STAKEHOLDER RELATIONSHIPS OF ISE 50 FIRMS IN TERMS OF CORPORATE GOVERNANCE: A CORPORATE PERSPECTIVE OF STAKEHOLDER THEORY

Enis Hemedoğlu
İstanbul Üniversitesi Sosyal Bilimler Enstitüsü
İşletme Yönetimi ve Organizasyon Anabilim Dalı
Doktora Programı

Fethullah Evliyaoğlu
İstanbul Üniversitesi Sosyal Bilimler Enstitüsü
İşletme Yönetimi ve Organizasyon Anabilim Dalı
Doktora Programı

Cem Cüneyt Arslantaş
İ.Ü. İşletme Fakültesi
İşletme Yönetimi ve Organizasyon Anabilim Dalı

ABSTRACT

In this study, the stakeholder relationships of firms listed in ISE50 index in the first quarter of 2011 are analyzed according to corporate governance principles. The necessary information is obtained from firms' websites and publicly announced reports, and acquired information is processed and used for cumulative and descriptive statistics. Corporate policy relating to stakeholders, support for stakeholders' participation in top management, corporate's human resources policy, relationships with customers and suppliers, ethical principles, and corporate social responsibility subjects are analyzed, and in general, ISE50 firms are insufficient for conformity of corporate governance principles, however, criteria such as ethical principles, corporate social responsibility, human resources policy and mechanisms for maintaining customer satisfaction, ISE50 firms have sufficient compliance.

Keywords: *Corporate governance, stakeholder theory, stakeholder relations, ISE50 index*

İMKB-50 FİRMALARININ KURUMSAL YÖNETİM AÇISINDAN PAYDAŞLARLA İLİŞKİLERİ: PAYDAŞ TEORİSİNİN KURUMSAL PERSPEKTİFİ

ÖZET

Bu araştırmada, 2011 yılının ilk çeyreğinde İMKB-50 endeksinde yer alan şirketlerin kurumsal yönetim ilkeleri açısından paydaşlarla ilişkileri incelenmiştir. İhtiyaç duyulan bilgiler şirketlere ait internet sitelerinden ve kamuya açıklanan raporlardan toplanmış, ulaşılan veriler kümülatif ve tanımlayıcı istatistikler aracılığıyla anlamlandırılmıştır. Araştırma kapsamında paydaşlara yönelik şirket politikası, üst yönetimin paydaşların katılımını destekleme, şirketin insan kaynakları politikası, müşteriler ve tedarikçilerle ilişkiler, etik ilkeler ve kurumsal sosyal sorumluluk konuları incelenmiştir. İMKB-50 firmalarının genel olarak kurumsal yönetim ilkelerine uygunlukta yeterli olmadıkları, ancak etik ilkeler, kurumsal sosyal sorumluluk politikası, insan kaynakları politikası ve müşteri memnuniyetini sağlayıcı mekanizmalar kriterlerinde İMKB-50 firmaları kurumsal yönetim ilkelerine uygun oldukları tespit edilmiştir.

Anahtar Kelimeler: *Kurumsal yönetim, paydaş teorisi, paydaş ilişkileri, İMK50 endeksi*

1. INTRODUCTION

The Millennium started with collapses of several large companies among which there are Enron and WorldCom in the U.S.A., Parmalat in Italy, and more (Galai and Wiener, 2008) and these collapses show that many companies have failed to take care of various stakeholder interests (Kolk and Pinkse, 2006), and the ignored side of corporate governance: firms' relations with stakeholders. And now, stakeholder analyses are arguably more important than ever because of the increasingly interconnected nature of the world (Bryson et al., 2011). In this paper, we attempt to identify corporate governance and stakeholders as well as monitor the result of research in order to better understand firms' relations with stakeholders.

The stakeholders approach maintains that corporation exists to make money for its shareholders but that is must also satisfy the needs of its other stakeholders; those being employees and the community, among others (Jurgens et al., 2008). Also, it is argued that shareholders trying to maximize their value over time are concerned about the firm's reputation and therefore will take the interests of other stakeholders into account (Galai and Wiener, 2008). Welp et al. (2006) define stakeholder as a person or a group who has a stake or special interest in an issue, policy, company, etc. Bryson et al. (2011) propose a broader and more inclusive approach and define stakeholders as individuals, groups, organizations that can affect or are affected by an evaluation process and/or its findings. For some other scholars, the primary or core stakeholder group refers to stakeholders that are essential for the business (owners/shareholders, employees, customers and suppliers). The secondary stakeholder group includes social and political stakeholders that play a fundamental role in obtaining business credibility and acceptance of its activities (NGOs/activist, communities, governments and competitors) (Ayuso et al., 2007). A primary stakeholder is essential to the success or maintenance of a corporation, while a secondary stakeholder is influential to the corporation but not considered a crucial group (Kim et al., 2010). CMB[1] (2005: 35) defines stakeholders as interest groups that include employees, creditors, customers, suppliers, unions, NGOs, government and potential investors as well as shareholders.

