The Future of Corporate Governance

– a personal odyssey

Discovering and redefining corporate governance, finding its paradigm, and reinventing the corporation

Bob Tricker

Abstract

A five-year research project at Nuffield College, Oxford, in the 1980s, led to the first book with the title 'Corporate Governance.' The 1994 Cadbury Report used the phrase 'corporate governance' in its seminal report. Corporate governance codes then appeared around the world, culminating in the OECD corporate governance code in 1999, which became an international benchmark, and was subsequently adopted by the G 20 nations. Interest in the subject blossomed, with research, publications, consultancies, leading to widespread acceptance of the field. The original focus on the governance of publicly listed companies widened to cover other types of corporate entity. Legal, economic, and other social sciences focused on the subject, but these different perspectives lacked a unifying paradigm. This paper has three parts:

Part I: Discovering corporate governance

Part 2: Redefining corporate governance and finding its paradigm

Part 3: Reinventing the corporation

A personal odyssey

Ever since Homer told the epic story of Odysseus' voyage home from Troy, an odyssey has involved a journey. This story of the author's search for the meaning of corporate governance has been a personal odyssey. Odysseus took ten years on his voyage: the author's has taken forty-five years so far, and the journey is not yet over.

Part I

Discovering corporate governance

The Independent Director

The search began in 1977 with an invitation from the London office of the international accounting firm, Deloitte, Haskins and Sells (as it was then called) to study audit committees and consider their relevance for the UK. In the United States, listed companies had long been required by their regulator, the Securities and Exchange Commission (SEC), to form standing committees of the main board of directors (made up of independent outside directors), to act as a bridge between the board and the external auditor. This ensures that significant issues arising during audit were considered by a standing board committee, and not just resolved by the Finance Director. Deloitte, London hoped that similar audit committees could be introduced into UK regulations, not least because the existence of an audit committee could provide a defence against claims from shareholders of a listed company client that had failed. Shareholders often sued the auditors, rather than a bankrupt company, because they were more likely to receive damages from the auditors, who were insured.

The research into the board structure of companies listed in London showed that most did have non-executive directors. The conventional wisdom seemed to be that such directors were useful to give advice. But non-executive directors should always be in a minority: the executive directors should be in control. It was felt that up to a third of the board consisting of non-executive was probably about right.

The concept of independence in non-executive directors did not exist in the UK. Consequently, audit committees of independent, non-executive directors were not feasible. The resultant report was published [Tricker (1978)], with the title *The Independent Director*. The book was reviewed in the professional press: the idea of independent directors was not welcome in British boardrooms. There was no mention in the academic journals – the structure of bards was not of academic interest. Of course, subsequently, the Cadbury Corporate Governance Code [Cadbury (1992)] called for audit committees of independent directors, defining 'independence' with some care. But, unlike the SEC rules, which required conformance under Federal law, the Cadbury Code was voluntary, requiring listed companies to report conformance with the Code or explaining why, if they had not.

Management studies in Oxford

At the time of the independent director study, I was Director of the Oxford Centre for Management Studies, a residential facility, which prepared senior managers for an Oxford University Certificate in Management Studies.[1] However, the Centre was not formally part of the University. Indeed, although the second half of the twentieth century had become the era of management – management consultants thrived, management gurus wrote management books, and management schools flourished – some members of Oxford University, particularly in the Economics Faculty, felt that 'management' was not an intellectually appropriate topic for university-level study. Indeed, the subject 'management studies' sat somewhere between basket weaving and hair-dressing as a vocational pursuit. Wright reported to the Social Sciences Faculty, following a visit to business schools in the United States [Wright (1962)][2]. He reinforced the belief that the study of management was not academically respectable, describing the Harvard Business School as a 'boot-camp,' whose students acquired status by the enormous work load they endured, not the intellectual challenges they had experienced. He was amazed to find accountancy treated as an academic subject. The tortuous road that Oxford trod to reach its Saïd Business School has already been told [Tricker (2015)].

