
IMPLEMENTATION OF CORPORATE GOVERNANCE EXTERNAL MECHANISMS IN MARITIME COMPANIES

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Abstract

This paper discusses specific properties of external mechanisms of corporate governance in maritime companies. The goals of the paper are to clarify modern organisation and corporate governance, and to demonstrate internal mechanisms of corporate governance in a maritime company. The case study, selected to demonstrate the corporate governance mechanisms in the maritime industry, is related to Group Jadroplov d.d., located in Split, Croatia. The case study presents good corporate governance practices, which could serve as a benchmark within the industry and shows the external influences to the company considered.

Key Words

Corporation; management; internal mechanisms; Croatia.

MODERN CORPORATE GOVERNANCE

In each company, good corporate governance significantly depends on harmonised internal and external mechanisms used to provide management efficiency in the sense of better solving issues and conflicts and eventually establishing a successful trading. Furthermore, quality corporate governance also relates to company trading transparency, efficient usage of resources and establishing of relationships between the interest groups. Once the trust and responsibility are improved, good corporate governance offers the company credibility in its relationships with business partners, employees and other persons. Good corporate governance in a company enables investments in the company.

Good corporate governance depends on balanced relationships between various external and internal mechanisms that provide management efficiency and help in solving natural issues and possible conflicts that appear in corporate structures. Modern corporations, listed in stock exchanges, significantly differ from private companies of recognisable ownerships by relatively small numbers of shareholders. A corporation exists as a legal entity of its own, a joint stock company, created in the framework of positive laws and regulations, separate from its owners and managers. It is of an unlimited duration, has easier transferring of ownership and a limited liability of its shareholder.

A corporation is a mechanism established to enable various parties to contribute their capital, expertise and work, aimed to maximisation of profit for each of them. The investors (owners) have the possibility to participate in the company's profits without taking the responsibility for its operations. The management has the chance to guide the company without the obligation to invest their own money. The owners are involved in a limited responsibility and a limited participation in the events in the company, yet they have the right to elect the board of directors (directly or indirectly through the supervisory board).

Corporate governance is a sort of managing the management, or a meta-management, since it includes a group of relationships and interactions between the management, the board, the shareholders and the other interest groups, and defines the framework for setting goals and deciding on the resources intended for achieving the goals and following performance and efficiency up. It refers to the system of management and supervision over joint stock companies and deals with the relationships between the joint-stock company management, the supervisory board, the shareholders and other interest groups, related to the company.

Corporate governance systems

The corporate governance system is based on the presumptions related to the most important interest groups that influence the decisions made in companies, as well as to the instruments and mechanisms of particular interest groups it has at its disposition, how to use them and how to participate in the corporate governance. In the corporate governance also

important is how the roles of its interest bearers influence the basic matters and issues of the corporate governance.

Various historic, cultural, political and economic characteristics have significantly influenced corporate governance characteristics and practices in particular countries, and it is practically impossible to find two countries of identical corporate governance characteristics. Yet, possible is finding similarities in corporate governance key dimensions between particular groups of countries. Therefore, the notion of the corporate governance system is being used to classify comparable national corporate governance practices. At the global level, there are two basic corporate governance systems:

- open, and
- closed system.

The differences between the open and the closed corporate governance systems can be found in answers to the following questions:

- What the most important interest groups influencing the decisions made in corporations are.
- What instruments and mechanisms are at particular interest group's disposal, how the group uses them and how it participates in the corporate management.
- How the roles of particular interest bearers (and the mechanisms these groups have at their disposal) influence basic corporate governance matters and issues.

Relying on particular corporate governance mechanisms results from different constitutions of corporate control in open and closed systems. The corporate governance open system is inherent in the Anglo-American business circle, the basic goal of which is harmonisation of interests of the company management with those of the investors (current and future shareholders). Interests of other interest groups in a corporate governance open system are secondary to these.

Thus, in the strictest sense, corporate governance may be described as a formal system of responsibility of the management to the shareholders, intended to protect the owners' interests, firstly the mechanisms to discipline the management. On the other hand, in the widest sense, the notion includes an entire network of formal and informal relationships that appear in corporations, and the consequence of such relationships for the company as a whole. The corporate governance may also be understood as a group of processes, customs, rules, laws, decisions, institutions and supervisory mechanisms used to influence management, control and administration of a company.

