Globalization and Corporate Governance:
Issues for management researchers

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Abstract

Purpose :

This paper seeks to highlight the diversity of ideological positions adopted by management researchers in the globalization and corporate governance debate, with the belief that making such positions more explicit should foster confrontation and innovation both in discussions internal to the management research community, and in external contributions to the transformation of business and society.

Methodology:

This paper develops a typology of corporate governance models by distinguishing between a "contractual", a "moral", and a "dialectical" view of the corporation.

Findings:

More management research in an empirical, holistic and trans-disciplinary approach will be needed if, along a dialectical view of corporate governance, the building of a balance between economic and social forces is a necessary condition for sustaining any given form of capitalism. If such assumption holds true, then management researchers could make a distinctive contribution to the debate on the basis of their specific knowledge and understanding of the operation of large corporations.

What is original/value:

The dialectical view of corporate governance opens up new avenues for management research. This paper offers an original framework for the analysis of transnational corporations.

Key words:

Corporate Governance, Globalization, Institutions, Regulation, Stakeholders, Alter-Globalization

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This contribution is based on a panel discussion in September 2004 at the French Society of Management, on the theme of the alter-globalization movement and its implications for management teaching and research. Participants to the panel included several French academics as well as Susan George, the Vice-President of ATTAC France, invited to present her alter-globalist non-governmental organization (NGO), its diagnosis of major world problems and main lines of action. Formed in 1998, ATTAC had 30,000 members in France in 2004, with spin offs in about 50 countries. This NGO had been one of the main actors involved in organizing the World Social Forum in Porto Allegre in 2001, 2002 and 2003, and in Mumbai in 2004. It promotes critical analysis of the rising importance of financial markets and transnational corporations, and advocates the need to redistribute wealth and power in the world economy. ATTAC is targeting international institutions such as the European Commission and the World Trade Organization to press for new forms of regulation of financial markets and transnational corporations, and for the promotion of social justice and social policy at the international level. Lately, the NGO has played a critical role in raising issues about the neo-liberal content of the project of a European constitutional treaty.

The growth of ATTAC in France, and of the alter-globalist movement across countries, is raising a number of issues for management research that will be outlined in section 1 of this paper. Building on a typology of corporate governance models developed by Brabet (2004), three ways to address these issues will be discussed in section 2. In doing so, the paper seeks to highlight the diversity of ideological positions adopted by management researchers in the globalization and corporate governance debate, with the belief that making such positions more explicit should foster confrontation and innovation both in discussions internal to the management research community, and in external contributions to the transformation of business and society.

I – The alter-globalist view of corporate strategy: issues for management research

A broad field of research and debate has developed in recent years in the area of strategic management with regard to "corporate social responsibility" in a context of globalization. Before discussing the propositions based on this view of corporate governance, I will focus here on some of the issues raised by the alter-globalist movement, including the rise of global corporations and the need to introduce new forms of regulation in the world economy.

- **The rise of global corporations**

The alter-globalist movement invites management research, and more broadly all social sciences concerned with the functioning of productive organization, to assess, or to re-assess, the role of business in society. Not of any kind of businesses, as often implied in meetings and conferences on the theme of corporate social responsibility, but of large, transnational corporations, that share a number of characteristics in terms of marketing, finance, production and employment strategies, as highlighted for instance in ATTAC (2001, 2003). First, through product proliferation and the diffusion of global brands, transnational corporations have acquired significant market power and the ability to shape the consumption habits of a growing part of the population in developed and, to a lesser extent, in developing countries. In the highly symbolic and cultural practice of food consumption, for instance, the highest sales growth rates have been recorded for "global" products associated with homogeneous consumption patterns across countries and macro-regions, and marketed by the largest transnational food corporations such as Nestle and Unilever (ACNielsen, 2002; Palpacuer and Tozanli, 2004). To support such trend, the world top 100 marketers have spent nearly $83 billions on global advertising in 2003, a budget steadily growing since 2001 (Advertising Age, 2005). Bringing support to Levitt's (1983) thesis of a rising global market, transnational corporations have engaged in product and marketing standardization on a macro-regional or global scale, and the search for cost reduction through scale economies has been a driving engine of such corporate strategies (O'Higgins, 2003; Palpacuer et al., 2005).