According to relevant mainstream opinions, the stakeholders do not play an influential part on companies' decision making. The stakeholder view of the firm, for example, argues that not only shareholders and managers, but also stakeholders such as employees or customers may play significant roles in the decision-making processes of many firms (Abe and Shimizutani, 2007). Therefore, the very essence of stakeholder relations with company is communication between organizational officials and those who affect or are affected by the organization's action (Smudde and Courtright, 2010). However, due to lacking the awareness of stakeholders' strategic importance, there has been little empirical research on its benefits for companies (Ayuso et al., 2007).

The aim of this paper is to examine the stakeholder relationships of ISE50 firms in terms of corporate governance from the corporate perspective of stakeholder theory. Section 2 discusses the literature of stakeholder theory; corporate governance, and stakeholder relations, section 3 includes research methodology. Analysis and results, and conclusion are placed in section 4 and 5, respectively.

2. Literature Review

2.1 Stakeholder Theory

The stakeholder theory focuses on the relationship between a business and the groups and individuals who can affect or are affected by it (Smudde and Courtright, 2011), and proposes extending the focus of managers beyond the traditional interest group of shareholders in order to understand the needs, expectations and values of groups previously perceived to be external to the company (Ayuso et al., 2007). Benn et al. (2009) state that a successful organization is one which at least satisfies but preferably adds value for all stakeholders, not just shareholders. Donaldson and Preston (1995) have drawn the stakeholder model of the corporation. As can be seen from Fig. 1, the firm has reciprocal relations with both the primary and secondary stakeholder groups. The stakeholder perspective states that corporations should consider the interests of any individuals or organizations who have a stake in the firms (Shao, 2010). Furthermore, a fundamental

[1] CMB: Capital Markets Board of Turkey

thesis of stakeholder-based arguments is that organizations should be managed in the interest of all their constituents, not only in the interest of shareholders (Laplume et al., 2008). Ostergaard et al. (2009: 7) insist that the incentive for maximizing profits is replaced by preferences over the allocation of surplus towards different stakeholder groups.

Donaldson and Preston (1995) present three aspects of stakeholder theory as descriptive/empirical, instrumental, and normative. Descriptive/empirical stakeholder theory basically is used to describe, and sometimes to explain, specific corporate characteristics and behaviors. Instrumental stakeholder theory is used to identify the connections, or lack of connections, between stakeholder management and the achievement of traditional objectives. Finally, normative stakeholder theory is used to interpret the function of the corporation, including the identification of moral or philosophical guidelines for the operation and management corporations. Heath and Norman (2004) describe nine types of stakeholder theory and define stakeholder theory of governance as a theory about how specific stakeholder group should exercise oversight and control over management.

Steurer (2006) defines three perspectives of the stakeholder theory as corporate, stakeholder and conceptual perspectives, respectively. In the corporate perspective, business–stakeholder relations are considered from the point of view of the corporation, while stakeholder perspective appraises business-stakeholder relations from the points of view of stakeholders. Besides, conceptual perspective considers corporate-stakeholder relations from a cognitive and thematic point of view.

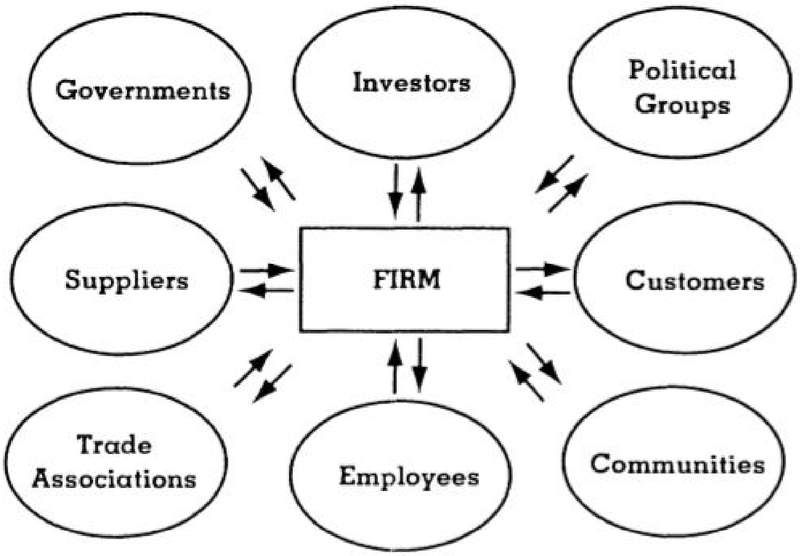

Fig. 1. Stakeholder model of the corporation (Donaldson and Preston, 1995)

