FUNDAMENTALS OF CORPORATE GOVERNANCE

By Thomas Clarke and Marie dela Rama

SAGE Publications (2008) London; Thousand Oaks CA.

ISBN: 978-1-4129-3589-0

Website: http://www.ccg.uts.edu.au

THE FUNDAMENTAL DIMENSIONS AND DILEMMAS OF CORPORATE GOVERNANCE

Introduction

As the scale and activity of corporations has increased immeasurably, the governance of these entities has assumed considerable importance. Business corporations have an enduring impact upon societies and economies, and "how corporations are *governed* - their ownership and control, the objectives they pursue, the rights they respect, the responsibilities they recognize, and how they distribute the value they create – has become a matter of the greatest significance, not simply for their directors and shareholders, but for the wider communities they serve" (Clarke and dela Rama 2006:xix). These concerns originated with industrial capitalism, but have become accentuated with the extensive internationalization of corporate activity in recent decades, the global deregulation of financial markets, and a growing awareness of the damaging economic and social consequences when corporate governance failures occur.

Corporate governance has competing definitions, but in Margaret Blair's estimation encompasses the "the whole set of legal, cultural, and institutional arrangements that

determine what publicly traded corporations can do, who controls them, how that control is exercised, and how the risks and returns from the activities they undertake are allocated" (1995:3). These expansive dimensions of corporate governance were narrowly translated in recent decades with the increasing ascendancy of financial markets and intellectual domination of agency theory into an almost obsessive concern for the problems of accountability and control involved in the dispersal of ownership of large listed corporations, and a rigid focus on the mechanisms that orientate managers towards delivering shareholder value (Dore 2000; Froud et al 2000; Davis 2005).

The insistent focus of corporate governance on boards, CEOs and shareholders – oriented almost obsessively towards financial markets has not served the discipline well. This approach not only narrows the dimensions of corporate governance to a restricted set of interests, as a result it has a very limited view of the dilemmas involved in corporate governance (Jurgens et al 2000; Aguilera and Cuervo-Cazurra 2004; Deakin 2005). There are competing corporate governance systems in the market based Anglo-American system; the European relationship based system; and the relationship based system of the Asia Pacific (Clarke 2007). This diversity of corporate governance systems is based on historical cultural and institutional differences that involve different approaches to the values and objectives of business activity. Furthermore the OECD business advisory group stressed the importance of strategic choice in the determination of governance systems "Entrepreneurs, investors and corporations need the flexibility to craft governance arrangements that are responsive to unique business contexts so that corporations can respond to incessant changes in technologies, competition, optimal firm

organization and vertical networking patterns…To obtain governance diversity, economic regulations, stock exchange rules and corporate law should support a range of ownership and governance forms" (1998:4). (This injunction was subsequently forgotten by the OECD and other international agencies in their insistence in implying the Anglo-American model as the only reasonable way forward for other countries and regions to adopt).

Superiority of any one system of governance cannot be accepted in this way (O'Sullivan 2001; Lane 2004; Clarke 2007). Confidence and trust in the Anglo-American system after the market crashes of 1987 and 2001 cannot be assumed, even if the recovery was quicker than expected (Lorsch 2005). Essentially the US economy was resuscitated by trillions of dollars of cheap debt which in turn caused an unsustainable housing boom, the unwinding of which presents a serious threat to international debt markets, and the hedge funds that thrive on highly leveraged debt, and who have often imposed it upon business. There is a deep historical tendency in the Anglo-American model to instability and inequity (Galbraith 1993; MacAvoy and Millstein 2004) and a certain inappropriateness in the rapid adoption of this model in other regimes (Mitchell 2001; Oman et al 2005; McClintick 2006; Clarke and dela Rama 2006)

The selected readings in this work are intended to demonstrate the wider dimensions and dilemmas of governance and the richness of different interpretations. *Volume I* examines the operation of the different institutions of ownership and control; *Volume II* investigates the work of company boards and directors; *Volume III* delves deeper into executive roles

and performance; finally *Volume IV* explores the wider issues of corporate stakeholders and business sustainability.

OWNERSHIP AND CONTROL

The Dimensions of Corporate Governance

The competing ideologies and institutional structures that contest the corporate governance space are introduced by Bob Tricker (2008), one of the pioneers in this field. Historically property rights, managerialist, corporatist, stakeholder and other conceptions of the understanding of the corporation, its essential structure and mechanisms, and its proper role in the economy and society have wielded influence at different times. Tricker advances a wide perspective: “The modern enterprise, in reality, is itself loosely bonded and involves complex and interacting networks of relationships. It is better perceived as a set of dynamic open systems – coalitions of interests between parties…Looking ahead the one thing that seems certain is that the existing diversity and complexity of forms of corporate enterprise will continue and, very probably, increase. Alternative paradigms of corporate governance will be needed to improve the effectiveness of governance, to influence the healthy development of corporate regulation, and to understand the reality of the political processes by which companies are governed rather than the structures and mechanisms through which governance is exercised.”

As interest in understanding corporate governance has grown, the question of how this relates to the institutions and practices of public and global governance has arisen: while large corporations are becoming increasingly significant as they operate on a

multinational basis, public organizations remain influential in many national sectors, and the role of global institutions has become more critical both for regulation and coordination of the world economy. Apreda (2008) provides a unifying view of governance as a distinctive field of learning and practice identifying interlinked themes that arise from corporate, public and global governance, and identifies the core of governance in all three domains as:

i. a founding constitution
ii. a system of rights and duties;
iii. mechanisms for accountability and transparency;
iv. monitoring and performance measures;
v. stakeholder rights;
vi. good governance standards;
vii. independent gatekeepers.

Returning to specifically corporate governance, Cadbury (2008a) reminds us of the ethical dimension of corporate values and activity: that firms exist not just for the profit of their immediate owners, but to fulfill a wider social responsibility. The boundaries of what constitutes corporate governance are greatly extended by Turnbull (2008) from the narrow Anglo-American focus on market oriented publicly traded firms. He claims, "corporate governance includes all types of firms whether or not they are formed under civil or common law, owned by the government, institutions or individuals, privately or publicly traded." Agency theory is almost entirely concerned with listed companies with unitary boards operating in market systems. However Turnbull illustrates how the great

majority of companies in most economies are not listed on stock exchanges, have compound boards representing diverse shareholder and other stakeholder interests, and have an attenuated relationship to the market. Thus the traditional market based theory of the firm "becomes less relevant when economic transactions are mediated by cultural priorities; business related associations, trade, vocational, family, social and political networks."

In this context the finance model of the firm in which the central problem of corporate governance is how to construct rules and incentives to align the behaviour of managers with the interests of owners, needs to be supplemented with other models of corporate control including the stewardship, stakeholder, and political models applying not simply financial analysis but a cultural and power analysis among other perspectives. For example, from a cultural perspective business dealings rather than conducted on the basis of purely rational-legal financial considerations, "transactions are conducted on the basis of mutual trust and confidence sustained by stable , preferential, particularistic, mutually obligated, and legally non-enforceable relationships. They may be kept together either by value consensus or resource dependency – that is through 'culture' and 'community' – or through dominant units imposing dependence on others" (Hollingsworth et al 1994:6). The impressive extent to which principles of robust governance and accountability have been diffused around the world and institutionalized in national codes revealed by Enrione et al (2008), is not matched by confidence that corporate behaviour has changed to the same degree (Aguilera and Cuervo-Cazurra 2004).

The Separation of Ownership and Control in the United States

The fundamental assumption of a universal separation of ownership and control upon which agency theory rests is open to challenge not only in the rest of the world where majority ownership remains deeply embedded, but even in the United States which is portrayed as the archetype of the market based corporate governance system (La Porta et al 1999). Zeitlin (2008) offered an early critique of managerialist theories which proposed the separation of ownership and control meant professional managers had effectively displaced capitalist owners in the running of large corporations. The belief in the disappearance of the control by proprietary interests of the largest corporations is questioned by the patterns of ownership holdings within and between corporations; the extent of interlocking directorships; the connections with banks and other financial institutions, and who owns these; and the wider networks of ownership and influence.

In fact large-block shareholders may possess the influence and expertise to effectively capture property rights and gain control of firms, giving them benefits and rights which are disproportionate to their ownership stakes. A contingency theory of corporate governance is proposed by Kang and Sorensen (2008) where the effect of ownership structure on firm performance is contingent on the fit between owner types and the industry market context, depending on the power relations between organizational participants in relationships that cannot simply be defined in contractual terms. Defining a controlling shareholder as owning 10% of the voting shares of a corporation directly or through a chain of other shareholdings, Gadhoum et al (2008) reach the startling

conclusion that 59% of listed US corporations have a controlling shareholder, a higher incidence than Japan, and 36% of US corporations are controlled by a family, similar to Germany, and higher than in Japan, France or the UK. Finally 24% of US corporations are controlled and managed by a family, similar to East Asia. Therefore they suggest the principal consequences of strong shareholder protection in the US may be less to prevent professional managers from exploiting dispersed shareholders, than to prevent controlling shareholders from exploiting minority shareholders. The entire focus of agency theory on problems of monitoring management free riding and asymmetric information, may help to explain the limited success of successive interventions aimed at managers, when controlling shareholders often represent a greater threat of the expropriation of other interests.

