

## 8. The Interest of the Company in Slovenia: Corporate Purpose in a Post-Transitional Economy

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### *A. Introduction*

Corporate governance refers to the system of rules, practices, and processes that direct and control companies. At its core, corporate governance is about the distribution of power and responsibility among boards, managers, shareholders, employees, creditors, and wider stakeholders.<sup>1</sup> The concept of the “interest of the company” lies at the heart of the corporate governance framework, but its meaning has evolved over time.<sup>2</sup> Once narrowly equated with shareholder primacy in Anglo-American jurisdictions, the interest of the company is increasingly interpreted in stakeholder-oriented terms, acknowledging that long-term corporate success requires balancing profitability with sustainability, employee engagement, and broader societal welfare.<sup>3</sup>

Slovenia offers a compelling and distinctive case for examining the nature and purpose of corporate governance. Unlike many post-socialist states, Slovenia inherited a self-management model from Yugoslavia that embedded participation and stakeholder logics at the firm level. From the 1950s onward, Yugoslav enterprises, including those in Slovenia, were governed not by shareholders or state bureaucrats, but rather by workers’ councils that exercised significant decision-making power.<sup>4</sup> As Koyama has shown, the Yugoslav self-management model rejected centralized Sovi-

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- 1 Bezo, Y., Brahimi, A., & Dibra, R. (2015). *Corporate governance in transition countries*. CORE.
  - 2 See Sjøåfjell, B., & Bruner, C. M. (Eds.). (2020). *The Cambridge handbook of corporate law, corporate governance and sustainability*. Cambridge University Press.
  - 3 Bohinc, R. (2001). Corporate governance in post-privatized Slovenia. *American Journal of Comparative Law*, 49(1), 49–74; Mayer, C. (2018). *Prosperity: Better business makes the greater good*. Oxford University Press.
  - 4 Prasninar, J. (1997). *Behavior of a Slovenian firm in transition*. University of Michigan Working Paper. <https://deepblue.lib.umich.edu/bitstream/handle/2027.42/39416/wp26.pdf>.

et-style socialism and resisted wholesale imitation of Western shareholder governance, creating a hybrid model in which corporate entities were conceived as social institutions with multiple purposes, not merely as vehicles for capital accumulation.<sup>5</sup>

This legacy shaped Slovenia's transition following its independence in 1991. Unlike many of its post-socialist peers who embraced "shock therapy," Slovenia adopted a gradualist path, prioritizing institutional stability and social cohesion over rapid liberalisation.<sup>6</sup> Privatisation was designed to preserve insider and employee ownership, reinforcing stakeholder participation even as market mechanisms were introduced. As Mygind et al. note, Slovenia's model diverged significantly from that of Russia or Hungary, where concentrated ownership and foreign takeovers quickly consolidated shareholder primacy.<sup>7</sup>

The evolution of Slovenia's corporate governance was further structured by its accession to the European Union in 2004, which required the adoption of EU directives on company law, capital markets, and shareholder rights.<sup>8</sup> Yet Slovenia's incorporation of EU law occurred through its own constitutional and institutional filters. The Companies Act (ZGD-1), first enacted in 1993 and substantially revised thereafter, underpins the corporate governance framework. Article 263 of ZGD-1 is especially significant: directors are legally mandated to act "in the best interest of the company," a formulation that has been **interpreted** as extending fiduciary duty beyond shareholders to include employees, creditors, and the broader community.<sup>9</sup> This statutory language reflects Slovenia's distinctive orientation, embedding stakeholderism not as soft ethics but as binding corporate law.

Empirical evidence confirms the persistence of embedding stakeholderism as binding corporate law. Stubelj et al. surveyed Slovenian managers and found that a majority explicitly rejected shareholder primacy, instead prioritizing balanced responsibility that included employees, com-

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5 Koyama, Y. (2013). *Self-management in Yugoslavia and after*. Gdansk University.

6 Mrak, M., Rojec, M., & Silva-Jáuregui, C. (2004). *Slovenia: From Yugoslavia to the European Union*. World Bank.

7 Mygind, N., Demina, N., Gregorič, A., & Kapelyushnikov, R. (2004). Corporate governance cycles.

8 Mrak et al. (n6).

9 Companies Act (ZGD-1). *Uradni list RS*, št. 42/2006 (with amendments).

munities, and sustainability goals.<sup>10</sup> Rozman likewise observed that corporate governance practices in Slovenian enterprises remain shaped by the ethos of participation and internal consensus, rather than pure financial maximization.<sup>11</sup>

Taken together, these historical, legal, and empirical factors make Slovenia a laboratory for rethinking corporate purpose in small post-transitional economies. Its governmental framework challenges the assumption prevalent in Anglo-American theory that shareholder value maximization is inevitable or universal. Instead, Slovenia demonstrates that the “interest of the company” can be constructed as a pluralist fiduciary duty, grounded in law, culture, and constitutional principles. As European corporate governance increasingly turns toward ESG and sustainability, Slovenia’s model provides a powerful example of how stakeholder orientation can be constitutionalized and embedded in practice.

The interplay of law, ownership structures, and Slovenia’s socialist past makes the country a compelling case for examining stakeholder-oriented corporate governance. Unlike Spain, where legal frameworks gradually adapted from shareholder-oriented structures to sustainability imperatives, Slovenia’s constitutional and historical traditions of self-management and social ownership provide the foundation for an inherently stakeholder-focused orientation. The concept of *interes družbe* (interest of the company) in Slovenia thus serves as a basis for negotiation between labour, community, state, and shareholder claims, reflecting enduring tensions between collective responsibility and market-oriented pressures.

This chapter explores these dynamics in detail. Section B traces the historical evolution of Slovenian corporate governance, highlighting the legacies of Yugoslav self-management and the transition to a market-oriented system. Section C examines the legal framework that governs companies, including the Companies Act and associated soft law instruments, focusing on how the “interest of the company” is defined and effectuated. Section D analyses ownership structures, emphasising the persistence of employee, state, and family ownership in shaping governance practices and corporate responses to crises. Section E provides comparative analysis, situating Slovenia within European and global debates on corporate governance. It

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10 Stubelj, I., Dolenc, P., Biloslavo, R., Nahtigal, M., & Laporšek, S. (2017). Corporate purpose in a small post-transitional economy: The case of Slovenia. *Economic Research – Ekonomska Istraživanja*, 30(1), 818–835.

11 Bohinc (n3).

examines three dimensions – historical legacies, institutional design, and stakeholder practices – to highlight what is distinctive about Slovenia and what can be learned from its experience in a broader context. Section F addresses challenges of privatisation, financialisation, and political influence, particularly in banking and strategic industries. Section G theorises Slovenia’s juridical framework of stakeholder governance, highlighting social, environmental, and institutional sustainability embedded in corporate decision-making. Section H concludes by situating Slovenia’s experience in comparative European debates, demonstrating how historical legacies and hybrid ownership models shape the possibilities and limits of embedding sustainability in corporate law.

