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1 author:

Barbara L'huillier
Prince Mohammad University

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Barbara Marie L'Huillier

Barbara Marie L'Huillier is Coordinator of the College of Business – Female Campus, Associate Chair for the Department of Finance and Accounting, Prince Mohammad Bin Fahd University, Al-Khobar, The Kingdom of Saudi Arabia.

Abstract

Purpose – *This paper aims to develop a framework of connotative meanings afforded to the term "corporate governance".*

Design/methodology/approach – *An examination of academic publications from 1985-2012 containing the term "corporate governance" was conducted. The articles are sorted into the theoretical constructs that influence the contemporary connotative meaning of corporate governance.*

Findings – *That a combination of a weak definitional base coupled with strong motivational forces have aided the development of competing theoretical perspectives of the meaning of corporate governance. The dominant meaning is written from an agency theory perspective.*

Research limitations/implications – *Theoretical analysis was restricted to articles found in academic journals published since 1985.*

Practical implications – *This study provides a very useful analysis into the connotative meanings and theoretical bases used by academic writers in the study of corporate governance.*

Originality/value – *This paper provides an updated and developed analysis to the theoretical dimensions that underpin the contemporary use of the term "corporate governance".*

Keywords *Corporate governance, Corporate image, Boardroom effectiveness, Boardroom dynamics*

Paper type *Research paper*

1. Introduction

This paper sets out to develop an understanding of the contribution that academics have made to the development of connotative meanings of the term "corporate governance" through the published articulation of their ideas. This research identifies the contemporary use of the term "corporate governance" by a variety of stakeholders and the consequences of this usage in practice. A framework of connotative meanings, drawn from the literature, is the outcome of this review.

The organisation of this paper is as follows. Part two gives an overview and a sense of direction as to why calls have been made to reassess the traditional corporate governance model. This aim is achieved by briefly examining regional and global political and economic considerations. Part three examines the method adopted in this research and part four contains the findings in terms of theoretical constructs of the term "corporate governance". While it is acknowledged that agency theory is the dominant paradigm in the governance literature, there is a body of academics challenging this view in favour of other theories, which, in turn, impacts on the meaning(s) of corporate governance. Each theory will be examined and explained individually, and then examined in the context of corporate governance literature. This leads into a discussion on the results of the literature review and the development of a framework of connotative meanings afforded to the term "corporate governance" and finally the concluding section.

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2. Overview

The use of the term "corporate governance" intensified during the economic and political changes instigated in the Organisation for Economic Co-operation and Development (OECD) countries from the mid 1980s. Indeed, these changes resulted in a substantial increase in stock market activity in New Zealand and around the world (Cole, 1998; Shleifer and Vishny, 1997). During this time, the reputation of New Zealand and Australian business was tarnished by various corporate scandals and, in some cases, spectacular corporate failure (e.g. Equity Corp in New Zealand and the National Safety Council in Victoria, Australia). In more recent times, the "high-profile mismanagement of large, multi-national private-sector corporations has brought heightened media attention to the whole issue of corporate governance" (Mason *et al.*, 2007, p. 287). Such sentiments are echoed by a number of academics (Agrawal and Chadha, 2005; Darus, 2011; Heath and Norman, 2004; Rubach and Sebora, 2009; Stein, 2008).

A confluence of several disclosures spawned a new era in stakeholder thinking regarding the governance of business. As widespread corporate excesses became public knowledge, calls were made in both the popular and academic media to tighten up the overall governance of business (Cole, 1998; Conyon *et al.*, 1995; Francis, 2000; Merino *et al.*, 2010; Ryan, 2000). These excesses, as defined by both the popular media and academics, included:

- exorbitant salaries coupled with the frequent use of golden handshakes for upper management;
- the ways in which directors were appointed and reappointed (appointments based on friendships and/or prior business relationships rather than ability); and
- performance-linked rewards resulting in an excessive focus on short-term decision-making at the expense of long-term strategic planning.

Merino *et al.* (2010), Stein (2008), Goodwin-Stewart and Kent (2006), Whiteoak (1996) and MacDonald and Beattie (1993) suggest that weakened public confidence in the corporate governance system brought to the top of the policy agenda the need to reconsider existing corporate governance models to restore this confidence and to address problems associated with management and governance relationships.

To alleviate public and political concern over company failures, many proposals were developed to modify the governance of private sector business entities. These proposals, if implemented, promised to improve the accountability of these entities to shareholders in an attempt to improve or sustain confidence in the share market (Cole, 1998; Wright and Chiplin, 1999). Corporate governance became emphasised as the *locus* of control and responsibility. Millstein (1993, p. 513), writing from an agency perspective, suggests that corporate governance "is the mechanism through which the managers' control is monitored and held to fairly enhance corporate profit and shareholder gain".

According to theorists working with agency theory, corporate governance is deemed a systemic provision of some measure of control over the actions of agents such as managers and subcontractors. Indeed, agency theorists played a major role in developing the policy framework that underpinned the public sector reforms, especially the corporatisation and privatisation programmes (Boston *et al.*, 1996). However, not all academic writers adhere to the agency theory perspective of corporate governance. There are a number of academics who write about corporate governance from a variety of theoretical viewpoints other than agency theory, thus providing different perspectives on corporate governance, which, in turn, influence the connotative meaning(s) of this phrase. These different perspectives of governance and their influence on connotative meanings(s) will be discussed more fully in section four of this paper.

What follows is an analysis of theory constructs to identify connotative meanings communicated by the term "corporate governance" based on the analytical framework developed by Hung (1998). The "theoretical" analysis, thus, informs as to the meaning of "corporate governance" that writers, from difference theoretical perspectives, are attempting to convey.