Corporate governance theories

The entire complexity of corporate governance has been recognised and shaped in three basic theoretical approaches to corporate governance: the agency, stakeholder and stewardship theories. All three theories deal with the questions of the managers' position, responsibility, behaviour and implementation of the corporate goals.

- The agency theory is based on establishing a contractual relationship between the interested parties: the owner-principal, and the manager-agent.
- The stakeholder theory deals with a wider relationship between the management's responsibility about synchronisation of interactions between different interest groups aimed to the best possible satisfaction of their interests and the interests of the company shaped in achieving the business result.
- The stewardship theory is created as an alternative to the agency theory, based on trust and stewardship relationship between the manager and the employees, making an important potential in achieving corporate sustainability.

When the principal delegated a job to the agent, an agency relationship is created. The agent's task is optimal performing of the work, aimed to implementation of the principal's interest. In performing the task, the agent is to select actions that will achieve certain effects. The principal's achieved benefit, therefore, depends directly on the agent's acting. The agent, for accepting to perform a job for the principal, expects to receive an adequate reward. The agent's reward generally is agreed upon in advance and the principal is to pay it. The principal bears the risk of a possible failure, but also takes the effects of implementation of the task, decreased by the agreed payment to the agent. The amount of the agent's reward most often depends on the principal's interest in implementation of the set task. The agent's gain in the form of his reward makes a principal's expense, whereas the agent's effort brings profit to the principal (assuming that a greater effort directly relates to a better achievement), but makes an agent's expense.

Opportunism is the agent's selfish acting, assuming that every individual seeks to maximisation of their own benefits. So, agents too are motivated by their own interests and trend to benefit from every situation. An agent will select that reasonable amount of effort in performing their task that will maximise their benefits. Reluctant to work, agents will allocate their efforts to maximise their own benefits, event to the damages of the principal paying them.

The principal and the agent are entering a contractual relationship in the conditions of not knowing all the essential information on the nature and potential risks and results of the job in question. Here there is also a lack of information on one another's basic characteristics. Furthermore, under this theoretical premise, the principal does not have enough information about the agent, while the latter is doing their job (as long as until the effects of their contractual relations become evident).

The information asymmetry assumes an unequal access to information in the principal-agent relationship. Normally the agent has more information than the principal and thus has an information advantage, because it is he who performs the job. The principal's lack of information significantly obstacles his supervising the agent's activities and the best possible activities to achieve the principal's best benefit. The larger the information

asymmetry, the larger is the probability of the agent's opportunistic behaviour.

A hidden action (moral hazard) is the situation where the principal cannot check what the agent is really doing. The principal cannot make sure whether the agent is producing his maximum efforts. He can only see the result, whereas the agent knows how much effort he has produced, and also can see the effects of the environment before he decided on his own acting. The moral hazard is the situation where the agent is cheating the principal by not delivering the quality specified by their contractual relationship. The agency problem is also caused by creation of the agency costs:

- the costs of preparing and structuring the contract between the principal and the agent;
- the costs of supervision by the principal;
- the agents berthing-unberthing and other costs;
- the residual losses.

The supervision costs are the owner's costs of controlling the management (auditing, preparing management contracts, costs of dismissing the managers). The agent's costs are the costs of establishing and maintaining the system. There is the possibility of an intensive supervision affecting limitation of the manager initiative. Since eventually the agents bear the supervision costs, they are motivated to establish a system that will ensure the course of trading in the shareholders' interest.

The costs of supervision by the owners and the cost of binding by the managers together make the enforcement costs, necessary in performing the contract between the principal and the agent. Investing resources in securing contract implementation pays off up to a point where decreasing the losses from defaulting the contract equals increasing the enforcement costs. To the level where the marginal cost of such activities reached the marginal profit from decreasing the residual loss. A residual loss is the opportunity loss remaining after the contracts are optimally performed.

INTERNAL MECHANISMS OF CORPORATE GOVERNANCE IN A MARITIME COMPANY

The corporate governance mechanisms are divided to internal and external. The internal corporate governance mechanisms by which the stockholders are securing their interests are:

- boards and commissions,
- rewarding system,
- ownership concentration and structure,
- relationships with interest groups, and
- corporate reporting.