By analysing Slovenia as a case study, this chapter contributes to the broader literature on corporate purpose and governance. It shows that the “interest of the company” in Slovenia is neither fixed nor solely shareholder-driven, but emerges from a complex interplay of legal norms, historical legacies, and stakeholder pressures. Slovenia’s model offers valuable insights into how collective responsibility, social ownership, and participatory governance can coexist with market imperatives in shaping sustainable corporate purpose.

### *B. Historical Context: Self-Management and Transition*

Understanding Slovenia’s corporate governance model requires tracing its origins to Yugoslavia’s experiment with worker self-management. Starting in the 1950s, Yugoslavia created an alternative to centralised socialism and Western capitalism, where decision-making power was embedded in workers’ councils rather than state bureaucracies or private shareholders. In Slovenia, this participatory model had lasting institutional effects on both enterprise structure and legal culture.<sup>12</sup>

As Koyama explains, Yugoslav firms were not “owned” in the Western capitalist sense; they were operated under a system of delegated social ownership, where formal control was exercised by employee-elected management boards.<sup>13</sup> Firms had quasi-autonomous status and were expected to serve not just economic goals but also broader social purpose. This hybrid

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12 Uvalić, M. (1992). *Investment and property rights in Yugoslavia: The long transition to a market economy*. Cambridge University Press.

13 Koyama (n5).

structure produced a corporate logic distinct from shareholder primacy, prioritizing internal consensus-building and community welfare.<sup>14</sup>

Upon declaring independence in 1991, Slovenia resisted the “shock therapy” route taken by many other post-socialist economies. Instead, it pursued a gradual transition marked by institutional stability and phased legal reform.<sup>15</sup> This gradual transition allowed for many features of the self-management model to be retained: internal ownership dominated privatisation, and employee participation remained a central norm in corporate life.<sup>16</sup> This institutional continuity preserved a stakeholder-oriented mindset, even as market mechanisms were introduced.

Scholars note that Slovenia’s path-dependent evolution is visible not only in governance norms but also in ownership structure and managerial attitudes. Lahovnik (2019), for instance, argues that many Slovenian firms still demonstrate a soft form of stakeholder capitalism in which social and relational objectives coexist alongside commercial imperatives.<sup>17</sup> Similarly, Stubelj et al. (2017) found in a national survey that managers prioritise employee well-being and community engagement over profit maximisation for shareholders.<sup>18</sup> The institutional legacy of self-management, reinforced by Slovenia’s legal and cultural choices during transition, has thus embedded a model of corporate governance where the “interest of the company” is interpreted through a broader stakeholder lens – one that continues to distinguish Slovenia in the European context.

### *C. Contemporary Legal Framework in Slovenia*

Slovenia’s approach to corporate governance is shaped by the layered interaction of post-socialist legal continuity, EU legal harmonisation, and an embedded commitment to stakeholder values. The contemporary legal framework governing corporate entities is not confined to a single statute but consists of an interconnected matrix of laws, codes, and administrative

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14 Estrin, S. (1991). Yugoslavia: The case of self-managing market socialism. *Journal of Economic Perspectives*, 5(4), 187–194. <https://doi.org/10.1257/jep.5.4.187>.

15 Mrak et al. (n6).

16 Bohinc, R., & Bainbridge, S. M. (2001). Corporate governance in post-socialist countries: Slovenia in comparative perspective. *Columbia Journal of East European Law*, 7(2), 119–146.

17 Lahovnik, M. (2019). Corporate governance following the Slovenian transition: From success story to failed case. *Economic and Business Review*, 21(1), 5–20.

18 Stubelj et al. (n10).

practices. These collectively define what it means to act in the “interest of the company” – a phrase that, in the Slovenian context, is understood to include employees, creditors, the environment, and broader society.

## I. The Companies Act: Core Legal Definition of Purpose

At the centre of Slovenia’s corporate governance structure is the Companies Act (*Zakon o gospodarskih družbah*, “ZGD-1”), adopted in 2006 and amended regularly to reflect evolving EU directives and domestic legal interpretations. Article 263 of ZGD-1 is critical: it requires directors and management boards to act in the best interest of the company, with the standard of care of “a conscientious and honest businessperson”.<sup>19</sup>

Notably, ZGD-1 does not define the “interest of the company” solely in terms of shareholder value. Instead, Slovenian courts and doctrine interpret the interest of the company as a multi-stakeholder duty.<sup>20</sup>

Scholars such as Bohinc and Bainbridge (2001) argue that the Slovenian model blends civil law formalism with socially-rooted substance, particularly in its recognition that long-term corporate health is tied to relationships with employees, creditors, customers, and communities.<sup>21</sup>

Further, ZGD-1 makes dual-board governance structures as the default for public companies and large firms, mandating institutional separation between management and oversight, which promotes accountability and deliberation – two critical mechanisms for embedding stakeholder voice into governance structures.

## II. Labor Relations Act: Embedding Employee Stakeholding

The Labor Relations Act (*Zakon o delovnih razmerjih*, “ZDR-1”) reinforces stakeholder logic by framing employment as not just a contractual relationship but a mutual social partnership. ZDR-1 implements equal treatment,

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19 *Zakon o gospodarskih družbah (ZGD-1)*. *Uradni list RS*, št. 42/2006.

20 Petrović, T. J. (2012). *Directors’ Responsibility to Creditors in Company Law*. *Annals Fac. L. Belgrade Int’l Ed.*, 2012, 89–108.

21 Bohinc, R., & Bainbridge, S. M. (2001). Corporate governance in post-privatized Slovenia. *American Journal of Comparative Law* 49.

human dignity, and participatory mechanisms in workplace governance<sup>22</sup> as follows:

- Article 6 enshrines respect for human dignity;
- Articles 9–11 regulate collective bargaining and consultation rights; and
- Articles 44–47 extend employer obligations beyond wages – employers must actively ensure safe and dignified working conditions and enable employees to express and participate in matters affecting their well-being.

While ZDR-1 is formally aligned with EU labour directives, its spirit is rooted in Slovenia’s legacy of worker self-management, where employment relations were historically conceived as cooperative rather than hierarchical.<sup>23</sup>

### III. Worker Participation in Management Act

A unique feature of Slovenia’s legal framework is the *Zakon o sodelovanju delavcev pri upravljanju* (“ZSDU”), which mandates employee representation in company supervisory boards. In firms with over 50 employees, at least one-third of board seats must be filled by employee-elected representatives.<sup>24</sup>

This provision incorporates employees at the heart of corporate decision-making and is a statutory institutionalisation of stakeholder governance. Employee representatives have full voting rights and participate in decisions on corporate strategy, remuneration, mergers, and more. Their presence not only diversifies perspectives but ensures that labour-related risks and opportunities are considered in board deliberations.

This is a rare legal feature in global corporate governance and a point of divergence from shareholder-centric regimes.

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22 *Zakon o delovnih razmerjih (ZDR-1)*. *Uradni list RS*, št. 21/2013.

23 Uvalić (n12).

24 *Zakon o sodelovanju delavcev pri upravljanju (ZSDU)*. *Uradni list RS*, št. 42/1993.

