



## CORPORATE GOVERNANCE - A SUBJECT WHOSE TIME HAS COME\*

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The twentieth century saw massive growth in the serious study of management. But corporate governance was a relative new comer. Organisation theories took great strides: but the board did not appear on the typical organisation chart. Important theoretical and practical dimensions were developed for the management of finance, marketing, operations and other aspects of the modern organisation: yet little concern was shown for the role of the board of directors. Strategic management acquired new significance: but the contribution of the directors seldom received a mention. Indeed, the phrase 'corporate governance' was not used until the 1980s. The first review of the corporate governance literature was published by Cochran and Wartick in 1988: it had just 102 annotated references. A list of the literature today would have as many pages!

Although corporate governance has been practised for as long as there have been corporate entities, rigorous study of the subject has only occurred in the past twenty years or so. Yet corporate governance is fundamental to the success of enterprises.

The board of directors of a company, indeed the governing body of every corporate entity, is ultimately responsible for that organisation's decisions and its performance. The board is accountable to the owners and other legitimate stakeholders. The directors should be providing strategic direction and supervising the work of executive management.

In this paper we review the concepts of corporate governance, trace the evolution of the idea, and see how significant changes in corporate governance processes are often responses to corporate crises.

Corporate governance concerns the way power is exercised over corporate entities. In recent years this has become a central issue in the running and the regulating of enterprises around the world. Yet, the underlying ideas and concepts of corporate governance have been surprisingly slow to evolve. The underpinning frameworks still owe more to mid-nineteenth century thinking than they do to the realities of complex modern business.

The nineteenth century saw the foundations laid for modern corporations: this was the century of the

entrepreneur. The twentieth century became the century of management: the phenomenal growth of management theories, management consultants, management gurus and management teaching all reflect a preoccupation with management. Now the twenty-first century promises to be the century of governance - as the focus swings to the legitimacy and the effectiveness of exercising power over corporate entities.

### Corporate governance as old as corporate entities

Although the theoretical exploration of the subject is relatively new, the practice of corporate governance is ancient. Governance issues arise whenever a corporate entity acquires a life of its own, whenever ownership of an enterprise is separated from its management. The Merchant of Venice (1598), in Shakespeare's play (Act 1 Scene 1), feared for the safety of his argosies sailing out of his sight on the high seas.

How are owners' interests to be protected when the venture is run by others? How is oversight to be exercised over those setting the direction and managing the enterprise? How is accountability to be ensured?

The great trading companies of the British and Dutch empires, established with the patronage of the monarch, operated under rules set by the state. Today financial institutions invest trillions of dollars of investors' and pensioners' funds in companies worldwide. How is power over the enterprise exercised and legitimised? To whom is a company accountable and, ultimately, responsible? Such questions are crucial when rights and duties attached to membership or ownership cannot be applied directly. Corporate governance is about the exercise of such power.

A much quoted comment by Adam Smith shows that he understood the issue of corporate governance, even though he did not know the phrase:

*The directors of companies, being managers of other people's money than their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own.*

Adam Smith, *The Wealth of Nations* 1776

At the start of the 19<sup>th</sup> century there were basically three ways to engage in business (other than through corporations created by the crown or state): as a sole trader, in a partnership, or as an unincorporated body, in which some were managing partners running the firm and others sleeping partners just providing funds. In each case, if the business became insolvent, the creditors could pursue their debts with any and all of those involved until ultimately they became bankrupt and were sent to debtors prison, while their families went to the workhouse. This was quite a disincentive to investment, unless one could keep a close watch on man-

agement activities. By the end of the 19<sup>th</sup> century the situation had changed totally.

The classical concept of the company stems from legislation developed in the mid-nineteenth century. It was one of the most successful systems ever designed by man. The key concept was the incorporation of a legal entity, separate from the owners, which nevertheless had many of the legal property rights of a real person - to contract, to sue and be sued, to own property, and to employ. The company had a life of its own, giving continuity beyond the life of its founders, who could transfer their shares in the company. Crucially, the owners' liability for the company's debts was limited to their equity investment. Yet ownership remained the basis of power. Company law became the underpinning of corporate governance.

The notion was elegantly simple and superbly successful, enabling the subsequent creation of untold industrial growth, employment and wealth around the world. Superb - but unfortunately the mid-nineteenth century model now bears about as much relationship to reality as a hang-glider does to a fleet of jumbo-jets. Nevertheless, the original corporate concept remains the essential under-pining of company law.