1 For more on management studies in Oxford see Tricker (2015)
2 Reproduced *verbatim* in *Oxford Circus* [Tricker (2015)]

The Oxford Centre for Management Studies

The Oxford Centre for Management Studies[3], founded in 1965, was a company limited by guarantee. Its Board of Directors (called its Council) was large, outnumbering the academic staff of the institution. Half of the members represented the University, including two Heads of House (college heads), the balance being chairmen of eminent British companies.

The author was appointed Director of the Oxford Management Centre in 1971, and was the only member of the academic staff on the Council. The behaviour of some members of this board came as a surprise to the Centre's Director: it was not what he had expected. Instead of the analytical and rational decision making that was being taught in the Oxford Management Centre, Council meetings were sometimes antagonistic, fractious, with relations between members personal and political. The problem was that Council members' perceptions of the Centre's purpose differed: the academics expected the academic staff to do research, funded by business, and publish in refereed journals; the businessmen expected the Centre to be run like a business, financially self-supporting, funding itself by income earned from courses. These differing goals led to some acrimonious debates and dramatic personality clashes.

The behaviour of members of that board was not covered by conventional books on management. But, if it was not management, what was it? The offer of a five-year Research Fellowship at Nuffield College, Oxford, gave the author the opportunity to pursue an answer.

Research at Nuffield College, Oxford (1979 -1984)

Nuffield is a graduate college of Oxford University, devoted to the social sciences. Unfortunately, research into the work of boards of directors did not map readily onto the interests of other College Fellows. The political scientists were focused on politics at national, not corporate, level. The sociologists' sights did not encompass the boardroom. The economists dismissed research into boards as 'management studies,' and considered corporate reporting as 'accounting,' which they treated with disdain [Wright (1962)].

There was an industrial relations group at Nuffield, led by Bill McCarthy[4], which considered business organisations, but their focus was on labour relations and trade unions. [McCarthy (1973)]. The nearest they came to the boardroom were studies connected with the British response to a draft directive from the European Economic Community, calling for worker directors on supervisory boards [Bullock (1977)].

Eventually, a research proposal did emerge: 'to study the practices, procedures, and powers in British companies and their boards of directors.' The plan was to explore the structure of complex corporate groups, establish the structure and work of their boards of directors, and explore their relationships with shareholders and other corporate stakeholders. The intention was to discover something about the work of boards and board behaviour.

A trust was formed to fund the research, sponsored by five British companies which, interestingly, was named the Corporate *Policy* Group (CPG), not the Corporate *Governance* Group, because 'corporate governance' was not a phrase then used. The CPG held occasional

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3 For the story of the Oxford Centre for Management Studies see *Oxford Circus* [Tricker (2015)]

4 Later to become Lord McCarthy in Prime Minister Harold Wilson's retirement honours list

conferences in Oxford and London, with visiting speakers, and published working papers [Tricker (1984)].

A sample of British listed companies was chosen for the research. Published company reports and company records, enhanced by interviews with executives and directors provided the basis for the study.

Research methodology

The research followed predictable steps: a survey of the academic and professional literature, a desk analysis of published company information to discover corporate groups' structures, and confirmation and amplification of this data from interviews with directors and company secretaries. Interviews followed with chairmen (they were all men) and other directors of parent and subsidiary companies. Confidentiality was assured at the outset by agreeing that no company or person would be identified or identifiable in published material. Consequently, interviewees were quoted without attribution in the final report.

It soon became apparent from case notes that the expectations and perceptions of actors in the corporate drama were as significant as any study of formal board structures or routine board procedures. So, an effort was made to explore the ideas and experiences of respondents, as well as obtaining descriptions of board practice.

Position papers were drafted, describing board policies, procedures and practices that had been discovered during the research. Topics included the role of the board chair, the nature of accountability, the role of non-executive directors, and the responsibilities of subsidiary company boards and board committees.