3. Method

I conducted a guided word search on electronic databases using "corporate governance" as the search words. I restricted the scope of this study to information contained in refereed journals dating back to 1985 and held in the ABI/INFORM Global and Emerald databases. What follows is an analysis of the theory that is associated with the use of the term "corporate governance". This analysis identifies and speculates on the various lenses through which the idea of "corporate governance" is employed. This research supports Adegbite *et al.*'s (2012, p. 400) conclusion that there are considerable benefits to be gained from adopting "multi-theoretical lenses" when examining the "practical implications for a global theory and discourse on corporate governance".

An examination of academic publications revealed that approximately 9 out of every 10 articles addressing "corporate governance" assume a common understanding of the term's meaning. However, these articles do not define the term. Indeed, 90 per cent of these publications used the term "corporate governance" without providing any reference to its theoretical foundation, thus leaving the reader with little or no insights into its meaning(s). The remaining 10 per cent of articles do attempt to provide a theoretical foundation for the term "corporate governance" from a variety of perspectives.

4. Findings

Brodkey (1989, p. 164) describes theory as "an acquired taste" that is contingent on the "social and political arrangement that define scholarly practice". It is suggested, in this paper, that the theoretical constructs of scholarly practice help explain the ideological variation between one school of thought and another because the application of theory "defines the work of those who speak it" (Brodkey, 1989, p. 180). By examining the theoretical constructs surrounding a particular word or phrase, researchers have the opportunity to ask questions about meaning, relationships and validity of posited phenomena.

It would appear that no overarching theory of corporate governance exists, and that it is a contested concept with different meanings for different people depending on their ontological preferences. Stiles (1997) of the London Business School (cited in Clarke, 1998) observed that much of the theory surrounding corporate governance tended to be prescriptive and that there was a need for more descriptive research. Because governance theory is generally "not robust or well-rooted" Clarke (1998, p. 62) held that it is important to "understand what is going on first, rather than hammering theory into the space available".

Stiles (1997, p. 63) attempted to respond to this gap in the literature by developing what he considered "an instructive table of the dimensions of competing theories of corporate governance". In this paper, Stiles' table has been updated to include articles published after 1995 and were selected for the clarity with which they capture the dimensions of contrasting theories of corporate governance. This updated selection of articles is represented in Table I. It is acknowledged that the selection process is open to critique due to the subjective nature in which articles were selected. All material reviewed was eligible for inclusion in the table, but those articles published in refereed journals took priority over non-refereed material. There is a significant divergence of opinion as to the meaning of corporate governance within each tradition. Each of the perspectives and theoretical viewpoints identified will be discussed later in this paper.

Table I A taxonomy of competing theories of corporate governance

Theoretical perspective	*Agency theory*	*Stewardship theory*	*Managerial hegemony*	*Resource dependency theory*	*Stakeholder theory*	*Multi-governance theory*
Theoretical origin	Economics and finance	Human relations and organisation theory	Organisation theory	Sociology	Management theory, politics and law	
Role of corporate governance	To act as a monitoring or directing tool in the broad sense of mission or directive for management	To facilitate empowering structures	To constrain governing boards' ability to made decisions independent of management	To act as a linking tool between the organisation and its environment	To act as a vehicle for coordinating stakeholder interests	To take a holistic view by integrating functional aspects of various governance theory as a means of explaining and understanding what happens within a firm
Representative studies	Mangel and Singh (1993), Main (1994), Hart (1995), Shleifer and Vishny (1997), John and Senbet (1998), Short *et al.* (1999), Cohen *et al.*,(2002; 2004), Bonazzi and Sardar (2007), Darus (2011)	Donaldson and Davis (1991, 1994), Fox and Hamilton (1994), Davis *et al.* (1997)	Mace (1971), Crystal (1991), Mahadeo *et al.* (2012)	Pfeffer (1972, 1982), Useem (1980), Palmer (1983), Ornstein (1984)	Donaldson and Preston (1995), Heath and Norman (2004), Bonnafous-Boucher (2005), Cooper and Owen (2007)	Hill and Jones (1992), Turnbull (1997), Hung (1998), Laing and Weir (1999)

Source: Adapted from Stiles (1997, cited in Clarke, 1998). The theoretical perspective categories were selected by Stiles. However, I have updated the representative studies from each theoretical dimension listed according to publication date

While “in the past few years corporate governance has become a subject of general familiarity” (Millstein, 1993, p. 447), it appears that there is a multiplicity of definitions for the term “corporate governance” (Hodges *et al.*, 1996; Turnbull, 1997) and the term itself can be used in a variety of ways (Rhodes, 1996). This idea of “general familiarity” would appear to be in keeping with the observation that approximately nine out of every 10 articles that addressed “corporate governance” appear to assume a common understanding and do not provide a definition of the term or some other means with which to communicate clearly to the reader what meaning the author is referring to when using this term. Nor do all academics share a similar definition.

Doctrinal dispute over definitions and connotative meanings is to be expected in comparatively new areas of research in the social sciences (Clarke, 1998) and “corporate governance” appears to fall within that category.

As already indicated, governance theory is “not robust or well-rooted” (Clarke, 1998, p. 63) possessing a “plurality of … meanings and forms” (Bonnafous-Boucher, 2005, p. 35). Thus, variations in meaning appear to depend on the individual author’s perspective, viewed through the lens of the theory on which that author is implicitly or explicitly drawing (Turnbull, 1997). The variations in meaning may relate back to conflicts in, sometimes unstated, philosophical roots (refer Table I) and the theoretical constructs that emerge from those roots. Equally, the variety of use could be attributed to intentional acts of discourse used to shape reality. Hung (1998, p. 108) states, for example, “corporate governance scholars adopt as well as modify these theories to suit their own purposes”. Indeed, there seems to be a motive to do so. Jarley *et al.* (2000, p. 245), speaking from a labour union governance view, point to the strong interest in shaping corporate governance to meet private needs. They state “low member access systems … may also provide insufficient safeguards against leaders bent on pursuing their own interests in addition to, or in place of, those of the members”. However, Brennan and Solomon (2008, p. 887) suggest that it is because researchers have traditionally focused on the “agency theory framework” which influences other research choices including “the methodological approach adopted”.