#### IV. Competition Protection Act: Corporate Ethics and Market Fairness

Slovenia's Competition Protection Act ("ZVK") aligns with EU competition law (Article 101 and 102 TFEU) but integrates principles of market fairness and social responsibility more explicitly. Article 6 of ZVK prohibits anti-competitive agreements and the abuse of dominant positions in ways that may harm consumers, competitors, or market integrity.<sup>25</sup>

ZVK positions corporate actors not just as profit-seekers but as participants in a socially-governed market, reinforcing that the "interest of the company" cannot involve behaviours that distort competition or exploit economic power.

The Slovenian Competition Protection Agency ("AVK") plays a pivotal role in monitoring compliance and sanctioning firms whose actions undermine ethical market behaviour.

#### V. Anti-Money Laundering and Terrorist Financing Act: Ethical Oversight as Governance Duty

The Anti-Money Laundering and Terrorist Financing Act ("ZPPDFT-1") imposes obligations on legal persons, particularly financial and commercial entities, to implement compliance programs, conduct risk assessments, and provide beneficial ownership transparency.<sup>26</sup>

While not traditionally viewed as part of corporate purpose, this law signals a shift: ethical and legal compliance is central, not peripheral, to fiduciary duties. Corporate leaders are expected to maintain systems of internal control and reputational oversight, elevating the ethical component of corporate governance.

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25 Zakon o preprečevanju omejevanja konkurence (ZVK). *Uradni list RS*, št. 36/2008.

26 Zakon o preprečevanju pranja denarja in financiranja terorizma (ZPPDFT-1). *Uradni list RS*, št. 68/2016.

## VI. Integrity and Prevention of Corruption Act: Purpose as Integrity

The *Zakon o integriteti in preprečevanju korupcije* (“ZIntPK”) governs both public and private entities and requires that conflicts of interest be disclosed and corruption risks be mitigated through organisational policies.<sup>27</sup>

The law’s relevance to corporate purpose lies in its assertion that personal enrichment and company interests may diverge, and that boards and executives have a duty to act in ways that preserve integrity, legality, and public trust.

The act’s enforcement body, the Commission for the Prevention of Corruption (“KPK”), has issued guidelines for private companies, reinforcing the relationship between ethical conduct and legitimate governance.

## VII. Financial Operations and Insolvency Act: Purpose in Times of Distress

The *Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act* (“ZFPPIPP”) reinforces Slovenia’s stakeholder model by clarifying the hierarchy of obligations during financial instability.<sup>28</sup> While Slovenian company law generally recognises a multi-stakeholder conception of corporate purpose, the ZFPPIPP establishes specific fiduciary obligations for company management to act in the interests of creditors and contractual partners when the company becomes financially distressed.

In particular, the Act obligates directors to:

- monitor solvency proactively;
- avoid delay in initiating insolvency proceedings;
- prioritize creditor protection once insolvency risk is imminent; and
- prevent asset-stripping or preferential treatment to insiders.<sup>29</sup>

This does not represent a shift from shareholder primacy to creditor focus, but rather a recalibration within an already stakeholder-oriented regime, where the legal priority of interests evolves based on the firm’s situation.

ZFPPIPP thus confirms the dynamic nature of corporate purpose in Slovenia: directors are expected to balance stakeholder interests in ordinary

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27 *Zakon o integriteti in preprečevanju korupcije (ZIntPK)*. *Uradni list RS*, št. 45/2010.

28 *Zakon o finančnem poslovanju, postopkih zaradi insolventnosti in prisilnem prenehanju (ZFPPIPP)*. *Uradni list RS*, št. 13/2014.

29 See Articles 33–35 and 38 of the *Financial Operations, Insolvency Proceedings, and Compulsory Dissolution Act (ZFPPIPP)*, *Uradni list RS*, št. 13/2014.

circumstances, but during insolvency, interests must shift toward legal obligations that protect the financial system and ensure fair treatment of creditors. This aligns with broader EU insolvency standards but retains Slovenia's emphasis on governance as responsible stewardship.

## VIII. Environmental Protection Act: Legalizing Sustainability

The 2022 revision of Slovenia's Environmental Protection Act ("ZVO-2") represents a paradigm shift in how corporate purpose is defined in legal and governance terms.<sup>30</sup> It moves beyond environmental compliance to integrate sustainability into the core responsibilities of corporate governance.

Under ZVO-2, medium and large companies must:

- conduct regular environmental risk assessments;
- monitor and disclose environmental impacts;
- integrate sustainable development principles into corporate strategy; and
- implement internal environmental management systems.

This legal architecture is not merely procedural; it institutionalises a broader rethinking of the corporate entity's societal obligations. ZVO-2 explicitly aligns Slovenian law with the EU Green Deal and the Taxonomy Regulation, effectively enshrining long-term planetary health as part of the "interest of the company".

In this framework, the environment becomes a legal stakeholder – not metaphorically, but functionally. Firms must anticipate, mitigate, and report on their ecological impacts as a matter of fiduciary and statutory obligation.

Scholars have noted that such laws mark a significant development in stakeholder theory, expanding its scope to non-human actors and inter-generational interests.<sup>31</sup> Sustainability, once framed as voluntary corporate social responsibility, is now part of the legal definition of the interest of the company, reinforcing Slovenia's distinct model of stakeholder capitalism.

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30 Zakon o varstvu okolja (ZVO-2). *Uradni list RS*, št. 44/2022.

31 Raworth, K. (2017). *Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist*. Chelsea Green Publishing.

IX. Soft Law: The Corporate Governance Code for Listed Companies (2016)

Although not legally binding, the Corporate Governance Code for Listed Companies (revised in 2016 by the Ljubljana Stock Exchange in collaboration with the Slovenian Directors' Association and the Securities Market Agency)<sup>32</sup> plays a crucial role in shaping corporate behaviour in Slovenia. As a form of soft law, the Code provides a framework of voluntary best practices that complements statutory obligations under the Companies Act (ZGD-1) and related legislation.

The Code sets out a series of governance principles that reflect both international standards and the distinct institutional identity of Slovenian corporate culture. These principles include:

- transparency in board operations and remuneration;
- the independence and professional qualification of supervisory boards;
- engagement with stakeholders through structured dialogue; and
- promotion of environmental, social, and governance (ESG) practices.

Although compliance with these principles is voluntary, listed companies are required to follow the “comply or explain” principle – publicly stating whether they follow the Code and justifying any deviations. This mechanism establishes a system of accountability that encourages alignment with the Code’s principles without relying on coercive enforcement.

Oversight of auditing practices is carried out by the Agency for Public Oversight of Auditing, which assesses auditors’ compliance with professional standards and publishes public reports on audit quality. In the area of corporate governance reporting, compliance with the “comply or explain” principles is generally monitored by the Ljubljana Stock Exchange and the Securities Market Agency (ATVP). Companies that deviate from recommended principles without sufficient justification risk reputational damage and reduced investor confidence.

Importantly, the Code reflects the stakeholder-oriented ethos that permeates Slovenian governance. It frames corporate purpose not solely in terms of shareholder return, but in terms of long-term sustainability, social legitimacy, and inclusive governance. In doing so, the Code reinforces

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32 Ljubljana Stock Exchange. (2016). *Corporate Governance Code for Listed Companies*. Retrieved from <https://ljse.si/en/non-financial/for-issuers/corporate-governance/code>.

the legal culture where corporate accountability extends beyond capital to include employees, communities, and the environment.