Round table discussions were then held with small groups of directors, to discuss the position papers, providing further insights and evidence. The research findings were evaluated, clarified, and summarised. These findings were then discussed with corporate regulators, relevant professional institutes, and other academics in the UK, Continental Europe, and North America. These included the Department of Trade, the Council for the Securities Industry in London, the European Commission, the Securities and Exchange Commission in Washington, the American Institute of Certified Public Accountants, the Chartered Institutes of Accountants in England and Wales, in Scotland, and in Canada, and the Institute of Directors in England and in Australia. A final report was written, which was published as a book [Tricker (1984)].

Research literature survey

The lengthy literature search disclosed some explanations of the work of boards, their directors, and companies' relations with their shareholders. Many of them were written from the perspective of company law. Others discussed financial reporting, company accounts, and board-level responsibilities. Some gave advice to directors, particularly publications of the US Conference Board, the UK's Institute of Directors, and legal and accounting professional journals. However, relatively few serious research-based studies were found.

A seminal work, Berle and Means (1932) discussed *The Iinfluence of the Modern Corporation*. Freidman (1970), in a work that was to be discussed for decades, argued that the social responsibility of business was to increase its profits, within the law. Mace (1971) discovered that contrary to the conventional wisdom that outside directors supervised the executive directors, instead they merely gave advice.

Mautz and Neumann (1970 and1977) had written about board audit committees, which were required by the SEC in the United States. In the UK, the Confederation of British Industry (1973) commented on the responsibilities of the British public company. Jensen and Meckling (1976) offered a theory of the firm, whose agency theory underpinning was to become the foundation of much subsequent corporate governance research (although the phrase 'corporate governance' was not yet used). Bullock (1977) had produced a report on industrial democracy in the UK, calling for worker directors on existing UK unitary boards. But the literature research did not find a definitive body of knowledge on boards of directors, nor a name for this field of study.

Research investigations and interviews

Published reports from the largest 500 UK companies were used to identify their group structures. The results were aggregated grouping companies by market size, by the number of subsidiaries, and the levels at which these subsidiaries were held (i.e. subsidiaries of subsidiaries).

Interviews in the subject companies followed. Typically, these interviews were approved by the chair of the board of the parent company and, sometimes, the entire board. The group company secretary typically provided information on board level procedures throughout the group. The aim was to discover how the boards of each company in a group worked; information that was not available in the management literature.

The knowledge already collected about the number of subsidiaries and group structure was discussed. Surprisingly, not every company secretary knew the number of subsidiaries in their group, nor at how many levels they were held. Indeed, in one case, the company secretary denied that subsidiaries were held at so many levels, until he was shown the research data.

The responsibilities of the board of each subsidiary and the reporting requirements to the parent company board were then explored. Examples of group board-level protocols, reporting systems, and board agenda were collected, with due regard for their inevitable confidential nature.

The notes of these interviews and supportive data were analysed and position papers drafted, which were discussed at roundtable discussions with directors, their advisers, and regulators.

Research findings

Analysis of the structure of the top 500 British companies showed, *inter alia*, that the larger companies had an average of 230 subsidiaries (the highest being 858), which were held at up to four levels (with the longest string of subsidiaries being a surprising 11 levels).

It also appeared that group parent companies saw their subsidiary and associated companies differently. Some groups were run from the centre, relying on group-wide management information and control systems to co-ordinate and control. Corporate strategy was formulated by the group board, not subsidiary company boards. Group-wide policies were strictly enforced, and control exercised through budgetary and profit-centre financial systems. The boards of these subsidiary companies were usually the senior management of that company: non-executive directors were rare, and never independent outsiders, but senior managers from the parent company or other companies in the group.