The combination of a weak definitional base and strong motivational forces to turn connotational meaning into self-service, understandably aid the development of competing perspectives of the meaning of corporate governance. The following section outlines which forces have driven, or been driven by, theoretical constructs that give “corporate governance” meaning.

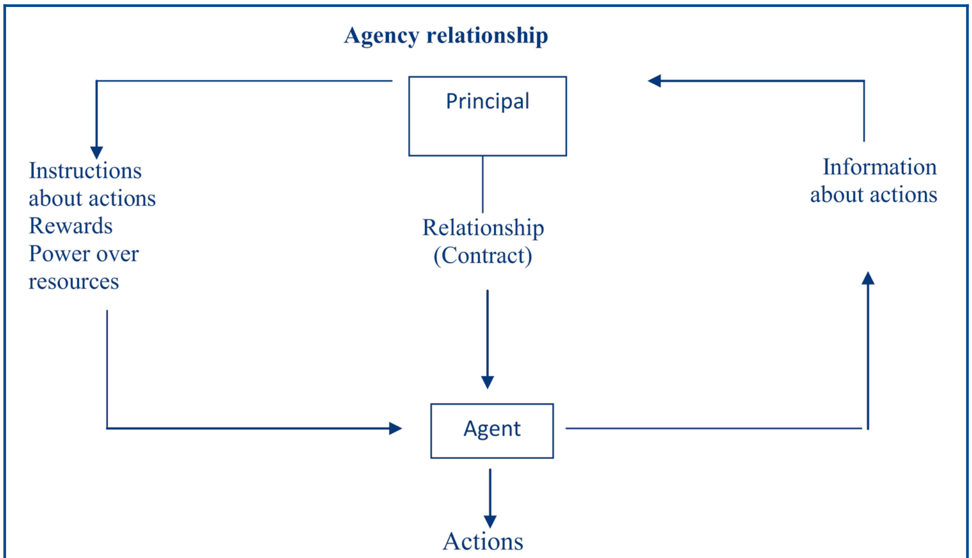
Using Table I as the base, a detailed discussion on the main contrasting theories found in the academic corporate governance literature, and how these may influence connotative meaning, is provided next.

4.1 Agency theory

Agency theorists trace their origins back to the school of economics and finance (Davis *et al.*, 1997). The basic premise of the principal-agent theory, as defined by Jensen and Meckling (1976), is a contractual relationship between one party (principal) engaging another party (agent) to perform a service(s) on behalf of the principal, which involves some decision-making authority being yielded to the agent. Agency theorists posit that the contractual relationship entered into involves a “voluntary exchange resulting in dependency” (Althaus, 1997, p. 137). Boston (1991) suggests that agency theory can be used to analyse the relative efficiency of alternative institutional arrangements due to its focus on the nature of contractual relationships. Refer to Figure 1 for a diagram of this relationship.

Agency theorists portray people as opportunistic players who rationally maximise their own utility and are focused on extrinsic rewards, even to the detriment of others (Hogan, 1997). Thus, because of the separation of ownership from control, there will be a conflict of interest between the owner and the principal (Bonazzi, and Sardar, 2007; Donaldson and Davis,

Figure 1 Agency relationship



Source: Gray *et al*, (1996)

1991; Jensen and Meckling, 1976; Monsen and Downs, 1965). The agent and principal both seek to receive maximum benefit for the least possible expenditure, but the principal incurs agency costs when the interests of the principal and the agent vary (Davis *et al.*, 1997; Donaldson and Davis, 1994; Muth and Donaldson, 1998; Short *et al.*, 1999). Furthermore, mutual benefit may not be optimal nor even come to fruition because of goal divergence between the parties. Althaus (1997, p. 141) claims that it is the principal who "usually loses out on the optimality stakes, as the theory restrictively attributes opportunism to the agent". Darus (2011, p. 125) concurs stating that "corporate governance problems arise due to the misalignment of interests between managers and investors because of the separation of ownership and control in a company". Boston (1991) and Boston *et al.* (1996) claim that this is a flaw in agency theorists' armour – that they tend to focus more on opportunistic agents than opportunistic principals. Indeed, they claim little attention is given to how principals might misrepresent themselves, thereby leading to the exploitation of agents due to the fact that questions of power and authority in human relationships tend to be overlooked by agency theorists.

According to Althaus (1997), Bonazzi and Sardar (2007), Boston (1991), Cole (1998), Hart (1995) and Shleifer and Vishny (1997), the primary agency problems related to the separation of ownership and control are:

- conflicts of interest between owners and managers;
- asymmetries of information between owners and managers; and
- the inability to write complete contracts for all potential future eventualities.

Indeed, as noted by Heath and Norman (2004, p. 248), it is by "exploiting information asymmetries and conflicts on the board" that Enron senior executives were "able to act against the interests of the principals (the shareholders)".

Agency theorists conceptualise and rationalise human behaviour and organisational structures. According to Easton (1989), they make no distinction between the public and private sectors. Althaus (1997, pp. 150-151) claims that although the agency theory model "presupposes automatic extension of a private exchange concept to public sector activity and relationships", her research indicates that agency theory "defies simple importation to the public sphere". However, Boston (1991) and Boston *et al.*

(1996) suggest that the agency model is useful for analysing public policy issues, particularly those examining the relative merits of institutional arrangements. Boston *et al.* (1996, p. 32) also note that the use of a simple agency theory model to describe, explain and analyse "complex social interactions, and constitutional relationships can be misleading and inappropriate", particularly in instances where an agent has multiple and competing principals.

