



CGS Center: What was the starting point in your research about Corporate Governance phenomenon? What sort of topics/issues do you challenge in your book?

Süleyman Gökhan Günay: Risks related with corporations are categorized as systematic and unsystematic risk. Systematic risk (e.g. inflation risk, interest rate risk) cannot be controlled by the firms. On the other hand, unsystematic risk can be controlled by the firms. Corporate governance (CG) refers to the unsystematic risk. If firms can reduce their unsystematic risks related with CG, they can also increase their financial performance. This was my starting point in my research about CG phenomenon. In the beginning of my in-depth research about CG, I was thinking that theories such as agency theory or transaction cost economics theory were adequate to find a relationship between CG and financial performance. But after reading many articles and books about CG, I realized that different disciplines such as law, economics, finance, management, sociology, philosophy have different definitions about CG phenomenon. There were twelve theories that contributes to CG phenomenon. The challenge was to make connections among these twelve theories coherently. In other words, there was complexity about these twelve theories' different definitions about CG in the beginning of my research. When I found connections among these twelve theories, I had the chance to solve this complex conundrum by developing a model about CG. Today, economic crises have led to the bankruptcy of many firms because these firms could deal with their unsystematic risks related with CG during these economic shocks. The CG Model (BOHM's Model) that I have developed in this book shows which kinds of variables will help firms to reduce their unsystematic risks and survive during the economic crisis and become stronger after the crisis.

CGS Center: How do we distinguish 'Corporate governance' and 'Corporate management', eventhough they both are sometimes performed by the same person?

Süleyman Gökhan Günay: Management is about the administrative and facilitating tasks related with day to day organizational operations or is about setting and determining policy and running business. Corporate governance is about the exercise of good authoritative judgment or overseeing the activities of management system and judging authoritatively whether management operates in the best interests of the organization or it is the exercise of power over corporate entities. These are some of the definitions made by the scholars. Corporate governance is an open system which has three stages: principles, processes and outcomes. In this open system, all the stakeholders (stockholders, managers, customers, suppliers, society, etc.) of the firm interact with one another based on these principles, processes and outcomes. In 21st century, these interactions may produce desired management outcomes (such as a good financial performance, immunization to shocks or crisis) or undesired outcomes (such as bankruptcy or poor financial performance).

CGS Center: What do you mean by ‘Stakeholders as a means’ vs. ‘Stakeholders as an end’? How would that affect accountability to stockholders versus accountability to stakeholders?

Süleyman Gökhan Günay: When corporate governors (directors and/or managers) perceive the stakeholders of the firm as a mean to maximize returns to stockholders, they believe to the principle of “stakeholders as a mean”. If you perceive your stakeholders (except stockholders) as a mean to serve financial goals in the short-term, there will be no need to be accountable to your stakeholders. When corporate governors perceive the firm as an instrument to serve the interests of stakeholders, they perceive stakeholders as an end. If corporate governors believe that stakeholders of their firms have an intrinsic value, they will feel themselves obliged to be accountable to their stakeholders.

CGS Center: What are the fundamental principles of the Universal Corporate Governance Model: BOHM’s Model?

Süleyman Gökhan Günay: There are two main corporate governance philosophies in the world. One of them is Continental Europe-Japanese philosophy and the other is Anglo-Saxon philosophy. The former is based on mutual-interests/public interest dualism and the latter is based on self-interest/mutual interests dualism. These two dualisms are also the main assumptions in the BOHM’s model. These two dualisms also form two dimensions at the macro level for the firms in the BOHM’s Model. There are also two kinds of corporate governance models at the micro level in BOHM’s Model. The first one is called stockholder governance model. This model is dominated by the self-interest principle for the firms that operate in individualistic macro cultures. The second one is called stakeholder governance model. Stakeholder governance is dominated by the mutual-interests (values) principle for the firms that operate in public interest dominated macro cultures. There are four fundamental principles that distinguish stakeholder and stockholder governance models located under two dimensions in BOHM’s Model. These four principles are trust, stakeholders as an end, transparency or symmetric information and resource interdependence, which distinguish stakeholder and stockholder governance models under two dimensions (mutual-interests/public interest dualism and self-interest/mutual interests dualism). As a result, BOHM’s Model is shaped by stakeholder and stockholder governance models at the micro level and self-interest/mutual interest and mutual-interest/public interest dualisms at the macro level.