

## A BRIEF INTRODUCTION TO THE MULTI-STAKEHOLDER GOVERNANCE

Richard Marens, "Generous in Victory? American Managerial Autonomy, Labour Relations and the Invention of Corporate Social Responsibility," *Socio-Economic Review*, Vol. 10 (November 2011), pp. 59-84. Available at: <http://ser.oxfordjournals.org/content/10/1/59.abstract>.

It is possible to connect multi-stakeholder governance first with corporate social responsibility (CSR) and then with corporate social obligations (CSO). The difference between these two is in the degree of commitment of the corporation, with CSR as a loose form of obligation without formalising institutions. The value of Marens' paper is in contributing to the understanding of how the nature of CSR changes over time (from the beginning of the 20th century) and among cultures (examining mainly US and European business systems).

Marens begins with the major point of an earlier paper by Matten and Moon<sup>1</sup> in distinguishing between explicit and implicit CSR, and characterising the practice of CSR in the USA as explicit, while the European version was far more implicit in terms of the influence of "constraints imposed by law, culture, countervailing power of other institutions such as political parties, unions and churches" (page 60). The issue-by-issue approach is useful in underscoring the nature of the CSR concept as "a potential gain for corporate boards to influence the political system, outflank labour unrest, attract the investment of strangers and even limit market uncertainty and 'ruinous competition'" (page 62). Such an arrangement could be regarded as a *quid pro quo* for which the "something for something" benefits both the corporation and the collaborating partner. Approximate equality among the participants (the multi-stakeholders) is believed to be associated with approximately equal benefit, but this has not been fully tested.

Natascha van der Zwan, "(Dis-) Owning the Corporation: Three Models of Employee-Shareholder Activism," *New Political Economy*, Vol. 18, No. 1, pp. 89-111 (2013). Available at: <http://dx.doi.org/10.1080/13563467.2012.658767>.

Shareholder activism has been associated with varying degrees of collaboration with other groups or organisations, and these have been classified and described, on the basis German experiences, by van der Zwan. Of particular interest is the way in which Germany's financial reforms contributed to an apparently distinct shift in the nature of this collaboration.

<sup>1</sup> Dirk Matten and Jeremy Moon, "'Implicit' and 'Explicit' CSR: A Conceptual Framework for a Comparative Understanding of Corporate Social Responsibility," *Academy of Management Review*, Vol. 33, No. 2 (2008), pp. 402-424. Available at: <http://www.clubexcelencia.org/foro/ficheros/GTVS/04%2006%20Articulo%20-%20Matten%20y%20Moon%202008.pdf>.

Prior to the 1990, corporate governance in Germany was influenced by large private banks that had close personal ties with corporations, as well as with public authorities, and these linkages of mutual influence resulted in strong institutional forms of representation of banks (with membership on corporate boards)<sup>2</sup> as well as employees (with representation on workplace bargaining groups and works councils). This fits in with the notion of institutional arrangements for corporate social obligations (CSO as mentioned above). As stated by van der Zwan:

This means that the company [at that time] should be managed for the sake of the enterprise itself as well as for a broad group of stakeholders, including employees, the broader community and the state. This social orientation of the firm is expressed institutionally through inclusion of representatives from labour and the large banks on the supervisory board, and through extensive negotiations between corporate management and organised labour in industry-level collective bargaining and plant-level works councils. Consequently, minority shareholder power [was] relatively curtailed.

This insider alliance with management, employees and large shareholders lost momentum with the financial liberalisation of Germany that began in the 1990s. Shares in German corporations could be purchased by foreign institutional investors, for whom share value was weighted more heavily than internal collaboration. According to van der Zwan this led to the formation of employee shareholder associations and a transfer from workplace interaction to boardroom negotiations. Major stakeholders continue to retain influence, but it is occurring in a different form, which is less broadly based and perhaps also less orderly.

*Michael J De La Merced, "AT&T Is Said to Be Near a Deal to Buy DirecTV", The New York Times, 17 May 2014. Available at: <http://dealbook.nytimes.com/2014/05/17/att-said-near-a-deal-for-directv/>. See comment at: <http://www.accci.com.au/CommentonATT&R.pdf>.*

This article in *The New York Times* is an example of collaboration that has not yet blossomed in a meaningful way. In fact, it is difficult to find evidence that it is even being considered. The comment appearing elsewhere on this Internet site is a more direct reference since it raises the issue of collaboration between regulators in trading nations in order ensure that regulatory decisions include due attention to the impact of a specific decision on the other trading nation. Ultimately such collaboration could become multilateral, but that would require a new inter-governmental institution. That could not occur without substantial experience in bilateral collaboration.

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<sup>2</sup> John W Cioffi and Martin Höpner, "The Political Paradox of Financial Capitalism: Interest, Preferences and Centre -Left Party Politics in Corporate Governance Reform," *Politics & Society*, Vol. 34, No. 4 (2006), p. 475. Available at: <http://pas.sagepub.com/content/34/4/463.full.pdf+html>.