In accounting settings, agency theory is "commonly used to understand and predict behaviour [as] it assumes competing, rational, self-interested players and focuses on contractual solutions to conflicts" (Reiter, 1997, p. 302). Kunz and Pfaff (2002, p. 276) state "there is no doubt that agency theory and its advocated view of the firm as a complex nexus of contracts constitutes one of the major pillars of theoretical accounting". This being the case, agency theory provides a frame for the behaviour of the respective actors, thus providing a useful store of practical implications for the design of governance structures (Boston *et al.*, 1996).

4.1.1 Agency theory and "Corporate governance". As revealed by my review of the literature the term "corporate governance" is used to understand or determine the *role* of agents in fulfilling their half of the contractual relationship governing agency relationships identified in Figure 1. The basic view held by agency theorists of corporate governance is that in any given situation, managers may not act to maximise shareholder returns contrary to their self-interest, unless appropriate governance structures (to monitor costs) are put in place to protect the interests of shareholders (Jensen and Meckling, 1976). Monks and Minow (1995, p. 179) suggest that the major challenge addressed by agency theory advocates regarding corporate governance "is how to grant managers enormous discretionary power over the conduct of the business while holding them accountable for the use of the power".

The agency framework suggests that corporate governance is about creating and monitoring the mechanisms that are put in place by shareholders to control corporate insiders to maximise shareholder wealth by reducing agency loss (Adegbite *et al.*, 2012; Bonazzi and Sardar, 2007; Cohen *et al.*, 2002; Darus, 2011; Eisenhardt, 1989; John and Senbet, 1998; Laing and Weir, 1999; Short *et al.*, 1999; Turnbull, 1997). Cohen *et al.* (2004, p. 88) colourfully describe these mechanisms as the "corporate governance mosaic".

Sternberg (1998, p. 20) claims corporate governance's solitary role is "ensuring that corporate actions, assets and agents are directed at achieving the corporate objectives established by the corporation's shareholders". It follows, therefore, that the connotative meaning of "corporate governance", under the banner of agency theory, refers to policing methods employed to "keep agents in check". Thus, the meaning and theory of corporate governance in this paradigm is based on the mechanistic logic associated with structural functionalism by assuming, either implicitly or explicitly, that we can treat people as "functions".

4.2 Stewardship theory

Stewardship theorists trace their origins back to the human relations school of management (Hung, 1998), organisation theory (Clarke, 1998) and the disciplines of sociology and psychology (Muth and Donaldson, 1998). In direct contrast to agency theorists, stewardship theorists focus on non-economic influences that guide managerial activity (Mason *et al.*, 2007). Indeed, where agency theorists present a view of governance based on economic interpretations of relationships within organisations, stewardship theorists allow for a range of non-financial motives for managerial activity, including the need for achievement and recognition, the intrinsic satisfaction achieved from a successful performance and a strong work ethic.

The basic premise of stewardship theorists, as stated by Donaldson and Davis (1994, p. 159), is that managers as:

> Stewards of the corporation diligently work to attain high levels of corporate profit and shareholder returns. Thus, organisational financial performance and shareholder wealth will be maximised by empowering managers to exercise unencumbered authority and responsibility.

Stewardship theorists posit the "model of man" as one in which managers, as stewards, are team players and not motivated by individual goals but rather align themselves with the objectives of their principals (Davis *et al.*, 1997). This aspect of the stewardship model is in direct contrast to the agency theory model, in which the manager is portrayed as a rational opportunist who will maximise his/her own utility to the detriment of others, including the principal.

Fundamental to the stewardship model is that there must be a culture of trust between the principal and the manager (Mason *et al.*, 2007). In situations where the "principal" is not clearly defined and where there are multiple and competing stakeholders, the culture of trust is between the manager and the primary stakeholder(s).

An underlying premise of stewardship theorists is the idea of "directors having a fiduciary duty [and] that they can be trusted and will act as stewards over the resources of the company" (Turnbull, 1997, p. 190). It presumes "that managers are seeking to maximise organisational performance" (Fox and Hamilton, 1994, p. 69). Therefore, it follows that "there is *no* motivation problem or non-alignment of interest between management and ownership" (Hung, 1998, p. 107, emphasis added). Stewardship theorists justify the reallocating of corporate power from principals (be they owners or dominate stakeholders such as government ministers) to professional managers that corporate control can "empower[s] managers to maximise corporate profits" (Muth and Donaldson, 1998, p. 6). In terms of public sector organisations, the stewardship model allows for the alignment of the manager with the "ethos of [the] social enterprise" (Mason *et al.*, 2007, p. 290). Therein lay the fundamental difference between a private sector stewardship theory model and a public sector stewardship theory model. Under the former, the goal is to maximise shareholder wealth, whereas under the latter the goal is to maximise social benefit.

4.2.1 Stewardship theory and "Corporate governance". When attempting to identify the meaning of corporate governance as promoted by stewardship theorists, the literature communicates a different meaning to that of material written from an agency theorist's perspective – although there are similarities. For example, like stewardship theorists, agency theorists imply that the term "corporate governance" is used to understand or explain the *role* of agents. However, that is where the similarities stop due to an implicit disagreement over the character of human beings.

The basic idea of corporate governance under the stewardship model is that in any given situation managers are good stewards of corporate assets and they work diligently to maximise shareholder returns (Donaldson, 1990). This view leads to the assumption that if managers do, indeed, fit the "model of man", their performance is not influenced by self-interest, but is more likely to be "affected by whether the structural situation in which he or she is located facilitates effective action" (Davis *et al.*, 1997, p. 25). Thus, it could be argued that corporate governance, under the banner of stewardship theory, is associated with "structure" and hierarchy.