Interests of the internal stakeholders, that is, the owners, the managers and the employees, are primarily implemented through the boards and commissions, the rewarding system and the ownership concentration and

structure, whereas the public interests may also be implemented through the ownership concentration and structure and the relationship between the company and the shareholders. Corporate reporting is often understood as a passive internal instrument of corporate governance, because its basic task is transparent reporting to the internal stakeholders, but it is more than that.

Corporate governance is performed through the mechanisms securing the managers as agents to manage the corporation to the benefit of one or more principals (shareholders or other stakeholders). The mechanisms securing management efficiency may be various and include: control by large shareholders and creditors, internal control mechanism, external audit and the laws under which the corporation is operating.

The Supervising Board is an organisational instrument by which the shareholders and other significant interest groups influence the managers' acting in order to secure the company to be managed in their interest and in the interest of the company. The Supervisory Board has the legitimate power relative to the managers, based on formal rules of corporate governance, in the domain defined by the law and the company's acts and the regulations clarifying this relationship. Such specific quality of the Supervisory Board's position may, but does not have to, result in implementation of control and effecting the top management behaviour.

The Supervising Board supervises operations and performances of the top manager, protecting the interests of the dominant entity in the corporate governance structure, the shareholders but other relevant stakeholders as well. The Supervisory Board controls the rewarding policies and secures transparency of selecting replacements of the top managers, supervises potential conflicts in the operations. It prevents abuses of the company's assets, secures independence of the financial reporting system and selection of independent auditors, supervises the processes of publishing of relevant trading information, and cares for establishing an adequate system of control mechanisms in the company. Furthermore, the Supervisory Board participates in strategic operations, firstly by approving proposed strategic decisions, assessing previous strategic decisions and by advising and supporting the management in implementation of the common vision.

According to the OECD Principles of Corporate Governance, members of the Supervisory Board are to act in the best interest of the company and its shareholders, based on the fully available information and with a quality insight in the trading, in good faith and with the care of a good businessman. Specified are the Supervisory Board's responsibilities, including also establishing a company's ethical codex, securing harmonisation with laws and standards, and existence of a system of internal control financial reporting.

Boards and commissions are to secure implementation of the politics and procedures in line with the previously defined standards and to enable the company owners to supervise its trading. The literature differs two basic constitutions of the highest bodies managing and supervising a company' activities. The monistic constitutional system is characterised by the

existence of a single board made by executive and nonexecutive directors. Here the executive directors have the role of the management, and the nonexecutive directors that of the supervising board, the bodies characteristic for the second type of constitution, the so called "dual system". Depending on the constitution model, the board of directors, the management or the supervising board, usually constitute sub(boards), commissions or committees that are to deal with specific problems. So, for instance, in a bank constituted dually, the supervisory board normally constitutes the appointments board, the reward board, the risks board and, in coordination with the internal audit department, the audit board.

The rewarding system is an internal mechanism of corporate governance the purpose of which is to influence the management and make them create additional value for the shareholders. The rewarding system is to decide on the incentive rewards at all the levels of management, aimed to eliminating the so called "agency problem" with the managers at higher levels of management and to create additional motivation of managers at the lower levels of management. The rewards normally include short term (salaries, bonuses) and long term (options, shares, life and pension insurances) stimulations. Furthermore, the so called "compensation rewards" include also fabulous severance pays for the top managers.

Here can be pointed out the defects of the severance pay instrument, because it may encourage managers to take too large risks because in case of an error they will receive a compensation through the severance pay, whereas in case of a good decision they will receive a large bonus. Very large severance pay are contrary to the logic of the reward system because it is trying to redirect the management's short-term goals towards the long-term ones. It results from this that long-term compensations should be much larger than the short-term ones.

The ownership concentration and structure is a corporate governance mechanism that may be viewed from two aspects. The bank ownership concentration and structure significantly indicate the shareholders' power over the management and explain the relationships between the very shareholders. Traditionally, this instrument is directly related to the shareholders' influencing the management. The corporate governance open system is characterised by large numbers of small shareholders, none of them able himself directly to influence the appointment of the managing and supervising bodies. This explains the trend of growth of participation of the so called "independent", that is, external directors, but also points out that boards are a less significant mechanism of internal management in the open system in the context of protecting the shareholders interests. The corporate governance closed system is characterised by a large market part and large power of the largest blockholders.