Stakeholder theory is particularly important for developing and implementing adequate governance mechanism and processes relative to the broader environmental influences and interdependencies of organizations with various internal and external stakeholders

(Christopher, 2010). External control by stakeholders is particularly likely if they have access to resources that are relatively critical to the focal organization. For example, stockholder can bring in capital; suppliers can provide material knowledge or immaterial expertise; local communities can offer infrastructure; employees and manager can grant knowledge and loyalty; and customers can provide loyalty and positive word-of-mouth. This access to vital organizational resources gives stakeholders potential power over the firm (Kolk and Pinkse, 2006) and the need, even the compulsion, to have a good relationship with stakeholders.

2.2 Corporate Governance

Over the past two decades, there has been considerable interest in research and policy developments relative to the corporate governance (Christopher, 2010), and several different definition of corporate governance from different aspects. The various definitions that exist today largely depend on the institution or author, country and legal tradition (IFC[2], 2010: 3). Haspeslagh (2010) defines corporate governance as the system of rules, regulations and practices by which we hold managers and owners accountable and responsible for whatever performance society expects. Also, Iskander and Chamlou (2000: 3) define two architectures for corporate governance. Internal architecture defines the relationship among the key players (such as managers and shareholders) and external architecture embedded the rules, laws and arrangements from external. The external aspect of corporate governance concentrates on relationships between the company and its stakeholders (IFC, 2010: 5). A different definition of corporate governance is made by La Porta et al. (2000) as a set of mechanisms through which outside investors protect themselves against expropriation by the insiders.

Corporate governance got more attention after the series of corporate responsibility scandals in the beginning of 2000s. Corporate governance systems have evolved over centuries, often in response to corporate failures or systemic crises (Iskander and Chamlou, 2000: 1). For investors, to trust a company enough to buy its securities, they need reassurance that the company will be run both honestly and cleverly. This is where corporate governance is critical (Morck and Steier, 2003). Empirical studies indicate that international investors now better realize the significance of corporate governance practices on the financial performance of companies than ever before and while adopting investment decisions, international investors believe that this issue bears more importance for countries that are in need of reforms, and that they are more ready to pay higher premiums for companies having sound corporate governance practices (CMB, 2003).

---

[2] IFC: International Finance Corporation, a member of World Bank Group

2.3 Stakeholder Relations of the Corporation

After identifying the stakeholder theory and corporate governance, it is easy to understand why the stakeholders' relations are important for the best practice of corporate governance. Christopher (2010) argues that stakeholder theory is integral to corporate governance theory because it provides the basis for managers to understand the various needs of the extended stakeholder base and reconcile it with the various purposes of the organization. The importance of organizational-stakeholder relationships has and continues to be of interest in the organizational studies literature (Alexander et al., 2005). There are a collection of methods that have been developed to investigate the relationships that exist between stakeholders (as individuals and groups) in the context of a particular phenomenon. There are three principal methods that have been used to analyze stakeholder relationships: i) Actor-linkage matrices ii) Social Network Analysis provides insights into patterns of communication, trust and influence between actors in social networks, and; iii) Knowledge Mapping analyses the content of information between these actors (Reed et al., 2009).

The past thirty years have seen a rapid evolution in understanding about whether and how stakeholder relationships contribute to business success (Svendsen et al., 2001). Corporate Governance Association of Turkey and Deloitte (2007: 11) states that the successful performance of the corporation can be sustain with the improvement of the confident collaboration between the corporation and stakeholders. In today business world, with the increasing number of stakeholder businesses have, the dimension of relationship between business and stakeholder has been changed (Dönmez and Çevik, 2010). After the big social responsibility scandals at 2000's, the stakeholders' relations with companies became more intangible. Relationships with stakeholders (and stockholders among them) are maintained through active communication about what has ensued for the company (Smudde and Courtright, 2011).

Freeman (1994), the establisher of stakeholder theory, states that managing stakeholder relationships makes good business sense, in that it allows the firm and its managers to achieve its objectives. Bryson et al. (2011) insist that failure to attend to the interests, needs, concerns, powers, priorities, and perspectives of stakeholders represents a serious flaw in thinking or action that too often and too predictably leads to poor performance, outright failure, or even disaster. Effective management of relationship with stakeholders – called stakeholder management – is an important managerial activity (Lim et al., 2005). Realistically, the three dimensions of stakeholder management – creating stakeholders, maintaining relationships with them, and improving those relationships – are dealt with simultaneously every day, and that means stakeholder relations is a holistic, inherently rhetorical activity (Smudde and Courtright, 2010). The recent researches states that the companies which considered interest and demand of all stakeholders have longer term business. In sum, knowing well the interest of stakeholders, managing the conflict between them and establishing the clear relationship with them are some of the key points for the best practice of corporate governance.