In essence, the Code functions not as a supplement to the law but as an anchor, institutionalising a multi-dimensional understanding of performance and responsibility that is central to Slovenia's corporate governance identity.

## X. Constitutional Foundations of Stakeholder Governance in Slovenia

While the specific provisions governing corporate governance and fiduciary duties are found in sectoral legislation, the broader normative infrastructure is anchored in the Constitution of the Republic of Slovenia<sup>33</sup>, which provides clear support for a stakeholder-oriented understanding of the company's interest.

Several constitutional provisions articulate a vision of economic life that goes beyond individual property rights or market autonomy:

- Article 67 mandates that property serve not only private interests but also its economic, social, and environmental function – effectively subordinating corporate rights to the broader public good;
- Article 74 protects economic freedom but explicitly limits enterprise activity that is “contrary to the public interest”, legitimizing regulatory interventions aligned with societal goals;
- Article 72 grants all persons the right to a healthy environment, requiring the state to regulate economic activity to prevent environmental harm – a foundation for environmental stakeholder duties codified in acts such as ZVO-2; and
- Article 76 guarantees workers' rights to participate in enterprise governance, embedding co-determination into the constitutional order and reinforcing the legitimacy of employee-elected board representation under the ZSDU.

These provisions collectively illustrate that Slovenia's model of corporate governance is not a product of political fashion or policy trend but rather reflects a deeply-embedded constitutional vision – one that sees economic

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33 Republic of Slovenia. (1991). *Constitution of the Republic of Slovenia* (Ustava Republike Slovenije), Official Gazette of the Republic of Slovenia No. 33/91-I with amendments.

actors as social agents governed by principles of inclusion, responsibility, and intergenerational equity.

In this light, the company's interest in Slovenia is shaped not just by legislative drafting or EU harmonisation, but by a constitutional culture that assigns companies a public role within a democratic and sustainable economy.

The Slovenian legal framework therefore does not merely allow for a stakeholder interpretation of the company's interest – it actively demands it. Through a combination of mandatory employee governance, ethical compliance, environmental reporting, and insolvency duties, Slovenia's corporate law constructs a vision of the company as a social institution.

The “interest of the company” in Slovenia is not an empty legal phrase but a dynamic legal standard, deeply embedded in a constitutional culture of inclusion, responsibility, and long-term interests. As pressures from globalisation and financialisation grow, this legal architecture offers both a shield and a compass – protecting foundational values while guiding firms through modern governance challenges.

#### *D. Governance in Practice: Empirical Realities of the Company's Interest in Slovenia*

While Slovenia's corporate legal framework firmly endorses a stakeholder approach to the company's interest, it is in actual governance practice that this orientation is either confirmed or challenged. Empirical studies reveal that Slovenian corporate behaviour is not only structured by formal legal obligations but also shaped by institutional memory, ownership patterns, and managerial culture that collectively resist shareholder-dominant models. This section evaluates the expression of the company's interest in Slovenia's enterprise governance, focusing on ownership, board structure, managerial ideology, and adaptive responses to economic shocks.

#### *I. Ownership Structure and Institutional Continuity*

Slovenia's post-socialist ownership structure continues to reflect a deliberate rejection of radical liberalisation. During the 1990s, the country adopted a gradualist privatisation model centred on insider ownership, avoiding mass selloffs to foreign investors or state-managed voucher schemes. The

outcome was a dispersed but domestically-rooted ownership base, largely composed of managers, employees, and domestic institutional actors such as KAD (Pension Fund) and SOD (Development Fund).<sup>34</sup>

This structure promoted long-term planning and institutional continuity, emphasising established relationships over speculative interests. As Lahovnik notes, this insider model also helped preserve a degree of firm-level autonomy and participatory culture, linking economic control to social legitimacy.<sup>35</sup> Unlike post-socialist states that shifted rapidly to market governance, Slovenia's model remained organisationally patient, reinforcing stakeholder-oriented governance logics.

## II. Board Composition and Employee Participation

The legal architecture of corporate governance in Slovenia embeds stakeholder logic into the boardroom itself. Under the Workers' Participation in Management Act (ZSDU), large and medium-sized enterprises must reserve one-third of supervisory board seats for employee-elected representatives.<sup>36</sup>

This co-determination framework is not a symbolic holdover – it meaningfully shapes governance outcomes. Stubelj et al. point out that worker representatives are not passive; they actively participate in discussions concerning firm strategy, investment decisions, and sustainability practices.<sup>37</sup> This two-tier board structure, required under Slovenian law, facilitates oversight and management that embeds non-capital voices into strategic deliberation.

These features align Slovenia more closely with Rhine-style stakeholder capitalism (as seen in Germany or Austria) than with Anglo-American shareholder governance.<sup>38</sup> The presence of employees on supervisory boards provides an institutional channel for employee interests, internal accountability, and long-term interests.

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34 Koyama (n5).

35 Lahovnik (n17).

36 Zakon o sodelovanju delavcev pri upravljanju (ZSDU), *Uradni list RS*, št. 42/1993.

37 Stubelj et al. (n10).

38 Cioffi, J. W. (2006). Corporate governance reform, regulatory politics, and the foundations of finance capitalism in the United States and Germany. *German Law Journal*, 7(6), 533–562.

### III. Managerial Conceptions of Corporate Purpose

Empirical studies of managerial culture further affirm Slovenia's divergence from shareholder primacy. In a national survey by Stubelj et al., most Slovenian managers expressed a multi-dimensional concept of corporate purpose.<sup>39</sup> Managers' stated priorities included:

- maintaining stable employment and high employee morale;
- ensuring financial sustainability (rather than profit maximization);
- supporting community development and social trust; and
- promoting environmental responsibility.

This stakeholder orientation of managers' priorities reflects both normative beliefs and strategic realism. In a small, open economy, firms often rely on local social capital and public legitimacy as much as they do on market-based indicators of performance. The persistence of these managerial values suggests that managerial decision-making in Slovenia is habitually aligned with constitutional and legal mandates that prioritise inclusiveness and responsibility.

### IV. Resilience under Pressure: Financial Crises and Market Forces

Despite this institutional logic, Slovenian firms are not insulated from global market dynamics. As Villanueva-Villar et al. show, periods of macroeconomic stress – particularly during the 2008 financial crisis – moved some firms to temporarily prioritize liquidity and investor reassurance over stakeholder investment.<sup>40</sup> However, even under financial duress, most firms retained their commitment to employee protection and environmental stewardship, demonstrating a level of governance resilience uncommon in market-driven systems.

This resilience stems not only from regulatory compliance, but also from Slovenia's long-standing governance practice – participatory practices, insider ownership, and employee representation have shaped managerial routines and expectations. Coupled with constitutional principles that pri-

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39 Stubelj et al. (n10).