At the other extreme, the parent company treated its subsidiaries as relatively independent entities, their boards responsible for setting strategies. Group-wide policies on, for example, labour relations, financial controls, and customer relationships, provided a group culture;

but subsidiary company boards had considerable freedom to develop corporate strategies, reporting strategic developments and seeking financial approval from the group board. The boards of these subsidiaries did often have outside, non-executive directors, particularly when based overseas. Many of these groups were conglomerates, operating in various industrial and commercial sectors. Sometimes, subsidiaries were grouped in a matrix of strategic business units and regional divisions.

In a few cases, subsidiary companies were not operating businesses at all, but formed for legal reasons to protect a name or brand, to limit exposure to significant risk, or for international tax planning. In such cases the board was a cypher, meeting only for legal formalities, with no discretion.

Outcomes from the Nuffield research

The first clear outcome of the project was confirmation that the work of the board, which the study referred to as 'governance,' was not management. Existing management theory did not cover the work of boards of directors. The classical ideas of Fayol (1930) and the half century of subsequent contributions to management literature referred to the work of managers, not directors.

However, the work of boards and their directors did have a certain coherence. They were all involved in the longer-term strategic direction of their enterprise, approved management's reports, appointed and supervised top executive management and reported to their members on corporate performance; but the processes lacked a formal framework or a name.

The legal framework surrounding companies provided constraints and required compliance, but did not provide guidelines on board-level activities. The next challenge for the research was to identify such a framework.

The governance circle and management triangle model

In an attempt to show the distinction between governance and management diagrammatically, an inverted triangle (the board) was superimposed on the traditional management pyramid. Board responsibilities were then distinguished from those of management. This diagram was included in the published research report.

Subsequently, this diagram was replaced by two separate models [Tricker (2009)] to illustrate the relationship between governance and management more clearly. These are sometimes referred to, as 'the governance circle and management triangle model,' and 'the 'quadrant of corporate governance.'

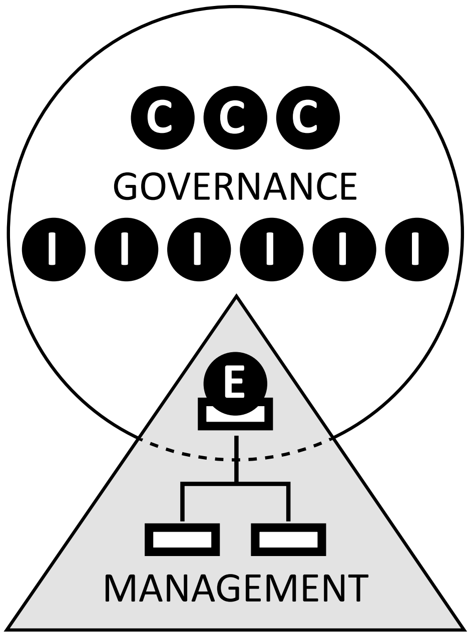
In the circle and triangle model, the governance circle shows the board structure, with the type of each director on that governing body. The management triangle depicts the upper levels of management, identifying which, if any, executives are also members of the board. In the following example, the directors in the board circle are identified as:

I — Independent non-executive (outside) directors
(with 'independence' defined by corporate governance code or Securities and Exchange Commission rules)

C — Connected non-executive (outside) directors
(non-executive but not independent directors, with some connection to the company, such as being the representative of a major shareholder)

E — Executive director
(a member of both the board and the executive management)