3. Research Methodology

Corporations are facing pressures to include non-shareholder stakeholders in the corporate governance process (Clement, 2005). This study examines the stakeholder relationships of ISE50 firms according to CMB's corporate governance principles, and shows the degree of implementation of corporate governance principles in Turkey. In this study, the conformity of ISE50 firms has been analyzed in respect of stakeholders' relations in the third section of CMB corporate governance principles. In this context, corporate policy relating to stakeholders (articles 1.1, 1.1.5, and 1.2), support for stakeholders' participation in top management (article 2), corporate's human resources policy (articles 4, 4.1, 4.1.1, 4.1.2, 4.3, and 4.4), relationships with customers and suppliers (articles 5.1, 5.1.1, 5.1.2, and 5.2), ethical principles (article 6), and corporate social responsibility (article 7) have been considered in the analysis.

The subjects generated and sought for corporate policy relating to stakeholders are "company policies and procedures created and published concerning the protection of stakeholder groups' rights", "mechanisms to transmit the anxieties of stakeholders concerning illegal and unethical transactions to management", and "mechanisms to solve the potential conflicts among stakeholders' interests", respectively.

For support for stakeholders' participation in top management; "mechanisms and models developed for the participation of stakeholders to top management", "mechanisms and models placed in internal regulations and articles of association", "opportunities for the representation of employees in board of directories", and "opinions of stakeholders are considered during the process of taking an important decision concerning the company" have been generated and sought.

The subjects generated and sought for corporate's human resources policy are "companies established human resources policy", "the equality of opportunity policy placed in human resource policy", "companies established employment criteria in written form", "companies determined the criteria of how promotion mechanism is working", "companies established training policies", "companies established employee training plans", "companies determined the definitions and distribution of tasks and shared them with employees", "companies set up the performance and reward mechanisms and shared them with employees", "companies set up the criteria for wages and other benefits to employees", and "companies set up information mechanisms for employees or their representatives when the significant development or decision taken by the company that clearly affects them".

For relationships with customers and suppliers; "mechanisms established in order to ensure that customers are fully satisfied with goods and/or services delivered", "communication channels determined for the complaints and the requests of customers", "quality standards ensured for the production of goods and/or services delivered", and "policy about confidentiality of information relevant to customers and suppliers within the scope of trade secret" have been generated.

At last, for ethical principles; "company's ethical principles generated and publicly announced", and for corporate social responsibility; "company's policy concerning corporate social responsibility including regulations about environment, customers and public health generated and publicly announced" are generated, respectively.

Shareholders, one of the primary stakeholder groups, are placed in the first section of CMB corporate governance principles, and because a discussion on shareholders is beyond the scope of this study, it rather focuses on non-shareholder stakeholders in particular.

Within the scope of the study, the companies of ISE50 index in the first quarter of 2011 have been analyzed.13 companies, already in ISE50 index, are also in ISE Corporate Governance Index[3]. In the sub-section of CMB corporate governance principles named "Principles and tools for public disclosure", it is written that information publicly announced should be timely, accurate, complete, understandable, interpretable, at low-cost, easily accessible and equally be available to the public for the benefit of individuals and organizations to help make decisions. Accordingly, ISE50 firms' corporate websites, annual reports, articles of associations, company disclosure policies, ethical principles, corporate governance principles compliance reports, and corporate governance rating reports have been analyzed and the data obtained has been explained through descriptive analysis and commentated.

4. Analysis and Results

The relationships of ISE50 firms have been analyzed under 6 main subjects in the framework of CMB corporate governance principles. The results of corporate policy relating to stakeholders are shown on table 1. For the corporate policy concerning the protection of the stakeholders rights; 86% of companies have created policies and procedures for employees and published on the internet and/or intranet portal as part of ethical principles and/or human resources policy. For the protection of the rights of customers, 78% of companies have created policies and procedures and published on the internet with different tools such as ethical principles, quality policies and customer engagements. More than half of companies (56%) have created and published company policies for the protection of the rights of suppliers. More than half of the companies do not have company policies for the protection of the rights of the creditors, trade unions, NGOs, government and potential investors who consider investing in company. The least considered stakeholder group that the rights have been protected by policies and procedures is creditors (10%). However, there is a high level (22 of 50 companies) with the protection of rights by company policies and procedures for the potential investors who have no direct relationships with companies. This may be because of trying to create a sense of confidence for potential investors who they could provide cash to the companies.