The Separation of Ownership and Control around the World

The concentration of ownership in the rest of the world is very apparent, and there is significantly less evidence of any separation of ownership and control. Claessens et al (2008) extend the analysis of La Porta et al (1999) in a detailed study of the concentration of ownership and control of 2,980 publicly traded companies in nine East Asian countries. What is revealed is an extensive pattern of control enhanced by pyramid structures, cross holdings among firms, and voting rights exceeding formal ownership share. The concentration of voting rights is critical to the governance of companies since it allows determination of dividend policies, investment projects, executive appointments, and other business strategies. More than two-thirds of firms are controlled by a single shareholder, and the top management of 60% of firms are related to the family of the

controlling shareholder. Owners and managers may be different people, but they are not separated. A significant share of national corporate assets is possessed by a small number of families, with 16.6% of all assets in Indonesia, and 17.1% of assets in the Philippines traced to the ultimate control of a single family. In Indonesia, the Philippines, and Thailand ten families control half of all corporate assets; and in Hong Kong and Korea they control a third of all corporate assets. This concentration of wealth represents a formidable barrier to the evolution of the legal and institutional reforms of corporate governance and economic activity.

Though there are many widely held companies in Western Europe, an analysis of ownership structure and the means by which owners gain control rights in excess of their ownership rights by Faccio and Lang (2008) demonstrate that ownership concentration is more extensive. Widely held firms form 36.93% of the listed market in Western Europe, while family controlled firms are 44.29% of the market. Devices to intensify control are widespread including the use of multiple classes of shares, pyramidal ownership structures, multiple control chains, and cross-holdings. The recent growth of equity markets in Europe, and the related increase in the market for corporate control, might unsettle this pattern of consolidated ownership to a degree in future, but the concentrated pattern of ownership and control is so integral to the economies and societies of Europe it is likely to change slowly. Substantial evidence of a serious movement in the opposite direction exists in the post-Soviet experience in Russia, with the redistribution of vast state owned industries such as oil and gas into very few private hands. Guriev and Rachinsky (2008) examine how a small number of oligarchs control a substantial part of

the Russian economy. The industrial oligarchs are often considered as the only effective counter-weight to a predatory state bureaucracy, though are also seen as stripping the wealth from Russian firms to send overseas, in the process undermining any belief in the viability of a market economy. The oligarchs have contributed to making post-Soviet Russia one of the most inequitable of the developed nations, with the richest ten oligarch families owning 60% of Russia's stock market.

Family Ownership

The high incidence of family ownership would not be so universal however, if family owned firms did not enjoy some distinct and enduring competitive and operational advantages. Historically family controlled firms have often been associated with nepotism, minority shareholder expropriation, inefficient risk-bearing, and under-investment (Fama and Jensen 1983). Recently there has been more recognition of family firms unique capacity to accumulate and utilize assets, which accounts for their ubiquity in developing countries where they are often regarded as the engines of the economy (Whyte 1996). Carney (2008) attempts to go beyond this, arguing that organizational value-creating attributes are embedded in the firm's system of corporate governance in which specific incentives, authority structures, and norms of accountability generate particular capabilities. The vast majority of family enterprises remain small and appear best equipped for trading, franchising, and small-scale manufacturing, demonstrating parsimony and efficiency advantages in certain industries. Assessment of the economic impact of family firms needs to balance their capacity to substitute for numerous

institutional voids especially in developing economies, with their potential to restrain the development of other forms of social and institutional capital.

Institutional Investors: Reuniting Ownership and Control

In recent times in advanced market economies there has emerged an even greater force for reuniting ownership and control in the rapid and immense growth of the institutional investors. A transformation has occurred in the ownership of corporate equity with individual investors replaced by pension funds, insurance companies and mutual funds. In the US individuals still held 75% of corporate stock in the early 1970s, but by 2000 institutional owners held 60% of the stock in the largest 1,000 firms. Hawley and Williams (2008) consider how institutional managers have become the fiduciaries of the ultimate beneficiaries, with holdings so diversified that they care not just about the governance and performance of individual companies but about the performance of the economy as a whole. Institutions consider both portfolio-wide issues and economy-wide issues in order to maximize their wealth in the long term, and will increasingly look at events and actions not in isolation, but in terms of the effects that may lead to long term benefits. Inevitably this involves institutions having a regard for wider social, economic and environmental issues that will impact upon financial returns in the long run, extending their fiduciary duties in the process.

The role of institutions is growing in all the advanced industrial countries as their share of corporate equity increases. Davis (2008) assesses the relation between the growth of institutions, equity finance, corporate governance and performance. These relationships

may be more salient in market oriented Anglo-Saxon economies, but the influence of the institutional investors is increasing in Europe and Japan. The growing dominance of equity holdings by institutional investors in Anglo-Saxon countries means the direct influence of the institutions is replacing the previous dependence on the takeover mechanism to discipline managers. Securing improvements in corporate governance may boost the share price and performance of companies the institutions invest in, but also have beneficial consequences at the macro-economic level as managers of all firms alter their behaviour in response to the new business environment. While institutional returns have undoubtedly benefited from this new regime of increased dividend distributions, less fixed investments and higher productivity growth in the corporate sector, questions could be posed whether these strategies are allowing sufficient investment for innovation and future business growth (Lazonick 2007).

However when analyzing the impact of investor activism, it is important to distinguish the contrasting investment strategies of different types of institutional investor: though often aggregated together the pension funds, insurance companies, and mutual funds have different characteristics and objectives (and of course hedge funds and other investment vehicles have markedly different strategies again) (Clarke 2007). Ryan and Schneider (2008) distinguish a range of institutional activism from cooperative to hostile, and suggest various characteristics that may influence the propensity to activism including the size of the fund, investment time horizon, performance expectations, sensitivity to business relationships, the size of holding, and commitment to active or passive investing. As a former CEO of a large mutual fund, Bogle (2008) witnessed what he

defines as the ascendancy of capitalism that benefits managers at the expense of owners in the late 20th century, and issues a clarion call for greater institutional investor activism. Beyond the legislative and regulatory interventions that were introduced after the Enron debacle, Bogle looks for a change in the orientation of corporate management in the US towards active corporate citizenship, more independent boards, aligning executive stock options with long term performance, more transparent accountability, and a greater sense of fiduciary duty. This growing sentiment for a re-awakened institutional activism represents a real challenge to corporate boards and directors to attend more adequately to their governance responsibilities.

BOARDS AND DIRECTORS

The Contest for Control: Boards and Directors

The board of directors is the epicentre of corporate governance, the arena in which all of the mechanisms of governance are required to respond to market signals and institutional pressures in order to secure the commercial viability and accountability of the business. The evident fact that boards of directors often do not live up to these great expectations is one of the continuing dilemmas of corporate governance. Whenever a major corporation fails, the first resounding question is ‘Where was the board?’ The disappointing answer is that if the board of directors were not asleep at the wheel, they certainly did not demonstrate the strategic alertness or fiduciary commitment that ostensibly they were there to provide (Clarke 2007).

All boards necessarily are based on creative tension, exhibiting the capacity to question and challenge, as well as to support and sustain. Frequently the greatest source of tension is between what the board of directors believe is their legitimate desire to exercise ultimate control of the company, and management's determination to retain what they define as the necessary level of operational control of the business (Demb and Neubauer1992; Carter and Lorsch 2004; Useem. and Zelleke 2006). Usually this tension is interpreted through an agency perspective of the need to discipline managers to deliver value to shareholders involving:

" ..The agency conflicts among the different agents related to the firm and the effectiveness of the internal and external control mechanisms in inducing managerial value enhancing actions. These controls traditionally have been classified as internal or external. Internal controls principally include the board of directors and mutual monitoring among managers (Fama, 1980; Fama and Jensen, 1983), the direct managerial share ownership (Jensen and Meckling, 1976), the use of variable manager's remuneration schemes (Murphy, 1985), the supervisory role played by the large shareholders (Demsetz and Lehn, 1985) and the use of debt financing (Jensen, 1986). External controls are exerted by the market for corporate control (Grossman and Hart, 1980), the managerial labour market (Fama, 1980) and the product market (Hart, 1983) (Fernandez and Arrondo 2008: 53).

The outcome of this tension is generally believed to be that though the board does have formal power over management, in practice management dominates the board. Mizruchi

(2008) offers a different view insisting the board of directors remains the ultimate centre of control. The degree of control may vary depending on the relative performance of the firm, as boards tend to become more involved at times of crisis. Board members may not be involved with the day to day management, or have a close interest in the more technical aspects of the company, however they possess 'bottom line control' in setting a framework within management must operate, and in retaining the power to hire and fire the chief executive if management does not perform accordingly. (Indeed in recent decades the average tenure of CEOs of US corporations has fallen dramatically). Weir et al (2008) identify the external as well as internal governance mechanisms that may discipline management, highlighting the continuing impact of the market for corporate control as a disciplinary mechanism, and insisting the relationship between governance mechanisms and company performance is a complex one, calling for more flexibility in the development of company specific governance structures appropriate for companies at different stages in their life-cycle, and operating in different markets.