Stewardship theorists posit that the primary purpose of corporate governance is to "focus not on motivation of the CEO but rather facilitative, empowering structures. … [that] will enhance effectiveness and produce, as a result, superior returns to shareholders" (Donaldson and Davis, 1991, p. 52). This view of corporate governance places a focus on "structures that facilitate and empower rather that those that monitor and control" (Davis *et al.*, 1997, p. 25).

Given the above argument, it is reasonable to conclude that under the banner of stewardship theory, the connotative meaning of corporate governance involves "power and authority" metaphors, carries normative assumptions and involves role players such as "stewards".

4.3 Managerial hegemony

According to Mace (1971, cited in Hung, 1998), the basic premise of managerial hegemony proponents is that governing boards are "tools" used by professional managers to lend support to, and validate their decisions. Managerial hegemony theorists posit that a class of professional managers runs the modern corporation and that it is those managers, not the board of directors, who make all the strategic decisions (ibid). The board of directors serve in a superficial role, merely "rubber stamping" decisions made by professional managers and serving as a legitimising figurehead (Baker, 2010; Hung, 1998; Mahadeo *et al.*, 2012; Thomson and Bebbington, 2005).

According to managerial hegemony theorists, shareholders elect board members giving the outward impression that it is they who are ultimately in charge of a company. Professional managers endeavour to stack the deck in favour of those individuals who have a prior history of not interfering with the activities of the professional manager (Mahadeo *et al.*, 2012; Mangel and Singh, 1993). Thus, on paper the shareholders elect board members but, before they get to vote some (if not all) of the names on the ballot sheet have already been pre-selected by the professional manager (Hung, 1998). Effectively, "managerial capture" has taken place (Baker, 2010).

4.3.1 Managerial hegemony and "Corporate governance". Managerial hegemony theorists focus on the *role* of agents, as do the theorists from the previous two perspectives, but from an *organisational structure* perspective. Managerial hegemony theorists suggest that boards of directors will not get involved in strategic decision-making independent of management (Mace, 1971, cited in Hung, 1998; Whisler, 1984) and conversely, that professional managers will resist calls for board involvement in strategic decision-making (Lorsch, 1989). Managerial hegemony theorists, therefore, emphasise the "cameo" role that board of directors' play in the governance of corporations (Drucker, 1974, cited in Hung, 1998). That is, under the banner of the managerial hegemony model, the notion of corporate governance incorporates multiple phrases critical to the phenomenon such as "failed to get involved", "fictional role of directorates" and "managers will resist" to describe the roles boards of directors and professional managers play in the governance of business.

There are three reasons given to justify the description for the role of board of directors as "cameo" within the corporate governance framework which in turn impacts on the "meaning" assigned to corporate governance under this theoretical lens. First, the professional manager effectively appoints and reappoints board members at their discretion. Second, directors who tend to be co-opted on to the board are likely to have been identified as possessing a malleable nature coupled with an understanding of company "politics". These two justifications are supported by Mangel and Singh (1993, p. 343) whose research led them to state "the CEO is likely to have a say in appointing outside directors and thus the chosen directors are likely to be more sympathetic to the CEO's wishes". Once again, there is an emergence of terms which indicate manipulation and self-service from this interpretation of "corporate governance".

The third reason put forward to "justify" the "cameo" role of the board is that the various benefits that accrue to directorships provide a disincentive to upset the status quo (Hung, 1998; Whisler, 1984). The benefits associated with private sector directorships (in particular, levels of compensation) were the focus of an article written by Crystal (1991, p. 54) who concluded that there was an "incestuous relationship" between directors and executives, essentially due to the fact "outside directors decide what to pay the CEO, and the CEO decides what to pay the outside directors". Mangel and Singh (1993, p. 343) take a less provocative view of this "incestuous relationship" when they state:

> Rather than an explicit back-scratching scheme, it is conceivable that those directors with higher retainers value their positions more and are, thus, more inclined to want to please the CEO, which represents a slightly less conscious *quid pro quo* arrangement.

Therefore, the literature when written from a managerial hegemony theorist's perspective indicates that the connotative meaning of "corporate governance" refers to the arrangement, whereby boards of directors play a support/subservient role to the professional manager. The implications for connotative meaning suggest that there are few distinctions between how management and corporate governance members are viewed. Returning to the recurrent theme of the critical view, it can be suggested that such critique is not reserved for one of either management or the governing body, but both, and perhaps to the process or context which it engenders. "Meaning" as such is conveyed through a tone of critique.

4.4 Resource dependency theory

Resource dependency theorists trace their origins back to the school of sociology (Clarke, 1998). When working with "corporate governance", these theorists tend to focus on the linking role of the governing board to other organisations (Hung, 1998). The basic premise of resource dependency theorists as stated by Hung (1998, p. 104) is that:

> Corporations depend upon one another for access to valuable resources and therefore seek to establish links in an attempt to regulate their interdependence. An interlocking directorship is one form of links in that complex chain of connections among organizations.

The "model of man" as posited by resource dependency theorists is part of a networking directorship chain (Hung, 1998; Palmer, 1983) and "who [is] in a position to exercise major influence over the decisions and policies of these large companies" (Useem, 1980, p. 41). Business organisations use their boards of directors as a means of accessing or absorbing significant interdependent external organisations (Pfeffer, 1972). This networking or interlocking directorship chain, therefore, "involves exchanging some degree of control and privacy of information for some commitment for continued support from the external organisation" (Pfeffer, 1972, p. 222).

