's CGC.	• most of the observed companies made a step forward in what concerns corporate governance principles, although there were cases where the statements made over the studied period contained inconsistencies.
14	**Ionescu et al. (2015)**	M4	• describing the practitioners' perception regarding the need of applying corporate governance code for listed companies so as for other companies, irrespective of their size, as well as highlighting key factors responsible for playing an important role in the management of a company.	• the quantitative analysis performed emphasized the importance of ethical principles imposed by the corporate governance code on transparency, financial reporting, control and risk management, both for listed companies and for other companies, irrespective of their size, the study being conducted on a sample of companies in Romania.
15	**Gherghina (2015)**	M4	• assessing corporate governance by the instrumentality of ratings for a sample of 68 companies listed on the BSE over the year 2011.	• the existence of a close correlation between the size of the Board of Directors and the number of non-executive directors in a company.
16	**Beleiu et al. (2015)**	M4	• exploring corporate governance approaches, governance indicators and effects of the governance on GDP in order to effectively analyse governance at country level.	• identifying existing dysfunctions and outlining possible approaches in order to elaborate better governance policies in Romania.
17	**Dumitrașcu et al. (2015)**	M4	• analysing the principles of corporate governance in state-owned companies (given that most studies up to date focused on listed companies).	• lack of implementation of governance principles corporate governance in state-owned companies reflects on financial losses, also impacting private sector companies.
18	**Tofan et al. (2015)**	M5, M4	• presenting a theoretical approach on the process of the development of the corporate governance framework in Romania, pointing out the progress that has been done and also the aspects that still need to be improved.	• Romania has made significant progress in corporate governance during the last two decades, although a number of issues remain (e.g.: although focusing on risk, audit, and other matters have been established by law but, in many cases, have not played their part because of a compliance-oriented business culture).
19	**Stanciu & Caratas (2015)**	M5	• the authors performed an analysis of the manner in which the OECD principles and other governance settlements are respected in some of the top Romanian banks	• the research emphasized some gaps in the Romanian regulation and the need to improve corporate governance implementations. The authors' contribution consists in highlighting those regulatory requirements that should be improved in order to increase the effectiveness of corporate governance in Romanian financial institutions.
20	**Deliu (2019a)**	M4	• measuring the level of bank corporate governance in Romania, by analysing the corporate governance quality and effectiveness in the main Romanian banks that are listed on BSE.	• the scrutinized banks have a noteworthy awareness in the implementation of the key elements of corporate governance.
21	**Deliu (2019b)**	M5	• investigating the existing debates on issues related to corporate governance, identify its main key pillars' weaknesses and deficiencies; providing a critical observation on how the financial crisis affects the corporate governance soundness and effectiveness.	• four key areas for urgent action were identified: corporate risk management, pay and bonuses, the performance of board directors, and the need for shareholders to be more proactive in their role as owners (especially in an imminent sensitive socio-economic context).
22	**Tofan & Cigu (2020)**	M5, M4	• proposing a theoretical approach of the corporate governance legal framework in Romania, in terms of its evolution and its impact throughout implementation, as well as the status of its functioning today.	• the results of the research point out some proposals for improving the Romanian legal framework in the corporate governance field.
23	**Deliu (2020)**	M4	• seeking to give emphasis to the current state of corporate governance in Romanian regulatory framework and the quality of corporate governance culture in Romanian banks that are listed on Bucharest Stock Exchange (BSE); • performing an investigation of the mode in which the principles enforced by the OECD are respected in four top Romanian banks.	• weaknesses, respectively corporate governance issues that require efforts for revision, enhancing and improvement, were identified. - .

* *where Methods:*
M1 = Literature review
M2 = Case/Field study/(Critical in-depths) interviews
M3 = Content analysis/Historical analysis
M4 = Survey (of annual reports)/Questionnaire/Other empirical research
M5 = Commentary/Normative/Policy/Other conceptual

Source: own projection

4. Findings

4.1. Results and discussion

The table above served to exemplify the great variety in Romanian corporate governance research, in terms of theories explored, corporate governance mechanisms studied and methodologies adopted. The more traditional agency theory approach is illustrated by the work of Feleagă (Feleagă, 2006; Feleagă & Vasile, 2006; Dumitraşcu & Feleagă, 2015; Feleagă et al., 2011). Corporate governance also lends itself to qualitative research methods including *Case/Field studies/Critical in-depths interviews* (Feleagă et al., 2011), as well as *Content analysis/Historical analysis* (Dobroţeanu et al., 2009; Gîrbină et al., 2012; Mănoiu et al., 2015), along with methods based on *Commentaries/Normative aspects/Other conceptual approaches* (Feleagă, 2006; Feleagă & Vasile, 2006; Morariu & Stoian, 2006; Dragomir, 2012; Tofan et al., 2015; Stanciu & Caratas, 2015; Deliu, 2019b; Tofan & Cigu, 2020). Annual reports, with their extensive corporate governance disclosures, also provide a research opportunity through *Survey (of annual reports)/Questionnaire/Other empirical research* (Feleagă et al., 2011; Manolescu et al., 2011; Răileanu et al., 2011; Ienciu, 2012; Fülöp, 2012; Matiş et al., 2012; Gîrbină et al., 2012; Mănoiu et al., 2015; Ionescu et al., 2015; Gherghina, 2015; Beleiu et al., 2015; Dumitraşcu et al., 2015; Tofan et al., 2015; Deliu, 2020). Most of the papers pointed to opportunities for further research.