40 Villanueva-Villar, M., Rivo-López, E., & Lago-Peñas, S. (2020). On the relationship between corporate governance and value creation in an economic crisis: Empirical evidence for Slovenia. *Economic Research – Ekonomska Istraživanja*, 33(1), 1576–1595. <https://doi.org/10.1080/1331677X.2020.1748506>.

oritize social and environmental responsibility, these features provide firms with a normative and institutional anchor. As a result, even under economic stress, Slovenian firms rarely abandon stakeholder commitments or collapse into short-term, shareholder-driven behaviour.

All in all, the empirical landscape of corporate governance in Slovenia demonstrates that the country's stakeholder-oriented legal framework is not a legal fiction but a functional and resilient institutional reality. Ownership structures remain domestically-rooted and focused on long-term interests, avoiding the volatility of capital mobility. The mandatory inclusion of employee representatives on supervisory boards ensures that labour concerns are structurally embedded in governance processes. Managerial ideologies reflect a widespread rejection of shareholder primacy in favour of a pluralistic conception of the company's interest.

Moreover, Slovenia's corporate sector has shown resilience in the face of external shocks. Even during financial crises, stakeholder commitments – particularly to employees and environmental standards – have largely endured. This resilience is not cultural or accidental, but institutionally-produced by legal mandates, historical legacies, and constitutional norms that collectively configure firms as socially embedded entities.

Thus, Slovenian corporate governance should not be seen as an anomaly or a remnant of socialism, but as an example of path-dependent institutional evolution, offering a compelling counterpoint to shareholder-centric models dominant elsewhere in Europe.

This sets the stage for the next section, which will contrast the Slovenian model with other legal and economic regimes, and explore the implications for EU harmonisation, global ESG frameworks, and the future of the company's interest in small market economies.

### *E. Comparative Analysis: Slovenia in European and Global Perspective*

Slovenia's corporate governance model acquires sharper analytical clarity when viewed from a comparative or theoretical perspective. Four aspects are particularly enlightening: its similarities with the Germanic co-determination tradition, its divergence from the Anglo-American shareholder-primacy regime, its contrast with other post-socialist economies, and its partial affinities with the Nordic stakeholder model. These comparisons situate Slovenia within broader debates on the company's interest, varieties of capitalism, and the institutional embedding of economic life.

## I. Germany and the Coordinated Market Economy Tradition

Slovenia is frequently located within the “coordinated market economy” (CME) family, as described by Hall and Soskice in the *Varieties of Capitalism* framework.<sup>41</sup> Like Germany, Slovenia employs a two-tier board structure, which institutionalises co-determination, and emphasises long-term, relational contracting.<sup>42</sup>

However, co-determination in Slovenia is less formalised: while German firms over a certain size grant employees parity (50 %) on supervisory boards, Slovenian law only mandates one-third representation for employees on supervisory boards.<sup>43</sup> This difference reflects Slovenia’s hybrid heritage: a blend of Yugoslav self-management, which emphasised worker councils, and German-style co-determination imported during EU legal harmonisation.

However, both systems share a constitutional foundation. The German Basic Law requires that property serve the public good (Art. 14 GG), while the Slovenian Constitution mandates that property fulfil its “economic, social, and environmental function” (Art. 67).<sup>44</sup> These parallels illustrate how Slovenia belongs to the European tradition of constitutionalised stakeholder capitalism.

## II. The Anglo-American Shareholder Primacy Model

The Anglo-American corporate governance regime has a different legal and theoretical foundation. As Hansmann and Kraakman famously argued, the “end of history for corporate law” was expected to establish shareholder wealth maximisation as the standard objective for corporations globally.<sup>45</sup> In this tradition, fiduciary duties are owed almost exclusively to shareholders, with stakeholders framed as externalities.

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41 Hall, P. A., & Soskice, D. (2001). *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford University Press.

42 Bohinc, R. (2016). Corporate governance following the Slovenian transition: From success story to failed case. *Acta Oeconomica*, 66(2), 303–323.

43 Mitbestimmungsgesetz [Co-determination Act], BGBl. I S. 1153, 1976 (Germany).

44 Constitution of the Republic of Slovenia, *Uradni list RS*, No. 33/91-I; Basic Law for the Federal Republic of Germany, BGBl. 1949 I, 1.

45 Hansmann, H., & Kraakman, R. (2001). The end of history for corporate law. *Georgetown Law Journal*, 89(2), 439–468.

UK law illustrates the limits of stakeholderism under the Anglo-American model: Section 172 of the Companies Act of 2006 requires directors to “have regard” to employees, customers, and the environment, through the lens of promoting the success of the company for the benefit of shareholders. In the U.S., Delaware jurisprudence has often been interpreted as enshrining shareholder primacy (commonly citing *Dodge v. Ford Motor Co.*)<sup>46</sup>, yet contemporary scholarship challenges this interpretation. For example, Mélon demonstrates that shareholder primacy is less a doctrinal necessity than an, reinforced by corporate governance codes, transnational regulation, and financial market logics.<sup>47</sup> Thus, what distinguishes the Anglo-American model is not an absolute legal mandate but ideological export a regulatory and cultural ecosystem that elevates shareholder interests above stakeholder claims.

In contrast, Slovenia shows a persistent rejection of shareholder primacy in favour of multi-constituency purpose.<sup>48</sup> In theoretical terms, Slovenia challenges the inevitability of Hansmann & Kraakman’s “end of history” thesis, demonstrating the viability of alternative corporate governance logics in small, open economies.

### III. Post-Socialist Divergences

Slovenia also differs sharply from its regional peers. The privatisation pathways of Poland, Hungary, and the Czech Republic were characterized by rapid liberalisation, often under IMF/World Bank pressure, leading to foreign-dominated ownership structures and weak employee voice.<sup>49</sup> In these countries, EU legal harmonisation accelerated convergence towards shareholder models, with stakeholder provisions often left underdeveloped or weakly enforced.

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46 *Dodge v. Ford Motor Co.*, 170 N.W. 668 (Mich. 1919); Companies Act 2006, s. 172 (UK).

47 Mélon, L. (2019). *Shareholder Primacy and Global Corporate Governance: A Critical Perspective*. Routledge.

48 Stubelj et al. (n10).

49 Estrin, S., Hanousek, J., Kocenda, E., & Svejnar, J. (2009). The effects of privatization and ownership in transition economies. *Journal of Economic Literature*, 47(3), 699–728.

By contrast, Slovenia's gradual transition preserved insider ownership, state stakes in strategic sectors, and mandatory worker participation.<sup>50</sup> As a result, Slovenia retained institutional features of its self-management legacy, whereas many post-socialist states converged on liberal shareholder capitalism. This divergence demonstrates the importance of path dependency and political choices in shaping post-transition governance models.

#### IV. Nordic Models: Foundations and Trust-Based Stakeholderism

Slovenia also shares similarities with the Nordic model, particularly Sweden and Denmark, where long-term oriented ownership structures (e.g. family-controlled and foundation-owned firms) and robust welfare states foster a stakeholder-oriented governance equilibrium.<sup>51</sup> Nordic firms often operate under consensual industrial relations, strong unions, and high trust environments, which mirror Slovenia's community-embedded corporate culture.

Yet, there are differences: Nordic stakeholderism is defined by macro-institutional welfare and labour market policies, whereas Slovenia relies more on firm-level governance mechanisms (e.g., worker board representation). Nonetheless, both cases illustrate that stakeholder capitalism is institutionally viable outside of large, coordinated economies like Germany, offering comparative legitimacy to Slovenia's path.