Corporate reporting is a notion wider than the accounting and the financial reporting. The goal of the corporate reporting is to register economic activities, whereas the goal of the financial reporting is processing the accounting reporting results, aimed to creating information that will show the company's trading success. The said information are a

quantitative indicator of the management's success. The corporate reporting, on the other hand, provides not only quantity information, but also quality information. The latest literature is pointing out close relationships between the corporate reporting and the so called business intelligence. The corporate reporting does not have to be directed only to the public and the current and potential investors. The corporate reporting system may be of great help also to the managers and the employees, because it gives a feedback on their success and makes a base for making decisions that are based on technical and financial analyses rather than just on the managers' intuition.

Supranational regulations

Regulations and good legal standards make preconditions for a quality corporate governance. A quality legal framework should decrease the market players' feeling of uncertainty and to create clear expectations on the effects of acting in the world of investments and corporations. Of course, care should be taken to prevent it from becoming its opposite.

At the supranational and national levels, reforms are directed towards strengthening internal controls and finding optimum forms of the corporate governance system. Analysis of the corporate governance indicates that in each country company bodies have their specific qualities. What is common is the need of clear telling managerial from supervisory functions. In all countries the role of the audit board within the supervisory boards is growing [8]. Legal framework is providing a framework for efficient acting of supervising and managing bodies. In almost every EU member country amendments of their national codices are leading to the law of corporations that is in some of its parts led by soft-law instruments. When analysing the legal meaning and the purposes of application of codices, again and again appears dilemmas since application of codices is not a legal obligation, and they set high requirements for transparency. However, respecting stipulations of codices increases the investors', the shareholders' and the employees' trust in the company and its trading.

The ownership approach is based on recognising the company's purpose and the instruments of satisfying the owners' interests, because they are bearing the so called residual risk (the risk of collapse) of the company. The company is envisaged as an extension of the basic human rights related to owing assets. Arguments of supporters of this approach are that everybody's interests are satisfied best if the company bases its activities on maximising the ownership profits. Maximisation of the shareholders' wealth means increasing of long-term returns that the shareholders will receive from holding the corporation's shares.

Legal and regulatory framework of corporate governance in Croatia

In Croatia, the basic rules pertaining management, supervision and external and internal controls of companies are set in various regulations, mostly in the Companies Act. The legal and regulatory framework, provided it makes an efficient legal framework in ever country, is to provide for an equal treatment of all the market participants and to prevent any market

disturbances. Limiting and regulating business activities is attempted also partly in other laws and regulations stipulating the capital market, as well as those stipulating the matters of accounting and auditing.

A high quality legal and regulatory framework is another important external mechanism of corporate governance. However, care should be taken to prevent it becoming its opposite. Namely, overregulation may hinder entrepreneurial activities and direct potential investors' attention to other countries. Furthermore, if a company is operating in a legal environment full of strict regulations, establishing a free corporate governance system, specially designed to satisfy its needs, is not to be expected.

The key regulatory and supervising authority in Croatia is the Croatian Financial Services Supervisory Agency (*Hrvatska agencija za nadzor financijskih usluga - HANFA*), whose competency and scope of activities include supervision of the financial market, the supervising bodies and the financial services they are providing.

In April of 2007, the Zagreb Stock Exchange (*Zagrebačka burza*) and HANFA presented the Croatian Codex of Corporate Governance (*Hrvatski kodeks korporativnog upravljanja*), comprising seven chapters:

- (1) Introduction - Goals and basic principles
- (2) Public disclosure
- (3) Company bodies
- (4) Auditing and internal control mechanisms
- (5) Relationships with investors
- (6) Interest bearers
- (7) Publishing information on complying with stipulations of the Codex

The Codex is prepared in line with the OECD guidelines, while using experiences from other countries national codices, in line with Croatian laws and regulations. Protection of small shareholder, that is, protection of the shareholders' rights, makes an important external mechanism of corporate governance, because of existence of the possibility of abusing the position and power of large shareholders to the detriment of the small ones.