A series of studies conducted on listed Romanian companies focus mainly on corporate governance practices, respectively on the manner and transparency in information disclosure (Caloian, 2013; Deliu, 2019a; Deliu, 2019b; Deliu, 2020). Most researches attempted to measure the degree to which the banks listed on the Bucharest Stock Exchange (BSE) comply with the principles and provisions of the Code of Corporate Governance (CCG) issued by the BSE regarding the: *Responsibilities* of the Board (either the Board of Directors – in a one-tier system, either the Supervisory/Management Board – in a two-tier system) vs. the responsibilities of the executive management; Reliability and efficiency of the *risk management system and internal control system*; *Fair rewards and motivation* of the members of the Board; respectively the *Added value created through the relationship with the current and potential investors*.

4.2. Suggestions for future research

The implementation of corporate governance in Romania has been – and still is – quite problematic. Elements regarding this issue may refer to:

- lack of a procedure regarding the relationships between management structures and other categories of users;
- non-involvement of all stakeholders in decision making;
- lack of a legal framework able to regulate the development and functioning of a profitable market;
- insufficient involvement of control bodies in the financial advice of companies;
- failure of reforms in the accounting system;
- popularizing corporate governance through auditors.

In this context, it is important to note that corporate governance regulation in Romania was marked by major changes in legal framework since 1990, both in the general perception of the actors involved and in the public opinion. The legal framework on the topic "evolved from that specific to a complete centralized society, where the management of business was based on the exclusive public authority prerogative, to a form of corporate governance based on market economy principles", as Tofan & Cigu (2015) depict. The progress regarding corporate governance practices in Romania was made step-by-step, in the first phase using legal framework for implementing a set of economic reforms (Onofrei, 2009), but in practice the necessary reforms were attained much later.

As a conclusion of everything depicted above, it can be considered that corporate governance law in Romania is still being developed. In the opinion of many researchers and accounting professionals, the legislative in Romania is not paying too much attention to the global business environment and its current trends. As depicted from the international specialty literature, "regulation in the field of corporate governance in all Central and Eastern European countries, including Romania, is in general characterized by soft law where participants self-regulate themselves without possessing full legislative authority" (Tofan & Cigu, 2020).

Regarding the possibility of implementing a worldwide perfect model of corporate governance, the approach of Stanciu & Caratas (2015) is irrefutable, therefore, it can be deliberated that the attempts of countries to import governance systems may be ineffective, since "few of the most important vectors are the legal and fiscal system of the country, cultural issues, accounting practices, type of professional managers".

Despite some inherent inaccuracies that can be pointed out regarding the implementation of the principles of corporate governance in Romania, as well as in other states, the importance of implementing the concept cannot be neglected. In the case of Romania, it is expected that especially listed companies should adopt, implement and disclose information regarding corporate governance practices, as also stated by Feleagă et al. (2011).

In conclusion, research on corporate governance is, just like the corporate governance law, at an early stage of development, as well, policy makers and regulators having few research findings on which to base their decisions.

However, it is interesting to observe that most of the corporate governance research follows rather than leads regulatory change. In this context, the focus should be on the search for opportunities to lead regulation, therefore future research in Romania should provide regulators with insights into the costs and benefits of regulatory change.

5. Conclusions

Corporate governance creates a "brave new world", in which entities have to either comply or explain, the "Comply-or-Explain" statement reflecting the extent to which the corporate governance guidelines are applied and enforced by Romanian listed entities, through a self-assessment that reflects the either full compliance, satisfactory compliance, unsatisfactory compliance or non-compliance with the provisions of the Code issued by the BSE. The purpose of corporate governance is, in this context, the facilitation of effective, entrepreneurial and prudent, yet visionary management that can deliver long-term success for entities worldwide. In this sense, the most researches in Romanian specialty literature emphasized, to some degree, a high level of adoption of the principles and provisions.

However, future research should focus on developing a Corporate Governance Index that BSE should develop and implement in order to efficiently assess the degree of applying and aligning with the Code's principles and provisions, as well as to measure the *corporate governance performance* of the entities listed on BSE.

The consequences of effective, qualitative corporate governance and adequate, innovative management lie in the increased transparency in financial and non-financial information disclosure, as well as in the trust of all stakeholders. An efficient system of corporate governance facilitates the attraction of human and financial capital, along with the increase of the level of foreign investments, having a positive effect on the entire Romanian economy.

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