#### V. EU Harmonization and ESG Convergence

The European Union has become the most ambitious supranational actor in embedding environmental, social, and governance (ESG) principles in corporate law. Directives on takeovers (2004/25/EC), shareholder rights (2007/36/EC), and non-financial disclosure (2014/95/EU) have gradually extended both transparency and investor rights across Member States, while recent initiatives such as the Corporate Sustainability Reporting Directive (CSRD) and the proposed Corporate Sustainability Due Diligence

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50 Mrak et al. (n6).

51 Thomsen, S., & Rose, C. (2004). Foundation ownership and financial performance: Do companies need owners? *European Journal of Law and Economics*, 18(3), 343–364.

Directive (CSDDD) aim to turn sustainability objectives from a voluntary commitment to a binding duty.<sup>52</sup>

For many Member States – particularly those with liberal or post-socialist governance models – this represents a profound recalibration of the company’s interest. In Slovenia, however, ESG harmonization lands differently. Since Slovenia’s legal order already constitutionalises the social and environmental function of property (Art. 67) and the right to a healthy environment (Art. 72), the incorporation of ESG standards does not displace an entrenched shareholder model but rather reinforces a pre-existing stakeholder conception of the company’s interest.<sup>53</sup>

The 2022 revision of the Environmental Protection Act (ZVO-2) exemplifies this synergy. ZVO-2 requires firms to conduct environmental risk assessments, implement internal sustainability controls, and disclose ecological impacts – obligations that mirror EU ESG directives but acquire deeper normative force in Slovenia.<sup>54</sup> They are not framed as external compliance costs, but as constitutionalised fiduciary responsibilities toward society and nature. In effect, Slovenian law recognizes the environment as a stakeholder whose interests directors must safeguard alongside those of employees, creditors, and communities.

From this perspective, Slovenia should not be seen merely as a laboratory of ESG integration but as a proof of concept for the EU’s broader ambitions: a demonstration that ESG obligations can be internalized within governance as part of a constitutional framework of corporate responsibility. Where other Member States must reorient entrenched shareholder doctrines, Slovenia is a case of supranational ESG norms converging seamlessly with domestic traditions of participatory governance and constitutional stakeholderism.

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52 Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids; Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies; Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups; Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 on corporate sustainability reporting (CSRD); Proposal for a Directive of the European Parliament and of the Council on corporate sustainability due diligence and amending Directive (EU) 2019/1937 (CSDDD), COM(2022) 71 final.

53 Constitution of the Republic of Slovenia, *Uradni list RS*, No. 33/91-I.

54 Zakon o varstvu okolja (ZVO-2). *Uradni list RS*, št. 44/2022.

## *F. Challenges and Future Directions*

Slovenia's corporate governance framework represents one of the most distinctive articulations of the company's interest as stakeholder-oriented in Europe. Its normative depth is anchored in the legacy of self-management, its gradualist transition strategy, and its constitutional embedding of social and environmental duties. Yet this model, however robust, is not immune to pressure. As Slovenia becomes more integrated into global markets, European Union policy frameworks, and transnational governance debates, it faces challenges that will determine whether its stakeholder model will endure, adapt, or erode.

The following subsections outline the principal challenges confronting Slovenian corporate governance. These challenges are not merely technical or economic; they are constitutional and normative. They revolve around the tension between embedded stakeholder logics and external pressures of financialisation, political capture, and global ESG standardisation. The section concludes by sketching possible trajectories for Slovenia's governance model, including its potential role as a European norm entrepreneur in defining the company's interest.

### *I. Financialisation and Capital Market Pressures*

One of the defining global trends of the past four decades has been the financialisation of corporate governance. Financialisation refers to the growing dominance of financial logics, actors, and instruments over productive economic activity.<sup>55</sup> In corporate law, this manifests in prioritising shareholder returns and quarterly earnings, and maximising stock price. For small open economies, financialisation often arrives through external capital flows, foreign direct investment, and cross-border financial institutions.

Slovenia has, until recently, remained relatively insulated from financialisation. Its insider privatisation model of the 1990s produced firms with dispersed, domestic ownership, dominated by employees, managers, and state-controlled funds. This ownership structure shielded Slovenian firms from hostile takeovers, activist investors, and the pressure of shareholder

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55 Krippner, G. R. (2005). The financialization of the American economy. *Socio-Economic Review*, 3(2), 173–208.

value maximisation.<sup>56</sup> The constitutional duty for property to serve social and environmental functions further legitimised stakeholder priorities.

However, as Slovenia deepens its integration into global financial markets, foreign ownership of listed companies has increased and international institutional investors play a growing role.<sup>57</sup> These actors are often driven by short-term performance metrics and standardised ESG ratings, rather than Slovenia's constitutionalised stakeholder logics. This raises the risk of creeping toward shareholder primacy – not by explicit legal reform, but through market practice and investor expectations.

Comparisons are instructive. Ireland, another small EU economy, embraced financialisation aggressively, attracting multinational corporations and financial institutions by deregulating corporate law and taxation.<sup>58</sup> The result was rapid growth, but also vulnerability to global capital flows, as seen in the 2008 financial crisis. Slovenia's institutional path is different, but the lesson is clear: unless stakeholder duties are continually reinforced, financialisation can erode stakeholder commitments gradually and silently.

## II. State-Owned Enterprises and Political Capture

State-owned enterprises (SOEs) remain a pillar of Slovenia's corporate landscape. In sectors such as energy, finance, telecommunications, and infrastructure, the state retains significant ownership stakes.<sup>59</sup> On paper, this could serve as a bulwark of stakeholder governance, ensuring that firms act in the public interest and align with constitutional principles. In practice, however, SOEs have been a double-edged sword.

The key problem lies in political capture. SOEs in Slovenia are managed through the Slovenian Sovereign Holding (SSH), which centralises state ownership. Although the SSH was designed to professionalise governance, it is frequently criticised for its susceptibility to political appointments and short-term electoral considerations.<sup>60</sup> This creates a paradox: the state, as shareholder, is constitutionally mandated to safeguard the public interest,

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56 Lahovnik (n17).

57 Cernat, L. (2004). The emerging European corporate governance model: Anglo-Saxon, Continental, or still the century of diversity? *Journal of European Public Policy*, 11(1), 147–166.

58 Hardiman, N. (2012). *The Irish tiger: Economic crisis and the politics of austerity*. Palgrave Macmillan.

59 Lahovnik (n17).

60 Slovenian Sovereign Holding (SSH). (2023). *Annual Report*. Ljubljana.

yet in practice SOEs are vulnerable to patronage, clientelism, and government scandals.

The most notorious case of this happening is the TEŠ6 power plant project, where cost overruns, opaque contracts, and political interference resulted in massive financial losses and public distrust.<sup>61</sup> Instead of embodying stakeholder governance, in this case, the SOE became a vehicle for rent-seeking and elite capture. Such instances risk undermining the legitimacy of Slovenia's stakeholder model, reinforcing narratives that stakeholderism equates to inefficiency and corruption.

