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Efficiency as a new ideology of trust-building corporate governance

review paper

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Abstract: Though the ideology of efficiency has been investigated for many centuries, still it has not gained a clear definition and interpretation either in the scientific literature, or in the practice of corporate governance. This paper seeks to examine the mainstream theories of corporate governance in an attempt to suggest that efficient corporate governance has no logical claim to "objectivity" and it does not always contribute to trust-building. The purpose of this paper is to explore the ideology of efficiency, both with respect to its inconsistency and incoherence within trust-building corporate governance. The results suggest that efficiency is ideological and political concept that fails in repairing the breach of trust-building corporate governance. The efficiency as a new ideology of trust-building corporate governance promises to advance our understanding of corporate purpose beyond the old "shareholders-versus-stakeholders" and "shareholders-versus-society" debates.

JEL Classifications: G32, G34, G41

Keywords: Corporate governance, good corporate governance, trust-building strategy, efficiency, shareholder value, ideology, objective truth rule

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1. Introduction

In light of the financial crisis, it is becoming extremely difficult to ignore the importance of trust between shareholders and different groups of stakeholders (managers, consumers, employees, bondholders, suppliers, and the community at large) on interpersonal, institutional and systemic levels for financial stability, development of a viable, stable and secure economy. There is a growing body of literature that recognizes the importance of good corporate governance, in which the concept of corporate social responsibility (CSR) had been incorporated, in rebuilding the stakeholders trust. Studies, such as that conducted by Fitzgerald (2003), Sacconi & Antoni (2011), Lins, Servaes, & Tamayo (2017) and others, have shown that CSR investments generate high social capital company and make it be more trustworthy to both investors (shareholder perspective) and different groups of stakeholders (stakeholder perspective).

The primary goal of companies is to be efficient within established conditions. However, the concept of efficiency is clearly associated with the ideology of corporate governance in every particular corporation in every particular country. The idea of corporate governance was quickly adopted in different parts of the world but with some major variations due to countries' circumstances (Bebchuk & Roe, 1999). Therefore, resulting from a variety of ideologies, a large number of corporate governance frameworks were emerged. Bebchuk & Roe (1999) claim that "Path dependence focuses on reasons why countries that are

otherwise similar in all other aspects of their economy might still differ in their corporate structures" (p. 4). They explain specifically applying the concept of path dependency why countries do not always adopt and enforce the most efficient corporate governance framework.

Though the ideology of efficiency has been investigated for many centuries, still it has not gained a clear definition and interpretation either in the scientific literature, or in the practice of corporate governance. Furthermore, the reason why efficiency objective can't be viewed as value-free lies in the concept of corporate governance. Corporate governance is viewed as a set of institutional and market based mechanisms, instruments, and norms established in order to meet one or several following purposes: (i) to moderate agency problems, which can be caused by the separation of ownership and control in a company; (ii) to protect the interests of all stakeholders; (iii) to enhance corporate efficiency, which are expressed by firm performance; and (iv) to ensure that investors get an adequate return on their investment (Shleifer & Vishny, 1997; La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 2000).

This theoretical focus on trust-building of all interested parties is essentially ideological and political. It derives conceptions from the domains of political science, sociology, and philosophy; and leads to clear understanding of the importance of animal spirits, values, beliefs and culture in understanding corporate governance. Consequently, efficiency of corporate governance would be determined by economic determinants multiplied by psychological adoption of these processes.

The purpose of this paper is to explore the ideology of efficiency, both with respond to its inconsistency and incoherence within trust-building corporate governance. It is especially true given that efficiency is not a value-free judgment of decision makers, so couldn't be viewed as an "objective truth rule. Bromley (1990) defines objective truth value as "an accepted behavioral norm that allows the economist to offer up an efficient outcome as both evidence of a 'good' thing and - more importantly as proof of the scientific objectivity of that particular finding of goodness." (p. 87). By doing in this way the answer to the following four research questions would be given.

First, whether the efficiency is a unified ideology of trust-building corporate governance?

From efficiency perspective, basic corporate governance problems arise from the separation of management and ownership. And this is a consequence of the fact that managers may run the company based on their interests and does not take into account interests of the owners and society in general. Behavior, and, therefore, ultimate corporate outcomes, may be influenced through influencing the sentiments, beliefs, preferences, motivations, and information of corporate stakeholders. What is efficient for decision makers seems as a guidepost of doing things right, to distinguish between "good" and "bad". However, the problem arises in defining efficiency, since different groups of stakeholders have clear-cut idea of what it means. By this means, the conflict of ideologies, but not interests arises.