Initially, all joint stock, limited liability companies were public companies, that is their *raison d'être* was to raise capital from the public, whose personal liability for the corporate debts would be limited. By the early 20<sup>th</sup> century business people had recognised that the model could also be used to provide them with limited liability in their family firm, even though they did not need to access capital from outside investors. Private companies now far outnumber public companies with the right to offer their shares to the public.

Commenting on contemporary company law, Hadden (1972) wrote:

*British company law is not unworkable. But it is tied to a conception of capitalism which has been discarded by all but the most ardent free-market economists. It has also ceased to reflect the realities of the commercial and industrial world.*

The same might have been written about company law jurisdictions around the world, particularly the United States, which was fast becoming the most litigious society the world had known, with boards and directors increasingly facing law suits.

### The separation of management from ownership

The early years of the 20<sup>th</sup> century saw another significant development. In the United States and the United Kingdom, particularly, the shares of many public companies were now listed and traded on stock exchanges. Shareholders had become more numerous and geographically diverse. Their links

with the management of their companies was inevitably more remote.

Using data from companies in the United States, Berle and Means (1932) drew attention to the growing separation of power between the executive management of major public companies and their increasingly diverse and remote shareholders. They realised the significance of corporate power and observed that:

*The rise of the modern corporation has brought a concentration of economic power which can compete on equal terms with the modern state - economic power versus political power, each strong in its own field. The state seeks in some aspects to regulate the corporation, while the corporation, steadily becoming more powerful, makes every effort to avoid such regulation... The future may see the economic organism, now typified by the corporation, not only on an equal plane with the state, but possibly even superseding it as the dominant form of social organisation.*

(1932, revised edition 1967)

This was the first seminal work of corporate governance (though that was not a phrase Berle and Means used). This work was influential in the creation of the U.S. Securities and Exchange Commission. Berle and Means left a vital intellectual inheritance for the subject. It is surprising that it was so long before it was taken up.

For the next forty years the work of directors and boards remained the province of jurisprudence, enlivened by anecdote and exhortation. Manne wrote in 1965 about mergers and the market for corporate control. Then in a pioneering 1971 work Mace tried to discover what directors really did, based on research with U.S. companies. In the process he challenged the conventional wisdom:

*In most companies boards of directors serve as a source of advice and counsel, serve as some sort of discipline, and act in crisis situations if the president dies suddenly or is asked to resign because of unsatisfactory management performance.*

*The business literature describing the classical functions of boards of directors typically includes three important roles: (1) establishing basic objectives, corporate strategies, and board policies; (2) asking discerning questions; and (3) selecting the president.*

*I found that boards of directors of most large and medium-sized companies do not establish objectives, strategies, and policies however defined. These roles are performed by company management. Presidents and outside directors generally agreed that only management can and should have these responsibilities.*

*A second classical role assigned to boards of directors is that of asking discerning questions - inside and outside the board meetings. Again it was found that directors do not, in fact, do this. Board meetings are not regarded as proper forums for discussions arising out of questions asked by board members.*

*A third classical role usually regarded as a responsibility of the board of directors is the selection of the president. Yet it was found that in most companies directors do not in fact select the president, except in crisis situations...*

Mace, *Directors - Myth or reality* 1971

## Significant developments in the 1970s

Pfeffer (1972) drew attention to the importance of the link between organisation, environment and board power. Three other significant developments occurred in corporate governance thinking during the 1970s: in the United States an emphasis on independent outside directors and audit committees, in Europe the promulgation of the two-tier board, and on both sides of the Atlantic debates about stakeholder notions.

An increasingly litigious climate in the United States, with shareholders of failed companies seeking recompense from directors, boards and, in particular, auditors (whose indemnity insurance was seen to provide a 'deep pocket' to be emptied for their benefit) led to more emphasis on checks and balances at board level. Auerbach (1973) wrote of the audit committee as a new corporate institution. Mautz and Neumann (1970, 1977) discussed audit committees of the board and the Securities and Exchange Commission (1972) called for standing audit committees composed of outside directors. Moreover, outside directors were to be independent - with no relationship with the company, other than the directorship and, perhaps, an inconsequential shareholding that could affect the exercise of independent and objective judgement. Such emphasis led to commentators such as Estes (1973) suggesting that outside directors were more vulnerable than ever. In the UK, Tricker (1978) undertook a study of British board structures, membership and processes, intending to advocate audit committees in the UK but concluding that, first, there had to be independent directors on the boards of British companies. A member of parliament, Sir Brandon Rhys-Williams (1976) called for non-executive directors and audit committees, a proposal that led to a green paper *The Conduct of Company Directors* (1977) and a parliamentary bill requiring audit committees, which ultimately failed.