The Codex of Corporate Governance is a document that defines the standards of management and transparency of activities of joint-stock companies, and rules the management procedures, aimed to increasing the company activities transparency, establishing high quality internal processes and supervision of the management functions, prevention of the conflicts of interest, more efficient internal control and responsibility system, that is in the end to contribute to a larger transparency, easier investment decisions and protection of the investors. Dynamic industrial environment and continuous regulatory changes require constant improvement of corporate governance practices aimed to securing business sustainability and to attracting investments. Companies making efforts to improve corporate governance achieve balance between the need of competitiveness, growth and development on one side, and all its stakeholders' interests on the other. The Codex applies to all companies whose shares are listed at the Zagreb Stock Exchange, and its most

important amendments are avoiding overlapping with laws, removal of redundant details and decreasing the periods of time that companies are to spend on reporting, yet maintaining high standards of corporate governance. A particular emphasis of the new Codex is in the field of responsibilities of the management and supervisory boards, diversity of the members of the management and supervisory boards (especially the gender diversity) and independence of the supervisory board and its committees, as well as simpler and easier reporting on the status of the corporate governance in the companies subjected to the Codex.

The OECD principles of Corporate Governance are pointing out that shareholders are to have the right to:

- safe method of registration of ownership,
- ceding and transferring of shares,
- timely access to essential corruption information,
- participation and voting in the shareholders meetings,
- appointment and removing of board members, and
- participation in the company profits.

They rule that shareholders must have the right to participation in and adequate information on essential changes in the company, such as:

- amendments to by-laws, articles and other incorporation and constitutive documents,
- issuing additional shares, and
- influencing "unusual" transactions, including transferring the entire or almost entire assets that eventually may result in selling the company.

In the Part Three of the OECD Principles of Corporate Governance emphasized is the exceptional need of equal treatment of all the shareholders, regardless of the number of the shares they hold or their nationality, and their right to correct every potential violation of their rights.

Owners of large corporations may provide themselves with benefits to the detriment of small shareholders. Protection of small shareholders, as an instrument of corporate governance, is particularly important when there is a possibility of the large shareholders abusing their position to the detriment of the small ones, especially by tunnelling and other techniques. From the agency theory perspective, when an agency relationship is established between large and small shareholders, as a quality solution required are regulations that will prevent abuse of position of large share package holders. The problem of deprivation of the right to money flows and control levels in a company mostly depend on the level of protection provided to small shareholders by a country's legislation.

CASE STUDY ANALYSIS

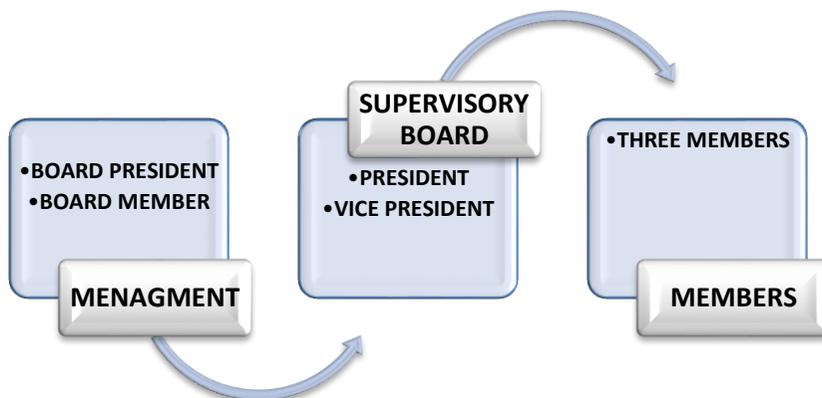
Basic information on the company

The shipping company Jadroplov d.d. of Split, Croatia, was incorporated on 20 January 1947. Following transformation of the social ownership of the company in 1993, the company became a joint-stock company of the mixed state and private ownership. Following a successful reorganisation of trading and rationalisation of expenses at all the levels, and thanks to the very favourable conditions in the global shipping market, Jadroplov ended the several years period of negative trading and has been making excellent business results for eight years now. The increase of freights is accompanied by adequate increase of the value of the ships. The main drivers of this positive trend of demand of free ship capacities are the Far East countries, primarily China, with an enormous growth of traffic through its ports. The main activities of Jadroplov are:

- international maritime transport by own tramp category ships,
- crew management,
- technical maintenance of ships.