Second, who is a beneficiary of the efficiency as an ideology of trust-building corporate governance?

Ideological system changes under immediate influence of external to the system environment: social, economic, cultural, political, etc. The key idea of agency theory is

based on the statement that relations between principals and agents should represent the efficient organization of both information and risk-bearing costs. Thus, Fama (1980) argues that corporate managers will be compensated in accordance with the market's estimation of how well they are aligned to shareholder's interests, based on prior performance with other companies. The widespread belief of maximization of shareholder value as a principle of trust-building corporate governance has been entrenched among companies in the United States and Britain, then Germany, France, Sweden and reaches Japan (Lazonick & O'Sullivan, 2002). However, throughout the past years of crisis and turbulence, the ideology firmly rooted in the principle of running the corporations, first and foremost, in the interests of shareholders has changed. Corporate social responsibility, as a new concept of efficiency based on decision-making process guided by the necessity to maximize the value of the company taking into account stakeholder interests as a supplementary condition, seeks to ensure trust-building among all the stakeholders involved.

Another question is whether unified standards of efficiency as an ideology of trust-building corporate governance exist?

The board of directors in terms of its quantitative and qualitative composition is the root cause of many debates. Attempts were made to enshrine the "ideal" member of the board of directors, overall board size and composition, as well as other standards of efficient corporate governance in the Code of Best Practice. In the end, each individual country has developed its own model governance catalogue. Thus, numerous developed over the past decades of corporate governance practices, codes and legislations lead to the pluralism of ideologies.

And last, but not least, who determines and deliver efficiency as an ideology of trust-building corporate governance?

Government regulators are not only the main producers of ideology, but also define it in various legislative acts and laws. And although the codes of best practices of corporate governance are often of an advisory nature, gatekeepers deliver them to all stakeholders of the corporate governance system.

Thus, the remaining part of the paper discusses stepwise these four issues. Section 2 confers the prevailing ideology of "efficient corporate governance"; the action-oriented sets of beliefs will be discussed, identifying its main presumptions. Section 3 represents the ideologists or dominant class of the system of corporate governance. Subsequently, Sections 4 and 5 discuss meanings, signs and values and their producers advocating a particular pattern of social relationships and arrangements. Concluding remarks will be presented afterwards.

2. What constitutes ideology of efficiency?

It is remiss to claim that economic efficiency ought to be the only one decision rule for the action to be made. The established today's view is that corporation main purpose relies on maximizing the shareholders' wealth as measured by stock price. Other goals, such as serving customers, building great products, providing good jobs that represent

stakeholder trust-building, are viewed as legitimate business ends only to the extent they increase "shareholder value" (Stout, 2012). Thus, this indicates to the corporate leaders' right behavior when they are making business decisions.

Indeed, focusing on shareholder value as an "objective truth rule" may, in fact, be a mistake for most business corporations. This is because shareholders are not a homogeneous group; different shareholders have different beliefs, needs and interests depending on their investing time frame, degrees of diversification and interests in other assets, and perspectives on corporate ethics and social responsibility.

Carrying out efficiency, based solely on the economic indicators such as shareholder value, is not "objective truth rule"; the process of corporate governance, namely its organization, remains in the "black box." Therefore, economic efficiency could result from the organizational efficiency of corporate governance (Guerrero & Séguin, 2008; Adams, Hermalin, & Weisbach, 2010). Another stream of authors argues that other than economic pressures will combine to drive corporate economies future in the direction of the shareholder value. Thus, O'Sullivan (2003) mentions political drivers, Roe (2002) suggests taking into account culture effect. Stafsudd (2009) shows the role of corporate networks and high level of honesty in business as informal governance of Swedish stock market.