Manager not on the board

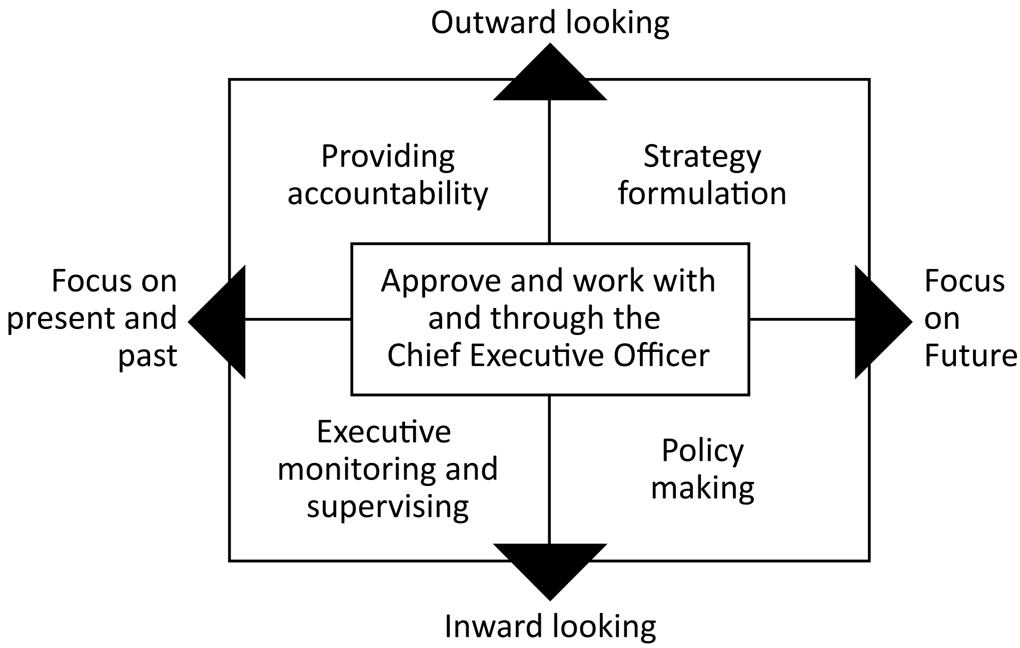


This example depicts a board with 10 members: 3 connected non-executive directors, 6 independent non-executive directors, and one executive director. The diagram can be redrawn to illustrate every possible board configuration

– the all executive board
– the majority executive board
– the majority non-executive board
– the all non-executive board, which is in effect a two-tier board

The corporate governance quadrant

The governing body of every corporate entity has to be concerned with the future direction of that organisation (focusing on the future strategies and policies) and on its past (overseeing the performance of the executive management and demonstrating accountability to their members). Consequently, governing body members need to look inwards at the internal operations of the enterprise and outwards to its external situation. The corporate governance quadrant depicts these relationships.



The right-hand cells of the quadrant (strategy formulation and policy making) reflect the performance of the organisation and are forward looking: the left-hand cells (monitoring/ supervising and providing accountability) reflect conformance with the strategies and policies, and accountability to members, and reflect on the past and present situation.

The box at the centre of the diagram, linking the board with management, was added at the suggestion of Professor Fred Hilmer, [Hilmer (1993)], Dean of the Australian Graduate School of Management, Sydney, while the author spent a sabbatical as a visiting professor.

Boards vary in the extent to which they delegate to management. At one extreme, a board might expect the CEO and top management to propose strategies, policies, and plans with budgets for board approval: at the other extreme, another board might formulate corporate strategies and determine corporate policies, presenting the CEO with their decisions for implementation. These board practices can change as the enterprise's strategic situation shifts, or the board leadership and culture change.

The governance of the Institute of Chartered Accountants

In 1982, during the Nuffield research project, the author was asked to undertake a study of the Institute of Chartered Accountants in England and Wales (ICAEW). Members of the Institute were originally engaged primarily in audit and taxation work, but by the 1980's many members held positions in business, as management accountants, finance directors, or chief executives, others worked in management consultancy. The Institute's Council[5] was concerned that the Institute might no longer reflect the interests of all of its members.

The resultant report [Tricker (1983), was titled *'Governing the Institute - a study on the governance of the ICAEW,'* and recommended the division of members according to their specialist interests. These groups, called 'colleges' in the report but ultimately formed as 'boards;' would appoint their own governing bodies and pursue the interests of their members. The boards would have representatives on the Institute Council. The report also considered alternative forms of democracy, with alternative voting systems.