---

[3] ISE Corporate Governance Index is an index that companies have been selected after rated by an independent rating agency for compliance of CMB corporate governance principles. The rate should be at least 7.0/10.0 to be in ISE Corporate Governance Index.

Table 1. Corporate policy relating to stakeholders

No	Subject	Frequency	Percent
1.1	There are company policies and procedures created and published concerning the protection of stakeholder groups' rights.		
1.1.1	There are policies and procedures for employees.	43	86
1.1.2	There are policies and procedures for creditors.	5	10
1.1.3	There are policies and procedures for customers.	39	78
1.1.4	There are policies and procedures for suppliers.	28	56
1.1.5	There are policies and procedures for trade unions.	7	14
1.1.6	There are policies and procedures for NGOs.	7	14
1.1.7	There are policies and procedures for government.	9	18
1.1.8	There are policies and procedures for potential investors.	22	44
1.2	There are mechanisms to transmit the anxieties of stakeholders concerning illegal and unethical transactions to management.	10	20
1.3	There are mechanisms to solve the potential conflicts among stakeholders' interests.	12	24

There are mechanisms to transmit the anxieties of stakeholders concerning illegal and unethical transactions to management in 10 of 50 companies (20%). One of those 10 companies has ethical committee, one of them has ethical line, and one of them has an email address dedicated to ethical issues as a mechanism for transmitting such anxieties, however, the rest 7 companies give no information about such mechanism although they indicate that they have mechanisms in their corporate governance principles compliance reports. For mechanisms to solve the potential conflicts among stakeholders' interests, 24% of ISE50 firms have such mechanism. In three of them, such mechanisms have been determined under ethical principles, one of them has generated policy of conflict of interest and in one of them, and ethical committee takes the responsibility of solving such conflicts. Nevertheless, the rest 7 companies give no information about such mechanism although they indicate that they have mechanisms in their corporate governance principles compliance reports.

The results of support for stakeholders' participation in top management according to CMB corporate governance principles for ISE50 firms have been placed in table 2. 64% of the companies (32 of them) have developed the supporting mechanisms and models for the stakeholders' participation in top management. However, 26 of the companies that have developed supporting mechanisms and models for the stakeholders' participation in top management, declared that they have mechanisms and models only for employees, 2 of them declared that they have for both employees and trade unions, one of them declared that they have for both employees and suppliers, and 2 of them declared that they have for all stakeholder groups, in their corporate governance principles compliance reports. Furthermore, 1 of them has declared that they do not have an election process among stakeholders for board of directories because they are 100% publicly traded company. Companies have developed some mechanisms and models such as suggestion systems, quality works, periodical meetings, strategic planning works, employee representation to implement the participation of employees to top management, and also taking the opinions of trade unions and meetings with suppliers are the mechanisms and models for the participation of trade unions and suppliers to top management, respectively. Besides, 12 companies have declared that they have mechanisms and models to ensure the participation of employees to top management in their corporate governance compliance reports but give no information about such mechanisms and models. The companies (2 companies) declared having mechanisms and models for the participation of all stakeholder groups to top management, indicate that they ensure such participation by feedback from stakeholders.

The mechanisms and models for the participation of stakeholders to top management developed by 5 companies (10% of all) are located in internal regulations and articles of associations. These mechanisms and models were found in two companies' articles of associations, and the rest three companies have mentioned that these mechanisms and models placed in articles of association in their corporate governance principles compliance reports.

Table 2. Support for stakeholders' participation in top management

No	Subject	Frequency	Percent
2.1	Mechanisms and models have been developed for the participation of stakeholders to top management.	32	64
2.2	These mechanisms and models are placed in internal regulations and articles of association.	5	10
2.3	There are opportunities for the representation of employees in board of directories.	8	16
2.4	The opinions of stakeholders are considered during the process of taking an important decision concerning the company.	19	38

There is no representative of employees in board of directories in any company, but the opinions and suggestions of employees have been considered in different ways by board of directories. In 16% of companies, there are opportunities for the representation of employees in board of directories. One of these representations is ensured by employee representation system, one is by suggestion system, and one is by executive board to provide information required for board of directories. 5 companies indicate that they ensure the representation of employees in board of directories but give no information about the type of representation. Moreover, although there is no representative of employees in board of directories, totally for 28 companies, it can be said there are mechanisms to provide information to top management, namely board of directories (subject 2.1).

38% of companies consider the opinions of stakeholders during the process of taking an important decision concerning company. However, most of them give no information about how the opinions of employees been taken, but one considers opinions of stakeholders by top management, one considers by employee representation system, and two considers by periodical meeting with stakeholders.