Contra-distinct to the ideology of maximization of the shareholders' value would be the ideology based on the ability of the company to cope with the risks. This ideology arises after discussion of possible reasons for the crisis (Conyon, Judge, & Useem, 2011). One might assume that efficiency of the company to cope with risks might be good for other corporate stakeholders as customers, creditors, employees or for the larger society. And, therefore, risk management could be a good proxy for company's social capital and also generate trust. Risk management concept has been changed over the past four decades from the focus on internal organizational environment and gradually incorporated the external environment as well (Nielson, 2005). However, the trend towards the adoption of enterprise risk management (ERM) is attributed to internal factors, which are crucial to maximizing shareholder's wealth by increasing firm value. ERM believers argue that an integrated approach adds to firm value by reducing inefficiencies natural in silo-based traditional approach (TRM), stabilizing earnings, improving capital efficiency and reducing the expected costs of external capital and regulatory scrutiny (McShane, Nair, & Rustambekov, 2011). Their findings suggest that increasingly sophisticated traditional approach is related to higher firm value, but beyond that, there is no apparent increase in firm value for insurers that implement enterprise risk management. Enterprise risk management was under criticism focus on entire organization, high dependence on accounting and auditing indicators of control and failure to recognize the interrelatedness of risks within organizations (Power, 2009).

To sum up, it is clear that efficiency is not value-free. The measure totally abstracts from the considerations related to the distribution of income such as who the gainers are and who the losers are, and how they are affected by such gains or losses.

3. Efficient for whom?

Beyer (1981) defines the ideology as "a relatively coherent set of beliefs that bind some people together, and that explains their world in terms of cause and effect relations" (p. 166). Systems of beliefs or ideologies emerge to help make sense in interpreting and understanding what to do in a given situation. One of the important functions of the

ideologies is their ability to regulate and direct behaviors (McKinley, Mone, & Barker, 1998); they specify the role an individual plays in a group, as well as his sets of rights and obligations. The ownership structure brings to pass ideology of efficiency in a different way. For example, the owners who follow a market competition ideology implement the highest level of casualties, as compared to the owners who build their strategy to follow other ideologies such as the stakeholder ideology. The market competition ideology, based on the belief that market competition is beneficial for everyone, sometimes is viewed as rational concept, whereas the stakeholder ideology is viewed as irrational due to sentiments, attitudes, and feelings. As a system of beliefs, individual ideologies help interpret a situation and make decisions which reflect individuals' beliefs and values. Therefore, the ideology of efficiency is based on ownership structure and defines how owners, pursuing their own interests and with different sentiments, preferences, knowledge or information, and endowments, use instruments of control to regulate corporate activity to avoid problems of coordination and motivation they confront when interacting within or through the purposefully designed social systems.

Donaldson (1990) has come up that organizational economics and traditional management theory cannot be integrated. The traditional management models are relevant in models of prescriptive organizational economics. The attempt made by the prescriptive organizational economics and the traditional management theory provides additional points of integration. Efficiency, as a theoretical concern, shows that allocation of resources could contribute to the maximum possible value. This concept of efficiency, derived from the implications of organizational economics for creating and maximizing the value, depends on the forms of organizational and economic governance. The rationality of the actors favors the election of organizational forms, structures of governance and contracts to maximize value.

Berle (1965) is known as the original defender of the shareholder wealth maximization norm in corporate governance. This is the principle that directors (and, indirectly, officers) should exercise their discretion exclusively in the collective interest of the firm's equity holders, as measured by share price and underpinned by the fiduciary concept in corporate law. Separating the property in two main categories (consumption and productive property), he thereby defines the beliefs of various groups of owners (passive and strong owners) on the company efficiency. These changes in the understanding of the property concept imply that this is no longer associated with individual's private goals but rather with its own goals of production and growth thus becoming itself an independent entity.

The Anglo-Saxon system of corporate governance countries is characterized by the dispersed ownership; some three decades later maximization shareholder value in short-term perspective remains the dominant ideology of corporate governance in business schools, economics departments, executive suites, and corporate boardrooms. Cioffi (2009) argues that the expansion of the US equity market and the dispersion in ownership during this period is explicable mainly by two factors: strong self-regulatory institutions (in particular, the New York Stock Exchange) and private bonding mechanisms (underwriters which pledged their reputational capital by placing directors on the boards of sponsored firms). Thus, the rate of return on corporate stock was their measure of superior efficiency and maximization of the market shareholder value become owner's statement of belief. In addition, the ideology of efficiency as maximization of the shareholder value in the US economy found support from a new source - the institutional investor (Lazonick & O'Sullivan, 2002). The transfer of stockholding from individual households to institutions such as mutual funds, pension funds, and life insurance companies made possible the

takeovers advocated by agency theorists and gave shareholders much more collective power to influence the yields and market values of the corporate stocks they held.