The I1982 ICAEW governance study made it clear that non-profit, professional bodies need governance; not only public, listed companies, although that became the major focus in the subject for the next twenty years.

A title for the book and a name for the subject

Gower Press, London, showed an interest in publishing the research report, but needed a title. The study of boards and their activities did not suggest an obvious name.

The Trust that had been set up to fund the research had been called The Corporate Policy Group; but the book would be about far more than corporate policy: it concerned the work of boards and their directors, about the way they related to their shareholders, the management, auditors, regulators, and the way complex groups of companies were run. At the time, this process had no obvious name.

In 1934, the United States Government enacted the Securities Exchange Act (1934), which created the Securities and Exchange Commission (SEC). The founding documents described the SEC's aim as: 'to regulate the *governance* of companies listed on US stock markets…' 'Governance' was not defined. Over the years, the SEC introduced numerous reporting and compliance requirements, including the establishment of board-level audit committees, but the phrase 'corporate governance' was not widely adopted: it certainly had not been used as a book title.

Given the widespread acceptance and use today of the phrase 'corporate governance' [Google offers 294 million references], it is hard to believe the phrase was seldom used before the 1980's. Nevertheless, 'corporate governance' seemed to cover the processes described in the book and, more importantly, distinguished the topic from management.

A chance conversation at a Nuffield College high table dinner confirmed the use of the word 'governance.' A visiting professor of English language asked the author what he was working on. 'A book,' was the reply, hardly surprising since, probably, so was everyone else at that table. The visitor asked the title. 'Corporate Governance.' 'You mean 'corporate govern*ment*?' 'No. Corporate governance.' 'Interesting. Chaucer coined that word in the 14th century. But it has mainly been used to describe the government of countries, not companies.' The visiting professor agreed that 'corporate governance' was the appropriate title for the book. Moreover, the author had written '*The governance of the Institute of Chartered Accountants* in 1983.'

5 The author was a member of the Council

Before the book about the Nuffield research was published, Michael Earl invited the author to contribute to his book [Earl (1983)] - *Perspectives on Management - A Multi-disciplinary Analysis.*' This was an opportunity to trial the phrase 'corporate governance' and the author's paper was called *Perspectives on corporate governance - intellectual influences in the exercise of corporate governance*. No one seemed unduly perturbed by the phrase.

So, the book on the Nuffield research became *Corporate Governance – practices, procedures and powers in British companies and their boards of directors* Tricker (1984). Notice that the word 'powers' appeared in that title: the concept will resurface in this paper.

The phrase 'corporate governance' was soon to become widespread, but it was the Cadbury Report (1992) *'The Financial aspects of Corporate Governance.'* that gave the words prominence, not my book. Subsequently, Cadbury wrote that 'Bob Tricker's 1984 book introduced me to the words 'corporate governance.' Graciously, he added that 'I have always regarded Bob Tricker as the father of corporate governance.' But that accolade undoubtedly belongs to him: it was the Cadbury Report that led to the host of other corporate governance codes around the world and the widespread acceptance of the notion of 'corporate governance.' The Cadbury Report[6], not my book, launched the phrase. I take comfort in the remark of John Maynard Keynes that future developments often come 'from some unknown academic scribbler of a few years back.'

In 1988, the Financial Executives Research Foundation[7] in the United States had published an annotated bibliography of corporate governance, with lengthy descriptions of each work [Cochran and Wartick (1988)]: it had just 74 pages. Small (2011) wrote a paper which mentioned corporate governance – *'The 1970s: the committee on corporate laws joins the corporate governance debate'* - but that was written in 2011.

The first corporate governance refereed journal

In 1992, Blackwells, the Oxford publisher, suggested a new research-based, refereed academic journal, in the new field of corporate governance. The firm invited me to create and edit this journal, which was called *'Corporate Governance – an international review'*. The editorship continued for the next eight years, with the help of Gretchen Tricker[8].