The European Economic Commission issued a series of draft directives on company law harmonisation throughout the member states. The fifth draft directive (1972) proposed that unitary boards, in which both executive and outside directors worked together to ensure that the business was being well run and run in the right direction, be replaced by the two-tier board governance practised in Germany and Holland. In this form of governance, companies have two distinct boards, with no common membership. The upper, supervisory board is responsible for monitoring and overseeing the work of the executive board, which runs the business. The power of the

supervisory board lies in its ability to hire and fire executive board members.

The idea of the two-tier board idea was not well received in Britain, partly because it would have replaced what was seen, at least by directors, as a viable system of governance, but also because, in addition to the separation of powers, the directive included co-determination ideas then practised in Germany, in which the company was seen as a sort of partnership between capital and labour and the supervisory board was made up of equal numbers of shareholder and employee representatives. The UK's response was the report of the Committee chaired by Lord Bullock. *The Report of the Committee of Inquiry on Industrial Democracy (1977)* and the research papers (1976) associated with it, was the first serious corporate governance study in Britain. The Committee's proposal, for a continuation of the unitary board, but with worker representative directors, was not well received in Britain's boardrooms either.

Meanwhile, a number of corporate governance problems featured in the reports of UK government inspectors appointed by the Department of Trade. Pergamon Press (1971) - in which the inspectors concluded that Robert Maxwell should not again run a public company (advice that was ignored, enabling him to build a media empire which collapsed dramatically twenty years later), Rolls Royce (1973), London and County Securities 1976), Lohno Ltd. (1976) and others all added to the interest in the governance of companies.

The 1970s also saw a questioning of the role of the large corporation in society. Broadly, the argument was made that public companies have responsibilities beyond their strictly legal duty to their shareholders. Given the scale and significance of such companies, boards should report to and, some argued, be accountable to a range of stakeholders who could be affected by board decisions - customers, suppliers and others in the added-value chain, employees, the local community, and the state. In the United States there was an important dialogue between the American Bar Association, looking for an alternative basis of power over companies, and the Corporate Roundtable representing directors' conviction of the value of the existing model. Consumer advocate Ralph Nader offered a specification for a model corporation rooted in stakeholder thinking. Jensen and Meckling (1976), whose work was subsequently to become crucial to the development of agency theory, asked whether the concept of the company could survive.

The debate was picked up in the United Kingdom. A committee of the Confederation of British Industries, chaired by Lord Watkinson (1973), reported on the wider responsibilities of the British public company. A PEP report by Fogarty (1975) discussed companies' responsibilities and stakeholder participation. The Accounting Standards Steering Committee produced *The Corporate Report (1975)*, a seminal paper which called for all eco-

nomic entities to report publicly and accept accountability to all those whose interests were affected by the directors' decisions. The political implications of these proposals for the widening of accountability and control over companies, and the related erosion of managerial power, soon consigned this report to the back burner.

## Developments in the 1980s

In the 1980s broader stakeholder concerns became overshadowed by the market-driven, growth-orientated attitudes of Thatcher and Reaganite economics. Directors' responsibility to increase shareholder-value was reinforced. The profit performance model became the basis for the privatisation of state run entities - rail, coal, electricity, gas, water enterprises were all privatised in the UK and, subsequently, around the world. The threat of predators (often able to finance their hostile bids with newly available high risk, high rate "junk" bonds) was presented as an essential incentive for strong board level performance.

By the late 1980s the down-side of such thinking was becoming apparent. In Australia the names of Alan Bond, Laurie Connell of Rothwells and the Girvan Corporation were being associated with questionable governance practices. In Japan Nomura Securities and The Recruit Corporation were accused of bad governance. In the United States the names of Ivan Boesky, Michael Levine and Michael Milken were to go down in the annals of corporate governance through the massive junk bond financed, insider dealing deals through Drexal, Burnham, and Lambert. In the UK it was the Guinness case and, subsequently, the collapse of Robert Maxwell's companies.<sup>1</sup> Boards dominated by powerful executive directors were seen to need checks and balances, particularly where the posts of chief executive and chairman of the board were combined and the outside directors were weak.