The growing number of shareholder proposals to company annual meetings represents a further resilient disciplining force upon both boards and management. Loring and Taylor (2008) illustrate how institutional investors have enjoyed increasing success in impressing their views through the proxy process on issues such as executive compensation and poison pills. Finally Fernandez and Arrondo (2008) emphasise the existence of multiple alternatives of control arguing the composition and impact of the board is influenced by the intensity of the control provided by other mechanisms

including the incentive effects of managerial stock ownership, and the supervision exercised by large shareholders.

A further dimension of board/management relations is revealed by Baysinger and Hoskisson (2008) who investigate how board composition and governance orientation may influence the strategic decision-making process and strategic outcomes in large corporations. Strategic effectiveness involves achieving an alignment between control strategies and the strategic context of the firm. Business strategies involving substantial risk require internal controls that are rich in information, and involve open and subjective corporate relations. In contrast lower risk strategies can be managed using more formal and objective controls. For example Hoskisson and Hitt (1988) found reliance on formal financial controls and incentives is negatively associated with the extent of research and development intensity. While outsider dominated boards may be appropriate in larger, diversified corporations, it is possible more insider based boards are appropriate for small R & D intensive firms.

Stiles and Taylor (2008) examine further the board's role in strategic decision-making. The board's role is not to formulate strategy, but to set the context for strategic thinking, and to review management's strategic proposals, changing these if necessary. This central role attributed to the board in the strategic process is contrary to the managerialist view of the passivity of the board: " First, the board is the ultimate arbiter of what constitutes the focus of the company ('what business are we in?', 'what areas should we go into?') Secondly, through selective screening and confidence building, the capacity for

innovation and entrepreneurship can be regulated. Thirdly, through constant examination of the business definition and corporate strategy, the commitment to certain strategies or business sectors may be questioned and so boards may be instrumental in breaking organizational habits and forcing change..” (Stiles and Taylor 103-4).

Maintaining Balance: The Role of the Chair

If the board is to exercise a strategic role and to provide accountability, the position of chairman of the board assumes greater significance. In the US this role was often combined with the CEOs job constituting a duality in which the CEO not only runs the company, but guides the board through its governance responsibilities. In the UK, Europe and most other jurisdictions (and increasingly in the US) the roles have been separated in large public corporations as together they represent a considerable concentration of power. This division of responsibilities permits a balance of power and authority, ensuring no individual has unfettered decision-making power. Cadbury (2008b) in his leadership of the UK Committee on the Financial Aspects of Corporate Governance (1992) was instrumental in encouraging this separation of powers internationally, as other countries adopted similar codes of corporate governance.

The division of powers is normally that the chairman is responsible for the board and all of its duties, and the chief executive is responsible for the running of the company. However this clear delineation of roles may often be less clear in practice, and depends on the relationship of the two individuals, and their relationship with the rest of the board. Coles and Hesterly (2008) explore further the effects of different governance

arrangements at board level, examining leadership structure and the influence of outside directors: the independence of the chairman is a determinant of how the market views the actions of the company (in this instance the acceptability of the adoption of poison pill defenses), and if the chairman is not independent, then the monitoring and control function of outside directors becomes more critical.

The Struggle for Independence: Non-Executive Directors

Independent directors are increasingly seen as central to the reform of corporate governance, and codes of practice increasingly suggest there should be a majority of independent directors on the boards of listed companies. The emphasis on the independence of directors as the apparent priority over other considerations is often criticized by business leaders. Matolcsy et al (2008) indicate that companies investing in growth involving research and development and intangibles not always recognized on the balance sheet do benefit from have a greater proportion of independent directors on their boards. Actual board effectiveness depends on the behavioural dynamics of the board, Roberts et al (2008) suggest, that is how the interpersonal relationships between executive and non-executive directors develops in a company context. Non-executives both support executives and monitor their conduct, challenging and questioning, and drawing on their experience in support of executive performance. In this way non-executives maintain their confidence in the performance of the company, the development of strategy, and the adequacy of reporting and risk assessment.

Finally the *Harvard Law Review* (2008) proposes a resolution of the incipient development of a structural divide between 'independent' and 'non-independent' directors, that rather than independence being the lonely province of outside directors, that independence as a norm should encompass all directors. A functional conception of director independence that balances the normative goals of independence-based reforms with the behavioural constraints faced by modern boards is suggested. The existing models of independence including the disinterested outsider, objective monitor, and unaffiliated professional require rethinking to extend to the collective efforts of every director the commitment to clear accountability and informational transparency.

Devolving Power: Nomination and Succession Committees

Large listed companies have developed nomination and succession committees to identify new directors. However the most important succession in any company, and often the least planned, is that of the chief executive. Despite decades of governance reform the preparedness with which companies embark on the search and selection of their new CEO is often minimal. Guthrie and Datta (2008) provide examine the organizational factors that influence the desirability of the type of experience that a new CEO will bring to the job, and highlight firm profitability, size and advertising intensity as key. Directors will affirm the status-quo when profitability indices are good, conversely when profitability is falling, internal candidates will be seen as part of the problem, rather than likely to offer a solution, whereas outsiders will be perceived as offering a fresh perspective. Size is associated with organizational complexity, which heightens the need for organizational familiarity, and may mean a larger pool of talent

from which to identify a successor. Finally the advertising and promotional expenditure of the company is associated with succession falling to managers with higher skills from different functional and industrial backgrounds. With regard to replenishing the board, Ruigrok et al (2008) explain how nomination committees are now entrusted with identifying and proposing new board members that will raise boards capability and independence, though to a lesser degree board diversity.

Evaluating Executives: The Remuneration Committee

The most serious dilemma in contemporary corporate governance is undoubtedly the explosion in the remuneration of CEOs of large US corporations over the last two decades, apparently unrelated to performance, and the influence this is having on levels of CEO reward internationally. Remuneration committees of the board of directors were intended to deal with this problem. Conyon and Peck (2008) review the impact of having remuneration committees composed entirely of non-executive directors on executive reward in the UK, and conclude that there is little evidence of this resulting in a downward revision of the level of management pay. However an independent remuneration committee is associated with achieving a closer alignment of management pay and corporate performance.

Investors often view executive compensation arrangements as a window on the overall quality of the governance of corporations, and attach great importance to the independence of the members of compensation committees of public companies. Wood (2008) elaborates the evolution of independence requirements of different regulators in

the US including the SEC, NYSE and NASDAQ, raising the bar of what constitutes independence, and removing the protection of the business judgment rule protection for directors who fail to confirm the actions they approve are in the best interests of the company. The former chairman of the International Corporate Governance Network of institutional investors Alistair Ross Goobey (2008) is skeptical about the restraining influence of the current reforms of executive compensation in the face of the scale of the problem, and the potential impact of the US levels of reward: "The difference between U.S. and U.K. levels of remuneration became especially pronounced in 1997, a year in which the top executives of the largest 500 UK companies earned a total of $500 million, and Disney's Michael Eisner exercised options worth $576 million and was awarded another 24 million options with an estimated 'worth' at issue of more than $200 million." He concludes soberly the best that can be hoped for is that greater transparency, better analysis, and more shareholder monitoring may make it less possible for poorly structured remuneration packages to be approved.

Better metrics are essential if executive reward is to be gauged more rigorously, to provide better information to measure and manage corporate and executive performance. However accounting based measures such as earnings and return on investment measure only one aspect of performance, and it is possible to manipulate more easily single performance indicators than a broader set of metrics offering a greater strategic assessment of the direction a company is traveling. Epstein and Roy (2008) offer a more balanced business scorecard developing governance sophistication in the evaluation of the performance of boards and CEOs around critical dimensions of long term corporate

performance including finance, strategy, customer relations, risk management, operations, human resources, ethics and innovation.

Internal Control: The Audit Committee

Audit committees are considered another bastion of governance establishing a link between the external auditor and the board, reducing the risk of illegal activity and preventing fraudulent financial reporting. However the effectiveness of corporate auditing is open to question (Clarke and Dean 2007). Spira (2008) suggests there is little evidence that audit committees will protect auditor independence and lead to improved financial reporting, rather they tend to serve a ceremonial function providing an external symbol of legitimacy. Turley and Zaman (2008) also question the evidence of a link between audit committees and financial reporting quality, commenting that though there are a number of potential impacts on aspects of internal control, internal audit and risk management, there is little understanding of how these impacts are achieved. More needs to be known about the complex environment in which audit committees operate, and their interaction with other parties including executive management and external auditors. Finally Vera-Muñoz (2008) examines the effectiveness of audit committees in a highly charged corporate governance environment where there are high expectations of their capacity to protect investors' interests.