Most submissions to the new journal came from economists, almost all using quantitative agency theoretical research methods. Lawyers offered some papers, but exponents of company law had other outlets for their work. A few case studies were published, accepting the Harvard Business School (HBS) view that only an attempt to capture all relevant aspects of a business situation could illuminate reality.

But different perspectives on the subject soon became apparent. Economists believed that corporate governance was a branch of economics, explained by agency theory. Those in

6 Drawing on his experiences on the board of the Cadbury chocolate company, Cadbury continued his interest in corporate governance, publishing *The Company Chairman* [Cadbury (1995)].

7 Cochran, Philip L. and Steven L. Wartick (1988) *Corporate Governance: A Review of the Literature.* Financial Executives Research Foundation, Morristown

8 At the time, Gretchen Tricker was Senior Research Officer of the University of Hong Kong where the author was Professor of Finance

the law faculty believed it was a branch of company law. A few social scientists contributed, drawing their insights on board-level behaviour from sociology or psychology.

Finding reviewers for papers submitted was a challenge. Lacking a unified view on the underlying discipline, reviewers had to be drawn from those whose academic orientation matched that of the paper: otherwise, rejection was inevitable.

Corporate governance becomes widely recognised

Once the Cadbury Report had raised the issues and introduced the words 'corporate governance,' the phrase was quickly accepted and widely adopted. Many other countries produced their own voluntary corporate governance codes, which were often incorporated into stock exchange listing rules. In the UK, a flood of further corporate governance reports followed Cadbury, refining concepts, and adding further compliance requirements for listed companies.

Textbooks were written on corporate governance, and business schools introduced corporate governance programs into their MBA and executive programs. Consultants specialised in the topic and clients discovered they had governance issues! The UK Institute of Chartered Secretaries renamed itself the Governance Institute, and around the world other governance societies were formed[9].

In the United States in 1994, the American Law Institute published a set of legal principles on corporate governance, which generated a debate on the regulation of boards and directors by the courts. In 2020, the American Law Institute launched a project to restate US company law, explaining that:

> *The Institute first tackled the subject of corporate governance more than 25 years ago in Principles of the Law, Corporate Governance: Analysis and Recommendations. Although it provided valuable guidance in a new and unfamiliar area of law at the time, this area has evolved quite a bit in the intervening decades. This project will examine the state of the law today and reflect it in the Restatement.*
> American Law Institute website 2021

In 2000, the Harvard Business Review re-printed articles it had published on boards and directors, in a collection titled 'Corporate Governance.' But, in the United States, the regulation of listed companies had been well covered by state company law and SEC regulations for many years, so there was little interest in voluntary corporate governance codes.

However, the collapse of some major US companies, including Enron, and the collapse of Enron's 'big five' auditor Arthur Anderson in 2001, led to tighter regulation through the Sarbanes Oxley Act (2002).

The National Association of Corporate Directors (NACD) produced a report on *Director Professionalism*[10], emphasising the need for independent director involvement. In 2003, the SEC approved new requirements reflecting many of the NACD recommendations.

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9 The London Business School, for example, opened a Center for Corporate Governance

10 Report of the NACD Blue Ribbon Commission on director professionalism (2002), the National Association of Corporate Directors. Washington, D.C

The US Conference Board responded to the collapse of Enron and other companies with a compendium of corporate governance practices [Plath and Brancato (2003)]:

> *Directors need to be sensitive and responsive to the new level of scrutiny and exposure caused by the Enron bankruptcy, the WorldCom debacle, and other corporate scandals. This blueprint best practices report - the result of the work of both The Conference Board's Director/Senior Executive Roundtable Project and its Commission on Public Trust and Private Enterprise - is intended to serve as a compendium of leading corporate governance practices boards and management should consider within the context of each company's unique circumstances.*

The global financial crisis, starting around 2008, led to more corporate governance regulation to strengthen governance controls and protect investors. In the United States, the Dodd-Frank Act (2010) - The Wall Street Reform and Consumer Protection Act[11]; produced further regulation of the financial sector, with greater transparency. The Securities and Exchange Commission also called for all public companies to create board-level committees to consider their companies' exposure to risk. In the United Kingdom, the Financial Review Council proposed changes to the UK corporate governance code, emphasising the boards' responsibility for corporate risk strategy.