The voting premium could be also considered as a proxy for private benefits and reflect by the ideology of efficiency of the controlling shareholders. Starting from the early 1980s, researchers have tried to identify the value of the voting right and to provide an explanation for the determinants of the voting premium (Nenova, 2003).

Nenova (2003) develops a methodology to compute the voting premium associated with the controlling block of shares based on the difference between the market prices of different classes of shares. She finds out that countries with strong law enforcement, good investor protection indices, and pro-investor takeover rules have lower voting premium. These results suggest that laws, regulations, and enforcement limit the extraction of private benefits by controlling shareholders which occur at the expense of non-controlling shareholders. In addition, she finds out that firm-level charter provisions, which enhance the power of controlling shareholders, reduce the value of control-block votes. This latest result suggests that votes and charter provisions are alternative mechanisms for seizing and maintaining control and that they are substitutes from the controlling shareholders' ideology.

The shareholder value norm itself rests on the "myth of shareholder ownership" (Ireland, 1999), that this "myth" is an idiom appealing to the concept of "property", based on the legal nature of shares and shareholding, as the vital right which has distorted our understanding of companies and of directors' duties by accepting that the gap between "ownership and control" should be plugged by duties designed to align the interests of directors with those of shareholder-owners. As this structure is based on the "myth of ownership", it is unhelpful and distorting to leave many of the real risks which companies run out of account: risks of damage to the company by poor treatment of employees, environment and consumers. These risks can lead not only to loss of reputation, but to the real danger of collapse from striving for a short-term goal of shareholder value maximization at the expense of sustainability and long-term goals.

Special attention deserves the ideology of existence of the business groups. Based on the national peculiarities of business groups in Sweden, Collin (1998) claims that the business groups use a different ideology and process for creating company policy than a company formed from unrelated owners or/and recourses. Author highlights four hypotheses - institutional inertia (power), cultural fit (isomorphism), economic efficiency (corporate governance), and political efficiency (Governmental governance). Collin (1998) rejects the first two hypotheses and confirms that corporate governance and Governmental governance explain the surviving of business groups. In view of Collin (1998), economic efficiency prevails as the groups appear to exist due to a scarcity of credit and of managerial labour supply in the economy; business groups appear as substitutes for poorly developed capital and managerial labour markets. Further, political efficiency prevails since business groups provide high domestic employment as well as export revenues and since they represent an efficient information flow for influencing the Swedish private economy.

Thus, efficient choice situations are most properly modeled as situations in which individuals (stakeholders/ shareholders) and groups of individuals (stakeholders/ shareholders) have interest in particular outcomes. As well, power concentration (existence of the dominating shareholder) and its role ("real owner" or "common investor") will reflect more adequately the ideological reality of the power to govern.

4. Efficient by what standard?

The ideology of "good corporate governance" may have great potential in providing more concrete predictions concerning different mechanisms of corporate governance.

The work on search of an "ideal" member of board of directors and its composition continues. However, recent research has shed a new light on board independence. Presence of independent directors in companies with dispersed ownership responds to classical agency problem. Maug (1997) believes that independent directors provide more independent and effective monitoring, but are less informed about the firm's constraints and opportunities. Therefore, compensating directors with either shares or options improves directors' incentives to maximize shareholder wealth (Maug (1997). Adams, Hermalin, & Weisbach (2010) indicate that the literature has mixed views about what constitutes good governance with respect to board size, CEO duality, and compensation, but there is consensus that having more outside directors is better governance. Therefore, the ideology of efficiency relies to the optimal degree of independence of the board from a shareholders perspective.

The relevance of the ideologies of efficiency may lead to changes in compensation practices. It is generally accepted that good corporate governance, executive compensation and the threat of litigation are all important mechanisms for incentivizing managers of corporations. Introduction of Anglo-Saxon system of compensation was widely accepted and supported both in practice and research community. Future development of this ideology of efficiency based on of Western ideology of maximization of the shareholders' value we can find in the CEO compensation system in non-Anglo-American companies. Oxelheim & Randøy (2005) argue that the higher level of internalization would also lead to the higher CEO pay. However, the idea that stock options and other alleged pay-for-performance are driven by economics has also been questioned.