The challenge, then, is not whether SOEs should exist – they are constitutionally and economically justified – but how they are governed. Without stronger safeguards against political interference, SOEs may become the Achilles' heel of Slovenia's corporate governance system.

### III. Generational Change and Managerial Mindsets

A striking feature of Slovenian firms is that managers overwhelmingly reject shareholder primacy. Stubelj et al. found that Slovenian executives see the company's interest in multi-dimensional terms, balancing financial sustainability with employee well-being, community engagement, and environmental stewardship.<sup>62</sup>

Yet managerial culture is not static. As Slovenia globalises, new generations of managers are increasingly trained abroad in Anglo-American business schools or recruited by multinational corporations. These institutions often socialise managers into favouring the shareholder value approach, emphasizing return on equity, stock options, and financial metrics. This raises the prospect of a cultural shift in Slovenia, where Slovenia's stakeholder ethos is gradually replaced by imported managerial ideologies.

Moreover, Slovenia faces a brain drain problem: talented young professionals often leave for careers abroad, further weakening the domestic managerial pool.<sup>63</sup> If the managers who remain are disproportionately shaped

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61 Rep, M. (2016). *Zero tolerance of corruption? The act of systemic investigations of projects of national importance*. In *Criminal Justice and Security in Central and Eastern Europe: Safety, Security and Social Control in Local Communities* (pp. 442–454). Ljubljana: University of Maribor Press.

62 Stubelj et al. (n10).

63 Mrak et al. (n6).

by multinational logics, the normative content of Slovenia's corporate governance model may erode, even without formal legal reform.

From the perspective of corporate constitutionalism, this represents a potential breakdown in the "constitutional memory" of self-management and participation.<sup>64</sup> The law may mandate stakeholder duties, but if managers interpret these duties through a shareholder lens, the constitutional spirit of the Slovenian model risks dilution. The challenge, therefore, is to embed stakeholder values not just in statutes, but in managerial identity and education.

#### IV. ESG: Between Substantive Duty and Market Capture

The rise of ESG (environmental, social, and governance) frameworks offers Slovenia both opportunities and risks. On one hand, ESG aligns closely with Slovenia's constitutional ethos: Article 72 guarantees the right to a healthy environment, while the ZVO-2 explicitly embeds environmental responsibilities into corporate operations.<sup>65</sup> This positions Slovenia as a leader in what might be called constitutional ESG – where sustainability is not a voluntary commitment but a fiduciary duty.

On the other hand, the globalisation of ESG has generated risks of financialisation and capture. ESG performance is increasingly assessed through ratings agencies, benchmarks, and indices. Scholars warn that this process risks reducing sustainability to quantitative proxies, favouring disclosure over substance.<sup>66</sup> In such a scenario, Slovenia's deep stakeholder commitments could be hollowed out into box-ticking exercises, eroding their normative force.

Comparisons with other EU jurisdictions highlight the stakes. France's *loi PACTE* (2019) introduced "purpose" clauses for firms, but enforcement was weak. Germany's *Lieferkettengesetz* (2021) mandates supply chain due diligence but has been criticized for its limited scope. Slovenia's ZVO-2, by contrast, has constitutional backing, but it will require strong enforcement to avoid the fate of formalistic ESG regimes elsewhere.

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64 Teubner, G. (2011). *Constitutional fragments: Societal constitutionalism and globalization*. Oxford University Press.

65 Zakon o varstvu okolja (ZVO-2). *Uradni list RS*, št. 44/2022.

66 Crane, A., Henriques, I., Husted, B. W., & Matten, D. (2022). *Measuring Corporate Sustainability: Towards Integrating Qualitative and Quantitative Assessment*. *Journal of Business Ethics*, 179(1), 15–32.

## V. Geopolitical and EU Integration Pressures

Slovenia's integration into the European Union raises the question of convergence versus distinctiveness. EU directives on shareholder rights and corporate transparency often reflect a liberal-market orientation, emphasising capital mobility and investor protection.<sup>67</sup> For post-socialist states, these directives have accelerated convergence toward shareholder models. Slovenia, however, incorporated EU law within its stakeholder framework, illustrating the possibility of hybridisation.

The challenge is whether this hybridisation can be sustained. As EU law evolves through the CSRD and CSDDD, Slovenia will face pressure to conform to standardised ESG models that may dilute its constitutional specificity. At the same time, this opens opportunities for Slovenia to act as a norm entrepreneur, shaping EU debates by offering a concrete example of stakeholder constitutionalism.<sup>68</sup> Slovenia's small-state status, often framed as a vulnerability, may thus become a source of normative influence.

## VI. Normative Futures: Scenarios for Slovenian Governance

Looking forward, Slovenia's governance model faces three plausible futures:

1. **Resilient Stakeholder Model:** Slovenia doubles down on constitutional ESG, professionalises SOE governance, and embeds the stakeholder value approach in managerial education. Its model becomes a reference point in EU debates, contributing to the Europeanisation of stakeholder capitalism.
2. **Hybrid Convergence:** Slovenia retains formal stakeholder provisions, but under pressure from financialisation and EU harmonisation, these provisions are gradually hollowed. Firms perform stakeholder duties as compliance exercises, while managers adopt a shareholder value approach in practice.

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67 Directive 2007/36/EC on shareholder rights; Directive 2014/95/EU on non-financial disclosure.

68 Katzenstein, P. (1985). *Small states in world markets: Industrial policy in Europe*. Cornell University Press; Finnemore, M., & Sikkink, K. (1998). International norm dynamics and political change. *International Organization*, 52(4), 887–917.

3. Erosion Scenario: Political capture of SOEs, brain drain, and ESG financialisation combine to erode stakeholder governance. Slovenia converges with liberal models, losing its distinct identity.

Which future prevails will depend not only on legal reform, but on constitutional interpretation, managerial culture, and Slovenia's capacity to act as a norm entrepreneur within the EU.

### *G. Conclusion: Slovenia and the Constitutionalisation of Sustainable Corporate Purpose*

This chapter has traced the historical, legal, and empirical dimensions of corporate governance in Slovenia, demonstrating how the concept of the “interest of the company” has been constructed in ways that defy the dominant shareholder-oriented narrative of corporate law. By situating Slovenia within its unique trajectory – from the Yugoslav system of self-management, through a gradual post-socialist transition, to EU integration – it becomes clear that Slovenia has forged an alternative understanding of the company's interest: one that is explicitly stakeholder-oriented, constitutionally grounded, and sustainability-driven.

The significance of this model cannot be overstated. In comparative scholarship, small post-socialist states are often treated as transitional anomalies, destined either to converge toward Anglo-American shareholder primacy or to replicate the continental co-determination structures of larger European states. Slovenia's case demonstrates that another destiny is possible. It shows that corporate governance can evolve into a distinctive constitutional form, one that embeds social and environmental sustainability not as discretionary add-ons but as core fiduciary duties.