Resource dependency theorists' focus on "corporate governance" is based on the supposition that "board size and composition are not random or independent factors, but are rather, rational organisational responses to the condition of the external environment" (Pfeffer, 1972, p. 226). Studies have shown that using "the well-established paradigm of inter-organisational relations, investigations have portrayed interlocking directorship ties as a corporate strategy for improving (and reducing uncertainty) their sales, purchases, credit and public reputations" (Useem, 1980, p. 66).

4.4.1 Resource dependency theory and corporate governance. The key idea conveyed by the literature on corporate governance, when addressed from a resource dependency theoretical viewpoint, is that its meaning is connected with the *structure* of the organisation in relation to other such structures and the positioning of these in the wider society. As stated by Hung (1998, p. 104), "corporations depend upon one another for access to valuable resources and therefore seek to establish links in an attempt to regulate their interdependence". According to Palmer (1983) and Ornstein (1984), the board of directors can be seen as a linking instrument between the organisation and the external environment.

Hung (1998, pp. 105-106) suggests, based on the findings of Mace (1971), that the notion of interlocking directorships can be seen from a critical perspective, whereby people from the capitalist class build up "relationships with each other" to "effectively liaise and coordinate their influence with an aim to preserving class interest". However, it is suggested by Ibarra (1993) that board membership is segregated by race and/or gender, a view that would appear to be supported by the findings of Strauss (2002) that white males hold > 80 per cent of the 11,500 Fortune 1000 board seats. Burke (1997), Sheridan (2001) and Sheridan and Milgate (2005) found that many women only gained board membership through personal recommendation from either the Chief Executive Officer (CEO) or another board member, which suggests that interlocking directorships is the result of an active and "exclusionary old-boy network". Bernardi *et al.*, 2005) in their research investigating gender and ethnic diversity on boards of directors concluded that although white males were disproportionately represented, there was an increased presence of gender and race diversity on boards of directors.

Sheridan and Milgate (2005, p. 854) suggest that an exclusionary old-boy network will remain in place due to "the small, but highly influential group of men currently gatekeeping board positions". Under this line of reasoning it is, therefore, reasonable to conclude that the connotative meaning of "corporate governance" involves critical metaphors such as "the old boy network" and "the school tie brigade".

4.5 Stakeholder theory

Stakeholder theorists trace their origins back to management theory, politics and law and within the corporate governance literature tends to focus on the coordinating role of the governing board (Hung, 1998) in the pursuit of stakeholder interests (Clarke, 1998; Cooper and Owen, 2007; Heath and Norman, 2004). The term "stakeholder" refers to individuals and groups of constituents who have a legitimate claim on the firm (Bonnafous-Boucher, 2005; Donaldson and Preston, 1995; Heath and Norman, 2004; Pearce, 1982). Stakeholder theorists conceptualise a corporation as "a constellation of cooperative and competitive interests possessing intrinsic value" (Donaldson and Preston, 1995, p. 67).

The basic premise of stakeholder theorists, as stated by Hill and Jones (1992, p. 134), is that "whatever the magnitude of their stake, each stakeholder is a part of the nexus of implicit and explicit contracts that constitutes the firm". Stakeholder theorists posit that the "model of man" "presumes that managers and other agents act as if all stakeholders" "interests have intrinsic value" (Donaldson and Preston, 1995, p. 71). Thus, corporate governance involves the adoption of a pluralistic approach to organisational management (Bonnafous-Boucher, 2005; Hung, 1998).

The pluralistic approach to organisational management involves the establishment of the authenticity of stakeholders through the existence of an exchange relationship (Heath and Norman, 2004; Hill and Jones, 1992) or, as stated by Donaldson and Preston (1995, p. 72), "stakeholders are defined by their legitimate interest in the corporation, rather than simply by the corporation's interest in them". Stakeholders, therefore, include shareholders, creditors, employees, managers, customers, suppliers, environmentalists, local communities and the public at large (Hung, 1998).

4.5.1 Stakeholder theory and "Corporate governance". The primary focus of corporate governance as suggested by stakeholder theorists rests with governing boards and the assertion that there are numerous groups in society aside from shareholders and employees to whom the corporation is responsible (Bonnafous-Boucher, 2005; Donaldson and Preston, 1995; Hill and Jones, 1992; Hung, 1998). The governing board, under the umbrella of corporate governance, achieves corporate goals by performing a balancing act with the "often conflicting interests of these different groups" (Hung, 1998, p. 106). Thus, "corporate governance" connotes a synchronising forum.

Stakeholder theorists suggest that the primary purpose of corporate governance is to provide a "vehicle for coordinating stakeholder interests" (Evan and Freeman, 1988, cited in Donaldson and Preston, 1995, p. 74). This view of corporate governance puts in place structures where stakeholders can state their case, reduce the effects of information asymmetry and that have an enforcement component built in to protect the rights of stakeholders (Bonnafous-Boucher, 2005; Donaldson and Preston, 1995; Turnbull, 1997).

It follows, therefore, that corporate governance, under the stakeholder theory model, is a "balancing act" that takes place because all stakeholders, including advocacy groups, are considered to have the right to be heard. Thus, the connotative meaning of "corporate governance" is the nexus of stakeholder agreement.

4.6 Multi-governance theory

While theories written from a multi-governance perspective are new and undeveloped, they cannot be discounted, as it is clear that the proponents of these theories attribute a different meaning to the term "corporate governance". However, due to the "newness" of these multi-governance theories, it may not be possible to identify with any degree of resolution the connotative meaning of "corporate governance" from these theorists' perspectives.