Table 3. Human resources policy of companies

No	Subject	Frequency	Percent
3.1	The company established human resources policy.	47	94
3.2	Human resource policy contains the equality of opportunity policy.	23	46
3.3	The company has established employment criteria in written form.	33	66
3.4	The company determined the criteria of how promotion mechanism is working.	21	42
3.5	The company established training policies.	36	72
3.6	The company established employee training plans.	23	46
3.7	The company determined the definitions and distribution of tasks and shared them with employees.	17	34
3.8	The company set up the performance and reward mechanisms and shared them with employees.	34	68
3.9	The company set up the criteria for wages and other benefits to employees.	35	70
3.10	The company set up information mechanisms for employees or their representatives when the significant development or decision taken by the company that clearly affects them.	16	32

In the framework of CMB corporate governance principles, human resource policy of companies has been analyzed by using the above checklist. Based on the result of the checklist (table 3), 47 of the ISE50 companies (94%) have established human resources policy and declared to employees or public by using the corporate websites or corporate governance principles compliance reports. 23 of these 47 companies which have human resource policy, ensured equality of opportunity policy by declaring it under human resource policy or equitable work environment policy.

33 of the companies which are up to 66% have the employment criteria in written form and they declared them on their corporate websites. However, only some of the companies have the details for the process of each criterion, in fact majority of them don’t have very detail information about criteria. While 42% of the companies have established criterions for promotion mechanism, 5 of the companies have these criterions on the corporate websites.

The majority of the companies (74%) have developed their training policy, in which 23 of them have annual training plans including new employee orientation programs and trainings for incoming employees. Career development, certification, executive training, foreign language, technical trainings and international training programs are the some of the training programs for the employees in these 23 companies.

Definitions of tasks and their distribution determined by the 17 companies out of 50 and also these companies declared them to their employees. The result of this item seems too low if compared with others. This may have occurred because of companies are sharing definitions of tasks and their distribution only with their employees not to the public. 68% of ISE50 companies have set up the performance and reward mechanisms and shared them with their employees. Some of the performance mechanisms used by these companies are talent oriented, result oriented, and 360 degree performance evaluation mechanisms.

35 of ISE50 companies have criteria for wages and other benefits, and declare the criteria on websites or by annual reports. 8 of these 35 companies have performance related payment systems. 16 companies have information mechanisms for employees or their representatives when the significant development or decision taken by the company that clearly affects them. 5 of these 16 companies have intranet or portal to inform the employees. In rest of the 11 companies, they have mechanism that the executive informing the employees one to one.

Table 4. Relations with customers and suppliers

No	Subject	Frequency	Percent
4.1	Mechanisms have been established in order to ensure that customers are fully satisfied with goods and/or services delivered.	40	80
4.2	Communication channels have been determined for the complaints and the requests of customers.	38	76
4.3	Quality standards are ensured for the production of goods and/or services delivered.	25	50
4.4	The company has policy about confidentiality of information relevant to customers and suppliers within the scope of trade secret.	16	32

For information on relations with the customers and suppliers, based on CMB corporate governance principles, 4 items has been generated, and shown at table 4. The item that asking for establishing mechanism in order to ensure that customers are fully satisfied with goods and/or services delivered, we extrapolated that 40 of companies (80%) have mechanisms that ensure the customers satisfy with their goods or services. 6 of these 40 companies state that they are periodically applying customer satisfaction survey. And, 11 of companies state that they are applying quality management systems in their company. In addition, only one company have unconditional return guarantee. For improving the satisfaction of customers, 38 of the companies determined communication channels of complaints and requests of customers. 9 of these 38 companies are using call center for this communication.

At the item that asking if the company has norms of quality standards in the production of goods or services delivered, 25 companies have quality standards in the production or services. In these 25 companies; 18 of them have ISO9001, 2 of them have ISO22000, 1 of them has ISO IEC 17025 and 1 of them has TSE[4] standards. Also, 4 of the companies have two of the quality standards. Remaining companies' state in their corporate governance principles compliance reports that they have standards about quality, environment and product. As answer to subject about confidentiality of information

[4] TSE: Turkish Standardization Institute

relevant to customers and suppliers, 16 companies have the policy for confidentiality of information relevant to customers and suppliers. All of companies declared this policy from their corporate governance principles compliance reports. In addition, 2 of the companies declared in ethical principles also.