EXECUTIVES AND PERFORMANCE

Attention has been focused upon the importance of the role of corporate executives since Berle and Means first elaborated their thesis of the separation of ownership and control early in the 20th century. Successive commentators acknowledged the key importance of the new technocratic management in control of the modern corporation (Bell 1961; Galbraith 1968) and chronicled the ascendancy of managerial capitalism commencing in American business (Chandler 1977). The public prominence of business executives developed as the 20th century progressed, but it was only in the final decades of the century that the CEO, particularly in the largest US corporations, became such an imperial figure. CEOs have become increasingly responsible for defining and projecting the objectives of corporations, and as a consequence have claimed an increasing share of rewards and recognition (Boyer 2005). In turn, most dramatically at times of corporate failure, CEO power, performance and compensation have become subject to intense public scrutiny.

Agency Dilemmas

The new found prominence of corporate executives from the 1970s coincided with the advance of agency theory. Fama (2008) extends the view of the firm as a set of contracts among factors of production elaborated by Alchian and Demsetz (1972) and Jensen and Meckling (1976), recognizing the separation of ownership and control, treating risk bearing and management as separate factors within the set of firm contracts. The firm is disciplined by competition from other firms, which forces the evolution of devices for monitoring the performance of management. A succession of devices have been recommended by agency theorists for the effective monitoring of management, most

notably the discipline of the capital market with leveraged takeovers, and the introduction of stock options to align executive interests with shareholders, both of which largely achieved the opposite of their intended effect.

A more recent hope has been that institutional investors might effectively monitor the performance of the largest corporations in which they have become the majority shareholders. Coffee (2008) pours cold water on this aspiration "the famous generalization of Berle and Means that the modern public corporation produced the separation of ownership and control can be translated into the deeper and more accurate statement that the public shareholders in the modern corporation purchased liquidity at the cost of control." He sees unstable and shifting coalitions among the institutional investors themselves and between majority shareholders and the management. However he recognizes some institutional investors may prove more effective in the monitoring role: institutions with large equity stakes prepared to hold over the longer term and without substantial conflicts of interest.

The Enron implosion and associated large corporate collapses in the US in 2001/2, if evidence of the worst fears of agency theorists, was emblematic of the failure of agency theory to find any solution to market and incentive systems that encouraged the rampant self-interest of executives. Arnold and de Lange illustrate how Enron's executives circumvented the mechanisms supposed to discipline them, and how the market ignored the risks Enron was taking, analysts and investors preferring to believe the rampant optimism of Enron's pronouncements. Replacing the arrogant management culture of

Enron, some have called for a different approach to corporate a governance. The traditional forms of corporate governance based on assumptions of hierarchy and bureaucracy have to come to terms with new forms of business enterprise in which there are multiple agency dilemmas, in more flexible businesses based on networks and alliances argue Child and Rodrigues (2008). In these new forms of enterprise a democratization of rights and voice is required, with more inclusive and transparent systems of control, and mutual monitoring to promote trust. It should not be left to the bravery of individual whistleblowers as in the case of Enron and WorldCom to reveal corporate malfeasance, effective systems are necessary to give earlier warning than this.

Firm Performance

In the context of corporate failure the focus of corporate governance is upon accountability, however another critical dimension of corporate governance is how this might contribute to firm performance. The relationship between corporate governance and performance is complex, and researchers have struggled with multiple variables, and often been disappointed in searching for a 'governance effect' in share price behaviour following changes in the composition of company boards or takeover defenses (Gugler 2001; Clarke 2007:119). The balance of recent longitudinal studies in the US demonstrates high governance risk correlates with lower performance, and robust governance is associated with more sustained performance (Gompers et al 2003). In Europe and Asia companies with higher standards of governance were discovered to have higher performance in large samples of companies (Drobetz et al 2004; Bauer and Guenster 2003; Gill 2001). One of the more difficult things in assessing the influence of

corporate governance upon firm performance is to take into account the impact of changes in the market: at times of rapid expansion many companies will perform well, in times of recession most companies will find it more difficult to perform. In economic theory at least, boards and executives are rewarded on how well they interpret and respond to market changes, however in practice – particularly at times of great volatility – it is often more likely the momentum of the market simply carries executives and their companies along.

Examining the governance of state enterprises, Bozec (2008) finds that market competition is positively related to firm profitability and productivity, and that it is in competitive environments that boards most effectively contribute to performance. Certo et al (2008) investigate the contribution of top management teams to firm performance, addressing the debate between those who maintain the influence of the composition of the top management is fundamental to firm performance, and those who insist the market environment shapes firm performance and the influence of executives is tenuous. Certo et al find that top management teams can provide more information processing capacity, and greater functional heterogeneity which contribute to firm performance. However strategic variables that impacted on the relationship between executives and performance included diversification, research and development expenditure, and internationalization: a top executive team composition was required to be able to cope with the complexity of these strategic choices.

Executive Compensation I: Central Concerns

Accepting the complex demands of the executive role in large corporations, does not necessarily justify the extraordinarily large reward packages that American CEOs now claim. As Elhagrasey et al (2008) insist, “It is difficult to imagine how the highly publicized eight-digit compensation figures for some top corporate executives can serve shareholder interests or could be derived from rational compensation schemes. Some form of CEO influence seems obvious, and seems to be overcoming efforts by the SEC, state governments, institutional investors, and other interest groups to regulate compensation.”

Elhagrasey et al explain unrestrained CEO pay as a result of CEO power over boards of directors, including CEO use of cooptation, outside experts, remuneration committees, and the selective use of criteria to control the compensation process and rationalize and legitimize their compensation.

Matsumura and Shin (2008) examine the intended and unintended consequences of widely proposed executive compensation reforms including greater independence for compensation committees; requiring executives to hold equity in the corporation; greater disclosure of executive compensation; increased institutional investor involvement; and requiring firms to expense stock options. They conclude that whatever remedies these proposals might offer given the intrinsic limitations of regulatory actions intended to discipline executive pay, what is required is a stronger ethical framework which redefines corporate objectives and takes account of the interests of a broader group of stakeholders. Conyon (2008) analyses the development of executive pay in the United States, in the context of the debate between the agency model which suggests shareholders (through

the compensation committee of the board) design executive pay contracts using stock options, restricted stock and long-term incentives to motivate CEOs to maximize firm value; and the managerial power view which proposes that the CEO and board agree compensation contracts not in shareholders interests, but to maximize CEO reward. Conyon highlights the correlation between CEO pay and firm size, stressing that “The notion that *all* CEOs receive stratospheric sums is incorrect.” The distribution of CEO compensation is a relatively few CEOs of larger companies earning vast sums, with the great majority of CEOs in small enterprises earning more modest amounts. While there are a number of explanations for the growth of executive compensation including greater risk and incentives, shifts in the managerial labour market; changes in board compensation practices; shifts in corporate strategy, technology and the business environment; misconceptions about the cost and value of options; as well as managerial control of the compensation process; it is hard to escape the conclusion that executive compensation is part of the problem rather than a solution to corporate governance dilemmas.

Executive Compensation II: Current Controversies

From the 1980s onwards the largest part of executive remuneration in the US has been in stock options, meaning the level of executive reward is essentially determined by stock prices. Frey and Osterloh (2008) explore the unfortunate implications of this in managements’ inclinations to manipulate short term profitability to spike share prices and seize exorbitant rewards. In attacking the extreme inequity that has crept into the American corporation in the increasingly huge disparity of rewards between CEOs and

average wages, they conceptualize the corporation as a common pool of firm-specific resources rather than a nexus of individual contracts, characterized by a high degree of complex interdependencies citing Simon (1991:33): "In general, the greater the interdependence among various members of the organization, the more difficult it is to measure their separate contributions to the achievement of organizational goals. But of course, intense interdependence is precisely what makes it advantageous to organize people instead of depending wholly on market transactions." Frey and Osterloh argue that high-powered executive incentive systems aggravate the problems in the corporate sector encouraging dysfunctional behaviour and ultimately damaging the firm.

Bebchuk and Fried (2008) agree that managerial influence over compensation schemes have weakened managers' incentives to increase firm value, and created incentives to engage in actions that reduce long-term value. They argue that flawed compensation schemes are widespread, persistent and systemic in the US and stem from defects in the underlying governance structures, and call for structural reforms in the allocation of power between boards and shareholders. Continuing with this theme, Bebchuk and Jackson (2008) focus on opaqueness in the construction of executive pension schemes which lead to distortions of the magnitude and make-up of total pay, calling for greater disclosure on an annual basis of the monetary value of executive pension entitlements. Pension plans can represent a substantial part of executive total compensation, and the concealment of large elements of these may undermine any effort to link reward to performance.