The United Nations produced two reports on corporate governance (2009 and 2014); the first called; *The Global Compact - Corporate governance: The Foundation off Corporate Citizenship and Sustainable Business*,' the other *'Guidance on Good Practice in Corporate Governance Disclosure.'*

In 2015, The Organisation for Economic Co-operation and Development (OECD), representing 37 countries, issued a pro-forma corporate governance code [OECD (2015)] to enable countries to develop their own corporate governance code.

In 2016, the Institute of Directors in South Africa published the fourth King[12] Corporate Governance Report, which emphasised the ethical and societal responsibilities of governing bodies, proposing a board social and ethics committee. King also recognised that all corporate entities need to be governed and wrote that his report was applicable to them all – private and public sectors, profit and not-for-profit organisations. Compliance still remained voluntary, although the Johannesburg Stock Exchange made compliance a listing requirement.

In 2017, the International Business Council of the World Economic Forum [Lipton (2017)], published what they called 'a new paradigm for corporate governance.' In fact, this was a call for a paradigm shift in the relationship between corporations listed on stock exchanges and their investors. The 'short-termism' of some investors, it suggested, needed to be replaced by a longer-term strategic focus. The report proposed that listed corporations should emphasise long-term strategy, shareholder engagement, risk management, social responsibility, and establish what the report called 'the tone at the top,' meaning setting the corporate culture. Whilst the emphasis on replacing short-termism might improve some companies' standing in

11 Dodd-Frank Wall Street Reform and Consumer Protection Act [Public Law 111–203] [As Amended Through P.L. 115–174, Enacted May 24, 2018]

12 https://cdn.ymaws.com/www.iodsa.co.za/resource/collection/684B68A7-B768-465C-8214-E3A007F15A5A/IoDSA_King_IV_Report_-_WebVersion.pdf

society, the proposed topics are explored in every corporate governance textbook. The World Economic Forum report does not offer 'a new paradigm for corporate governance'.

Moving on

So, what have I found in my personal odyssey so fat? I have discussed the evolution of corporate governance previously [Tricker (2020)]; suffice it here to say that, although the phrase 'corporate governance' is less than four decades old, the notion is as old as trade. In the middle ages, merchant venturers entrusted their voyages and their wealth to the masters of their ships. In the mid-19th century, the brilliant invention of the joint-stock limited-liability company, raised capital from shareholders, who trusted their directors with their funds. Subsequently, such trust has been eroded by reliance on contract and law; but trust remains fundamental to the concept of the limited company.

In Part One of this paper, we saw how the arrival of the first voluntary corporate governance code quickly led to the widespread use of the phrase 'corporate governance' and the ready acceptance of its significance. We have seen the importance now attached to corporate governance by professional institutions around the world[13].

A primary focus during the 20th century in organisations was on 'management.' In the 21st century that has been replaced by 'corporate governance.' Nevertheless, we also saw that, although corporate governance seemed to have arrived, it lacks clear boundaries, faces disagreements about its scope, and meets contradictory academic theories. In other words, corporate governance lacks a unifying paradigm. Nor is there a single, widely accepted, definition. That is the topic for Part 2 of this paper, which will follow. Part 3 will consider reinventing the corporation.

Bob Tricker
May 2021

13 In Part One we noted contributions from the American Law Institute, the conference Board, the Institute of Directors, the National Association of Corporate Directors, the OECD, the United Nations, and the World Economic Forum.