Table 5. Ethical principles and corporate social responsibility

No	Subject	Frequency	Percent
5	The company's ethical principles are generated and publicly announced.	36	72
6	The company's policy concerning corporate social responsibility including regulations about environment, customers and public health are generated and publicly announced.	45	90

72% of companies have generated company's ethical principles and publicly announced by corporate websites and/or annual reports. 3 companies indicate that they generated their ethical principles but not announced to public, and also 2 companies indicate that they generated their ethical principles, announced to employees but not announced public in their corporate governance principles compliance reports. CMB corporate governance principles call for generating the ethical and publicly announced. That's why; these 5 companies have been evaluated as negative. 90% of companies have projects related to corporate social responsibility. These projects have been publicly announced by corporate websites and/or annual reports. Although, generally there is no written company's policy concerning corporate social responsibility, because of the existence of the projects related to corporate social responsibility, this subject has been marked as positive.

5. Conclusion

The top management control and monitor of whether business mission suits stakeholders' interests and objectives or not is in the scope of corporate governance (Ülgen and Mirze, 2010: 461). In this research, the stakeholder relations of the companies of ISE50 index in the first quarter of 2011 has been analyzed within the scope of CMB corporate governance principles. The companies in the research have lower level stakeholder relations than the requirements of CMB corporate governance principles. The concept of corporate governance aims to provide information as accurately as possible, and to act transparently for government, shareholders, customers, employees and investors (Koçel, 2010: 456).

Although, the policy and procedures stipulated intended for protecting the rights of employees and customers in general, just a few of them have policies for other stakeholders. Also, most of the companies do not have mechanisms between the stakeholders, neither for freely communicate the anxieties of stakeholders concerning illegal and unethical transactions to the management.

Mechanisms and models for encouraging participation of the stakeholders in the management of the company are established mostly for employees. There is no mechanism for other stakeholders such as customers, suppliers, creditors and NGOs for encouraging their participation in the top management. As the result, just a few companies are considering the opinions of stakeholders during the process of making important decisions on company. Most of the stakeholders whose opinions have been considered are employees. This result showed us that the companies haven't adopted the corporate governance framework in their company.

Most of the companies in ISE50 index have been established human resource policy, but only half of these companies have the equality of opportunity policy. Meanwhile, the human resource implementations such as recruitment, promotion mechanisms, training policy, training plans, performance and reward systems, wage systems and definitions of tasks are not sufficiently applied. Also, informing mechanisms to employees or their representatives regarding the significant development or decision taken by the company are not very common in companies.

Majority of the companies have mechanisms in order to ensure that its customers are fully satisfied with goods or services delivered based on information on relations within the clients and suppliers conceptual framework. In addition, majority of the companies determined communication channels of complaints and requests of customers. Half of the companies have norms of quality standards in the production of goods or services delivered. In the meantime, few of the companies have policy regarding the scope of trade secret, confidentiality of information relevant to customers and suppliers. Finally, ethical principles and social responsibility policies are determined in the most of the companies.

REFERENCES

Abe, N. and Shimizutani, S. (2007). Employment Policy and Corporate Governance-An Empirical Comparison of the Stakeholder and the Profit-Maximization Model. Journal of Comperative Economics, vol.35, pp.346-368.

Alexander, C.S., Miesing, P. and Parsons, A.L. (2005). How Important are Stakeholder Relationships?. Academy of Strategic Management Journal, vol.4, pp.1-7.

Ayuso, S., Rodriguez, M.A., Garcia, R. and Arino, M.A. (2007). Maximizing Stakeholders' Interests: An Empirical Analysis of the Stakeholder Approach to Corporate Governance. Working Paper (WP no 670), IESE Business School University of Navarra, Barcelona.

Benn, S., Dunphy, D. and Martin, A. (2009). Governance of Environmental Risk: New Approaches to Managing Stakeholder Involvement. Journal of Environmental Management, vol.90, pp.1567-1575.

Bryson, J.M., Patton, M.Q. and Bowman, R.A. (2011). Working with Evaluation Stakeholders: A Rationale, Step-Wise Approach and Toolkit. Journal of Evaluation and Program Planning, vol.34, pp.1-12.

CMB - Capital Markets Board of Turkey, (2005). Kurumsal Yönetim İlkeleri. Istanbul, 2.

basım.

Christopher, J. (2010). Corporate Governance – A Multi-Theoretical Approach to Recognizing the Wider Influencing Forces Impacting on Organizations. Journal of Critical Perspectives on Accounting, vol.21, pp.683-695.

Clement, R.W. (2005). The Lessons from Stakeholder Theory for U.S. Business Leaders. Journal of Business Horizons, vol.48, pp.255-264.

Corporate Governance Association of Turkey and Deloitte, (2007). Kurumsal Yönetim Nedir?. Istanbul.

Donaldson, T. and Preston, L.E. (1995). The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. Academy of Management Review, vol.20(1), pp.65-91.