CEO Power

In political models of the firm the interests and beliefs of a dominant coalition preside with CEOs exercising formal authority and informal power (Pfeffer 1992; Cyert and March 1963). Ocasio (2008) examines the political dynamics of the executive control over the firm's coalition reflected in the ability of CEOs to retain their positions, putting forward the thesis that contesting coalitions are more likely to emerge during periods of poor performance. This model of power builds upon theories of the circulation of elites developed by Pareto and Michels, introduced to organizational analysis by Selznick (1957). The concept of a circulation of power indicates the impermanence and contestation of executive control over the corporation, contrasting with the theory of institutionalization, which emphasizes the power of CEOs to entrench themselves, providing two views of the capacity of CEOs to maintain cohesive coalitions providing a stable basis for the exercise of power.

In different cultures the evident power of the CEO may not be so great, for example in Japan the CEO apparently is not as prominent as in Western companies, however this is not to suggest Japanese CEOs have little power, only that there are differences in how Japanese CEOs acquire and exercise power. Slow promotion and job rotation provides Japanese managers with the opportunity to acquire expert influence and build extensive networks. Bird (2008) recounts how successive promotions legitimate the exercise of power, and CEO power is moderated by factors that influence the extent of legitimacy accorded both the individual and the office. Bigley and Wiersma (2008) assess the factors influencing whether newly appointed CEOs strategic orientation leads them to use their

power to maintain the status quo or refocus the firm business portfolios. Finally Adams et al (2008) discover that firm performance becomes more variable as decision-making power becomes more concentrated in the hands of the CEO, compared to firms in which decisions are a product of executive consensus.

STAKEHOLDERS AND SUSTAINABILITY

A powerful countervailing influence to imperial CEOs is the increasing activity of other stakeholders and the new imperative of sustainability. A renewed force for stakeholder engagement has developed led by the institutional investors. The dilemma yet to be resolved is whether the institutional investors are able to translate their success in pressing for better returns for their investments (Brancato 1997; Davis 2001), into a wider campaign for greater corporate social and environmental responsibility (Davis 2006). The UNEP Financial Initiative (2004) is indicative of a new commitment to socially responsible investing, which is resonating in the corporate sector (World Business Council for Sustainable Development 2004; World Economic Forum 2005; Sullivan and Mackenzie 2006). This is creating a business context in which corporations are demonstrating greater commitment in the exercise and measurement of corporate social responsibility (Allouche 2006; Hennigfield 2006). A more active stakeholder involvement has the potential to contribute to redefining corporate values, activities and objectives (Post 2002; Welford 2002).

The Engagement of Institutional Investors

A new era of institutional investor engagement is anticipated by Clark and Hebb (2008) bringing together underlying currents in global pension fund investing. This includes the stimulus from investing in the whole market index meaning that funds cannot exit, and therefore must find a voice in the firms they invest in; the collaboration with the wider corporate governance movement to secure greater corporate transparency and accountability; the growing impact of the socially responsible investment movement; and the internationalization of social, environmental and accounting standards. The corporate engagement by institutions potentially can help anchor capital to communities, civilize human resource practices within firms, and encourage compliance with labour and environmental standards. If institutional investors are to play an increasingly influential role in influencing corporate governance, it is inevitable and proper that the institutions' own governance should come under more critical scrutiny. Useem and Mitchell (2008) examine the relationship between the governance structures of pension funds and their investment strategies and investment performance. They find that the way public pension funds are governed has a direct bearing on how they invest their assets, and the investment strategies in turn directly shape financial performance. In the US pension funds are the fastest growing institutional investors and by 1999 held forty two per cent of US corporate equity controlled by institutions. Ryan and Dennis (2008) examine further the ethical undertakings and implications of pension funds activities.

In contrast Clearfield (2008) concentrates attention on the failure of institutional investors to achieve their real potential to exercise governance oversight due to structural factors in the governance of the complex investment value chain. For example the long time horizon involved in many corporate governance initiatives; the different backgrounds, aptitudes and incentives of corporate governance specialists and investment managers; reliance on third party agents; different career paths and competition for performance compensation. Greater alignment of governance and investment policies, incentives and commitments would lead to better corporate governance outcomes and portfolio returns. Hebb (2008) offers hope that the renewed pension fund insistence upon increased transparency not only will align managers and owners more effectively, but allow other stakeholders to engage the corporation over their concerns, claiming that when organizations are opaque and interests are secret, decision making distorts efficiency and equity.

The Activism of Institutional Investors

The changing pattern of corporate governance activism and influence in Japan is examined by Seki (2008). Traditionally Japanese corporate governance was characterized by cross-shareholdings between banks and client companies organized into conglomerates. The executive boards of the companies, composed of present and former managers were oriented towards the interests of employees, customers and regulators rather than shareholders. While central elements of this pattern of insider governance remain, the changing ownership structure with a larger institutional investor representation, particularly from overseas institutions, has put new pressures on Japanese

boards to deliver shareholder value. The implications of this for the good relationships Japanese companies have enjoyed with other stakeholders and for the value system sustaining this are presently contested.

As the influence of institutional investors extends internationally, the direction of the impact of their activism becomes more critical. Neubaum and Zahra (2008) pursue in greater detail the debate on whether institutional investors are narrowly interested only in maximizing their short term financial performance, or are they capable of a long term perspective and promoting corporate social performance as well as financial performance. Data collected between 1995 and 2000 for Fortune 500 firms show that long term institutional ownership is positively associated with enhanced corporate social performance, and the interaction with long term institutional shareholders has a positive effect on future corporate social performance. Proffitt and Spicer (2008) examining how the agenda of shareholder activism has been shaped in the US on issues such as international human rights and labour standards, suggest that religious groups established the legitimacy of the agenda, and mobilized support of investors. From this debate it may be concluded that while Anglo-American institutional investors may be influential in Asian and European companies in eroding traditional stakeholder relationships in favour of enhancing shareholder value, institutional investors with longer term holdings such as pension funds may have a positive effect on influencing more responsible management within Anglo-American markets, and to a degree in the activity of Anglo-American corporations overseas.

Governance and Employees

The interests of employees are conventionally excluded from discussion of contemporary corporate governance in Anglo-American economies, except as an afterthought when the suggestion is often made that the pursuit of shareholder value will inevitably serve the interests of other stakeholders as value creation requires the engagement of all stakeholders (Blair and Roe 1999). The problematic nature of this assumption is experienced in high relief in countries such as Japan where employees interests have traditionally been foremost in company orientations (Learmont 2002; Jacoby 2004). Takeshi (2008) investigates the implications of the corporate governance reforms in Japan in terms of the movement from a *pluralist model* of corporate governance that the objective of the firm is to realize all stakeholder interests to an *enlightened shareholder value model* to pursue shareholder value by engaging stakeholders in accomplishing this objective. Though Japanese employers insist they remain committed to a *pluralist* approach, there is evidence they are increasingly pursuing *enlightened shareholder value* in eroding the employment seniority system, widening wage differentials, diversifying wages systems, and undermining working conditions.

Blair (2008) takes issue with the property rights view of the firm as a bundle of assets belonging to shareholders and managed by their hired agents. An alternative view of the firm is that the relationships among the people who participate in productive activity are at the heart of the definition of the firm. The *contractarian* view treats the firm as a network of contracts yet focuses almost entirely on the relationship between shareholders and managers (Bradley et al 1999). Blair insists that *contractarian* views need to

recognize multilateral and multidimensional relationships and agreements among individuals are possible only when it is acknowledged that "a corporation is a separate entity, and more than the sum of its parts …something that cannot protect itself through contract, but that needs to be protected by fiduciary duties and corporation law from possible predatory behaviour by any of the parties."

The contrast between the absence of a role for workers in Anglo-American interpretations of corporate governance and the increasing role that workers pension funds have as shareholders is considered by O'Connor (2008), who examines ways of bringing activity around worker's concerns regarding job insecurity and wage inequality and pension fund governance and investment strategies into closer alignment. A different picture of corporate governance in Europe is revealed by Goodijk (2008) who discusses how the Works Council (composed of employees) and Supervisory Board (composed of employee and shareholder representatives) exist and could play a fuller role in strategic decision making in Dutch companies. European managers have in the past been skilled at stakeholder dialogue as the means to achieve the commitment to change and new strategies, however this could be lost if the newer shareholder oriented governance models are uncritically accepted. In the context of the continuing changes in corporate governance in Japan Araki (2008) suggests though the employee-centred governance model is under threat there from successive waves of new shareholder oriented governance reforms, there is evidence that what has occurred so far is a realignment of stakeholder interests within an essentially stakeholder model.

Corporate Social Responsibility

Since the origins of industrial capitalism corporations have wrestled with the dilemma of whether their sole purpose is to generate wealth (narrowly defined as financial profit) or whether corporations have broader obligations to the communities in which they are situated, and from which they derive not only their fundamental resources, but their license to operate. Bridging the divide between corporate governance and corporate social responsibility has proved a great challenge to managers for generations (Benn and Dunphy 2007). Redmond (2008) outlines the new urgency in Australia in the demand for corporate social responsibility (a concept with multiple and competing meanings). O'Rourke (2008) assesses the benefits and limitations of institutional shareholder activity to persuade corporations towards the exercise of greater responsibility. Though such pressure may be increasingly sophisticated as the voting power and knowledge base of the institutional investors develops, such activism is largely devoted to achieving incremental steps towards the adoption of corporate social responsibility rather than some transformative change.