In its own training centre, Jadroplov are providing everything that is necessary to train both their own and other seamen, enabling them to receive various certificates and to undergo compulsory safety trainings. Besides this, Jadroplov are also engaged in travel agency business. Today they have around 50 employees (working in their head office in Split) and 350 contracted seamen, and have 8 bulk carriers of their own of 42,500 to 52,100 dwt in capacities, all of them equipped with their own cranes, of 378,107 dwt in total capacity. The fleet average age is 9.0 years.

Figure 1. Management structure of Jadroplov d.d. Split



Source: Jadroplov.

The management structure of Jadroplov comprises the Board of Directors comprising the Board President and a Board member. The Supervisory Board comprises the Board President the Board Vice-President and three more members (Figure 2).

Jadroplov adopted their Safety and Environment Protection System (ISM) as early as in 1999, as demanded by the SOLAS Convention, to have

amended it in 2010 in line with the ISO 9001:2008 standard. Namely, on 22 April 2010, Bureau Veritas and Croatian Register of Shipping (*Hrvatski registar brodova*) awarded Jadroplov the ISO 9001:2008 Certificate. The Certificate relates to quality and safe managing bulk carriers and container ships and seamen training.

Description and analysis of implemented corporate governance mechanisms

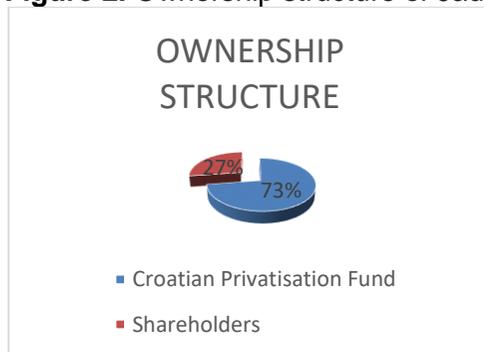
Boards and commissions

Jadroplov are applying the Codex of Corporate Governance. The company is honouring the goals, guidelines and principles of the Codex in line with the Croatian laws and regulations. The purpose of such corporate governance is securing efficient and transparent distribution of the role and responsibilities of the corporate bodies, balanced strategic supervision, management and control functions, with the emphasis on risk management and protection of assets. The Codex is published on the Zagreb Stock Exchange web site. The persons in charge of supervision are responsible about the supervision of the financial reporting process established by the Group. The auditors' responsibility about auditing the financial reports: "Our goals are to get a reasonable assurance on whether the reports, in whole, are free of materially incorrect statements resulting from a fraud or mistake, and to produce the independent auditor's report that will include our opinion. A reasonable assurance is a high level of assurance that the audit made in line with the International Auditing Standards will always reveal any materially incorrect statement."

Ownership concentration and structure

In the ownership structure of Jadroplov, the Croatian Privatisation Fund (*Hrvatski fond za privatizaciju*) are holding the majority package of 72.69% of shares, the rest being held by a certain number of legal entities and individuals as small shareholders (Figure 2).

Figure 2. Ownership structure of Jadroplov d.d. Split



Source: Jadroplov.

The company's shares are traded at the Zagreb Stock Exchange. Future privatisation of Jadroplov should secure continuity of its trading and, at the same time, protection of all the Jadroplov's employees. Jadroplov firmly committed themselves to accept and implement their clients' needs and expectations. At the choosy shipping market only the best survive, including, for over 65 years now, Jadroplov. The long knowledge and experience of the seamen, and the adequate level of the services (including a particular emphasis on safety, safe work habits and protection of maritime environment) offered to the world's largest shipping charterers make the Jadroplov's formula of success and guarantee of the future.

Relationships with shareholders

Pursuant to the Croatian Accounting Act (*Zakon o računovodstvu*), The Board of Directors is to ensure that financial statements are prepared for each fiscal year in line with the International Financial Reporting Standards (IFRS) as adopted by the European Union, that are to show a true and fair presentation of the status of Jadroplov d.d. and its subsidiaries and their business results in the period concerned. Following an adequate research and taking into consideration the events that took place after the reporting date, the Board of Directors is justifiably expecting the Group in the foreseeable period of time to have adequate resources and, therefore, at preparing its financial statements, adopts the principle of going concern.

The responsibilities of the Board of Directors at preparing the financial statements include:

- selection and consistent application of adequate accounting policies;
- providing justified and reasonable assessments;
- acting in line with the valid accounting standards, with publishing and explaining all the materially important deviations in the financial statements; and
- preparing financial statements under the principle of going concern, except where going concern is inadequate.