Dönmez, D. and Çevik, İ. (2010). İşletmelerde Yeniliklerin Kaynağı Olarak Paydaş Diyalogları: Seyahat Acentaları Üzerine Nitel Bir Araştırma. Selçuk Üniversitesi Sosyal Bilimler Enstitüsü Dergisi, Sayı.24, ss.189-202.

Freeman, R.E. (1994). The Politics of Stakeholder Theory: Some Future Directions. Business Ethics Quarterly, vol.4(4), pp.409-421.

Galai, D. and Wiener, Z. (2008). Stakeholders and the Composition of the Voting Rights of the Board of Directors. Journal of Corporate Finance, vol.14, pp.107-117.

Haspeslagh P. (2010). Corporate Governance and the Current Crisis. Corporate Governance vol.10(4), pp.375-377.

Heath, J. and Norman, W. (2004). Stakeholder Theory, Corporate Governance and Public Management: What Can the History of State-Run Enterprises Teach Us in the Post-Enron Era?. Journal of Business Ethics, vol. 53, pp.247-265.

IFC – International Finance Corporation, (2010). Corporate Governance Manual. 2nd ed., Washington, D.C.

Iskander, M.R. and Chamblou, N. (2000). Corporate Governance: A Framework for Implementation. World Bank Group, Washington, D.C.

Jurgens M., Berthon P., Papania L. and Shabbir A. H. (2010). Stakeholder Theory and Practice in Europe and North America: The Key to Success Lies in a Marketing Approach. Industrial Marketing Management vol.39, pp.769–775.

Kim, S., Park, J.H. and Wertz, E.K. (2010). Expectation Gaps Between Stakeholders And Web-Based Corporate Public Relations Efforts: Focusing on Fortune 500 Corporate

Web Sites. Journal of Public Relations Review, vol.36, pp.215-221.

Koçel, T. (2010). İşletme Yöneticiliği: Yönetim ve Organizasyon, Organizasyonlarda Davranış, Klasik, Modern, Çağdaş ve Güncel Yaklaşımlar. 12. basım. Beta Basım-Yayım. Istanbul.

Kolk, A. and Pinkse, J. (2006). Stakeholder Mismanagement and Corporate Social Responsibility Crises. European Management Journal, vol.24(1), pp.59-72.

Laplume, A.O., Sonpar, K. and Litz, R.A. (2008). Stakeholder Theory: Reviewing A Theory That Moves Us. Journal of Management, vol.34(6), pp.1152-1189.

La Porta, R., Lopez-de-Silanez, F., Shleifer, A. and Vishny, R. (2000). Investor Protection and Corporate Governance. Journal of Financial Economics, vol.58, 3-27.

Lim, G., Ahn H. and Lee H. (2005). Formulating Strategies for Stakeholder Management: A Case-Based Reasoning Approach. Expert Systems with Applications, vol.28, pp.831–840.

Morck R. K. and Steier L. (2003). A History of Corporate Governance Around the World: Family Business Groups to Professional Managers. University of Chicago Press.

OECD, (2004). OECD Principles of Corporate Governance.

Ostergaard, C., Schindele, I. and Vale, B. (2009). Social Capital and the Viability of Stakeholder-Oriented Firms: Evidence from Norwegian Savings Banks. Norges Bank Working Paper, Norway.

Reed, M.S., Graves, A., Dandy, N., Posthumus, H., Hubacek, K., Morris, J., Prell, C., Quinn, C.H. and Stringer, L.C. (2009). Who's in and Why? A Typology of Stakeholder Analysis Methods for Natural Resource Management. Journal of Environmental Management, vol.90, pp.1933-1949.

Shao, G. (2010). The Effects of Board Structure on Media Companies' Performance: A Stakeholder Perspective. Journal of Media Business Studies, vol.7(3), pp.1-16.

Smudde, P.M. and Courtright, J.L. (2011). A Holistic Approach to Stakeholder Management: A Rhetorical Foundation. Public Relation Review, vol.37(2), pp.137-144.

Steurer, R. (2006). Mapping Stakeholder Theory Anew: From The 'Stakeholder Theory of the Firm' to Three Perspectives on Business-Society Relations. Business Strategy and the Environment, vol.15, pp.55-69.

Svendsen, A.C., Boutilier, R.G., Abbott, R.M. and Wheeler, D. (2001). Measuring the Business Value of Stakeholder Relationships: Part One. Canadian Institute of Chartered

Accountants. Toronto.

Ülgen, H. & Mirze, S.K. (2010). İşletmelerde Stratejik Yönetim. 5. basım. Beta Basım-Yayım. Istanbul.

Welp, M., Leinert, A.V., Kleemanni S.S. and Jaeger, C.C. (2006). Science-Based Stakeholder Dialogues: Theories and Tools. Journal of Global Environmental Change, vol.16, pp.170-181.