Now the concepts of corporate governance were at last about to become the focus of attention. Indeed the phrase itself was about to appear.

'Governance' is actually an ancient word, used since the time of Chaucer [he spelt it in two different ways - "To han the *gouernance* of hous and lond." "In him is bountee, wisdom, *gouvernaunce*"] But the phrase 'corporate governance' is new. In 1983 it appeared as the title of a paper in *Perspectives on Management*, Earl (1983) and in 1984 as the title of a report of the American Law Institute on the *Principles of Corporate Governance* and also as the title of a book *Corporate Governance - practices, procedures and powers in British companies and their boards of directors*.

<sup>1</sup> For more information see the cases in 'International Corporate Governance', Tricker, R. I., Prentice Hall, Singapore, 1994

In the mid-80s research into corporate governance expanded, for example Baysinger and Butler (1985), using the phrase 'corporate governance', looked at the effects on corporate performance of changes in board composition and Mintzberg (1984) posed the question 'who should control the corporation?' But the subject came centre stage, less as the result of academic, research-based deliberations, more as a result of official inquiries set up in response to the corporate collapses, perceived board level excesses and apparently dominant chief executives of the later part of the 80s.

### **Developments in the 1990s - in practice and conventional wisdom**

Led by developments in the United States, boards and their directors were coming under pressure from various sources - not least institutional investors, investigative media, and the threat of litigation.

Major institutional investors rediscovered investor power and became pro-active in corporate governance. Drucker (1991) was one of the first to draw attention to this potential governance power, through shareholders' proxy votes. Companies' needed to influence their share price to tap the ever-increasing pension funding and savings around the world. Expectations of institutional investors for performance improvement grew, along with the ending of corporate governance practices that benefited incumbent boards and reduced the probability of the company being subjected to hostile bid. In the United States, the directors of American Express, General Motors and IBM all had cause to regret the power of institutional fund managers to vote their shares against incumbent members of boards they considered to be performing badly.

In the U.S. organisations, such as Institutional Shareholder Services and the Investor Responsibility Research Centre, emerged to inform institutional fund managers on governance issues. In the U. K. the Association of British Insurers and the National Association of Pension Funds actively advised their members on proxy voting issues. In Australia it was the Australian Investment Managers' Association. The Californian State Employees pension fund (CalPers) was particularly active, producing Global Principles for Corporate Governance, intended to benchmark corporate governance practices in companies in their portfolio around the world. In response some companies, such as General Motors (1996) published their own board guidelines on significant governance issues.

In the UK thinking about corporate governance was much influenced by the report of the Committee chaired by Sir Adrian Cadbury (1992) on the financial aspects of corporate governance. The report's proposals and its code of best practice emphasised the importance of independent non-executive directors, with independence defined as "independent of management and free from any business or other

relationship which could materially interfere with the exercise of independent judgement, apart from their fees and share-holding". Audit committees were advocated. Some critics of the report argued that the report went too far - the emphasis on the importance of non-executive directors would introduce the controls of the European two-tier supervisory board by the back door: others felt that the report did not go far enough - it lacked teeth by proposing de-listing rather than legally enforceable sanctions.

The Cadbury Report became significant in influencing thinking around the world. Other countries followed with their own reports on corporate governance. These included the Viénot Report (1995) from France, the King Report (1995) from South Africa, the Toronto Stock Exchange recommendations on Canadian Board practices (1995), the Netherlands Report (1997), and a Report on corporate governance in Hong Kong from the Hong Kong Society of Accountants (1996)]. As with the Cadbury Committee Report (1992), these reports were particularly concerned about the potential for abuse of corporate power. Similarly they called for greater conformance and compliance at board level, recommending the use of audit committees as a bridge between board and external auditor, the wider use of independent outside, non-executive directors, and the separation of the role of chairman of the board from that of the chief executive. The theme was for more checks and balances to avoid executive domination of decision-making and protect the rights of shareholders, particularly any minority shareholders.

An Australian Committee on corporate governance (1993), chaired by Professor Fred Hilmer of the Australian Graduate School of Management, however, advanced a view that added a new dimension to the conformance and compliance emphasis of the Cadbury and the other reports. Governance is about performance as well as conformance, the report argued:

*"the board's key role is to ensure that corporate management is continuously and effectively striving for above-average performance, taking account of risk." Adding, almost as an after thought "this is not to deny the board's additional role with respect to shareholder protection."*

They gave their report the splendid title *Strictly Boardroom* - after the film 'Strictly Ballroom', which portrays the world of competitive ball dancing, with originality, creativity and innovation being stifled by inflexible and inhibiting rules and regulations. This is the danger facing current governance practices, argued Hilmer, with conformance and compliance overshadowing improved corporate performance.