The Board of Directors is responsible for maintaining adequate accounting records, that at any moment and with justified precision show the financial position of the Group. The Board of Directors is to provide the financial statements to be prepared in line with the Accounting Act. Furthermore, the Board of Directors is responsible for protecting the Group's assets and taking adequate steps to prevent and discover frauds and other irregularities.

Corporate reporting

The key elements of the internal control and risk management systems related to financial reporting include:

- adequate organisation structure at all the levels, with the distribution of duties and definitions of the levels of authority;
- internal controls integrated into the trading processes and assessments;

- making justified and reasoned opinions and assessments;
- an all-inclusive set of accounting policies and procedures related to preparing of annual financial statements in line with the International Financial Reporting Standards as adopted by the European Union.

Responsibilities of the Board and of the persons in charge of supervising financial reporting: The Board is responsible for preparing the financial reports showing a true and fair presentation in line with the EU's International Financial Reporting Standards, and for the internal controls that the Board decided to be necessary to enable preparation of financial reports free of materially incorrect statements resulting from a fraud or mistake. In preparing the financial reports, the Board is responsible about assessing the abilities of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, except in the cases where the Board intends to wind the Group up, terminate its trading or has no other realistic alternative.

Incorrect presentations may result from fraud or mistake, and are deemed material if they can be reasonably expected, individually or together with other incorrect presentations, to effect the economic decisions made by the financial report users, made against such financial reports. In line with the International Auditing Standards, the audit reports include professional assessments and the auditors are to maintain professional scepticism during the audit.

Corporate governance structure

The corporate governance structure, pursuant to the Companies Act and the Company's Statute is: Shareholders Meeting, Supervisory Board and the Board of Directors. The said documents also define their responsibilities.

The Shareholders Meetings decide on matters set in the Companies Act and the Company's Statute, including enacting the Statute, using the profits, increasing and decreasing the share capital, electing and removing Supervisory Board members, discharging members of the Supervisory Board and the Board of Directors, appointing the Company's auditors, and other tasks as set in the Companies Act and the Company's Statute.

The Supervisory Board supervises running the Company's activities and, to this end, reviews and examines the Company's ledgers and documents. The Supervisory Board submits its written supervision reports to the Shareholders Meetings. The Supervisory Board comprises five members. Normally, the Supervisory Board meets once in three months. On any important and urgent matter, the Supervisory Board may decide in meetings held in writing or by telephone.

The Board of Directors runs the Company's activities, enacts the Company's business plans and controls their implementation, and coordinates activities of the Company's particular organisational units. The Board of Directors is responsible about other information, including the Management Report and the Statement on Application of the Codex of

Corporate Governance, that make parts of the Group's Annual Report, but do not include financial reports and the financial statement audit report [14].

INSTEAD OF A CONCLUSION

This paper can be a framework how successful shipping companies can develop strategies for growth and take advantage of business opportunities.

It is essential to strengthen organization model implementation to trigger faster and to have a profitable business growth. Formal planning and control systems, as they traditionally exist in shipping companies, need to be modified to allow for such growth. Shipping companies can learn from the example of the business leaders in other fields. Capability to see new opportunities and to 'mobilize' the relevant organizational resources and the most important to know how to implement these.

This all we can find in the example of Jadroplov d.d. Due to the successful reorganisation of trading and rationalisation of expenses at all the levels, and thanks to the very favourable conditions in the global shipping market, Jadroplov can be example how to end the several years period of negative trading. Jadroplov d.d. is a company, whose shares are listed at the Zagreb Stock Exchange and applies the Codex of Corporal Governance enacted by Croatian Financial Services Supervisory Agency and the Zagreb Stock Exchange. Although the company follows all good practices of corporate governance, its current business is affected by the significant market risks, due to the cyclic changes of supply and demand at the international shipping market, this being reflected in the freight levels. Because of the long crisis at the shipping market and the historically low freights that reached its lowest point in 2016, the Group is operating in the conditions of hindered solvency. Given the historically low freights in the previous period, and aimed to securing further trading, negotiations were held with the Group's creditors. This enabled maintaining a solvency level sufficient for the Group's operations. Aimed to improving the solvency, the Company have undertaken several measures. The Company has been approved their restructuring plan by the European Commission.

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