To help clarify the different approaches to corporate social responsibility, Garriga and Mele (2008) attempt a classification of the main theories and related approaches into four groups: *instrumental* theories, in which the corporation is seen as simply an instrument for wealth creation, and its social activities are only a means to achieve economic results; *political* theories, concerned with the power of corporations in society and the responsible use of this power in the political arena; *integrative* theories, concerned with the corporation's responsibility to meet social demands; and *ethical*

theories, based on ethical responsibilities of corporations to society. These theories represent four dimensions of corporate activity related to profits, political performance, social demands and ethical values. How to integrate these four dimensions remains a vital task in resolving the relationship of business and society. Beltratti (2008) takes issue with the failure of the financial sector to appreciate the significance of corporate social responsibility, and the negative externalities inflicted on the economy as a whole by failures in socially responsible business behaviour. Corporate governance and corporate social responsibility may reinforce each other in the search for a vision of the firm as an institution which may create value while having regard for the welfare of stakeholders.

Corporate Sustainability

What is emerging as the most important – and fragile – relationship of all, is that between corporate activity and the ecology. This has become the most critical issue for both corporate governance and corporate social responsibility to address - if corporations and economies are to achieve sustainability, they can only do so through creating a greater balance with the natural environment (Hawken et al 1999; Hancock 2005). Cogan (2008) illuminates in detail the connection between corporate governance and climate change in a comprehensive examination of how the world's largest corporations are positioning themselves in a carbon-constrained world. Investors are increasingly assigning value to companies responding to the business challenges and opportunities posed by climate change, and will assign more risk to companies that are slow to do this. Corporate effectiveness in combating climate change will increasingly be measured in terms of

board oversight, management execution, public disclosure, emissions accounting and strategic planning for emissions reduction.

Stern (2008) considers the challenges of building and sustaining frameworks for international collective action on climate change with important initiatives coming from both national governments and corporations. The various dimensions of action required to reduce the risks of climate change are considered: both for mitigation (including through carbon prices and markets, interventions to support low-carbon investment and technology diffusion, cooperation on technology development and deployment, and action to reverse deforestation), and for adaptation. These dimensions of remedial action are interdependent: a carbon price is essential to provide incentives for investment in low-carbon technology around the world, and can be strongly complemented by international co-operation to bring down the costs of new low carbon technologies. The success of international co-operation on mitigation will determine the scale of action required for adaptation, that is how we learn to cope with climate change. An overview of existing international co-operation on climate change indicates the immense scale of the problem, and the huge global effort that will be required to resolve this. Responsible corporate governance will be essential to securing a sustainable balance between business, society and the environment.

REFERENCES

Adams, R.B., Almeida, H. & Ferreira, D. Powerful CEOs and their Impact on Corporate Performance pp.339-364 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 3: Executives and Performance*, SAGE Publications: London.

Aglietta, M. and A. Rebérioux (2005) Corporate Governance Adrift: A Critique of Shareholder Value, Edward Elgar

Aguilera,R. and Cuervo-Cazurra,A. (2004) Codes of Governance Worldwide: What is the Trigger? *Organization Studies,* 25,415-443

Alchian,A.A. and Demsetz, H. (1972) Production, Information Costs and Economic Organisation, *American Economic Review,* 62, 777-95

Allouche, J. (2006) *Corporate Social Responsibility: Concepts, Accountability and Reporting,* Houndmills, Basingstoke: Palgrave Macmillan

Apreda, R. The Semantics of Governance pp.10-23 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 1: Ownership and Control*, SAGE Publications: London.

Araki, T. Corporate Governance Reforms, Labor Law Developments and the Future of Japan's Practice-Dependent Stakeholder Model pp.226-247 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 4: Stakeholders and Sustainability*, SAGE Publications: London.

Bauer,R. and Guenster,N. (2003) *Good Corporate Governance Pays Off: Well Governed Companies Perform Better on the Stock Market,* Working Paper, University of Maastricht, April

Baysinger, B. & Hoskisson, R.E. The Composition of Boards of Directors and Strategic Control: Effects on Corporate Strategy pp.66-83 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 2: Boards and Directors*, SAGE Publications: London.

Bebchuk, L.A & Fried, J.M. Pay without Performance: Overview of the Issues pp.219-244 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 3: Executives and Performance*, SAGE Publications: London.

Bebchuk, L.A.& Jackson, Jr. R.J. Executive Pensions pp.245-273 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 3: Executives and Performance*, SAGE Publications: London.

Bell, D. (1961) *The End of Ideology,* New York: Collier

Beltratti, A. The Complementarity between Corporate Governance and Corporate Social Responsibility pp.294-307 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 4: Stakeholders and Sustainability*, SAGE Publications: London.

Benn, S. and Dunphy,D. (2007 *Corporate Governance and Sustainability,* London and New York: Routledge

Berle, A.A. and Means,G.C. (1933) *The Modern Corporation and Private Property*, Commerce Clearing House, 1933

Bigley, G.A.& Wiersema, M.F. New CEOs and Corporate Strategic Refocusing: How Experience as Heir Apparent Influences the Use of Power pp.318-338 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 3: Executives and Performance*, SAGE Publications: London.

Bird, A. Power and the Japanese CEO pp.301-317 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 3: Executives and Performance*, SAGE Publications: London.

Blair, M.M. (1995) *Ownership and Control: Rethinking Corporate Governance for the 21st Century,* Washington DC: Brookings Institute

Blair, M.M. Firm-Specific Human Capital and Theories of the Firm pp.162-186 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 4: Stakeholders and Sustainability*, SAGE Publications: London.

Blair, M.M. and Roe, M.J (1999) *Employees and Corporate Governance,* Washington: Brookings Institute

Bogle, J.C. How to Return Corporate America to its Owners: "Owners of the World Unite!" pp.326-342 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 1: Ownership and Control*, SAGE Publications: London.

Boyer, R. (2005). From Shareholder Value to CEO Power: the Paradox of the 1990s. *Competition and Change* 9(1): 7.

Bozec, R. Boards of Directors, Market Discipline and Firm Performance pp.88-111 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 3: Executives and Performance*, SAGE Publications: London.

Bradley, M, Schipani C A, Sundaram, A K, & Walsh, J P. (1999) The Purposes and Accountability of the Corporation in Contemporary Society: Corporate Governance at a Crossroads, *Law and Contemporary Problems*, 62 (3): 9–86

Brancato, C.K. (1997) *Institutional investors and corporate governance : best practices for increasing corporate value*, Chicago: Irwin Publishers

Cadbury, A. Corporate Social Responsibility pp.24-39 in Clarke, T. and dela Rama, M. (eds) (2008a) *The Fundamentals of Corporate Governance, Volume 1: Ownership and Control*, SAGE Publications: London.

Cadbury, A. The Chairman and the Chief Executive pp.111-128 in Clarke, T. and dela Rama, M. (eds) (2008b) *The Fundamentals of Corporate Governance, Volume 2: Boards and Directors*, SAGE Publications: London.

Carney, M. Corporate Governance and Competitive Advantage in Family-Controlled Firms pp.247-263 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 1: Ownership and Control*, SAGE Publications: London.

Carter, C.C. and Lorsch, J.W. (2004) *Back to the Drawing Board: Designing Corporate Boards for a Complex World,* Harvard Business School Press

Certo, S.T., Lester, R.H., Dalton, C.M. & Dalton, D.R. Top Management Teams, Strategy and Financial Performance: A Meta-Analytic Examination pp.112-134 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 3: Executives and Performance*, SAGE Publications: London.

Chandler, A.D. (1977) *The Visible Hand: The Managerial Revolution in American Business,* Cambridge, Massachusetts

Charkham, J. (2005) *Keeping Better Company*, Oxford University Press

Charkham, J. and A. Simpson (1999) *Fair Shares: The Future of Shareholder Power and Responsibility*, Oxford University Press.

Child, J. & Rodrigues, S.B. Corporate Governance and New Organizational Forms: Issues of Double and Multiple Agency in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 3: Executives and Performance*, SAGE Publications: London.

Claessens, S., Djankov, S. & Lang, L.H.P. The Separation of Ownership and Control in East Asian Corporations pp.171-198 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 1: Ownership and Control*, SAGE Publications: London.

Claessens, S. (2004) *Corporate Governance and Development,* Global Corporate Governance Forum, Washington DC: World Bank

Clark, G.C. & Hebb, T. Pension Fund Corporate Engagement: The Fifth Stage of Capitalism pp.1-21 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of*

Corporate Governance, Volume 4: Stakeholders and Sustainability, SAGE Publications: London.