An issue that generated many corporate governance debates in the 1990s was director remuneration. In the US institutional investors took a stand against allegedly excess directors' rewards. In the UK a group of City of London institutions commissioned Sir Richard Greenbury to look into directors' remuneration.

neration. His report, Greenbury (1995), recommended full disclosure, a code of best practice and, particularly, the use of remuneration committees composed of independent outside directors to advise on director remuneration issues.

In 1998 the OECD (the Organisation for Economic Co-operation and Development) proposed the development of global guidelines on corporate governance. The group which advised the OECD, headed by U.S. lawyer Ira Millstein, included key figures from Britain, France, Germany the U.S. and Japan. Some have dismissed the proposals as 'pointless'; others saw merit in establishing some core principles of good corporate governance. The report, usefully, emphasised the contrast between the strong external investment and firm corporate governance practices in America and Britain and those in Japan, France and Germany. In these later countries other constituencies, such as employees, receive more deference, the regulatory structures are less obtrusive, directors are seldom truly independent, and investors seem prepared to take a longer term view.

A further UK committee on corporate governance (1998), chaired by Sir Ronald Hampel, reported on the experience following the Cadbury proposals and recommended a code of best practice that would combine the Cadbury and Greenbury codes. The report developed a set of 'principles of corporate governance'. These principles reflect current conventional wisdom but address none of the real outstanding issues in the subject. Predictably, perhaps, a committee comprised predominantly of directors of major public companies and their professional advisers saw no reason to criticise contemporary corporate governance, or to advocate measures which might limit directors' power to make unfettered decisions or widen the scope of their accountability.

Three prevailing themes emerged from the UK Hampel Report:

- that good corporate governance needs broad principles not prescriptive rules. Compliance with sound governance practices, such as the separation of board chairmanship from chief executive, should be flexible and relevant to each company's individual circumstances and not reduced to what the report called a 'box-ticking' exercise. Self-regulation is the preferred approach: no further company legislation is needed.
- that the unitary board is totally accepted in the UK. There is no interest in alternative governance structures or processes such as two tier boards.
- that the board is accountable to the company's shareholders. There is no case for redefining directors' responsibilities to other stakeholder groups.

Most recently the Commonwealth has produced a code of principles of good corporate governance for member countries. However, probably the most telling driver of change in corporate governance in

the 1990s was the dynamic, flexible new corporate structures, often global, that were now replacing the stable, often regional, corporate groups of the post-war years - massively complex networks of subsidiary companies and strategic alliances with cross-holdings of shares, cross-directorships, chains of leveraged (and often public) funding, dynamic and ever changing operational and financial linkages throughout the added-value chain. These networks often operated in multiple jurisdictions, cultures and currencies; groupings with voracious appetites for growth. Top management of major corporations around the world was now wielding enormous power. Whilst claiming to reflect owners' interests, directors were seen to be pursuing their own agendas and expecting huge rewards - privileges reserved in earlier generations for aristocrats and kings.

### **Developments in the 1990s - in theory**

Corporate governance, as yet, does not have an accepted theoretical base or commonly accepted paradigm. In the words of Pettigrew (1992), corporate governance lacks any form of coherence, either empirically, methodologically or theoretically with only piecemeal attempts to try and understand and explain how the modern corporation is run. Nevertheless the 1990s saw a dramatic surge in academic interest in the subject and the number and quality of published papers addressing related topics.

Some penetrating works were rooted in case research and personal experience: Lorsch and McGiver (1989) produced some powerful insights in their work *Pawns or Potentates* - the reality of the American board; Demb and Neubauer (1992) drew on European experience in their book *The Corporate Board - confronting the paradoxes*. Monks and Minow (1995) drew on their experiences as relationship investors and activists; whilst Monks (1998) made an informed and most outspoken criticism of the excessive power he alleges is held by American chief executives.

Many theoretical insights have been applied to research in the subject. Taking a human relations/sociological perspective Pettigrew and McNulty (1995) explored power and influence around the board room. From the viewpoint of jurisprudence in Australia and the UK, Stapledon (1995) explored the potential for institutional activism. Kay and Silbertson (1995) took the view of two Oxford economists. The paper by Turnbull (1997:1) attempts to provide an overview of the state of the art in corporate governance theory.