Employee representation is at best seen as irrelevant to good corporate governance and at worst, as a barrier to it. Some researchers provide a positive picture on the relationship between co-determination, productivity and show a positive effect on shareholder wealth (Fauver & Fuerst, 2006). Although apparently, in the long run, the best interests of shareholders would be safeguarded in case employees are incorporated in corporate governance. However, there is the evidence of an opposite effect (Petry, 2009). A likely explanation would be that firms with more employee representatives on the board shift their focus from maximizing shareholder wealth to maximizing payroll. Furthermore, co-determination carries the fundamental risk of a reduced decision-making quality due to the management's dependency on the vote of employee representatives. Nonetheless, the long-run trends in the US and Europe appear to be in the direction of increasing use of compensation and governance schemes in which employees participate.

In summary, there is a growing body of academic evidence indicating that good corporate governance can protect shareholder value through risk mitigation or enhance shareholder value (Anson, White, & Ho, 2004), although this value is hard to isolate and measure and becomes even more challenging when making a distinction between public and private techniques (Nelson, 2005). Ultimately, good governance results in company efficiency. The challenge in achieving these objectives is striking an appropriate balance between the different - often competing - interests of various stakeholders. Numerous corporate governance practices, codes and legislation have been developed over the years to address individual stakeholder interests. However, good corporate governance does not guarantee the efficiency. It is a necessary but not sufficient foundation for efficiency as strategic

factors play a more important role in determining the eventual success or failure of the company. Good corporate governance is not just a matter of having the right policies and procedures in place.

5. Who determines and deliver efficiency?

Stakeholders such as the government, regulators, investors, boards, management, and gatekeepers of the market all play a role in shaping acceptable governance ideologies and practices. Ideally with multiple and competing stakeholders, each one should have equal input in determining what constitutes ideology of efficiency as objective truth rule governance.

Regulation as ideology production could be investigated through statement made by La Porta, Lopez-De-Silanes, Sheifer, & Vishny (1998) that law and the quality of enforcement of these laws matter for achieving the objective of financial development and market efficiency. They stand that when investors rights are better protected by the law, the outside investors are willing to pay more for financial assets such as equity and debt. They pay more because they recognize that with better legal protection much of the firm's profits would come back to them as interest or dividends as opposed to being expropriated by the entrepreneur who controls the firm. Due to limited expropriation, the law makes the securities price rise in the financial market. Consequently, it gives an opportunity for many entrepreneurs to fund their capital expenditures from the outside, inciting further financial market expansion. In contrast, Coffee (2001) shows that any meaningful correlation between legal origins and economic development and outcomes is the product of politics in the first instance rather than law; and, therefore "law matters" ideology has serious flaws and limitations.

Governmental regulation is a form of juridical discourse that occurs between the participants in a regulatory system (Black, 2002). The meaning of regulatory statements is not immanent to what is written in the document. Eventually, regulation means how it is understood by the participants in the regulatory system. Accordingly, the nature, circumstances and incentives of the person who 'hears' a regulatory utterance are as important in anticipating its effect as the words used (and must be taken into account in designing it).

Hence, the rule of law is a political ideal. Law plays a multitude of roles, and it has an infinite variety of manifestations. It is doubtful to suggest that the national codes of conduct must be viewed from the local practice, for example, in accordance to the history of Sweden, regulatory inventions should be based on controlling shareholders in basically export oriented manufacturing companies (Jonnergård & Larsson, 2007). The problem is not just that the rule of law is understood in different ways (ways which change according to the place and time); the problem is that no two realizations of the rule-of-law ideal are alike. The rule of law in Japan is not like the rule of law in the United States, which is not like the rule of law in Sweden, and so forth.

Being a gatekeeper of the market carries important regulatory responsibilities. The gatekeeper is essentially a locked door, standing between different groups of stakeholders. Gatekeepers mostly exist in the role of financial analysts, accountants and social media. The main function of gatekeepers within the system of corporate governance is the dissimulator of information about corporate efficiency needed for "right" decision-making process. Thus, gatekeepers are typically conceived in modern corporate law commentary,

is an important institution in helping to align managerial decision-making with what is in the best interests of ideology of efficiency.

Gatekeepers bring a light of transparency and disclosure on corporate governance which may enable companies to indicate quality in management and control. These signals may have a potential to lower agency costs by reducing conflicts of interest and costs of monitoring management and searching for information. Thus, corporate governance reporting may support value-based management with its primary target to increase shareholder value. Empirically, Bhat, Hope, & Kang (2006) claim corporate governance as being valuable when there are lacking financial disclosure and weak legal enforcement. They even think that transparency on corporate governance may substitute financial disclosure and increase analysts' accuracy. Therefore, gatekeepers of the market help investors allocate capital efficiently under missing governance information. The link between financial analysts and corporate governance is natural because as the analysts gather information from both internal and external sources, provide important scrutiny over management's action (Lang, Lins, & Miller, 2004).