Clarke.F. and Dean,G. (2007) *Indecent Disclosure: Gliding the Corporate Lily,* Cambridge University Press

Clarke, T. (2007) *International Corporate Governance: A Comparative Approach,* London and New York: Routledge

Clarke, T. (2004) *Theories of Corporate Governance: The Philosophical Foundations,* London and New York: Routledge

Clarke,T. and dela Rama, M. (2006) *Corporate Governance and Globalisation,* London: Sage

Clearfield, A.M. 'With Friends Like These, Who Needs Enemies? The Structure of the Investment Industry and its Reluctance to Exercise Governance Oversight pp.54-62 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 4: Stakeholders and Sustainability*, SAGE Publications: London.

Coffee, J.C. Liquidity vs Control: The Institutional Investor as Corporate Monitor pp.17-50 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 3: Executives and Performance*, SAGE Publications: London.

Cogan, D.G. Corporate Governance and Climate Change: Making the Connection pp.308-339 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 4: Stakeholders and Sustainability*, SAGE Publications: London.

Coles, J.W. & Hesterly, W.S. Independence of the Chairman and Board Composition: Firm Choices and Shareholder Value, pp.129-146 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 2: Boards and Directors*, SAGE Publications: London.

Conyon, M.J. Executive Compensation and Incentives pp.172-195 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 3: Executives and Performance*, SAGE Publications: London.

Conyon, M.J. & Peck, S.I. Board Control, Remuneration Committees and Top Management Compensation pp.251-267 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 2: Boards and Directors*, SAGE Publications: London.

Cornelius, P. & Kogut, B. (eds) (2003) *Corporate Governance and Capital Flows in a Global Economy*, New York: Oxford University Press.

Cyert, R. and March, J. (1963) *A Behavioural Theory of the Firm,* Englewood Cliffs, NJ: Prentice Hall

Davis, E.P. Institutional Investors, Corporate Governance and the Performance of the Corporate Sector pp.276-300 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 1: Ownership and Control*, SAGE Publications: London.

Davis, E. P. and B. Steil (2001). *Institutional Investments*, MIT Press: Cambridge, MA.

Davis, G. (2005) New Directions in Corporate Governance, *Annual Review of Sociology,* Vol. 31, pp. 143-162, August 2005

Davis,S., Lukomnik,J and Pitt-Watson, D. (2006) *The New Capitalists: How Citizen Investors are Reshaping the Corporate Agenda,* Harvard Business School Press

Deakin, S. (2005) The Coming Transformation of Shareholder Value, *Corporate Governance An International Review*, 13, 1, 11-18

Demb, A. and Neubauer, F.F. (1992) *The Corporate Board: Confronting the Paradoxes*, Oxford University Press

Demstz, H. and Lehn, K. (1985) The Structure of Corporate Ownership: Causes and Consequences, *Journal of Political Economy*, 93, 1155–1177

Dore, R. (2000) *Stock Market Capitalism: Welfare Capitalism*, Oxford University Press

Drobetz, W., Schillhofer,A. and Zimmerman, H. (2004) Corporate Governance and Expected Stock Returns: Evidence From Germany, *European Financial Management,* 10,2,267-293

Elhagrasey, G.M., Harrison, J.R. & Buchholz, R.A. Power and Pay: The Politics of CEO Compensation pp.135-155 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 3: Executives and Performance*, SAGE Publications: London.

Enrione, A., Mazza, C. & F. Zerboni. Institutionalising Codes of Governance pp.79-89 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 1: Ownership and Control*, SAGE Publications: London.

Epstein, M.J. & Roy, M-J. Evaluation and Monitoring CEO Performance: Evidence from US Compensation Committee Reports in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 2: Boards and Directors*, SAGE Publications: London.

Faccio, M. & Lang, L.H.P. The Ultimate Ownership of Western European Corporations pp.199-228 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 1: Ownership and Control*, SAGE Publications: London.

Fama, E. Agency Problems and the Theory of the Firm pp.1-16 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 3: Executives and Performance*, SAGE Publications: London.

Fama, E. (1980) Agency Problems and the Theory of the Firm, *Journal of Political Economy*, 88, 288–307

Fama, E.F. and Jensen, M.C. (1983) Separation of Ownership and Control, *Journal of Law and Economics,* 26, 301-326

Fernandez, C. and Arrondo, R. Alternative Internal Controls as Substitutes of the Board of Directors pp.52-65 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 2: Boards and Directors*, SAGE Publications: London.

Frey, B.S. & Osterloh, M. Yes, Managers should be paid like Bureaucrats pp.196-218 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 3: Executives and Performance*, SAGE Publications: London.

Froud, J., Haslam, C., Johal, S. and Williams, K. (2000) Shareholder Value and Financialisation, *Economy and Society*, 29, 1, 80-110

Gadhoum, Y., Lang, L.H.P. and Young, L. Who Controls US? pp.148-170 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 1: Ownership and Control*, SAGE Publications: London.

Galbraith, J.K. (1968) *The New Industrial State,* New York: New American Library

Galbraith, J.K. (1993) *A Short History of Financial Euphoria,* London: Penguin

Garriga, E. & Mele, D. Corporate Social Responsibility Theories: Mapping the Territory pp.269-293 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 4: Stakeholders and Sustainability*, SAGE Publications: London.

Gill, A. (2001) *Corporate Governance in Emerging Markets,* Hong Kong: Credit Lyonnais Securities Asia (CLSA) Emerging Markets Research Paper

Gompers, P., Ishii, J. and Metrick,A. (2003) Corporate Governance and Equity Prices, *The Quarterly Journal of Economics*, 118, 1

Goobey, A.R. Developments in Remuneration Policy pp.281-287 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 2: Boards and Directors*, SAGE Publications: London.

Goodijk, R. Corporate Governance and Workers' Participation pp.215-225 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 4: Stakeholders and Sustainability*, SAGE Publications: London.

Gordon, J. N. and M. J. Roe (2004) *Convergence and Persistence in Corporate Governance,* Cambridge University Press

Grandori, A. (2006) *Corporate Governance and Firm Organization: Micro-foundations and Structural Forms*, Oxford: Oxford University Press

Grossman, S. and Hart, O. (1980) Takeover Bids and the Free-Rider Problem and the Theory of the Corporation, *Bell Journal of Economics*, 11, 42–64

Gugler, K. (ed) (2001) *Corporate Governance And Economic Performance,* Oxford: Oxford University Press

Guriev, S. & Rachinsky, A. The Role of Oligarchs in Russian Capitalism pp.229-246 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 1: Ownership and Control*, SAGE Publications: London.

Guthrie, J.P. & Datta, D.K. Contextual Influences on Executive Selection: Firm Characteristics and CEO Experience pp.205-226 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 2: Boards and Directors*, SAGE Publications: London.

Hawken, P., Lovins, A.B., and Lovins, L.H. (1999) *Natural Capitalism: The Next Industrial Revolution,* London: Earthscan

Hawley, J. & Williams, A. The Emergence of Universal Owners: Some Implications of Institutional Equity Ownership pp.264-275 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 1: Ownership and Control*, SAGE Publications: London.

Hancock, E. (2005) Corporate Risk of Liability for Global Climate Change and the SEC Disclosure Dilemma, *Georgetown International Environmental Law Review,* 233: 249

Hart, O. (1983) The Market Mechanism as an Incentive Scheme, *Bell Journal of Economics*, 14, 366–382

Harvard Law Review Editorial. Beyond 'Independent' Directors; A Functional Approach to Board Independence pp.185-204 in Clarke, T. and dela Rama, M. (eds) (2008) *The*

Fundamentals of Corporate Governance, Volume 2: Boards and Directors, SAGE Publications: London.

Hebb, T. The Economic Inefficiency of Secrecy: Pension Fund Investors' Corporate Transparency Concerns pp.63-87 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 4: Stakeholders and Sustainability*, SAGE Publications: London.

Hennigfield, J., Pohl, M. and Tolhurst, N. (2006) *The ICCA Handbook on Corporate Social Responsibility,* Chichester: John Wiley

Hollingsworth, J.R., Schmitter, P.C., and Streeck, W. (1994) Capitalism, Sectors, Institutions and Performance, in, Hollingsworth, J.R., Schmitter, P.C., and Streeck, W. (eds) *Governing Capitalist Economies,* Oxford University Press, New York, pp 3-16

Hoskisson,R.E., and Hitt,M.A. (1988) Strategic Control Systems and Relative R & D Investment in Large Multiproduct Firms, *Strategic Management Journal,* 9, 577-590

Jacoby, S.M. (2004) *The Embedded Corporation: Corporate Governance and Employment Relations in Japan and the US,* Princeton: Princeton University Press

Jensen, M.C. and Meckling,W.H. (1976) Theory of the Firm: Managerial Behaviour, agency Costs, and Ownership Structure, *Journal of Financial Economics,* 3, 305-60

Jensen, M. C. (1986) Agency Costs of Free Cash Flow, Corporate Finance, and Takeovers, *The American Economic Review*, 76,2, 323-329

Jurgens, U., Naumann, K., and Rupp, J. (2000) Shareholder Value in an Adverse Environment: The German Case, *Economy and Society,* 29 (1): 54-79

Kang, D. and Sorensen, A.B. Ownership Organization and Firm Performance pp.128-147 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 1: Ownership and Control*, SAGE Publications: London.