### *I. Social Sustainability: Companies as Social Institutions*

Slovenia's most enduring contribution lies in its treatment of companies as social institutions. This is not merely rhetoric but an institutional design principle that flows directly from the Yugoslav legacy of worker self-management. Even after the dismantling of socialist councils, Slovenia retained a culture, and accompanying structure, of participation. Employee representation on supervisory boards institutionalises the voice of labour within governance. State ownership of strategic firms – though imperfect in its

execution – reflects a constitutional recognition that companies are vehicles of collective goods, not merely instruments of private capital.

This approach embeds social sustainability within corporate law. Whereas liberal shareholder regimes often confront crises of legitimacy, Slovenia maintains a framework in which firms are expected to balance profitability with fairness, inclusion, and social cohesion. Stubelj et al. confirm this: Slovenian managers consistently reject the idea that shareholder value alone defines corporate success. Instead, they understand the “interest of the company” as a multi-constituency responsibility that binds together employees, communities, and broader societal interests.

In this sense, Slovenia operationalises corporate social sustainability by ensuring that companies maintain a social license to operate, one grounded in legal duties rather than soft codes. This is a crucial insight for sustainability debates: legitimacy and inclusion are not afterthoughts but conditions of long-term viability.

## II. Environmental Sustainability: Nature as a Constitutional Stakeholder

Equally significant is Slovenia’s pioneering recognition of environmental sustainability as a core component of company interest. The Slovenian Constitution goes further than most European counterparts by explicitly embedding ecological responsibility in its provisions: Article 72 guarantees the right to a healthy environment and Article 67 mandates that property must serve social, environmental, and economic functions.

This constitutional grounding is reinforced by statutory law. The ZVO-2 requires firms to conduct environmental risk assessments and integrate sustainability into governance practices. This effectively elevates environmental stewardship into the realm of fiduciary obligation: directors are not free to ignore ecological impacts because these impacts form part of the company’s legally-defined purpose.

The ZVO-2 positions Slovenia at the forefront of what might be called corporate ecological constitutionalism. Whereas other jurisdictions are only beginning to contend with how to integrate environmental concerns into corporate law – through voluntary ESG disclosures or soft governance codes – Slovenia has already constitutionalised the environment as a stakeholder. This implication is profound: the natural environment is not an “externality” but a co-constituent of a firm’s legal purpose.

### III. Institutional Sustainability: Path Dependence and Resilience

Slovenia's governance framework also demonstrates a unique form of institutional sustainability. Its post-independence trajectory was marked by gradual transition: rather than pursuing shock therapy or wholesale privatisation, Slovenia deliberately preserved continuity in its governance structures. This path dependence has had long-term consequences.

Namely, it produced a corporate landscape dominated by insider ownership, state participation, and managerial cultures infused with the ethos of participation. At the same time, EU integration required Slovenia to adopt directives on shareholder rights, transparency, and reporting. Unlike other post-socialist states, Slovenia embedded these EU norms within its own constitutional culture, preventing convergence toward shareholder primacy.

This resilience shows that corporate governance systems are not fragile by default. When designed with constitutional anchoring and cultural legitimacy, they can absorb external pressures – such as financialisation and ESG standardisation – without losing their unique identity.

### IV. Theoretical Implications: Corporate Purpose as Constitutional Choice

Slovenia's system has major implications for corporate governance theory. Slovenia's system has major implications for corporate governance theory. Hansmann and Kraakman's influential "end of history" thesis claimed that shareholder value maximisation would inevitably become the global model. Slovenia demonstrates the opposite: that the company's interest is not a functional inevitability but a constitutional choice. As Mélon has argued, shareholder primacy is not doctrinally necessary but an ideological export. Slovenia resists this export by embedding stakeholder duties into its constitution and statutes. The result is a governance system that not only survives within the EU's liberalising framework but actively contributes to its sustainability agenda.

At the same time, as discussed in Section F, this achievement is not immune to erosion. The global financialisation of ESG and the growing dominance of quantitative rating systems risk hollowing out Slovenia's stakeholder commitments into formal compliance, undermining their normative substance. This tension forces a rethinking of corporate governance theory: efficiency cannot be the sole criterion of evaluation. Legitimacy, inclusion, and ecological stewardship must be treated as constitutional

goods, on par with profitability. Slovenia thus provides both a model and a warning – showing that small economies can constitutionalise corporate sustainability, but that maintaining its substance requires vigilance against global pressures toward homogenisation.

As Mélon has argued, shareholder primacy is not doctrinally necessary but is an ideological export. Slovenia resists this export by embedding stakeholder duties into its constitution and statutes. The result is a governance system that not only survives within the EU's liberalising framework but actively contributes to its sustainability agenda.

This forces a rethinking of corporate governance theory. Efficiency cannot be the sole criterion of evaluation. Legitimacy, inclusion, and ecological stewardship must be treated as constitutional goods, on par with profitability. Slovenia provides the empirical evidence for this claim, demonstrating that small economies can constitutionalise corporate sustainability without sacrificing integration into global markets.

## V. Toward a Juridical Framework of Sustainable Capitalism

Perhaps the most groundbreaking insight from Slovenia is that it offers a juridical framework for sustainable corporate governance. This framework consists of three interlinked dimensions:

- social sustainability: mandatory employee participation, stakeholder fiduciary duties, and a managerial culture resistant to shareholder primacy;
- environmental sustainability: constitutional provisions and statutory duties that elevate ecological protection to the level of fiduciary obligation; and
- institutional sustainability: a gradual, path-dependent approach that is a hybridisation of EU norms and domestic constitutional traditions, ensuring resilience against convergence pressures.

Together, these dimensions amount to a vision of corporate purpose that is both distinctive and transferable. Slovenia demonstrates that corporate law can be written to sustain not only financial returns but also social legitimacy and ecological balance.

## VI. Closing Reflection: Shareholder Primacy is Not Destiny

The final lesson is that shareholder primacy is not destiny. Slovenia's experience proves that corporate governance can be designed otherwise – that firms can be constituted as social and ecological institutions, with fiduciary obligations extending beyond investors to communities, employees, and nature itself.

This is not a utopian abstraction but an institutional reality that has taken root within a small, open European economy. While the future of Slovenia's model remains contingent, several factors suggest that its stakeholder orientation is likely to endure: the constitutional embedding of social and environmental duties, the resilience of cooperative and public ownership structures, and the growing alignment between EU policy frameworks and sustainability-oriented governance.

Slovenia thus illustrates that constitutional sustainability in corporate governance is not only possible but politically and institutionally resilient – though its preservation depends on continued resistance to the financialisation and standardisation pressures that threaten to erode its normative foundations.

For scholars, this challenges us to reconceptualise corporate law as a field of constitutional design, not mere efficiency. For policymakers, it provides a model of how sustainability can be embedded in company law, not as an external burden but as a core purpose. For practitioners, it demonstrates that firms can thrive within a legal framework that treats stakeholders and the environment as integral to long-term success.

In an era of ecological collapse, legitimacy crises, and rising inequality, Slovenia offers more than a case study. It offers a proof of concept that the company's interest can be constitutionalised in the service of sustainability. Its story is not marginal but pioneering, not transitional but transformative. Slovenia stands as evidence that the future of corporate governance lies not in the triumph of shareholder primacy but in the constitutional embedding of social and environmental sustainability as the very definition of the company's interest.

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