Perhaps the most significant contribution to the debate, in terms of meaning, was a paper by Hung (1998) which investigated the viability of multi-governance theory models when addressing corporate governance issues. Indeed, Hung (1998) found that much of the corporate governance literature focuses on the role of the governing board, but concluded that corporate governance is too complicated a process for a single theory to adequately capture. This, in turn, impacts the meaning of the term "corporate governance". Some scholars have attempted to develop a "new" model of corporate governance in an attempt to reflect the complex nature of the firm and its governing board (Turnbull, 1997), which encompasses functional aspects of two or more of the above theories. The resultant emergent theories, categorised as multi-governance theories, each appear to convey different *meanings* of "corporate governance".

4.6.1 Agency–stewardship theory. Combining assumptions of agency theorists and stewardship theorists is one approach that has been put forward by Turnbull (1997) and Laing and Weir (1999). To adopt an agency–stewardship theory approach to corporate governance issues, it is necessary to accept the duplicity of human nature and the likelihood of individuals behaving both as opportunistic self-serving agents endeavouring to maximise their own utility and as selfless stewards focused on achieving the goals of their respective organisations (Laing and Weir, 1999; Turnbull, 1997). The arguments supporting or challenging agency–stewardship theorists are not well-developed or -documented which impacts on how this theory can be used to elicit meaning. This indicates the theory has little academic support and/or the theory is so "new" it has yet to generate comment in academic circles. Therefore, further research is needed if agency–stewardship theory is to gain credibility in academic circles, as it is neither robust (from a theoretical viewpoint) nor does it have enriching empirical evidence to flesh it out (Laughlin, 1995). As yet, there is not enough published material with which to draw a conclusion as to the meaning of "corporate governance" from this perspective.

4.6.2 Stakeholder–agency theory. Another combination that has been introduced is a melding of stakeholder and agency theories. Hill and Jones (1992) suggest that to adopt a stakeholder–agency theory approach to corporate governance issues, theorists needed to accept that both stakeholder–agent and principal–agent relationships are policed by governance structures. Once again, the argument supporting or challenging this theory is not well-developed or -documented which, in turn, impacts on how this theory can be used to elicit meaning.

There is little empirical evidence to support the assertions from stakeholder–agency theorists that their theoretical perspective is a step forward in the study of corporate governance that, importantly from this thesis's focus, is likely to provide insights into a "new" meaning of the term "corporate governance". However, stakeholder–agency theorists should not be discounted merely because they are developing a new theory because their work might yet prove useful in understanding how the meaning of "corporate governance" appears to change. However, at this point, there is insufficient published literature with which to determine the meaning of "corporate governance" from this theoretical perspective.

5. Discussion

The review of the academic literature has revealed that a form of organisation referred to as "corporate governance" has been practised in some form since the days of the Roman Empire. The theoretical analysis of this corporate form has generated a range of perspectives resulting in a considerable divergence of opinion on the connotative meaning(s) given to the term "corporate governance". Building on the competing theories of corporate governance previously identified (Table I), a framework of the connotative meanings of "corporate governance" was developed. This framework is presented in Table II. What is evident is the divergence of meaning that theorists assign to the term "corporate governance".

A possible reason why different meanings exist is that academics study firms from a variety of angles. These viewpoints can be coloured by the researcher's cultural and educational backgrounds as well as by the academic discipline they represent (Turnbull, 1997). This variation of viewpoint in itself gives weight to the assertion that the variation of meaning given to the term "corporate governance" is about fundamental conflicts in the philosophical roots of the researcher. As stated earlier, the variety of views may also be intentional acts of discourse on the part of researchers to mould reality "to suit their own purposes" (Hung, 1998, p. 108).

The literature review reveals that the variation of meaning given to the term "corporate governance" is connected with the theorists' view of the board. Those theorists who view the board and its activities from the perspective of the personal characteristics and role of individual board members write of "corporate governance" based on their perception of the character of human beings. It is these theorists who denote meaning to "corporate governance" from an agency or stewardship perspective. Those who view the board as a collective group or as individuals whose personal characteristics are not the primary point of focus, view "corporate governance" as a professional business arrangement. Discussion on these key points in the connotative meanings of "corporate governance" is provided next.

If the writer views the character of man as being self-interested (s)he writes from an agency theorist perspective. Thus, the meaning they wish to convey when using the term "corporate governance" is that of a policing *tactic* or strategy that is employed to counter this self-regarding individual.

Conversely, if the writer views the character of human beings as being altruistic, they write from a stewardship theorist perspective. Thus, the term "corporate governance" is employed to convey a perspective on the extent or limitation of trust that can be capitalised on for the good of the organisation. It follows, therefore, that under stewardship theory "corporate governance" represents a *tactic* that is used for the benefit of the organisation.

Those who write from the remaining three theoretical viewpoints; managerial hegemony, resource dependency or stakeholder theory, do not appear to focus on the character of human beings. Rather, these three theoretical perspectives assign meaning to "corporate governance" from an impersonal viewpoint and pay scant attention to the personal characteristics of individual members of the board. Instead, the board and its members together are viewed merely as a cog in the structure of the organisation to be used to further the interests of the organisation.