Lane, C. (2004) Globalization and the German model of capitalism – erosion or survival? *British Journal of Sociology*, 51 (2): 207-234

La Porta, R., Lopez-de-Silanes, F. and Shleifer, A. (1999) Corporate Ownership around the World, *Journal of Finance,* 54, 471-518

La Porta, R., F. Lopez-De-Silanes, and Shleifer, A. (2002). Investor Protection and Corporate Valuation. *The Journal of Finance* 57(3): 1147-1170

Lazonick, W. (2007) The US Stock Market and the Governance of Innovative Enterprise, *Industrial and Corporate Change,* 16, 3

Learmont, S. (2002) *Corporate Governance: What Can Be Learned from Japan?* Oxford: Oxford University Press

Loring, J.M. & Taylor, C.K. Shareholder Activism: Directorial Responses to Investors' Attempts to Change the Corporate Governance Landscape pp.37-51 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 2: Boards and Directors*, SAGE Publications: London.

Lorsch, J.W., Berlowitz, L. and Zelleke, A. (2005) *Restoring Trust in American Business,* Cambridge, Massachusetts: MIT Press

MacAvoy, P. W. and I. M. Millstein (2004) *The Recurrent Crisis In Corporate Governance*, Stanford Business Books.

McCahery, J. A., P. Moerland, et al. (2002). *Corporate Governance Regimes: Convergence and Diversity*, Oxford: Oxford University Press

McClintick, D. (2006) How Harvard Lost Russia, Institutional Investor, 40 (1): 62-90

Matolcsy, Z., Stokes, D. & Wright, A. Do Independent Directors Add Value? pp.147-156 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 2: Boards and Directors*, SAGE Publications: London.

Matsumura, E.M. & Shin, J.Y. Corporate Governance Reform and CEO Compensation: Intended and Unintended Consequences pp.156-171 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 3: Executives and Performance*, SAGE Publications: London.

Mitchell, L.A. (2001) *Corporate Irresponsibility: America's Newest Export,* Yale University Press

Mizruchi, M.S. Who Controls Whom? An Examination of the Relation between Management and Boards of Directors in Large American Corporations pp.1-13 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 2: Boards and Directors*, SAGE Publications: London.

Monks, R., Miller, A. and Cook, J. (2004) Shareholder Activism on Environmental Issues: A Study of Proposals at Large US Corporations 2000-2003, *Natural Resources Forum,* 28: 317-330

Murphy, K. (1985) Corporate Performance and Managerial Remuneration, *Journal of Accounting and Economics*, 7, 11–42

Neubaum, D.O. & Zahra, S.A. Institutional Ownership and Corporate Social Performance: The Moderating Effects of Investment Horizon, Activism and Coordination pp.100-122 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of*

Corporate Governance, Volume 4: Stakeholders and Sustainability, SAGE Publications: London.

O'Connor, M. Labor's Role in the American Corporate Governance Structure pp.187-214 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 4: Stakeholders and Sustainability*, SAGE Publications: London.

O'Rourke, A. A New Politics of Engagement: Shareholder Activism for Corporate Social Responsibility pp.255-268 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 4: Stakeholders and Sustainability*, SAGE Publications: London.

Ocasio, W. Political Dynamics and the Circulation of Power: CEO Succession in US Industrial Corporations 1960-1990 pp.274-300 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 3: Executives and Performance*, SAGE Publications: London.

OECD Business Sector Advisory Group (1998) *Corporate Governance: Improving Competitiveness and Access to Global Capital Markets,* Paris: OECD

OECD, (2004) *Corporate Governance: A Survey of OECD Countries,* Paris: OECD

Oman, C., Fries, S. & Buiter, W. (2005) Corporate governance in developing, transition and emerging-market economies, *OECD Policy Insight No. 3,* Paris: OECD

O'Sullivan, M.A. (2001) *Contests for Corporate Control: Corporate Governance and Economic Performance in the United States and Germany*, London: Oxford University Press

Pfeffer,J. (1992) *Managing with Power: Politics and Influence in Organisations,* Boston: Harvard Business School Press

Post, J.E. (2002) *Redefining the Corporation: Stakeholder Management and Organisational Wealth,* Stanford, CA.: Stanford Business Books

Proffitt, W.T. & Spicer, A. Shaping the Shareholder Activism Agenda: Institutional Investors and Global Social Issues pp.123-144 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 4: Stakeholders and Sustainability*, SAGE Publications: London.

Redmond, P. Corporate Social Responsibility: An Overview pp.248-254 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 4: Stakeholders and Sustainability*, SAGE Publications: London.

Roberts, J., McNulty, T. & Stiles, P. Beyond Agency Conceptions of the Work of the Non-Executive Director: Creating Accountability in the Boardroom pp.157-184 in

Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 2: Boards and Directors*, SAGE Publications: London.

Roe, M. J. (1994). *Strong Managers, Weak Owners: The Political Roots of American Corporate Finance*, Princeton University Press.

Ruigrok, W., Peck, S., Tacheva, S., Greve, P. & Hu, Y. The Determinants and Effects of Board Nomination Committees pp.227-250 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 2: Boards and Directors*, SAGE Publications: London.

Ryan, L.V. & Dennis, B. The Ethical Undercurrents of Pension Fund Management: Establishing a Research Agenda pp.36-53 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 4: Stakeholders and Sustainability*, SAGE Publications: London.

Ryan, L.V. & Schneider, M. The Antecedents of Institutional Investor Activism pp.301-325 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 1: Ownership and Control*, SAGE Publications: London.

Seki, T. Legal Reform and Shareholder Activism by Institutional Investors in Japan pp.88-99 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 4: Stakeholders and Sustainability*, SAGE Publications: London.

Selznick, P. (1957) *Leadership in Administration,* Evanston, IL: Row, Peterson

Simon, H.A. (1991) Organizations and Markets, *Journal of Economic Perspectives,* 5, 25-44

Spira, L.F. Ceremonies of Governance: Perspectives on the Role of the Audit Committee pp.302-329 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 2: Boards and Directors*, SAGE Publications: London.

Stern, N. Framework for Understanding International Collective Action for Climate Change pp.340-358 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 4: Stakeholders and Sustainability*, SAGE Publications: London.

Stiles, P. & Taylor, B. The Strategic Role of the Board pp.84-110 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 2: Boards and Directors*, SAGE Publications: London.

Sullivan, R. and Mackenzie, C. (2006) *Responsible Investment*, Sheffield: Greenleaf Publishing

Takeshi, I. From Industrial Relations to Investor Relations? Persistence and Change in Japanese Corporate Governance, Employment Practices and Industrial Relations pp.145-161 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 4: Stakeholders and Sustainability*, SAGE Publications: London.

Tricker, R. The Ideology of Corporate Governance pp.1-9 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 1: Ownership and Control*, SAGE Publications: London.

Turley, S. & Zaman, M. The Corporate Governance Effects of Audit Committees pp.330-352 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 2: Boards and Directors*, SAGE Publications: London.

Turnbull, S. Corporate Governance: Theories, Challenges and Paradigms pp.40-78 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 1: Ownership and Control*, SAGE Publications: London.

UNEP Finance Initiative (2004) *The Materiality of Social, Environmental and Governance Issues to Equity Pricing*, Geneva: UNEP.

Useem, M. & Mitchell, O.S. Holders of the Purse Strings: Governance and Performance of Public Retirement Systems in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 4: Stakeholders and Sustainability*, SAGE Publications: London.

Useem,M. and Zelleke, Z. (2006) Oversight and Delegation in Corporate Governance: Deciding What the Board Should Decide, *Corporate Governance- An International Review*, 14,1,2-22

Vera-Muñoz, S.C. Corporate Governance Reforms: Redefined Expectations of Audit Committee Responsibilities and Effectiveness pp.353-371 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 2: Boards and Directors*, SAGE Publications: London.

Weir, C., Laing, D. & McKnight, P.J. Internal and External Governance Mechanisms: Their Impact on the Performance of Large UK Public Companies pp.14-36 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 2: Boards and Directors*, SAGE Publications: London.

Welford, R. (2002) Globalisation, Corporate Social Responsibility and Human Rights, *Corporate Social Responsibility and Environmental Management*, 9 (1): 1-7

Whyte, M.K. (1996) The Chinese Family and Economic Development: Obstacle or Engine? *Economic Development and Cultural Change,* 45, 1, 1-30

World Business Council for Sustainable Development (2004) *Running the Risk*, WBCSD

World Economic Forum (2005) *Mainstreaming Responsible Investment,* World Economic Forum

Wood, R.E. How Independent is your Compensation Committee? pp.268-280 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 2: Boards and Directors*, SAGE Publications: London.

Zeitlin, M. Corporate Ownership and Control: The Large Corporation and the Capitalist Class pp.90-127 in Clarke, T. and dela Rama, M. (eds) (2008) *The Fundamentals of Corporate Governance, Volume 1: Ownership and Control*, SAGE Publications: London.