Barniv, Myring, & Thomas (2005) find out that analysts' forecast accuracy is related to legal origin. Their study shows that superior financial analysts in common law countries like US and UK outperform the superior analysts in civil law countries when making financial forecasts for companies due to higher amount and quality of information regarding firm's financial performance available in common law countries. Better investor protection provided by common law countries also improves financial forecasts. In support to this study Lang, Lins, & Miller (2004) claim that the increased transparency from increased analyst coverage makes it more difficult for managers to engage in perquisite consumption, asset transfers, or fraud. In addition, managers' concern about their asset mismanagement activities being scrutinized and uncovered creates pressure on them use corporate resources more efficiently.

The media have started to receive more attention in the corporate governance literature as researchers have attempted to better understand how the media may influence a variety of corporation's outcomes in this role of social arbiter. This stream of research generally asserts that media may act as determinant and carrier of ideology of efficiency, because media evaluations can affect company legitimacy in the eyes of multiple stakeholders. Media may act as a type of corporate governance mechanism or watchdog of upper management and affect CEO job security, executive compensation, and board composition, to help acting in the interest of shareholders (Bednar, 2012).

"The role of the media is to collect, select, certify, and repackage information. In doing so they dramatically reduce the cost economic agents face to become informed" (Dyck, Volchkova, & Zingales, 2008, p. 1098). Therefore, media also is a central player in the reputation field. When the media is considered dependable and professional, its impact on firm's reputation within the business community and beyond is significant. In today's world the popular misconception exists that the media, being an independent source, displays the correct actions of the company of being efficient. However, Westphal & Deephouse (2011) show that CEO used two main ways to influence media (ingratiatory behavior and negative reciprocity) to manipulate the press coverage of them and their firms in their personal goals.

Corporate disclosure and gatekeepers play an important role in mitigating the asymmetries that impede the efficient allocation of resources in a capital market economy. The effect

of gatekeepers on the market exposure on corporate value may then potentially be a channel through which investors can discipline underperforming management.

6. Conclusion

Sinking to the level of *Weltanschauung* (Demeter, 2012) helps decision-making actors to understand the reality, categorize the situation at hand, make it possible to act and gives a value of these actions. Therefore, *weltanschauung* of the decision-making actors reflects his/her understanding of what efficiency is, where it comes from, where we are going, what is bad and what is good, determines how to act and what is true. Decision-making actors united by the single *weltanschauung* of efficiency give birth to efficiency as a new ideology of corporate governance.

The ideology of efficiency guides group of people (different groups of stakeholders in the company) in the decision-making process. Fine & Sandstrom (1993) stress the point that ideologies connect the belief systems that imply affection as well as disposition to act. Related to the characteristics provided by Fine & Sandstrom (1993), efficiency could be approached as ideology because it covers not only beliefs and ideas existed within a group or network but also social actors to have an impact.

The objectivity of the decision makers has been confused with the objectivity of the science (Ghoshal, 2005; Kanter, 2005; Pfeffer, 2005; Gapper, 2005; Hambrick, 2005; Donaldson, 2005). While efficiency has no claim to objectivity, the decision-making actors can be objective analysts of policy choices. It is impossible to avoid ideology, but it is possible to reduce its impact by "value relativism" (Myrdal, 1969) or creating the "ideal type" (Weber, 1904/1949). According to Weber, the ideal type is derived inductively from the real world. However, it should be compared with empirical reality to see how it differs, and then look for the causes of the deviations.

The efficiency as a new ideology of trust-building corporate governance promises to advance our understanding of corporate purpose beyond the old "shareholders-versus-stakeholders" and "shareholders-versus-society" debates. Singled-minded focus on rapid and unpredictable changes in share prices, which could be dangerous for the interests of many shareholders, demonstrates that the perceived gap between the interests of shareholders as a class and those of stakeholders and the broader society may be far narrower than commonly understood. Metaphorically, efficiency became synonymous with objective truth rule. "Business judgments" give the most dominated group tremendous latitude with regard to ideology of efficiency, because corporate governance is not a democracy. The efficiency criterion should be created, but even it is, it may well involve a conflict with other criteria, and only the decision maker can make the value judgments required to resolve these conflicts in order to build trust.

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