Those theorists addressing governance issues from a managerial hegemony stance draw on the organisation theory to rationalise the "cameo" role they feel the board plays in the running of the organisation in favour of professional managers. Under this theory, the personal characteristics of board members, whether self-interested (as in agency theory) or altruistic (as in stewardship theory), is irrelevant. Managerial hegemony theorists see the board as a collective group, there to support and endorse the decisions of the professional manager. Therefore, the meaning the proponents of this theory convey, when using the

Table II A framework of connotative meanings given to the term "Corporate governance"

Theoretical perspective	*Agency theory*	*Stewardship theory*	*Resource dependency theory*	*Stakeholder theory*	*Managerial hegemony theory*
Primary assumption	Managers will work towards their own self-interests, unless suitable policing methods are employed	Managers will work in the best interests of the organisation and/or owners and, thus, require structures to facilitate and empower	Boards of directors are a linking mechanism between the organisation and the business environment in which it operates	Boards of directors will work towards achieving corporate goals by balancing the interests of (sometimes conflicting) stakeholder groups	Boards of directors play a subservient role to the professional manager
Application	Tactic to counter agency problems	Tactic to benefit organisational performance	Professional arrangement representing a linking system between the Board and external bodies	Professional arrangement representing a nexus of contracts or relationships	Professional arrangement representing validation procedures
Connotative meaning of "Corporate Governance"	Implies notions of monitoring and control	Implies notions of "power and authority" metaphors	Implies notions of critical metaphors such as "the old boy network" and "the old school tie brigade"	Implies notions of a synchronising forum	Implies notions of critical phrases such as "fictional role of directorates" and "failure to get involved"

term “corporate governance”, is that of a professional business *arrangement* representing validating procedures.

The literature reviewed that addressed corporate governance from a resource dependency theoretical viewpoint draws on its origins in sociology to explain the linking role the board has to other organisations. Managerial hegemony theorists view the personal characteristics of board members as secondary to the requirement that they are part of an interlocking directorship chain that can be used for the benefit of the organisation. Therefore, the meaning the proponents of this theory convey when using the term “corporate governance” is also that of a professional business *arrangement*, representing a linking system.

The literature written from a stakeholder theoretical viewpoint also draws on its origins in management theory, politics and law to explain what it perceives the role of the governing board to be. Indeed, it views the board as having a coordinating role, whereby it balances the interests of the organisations’ various stakeholders. Stakeholder theorists see the board, as a collective group, being there to support and endorse the right of all stakeholders to have their say about decisions and actions taken by the organisation. Cooper and Owen (2007, p. 664) suggest that for “stakeholder accountability to be established, a more pluralistic form of corporate governance would be required”. Therefore, the meaning that proponents of this theory wish to convey when using the term “corporate governance” is also that of a professional business *arrangement*, representing a synchronising forum that takes into account all stakeholders’ interests.

While there is a variety of theoretical viewpoints on corporate governance issues, agency theory (and the meaning its proponents intend to convey) is the dominant theoretical perspective adopted by the majority of researchers. Indeed, Rubach and Sebora (2009, p. 245) state “agency theory has been the predominate paradigm for understanding and explain corporate governance issues”. Likewise, Merino *et al.* (2010, p. 787) are in no doubt that when examining issues of corporate governance “the dominate paradigm [is] shareholder value and agency theory”. Adegbite *et al.* (2012, p. 397) concur stating “agency theory … continues to remain a starting point for building any governance framework”. From a “numbers” perspective, it was evident during the literature review that journal articles addressing corporate governance issues written from an agency viewpoint out-numbered all other theoretical viewpoints combined.

Moreover, academics endeavouring to introduce a different theoretical viewpoint, frequently included in their articles, statements acknowledging the claim that agency theory dominates the literature. A selection of these “acknowledgements” can be found in Table III.

Table III Researchers who acknowledge the dominance of agency theory whilst advocating a different theoretical viewpoint

Researcher(s)	*Theoretical perspective*	*Statement acknowledging the dominance of agency theory*
Hill and Jones (1992, p. 131)	Multi-governance theory	“[. . .] agency theory has emerged as the dominant paradigm in the financial economics literature”
Nodoushani (1996, p. 3)	Managerial revolution theory	“[. . .] most participants in the debate of the last few years have focused on agency theory”
Davis *et al.* (1997, p. 20)	Stewardship theory	“[. . .] agency theory appears to be the dominant paradigm underlying most governance research”
Merino, *et al.* (2010, p. 787)	Non-specific theoretical perspective but rather calls for a “new research framework”	“[. . .] the dominate paradigm [is] shareholder value and agency theory”

The dominance of agency theorists and the meaning they attempt to convey in the corporate governance literature is unexpected due to the comparative "newness" of the term and general area of research. As the term only appeared in the literature during the late 1980s, one would expect a greater debate to have been conducted in academic circles. It is possible to speculate that as agency theorists appear to dominate the literature, the creation of the term "corporate governance" may merely have given a name to an existing well-established concept.

It would appear that most of the "alternative" literature focuses on a *single* theory, as in the case of stewardship or stakeholder theory, to inform and explain corporate governance issues. Researchers advocating these alternative theories have chosen to modify existing well-researched social science theories to understand, appraise or fashion governance structures.

The evidence provided by the literature review is clearly weighted in favour of agency theorists. Therefore, it is reasonable to state that the dominant connotative meaning of corporate governance is the idea of control manifested in the form of policing methods employed to reduce agency loss.

6. Conclusion

This paper identifies the connotative meanings and theoretical bases used by academic writers in the study of corporate governance. It is evident from the literature that connotative meanings given to the term "corporate governance" vary depending on the theoretical viewpoint of the writer. Indeed, agency theorists, stewardship theorists, resource dependency theorists, managerial hegemony and stakeholder theorists each convey a different meaning when using the term "corporate governance".

The theoretical foundation of the term "corporate governance" has been examined and a framework of connotative meanings are drawn up. As revealed by the literature, there is a considerable divergence of opinion as to what "corporate governance" can mean, although it should be noted that those writing from an agency theory perspective dominate the literature.

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About the author

Barbara Marie L'Huillier has a PhD from the University of Waikato in New Zealand and is an accountant by "trade". Theoretical direction for her doctoral and post-doctoral research comes from critical theory and the use of power for transformational intent. She is an accomplished poet and has numerous poems published (or in press) in refereed accounting journals. She is, particularly, interested in notions of justice, equity and "good" governance. Barbara Marie L'Huillier can be contacted at: blhuillier@pmu.edu.sa