But the most fascinating academic debate of the decade, one that is still totally unresolved, was between those who based their research on the concepts of agency theory and those who believe that this theory is inadequate and based on a false premise of the nature of man. Stemming from the work of Coase (1936), the concepts of agency theory were developed by researchers such as Williamson (1979) and

Fama and Jensen (1983). In essence, the theory presents the governance relationship as a contract between the director and the shareholder. Directors, seeking to maximise their own personal utility will take actions that are advantageous to themselves but detrimental to the shareholders. Consequently the transactions costs of appropriate checks and balances, such as disclosure to shareholders, the use of independent outside directors, audit committees and the separation of chairman and CEO, are desirable. Evidence of such actions is not hard to find anecdotally and serious scholarship has demonstrated linkages between various attributes of governance, such as board structure, the duality of chairman and CEO and director remuneration, and company performance. [For example Conyon, Gregg and Machin (1995)]

Critics of agency theory argue that the reality of governance involves inter-personal and political relationships that are just not reflected in a two-person contract. Moreover, they suggest, the theory takes a rather low view of the nature of man - that he cannot be trusted. Stewardship theory, the alternative perspective, takes an altogether broader frame of reference, being rooted in the original and legal view of the corporation in which directors have a fiduciary duty to their shareholders to be stewards for their interests. This, they argue is clearly what most directors actually do. Moreover, other contemporary scholarship is discovering that not only does increasing governance conformance and compliance not add to corporate performance - it can actually detract. [Donaldson and Davies (1994)] Muth and Donaldson (1997) also challenged the shibboleths of agency theory, which underpin conventional assumptions about the benefits of checks and balances. Boards with well connected, executive directors perform better than those that meet the paradigms of conventional governance thinking, they found.

### The philosophical debate

The UK Hampel Committee's dismissal of stakeholder notions - "directors are responsible for relations with stakeholders, but are accountable to the shareholders" - undoubtedly reflects the conventional wisdom in boardrooms in both the UK and the USA. However, a report from the Royal Society of Arts, titled *Tomorrow's Company*, advocated wider recognition of corporate responsibility to stakeholders such as suppliers, customers and employees. The Harvard Business Review published the results of a working group on corporate governance - *A new compact for owners and directors* (1991). Handy (1993) posed the question 'what is a company for?' suggesting that a social organisation mirrored reality better than a legal entity defined by ownership. But the issue has not been resolved.

Sternberg (1997) argued that stakeholder ideas are fundamentally flawed, strongly advocating the ownership rights perspective. Turnbull (1997:2) took

the opposite view, advancing the benefits of a broader cybernetic (and stakeholder) view. Stakeholder thinking continues to attract in a society in which expectations of companies are changing with growing demands for better consumer, environmental and societal behaviour. In fact, though often called stakeholder theory, such notions are better seen as a matter of corporate governance philosophy, being concerned with values and beliefs about appropriate relationships between the individual, the enterprise and the state.

The frontiers of corporate governance are being pushed out rapidly, just as the seriousness of governance issues increasingly challenges directors and boards, investors and regulators. Despite the evolution of thought traced here, we are still using essentially nineteenth century thinking in the underlying concept of the corporation, which gave rise to governance in the first place. There is now a need for a taxonomy of companies which reflects the complex and diverse range of governance arrangements and structures around the world. We also need an appropriate conceptual framework that will adequately reflect the reality of governance. At the moment various theoretical insights cast light on different aspects of the play, highlighting some, leaving others in the shadow: we need a viewpoint that can light up the entire stage and each of the players.

The metamorphosis of corporate governance has yet to occur. Present practice is still rooted in a nineteenth century legal concept that is totally inadequate in the emerging global business environment. Present theory is even less capable of explaining coherently the way that modern business is governed. What is needed is a vibrant alternative way to ensure that power is exercised, over every type and form of corporate entity and strategic alliance around the world, in a way that ensures both effective performance and appropriate social accountability and responsibility. Unfortunately, the most likely driver of further rigorous development in corporate governance is likely to be the next round of alleged board level excesses and corporate collapses, whatever the causes.

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## Appendix

The seminal works on corporate governance selected for The History of Management Thought Series on *Corporate Governance*; Ashcroft Publishing, Gower House, Croft Road, Aldershot, UK GU11 3HR, 2000. This paper has been adapted from the editor's introduction.

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