Second, the coordination or "functional integration" of complementary activities across locations constitutes a distinctive feature of globalization (Dicken, 1998). In industries such as apparel, electronics and automobiles, this has led to the emergence of global value chains governed by large lead firms that arrange for the manufacturing of their products through complex transnational networks (Gereffi, 1994). In such chains, a garment might today be designed in New York, produced from a fabric made in South Korea, spread and cut in Hong Kong, assembled in mainland China, and eventually distributed in Canada. Global functional integration constitutes a radical shift away from traditional forms of production that remained predominantly organized in domestic, vertically integrated corporations during the postwar period. The global coordination of corporate strategies in terms of marketing, R&D, and production through the whole value chain only emerged during the 1970s, and continued to develop during the following decades.

Third, transnational corporations have established their global growth on the basis of tighter linkages with financial markets. The so-called corporate “financialization” refers to the growing exposure of large publicly-traded corporations to financial market pressures, and to the related predominance of objectives to increase shareholder value, or returns on capital employed (ROCE), in corporate strategic management (Froud et al., 2000; Lazonick & O’Sullivan, 2000; Useem, 1996). The contemporary influence of financial markets on corporate strategies has been attributed to the rise of institutional investors as major shareholders of large corporations, and related increases in the proportion of the population owning shares (Williams, 2000).

Finally, through vertical disintegration strategies and the deployment of global production networks, transnational corporations continue to exercise a significant influence on employment. In the case of France, large international corporations have been shown to be net job destroyers during the 1990s in the manufacturing sector (Biscourp and Kramaz, 2003). However, a significant share of jobs held in smaller firms still depends on large corporations through various forms of supply chain, franchising or capital linkages.

For instance, a third of small industrial firms in France are working as subcontractors (Brion and Mauguin, 2004). A significant share of jobs held in smaller firms, or in affiliates and suppliers located in foreign countries, is thus dependent on decisions made at the headquarters of global corporations that have no legal responsibility vis-à-vis these indirect employees in transnational value chains. As emphasized by the ILO (1997, 2004), transnational networks have grown above and beyond Nation States and the set of laws, rules and customs providing protection for employment, the environment, and society within the boundaries of individual countries. Although the ILO does not question this dynamic of globalization *per se*, it repeatedly pointed to its lack of governance at the global level, stressing that '*market opening measures and financial and economic considerations predominate over social ones* ... [so that] … *workers and the poor have no voice in this governance process*' (2004, p. xi).

Such developments have generated a large debate over the last years on the scope and significance of globalization (see, for instance, Gereffi, 1996, and Whitley, 1996) and financialization (Dore et al., 1999; Dore, 2002; Jackson, 2002), confronting thesis of a 'global convergence' versus persisting 'national diversity' in contemporary forms of capitalism. The debate also covered the consequences of globalization for job creation, the quality of jobs, economic development at the local and national levels, and more broadly, the well being of societies (see Bair and Gereffi, 2003; Palpacuer, 2000; Palpacuer and Parisotto, 2003. It involved a variety of actors from public institutions, labor and business associations, NGOs, and academia. In this last sphere, economists have played a central role in shaping the conceptual and methodological foundations of the debate, a position rising the issues of management researchers' involvement in characterizing and assessing the direct and indirect influence of transnational corporations on the lifestyle, revenues and jobs of citizens in developed and developing countries, and the ways in which analytical frameworks and normative propositions are to be adapted in order to take this influence into account.

- **The need to regulate the global economy**

The shift in label from the initial "anti-globalization" coined by the media after social unrest at the WTO meeting in Seattle in 1999, to the current "alter-globalization" adopted inside the movement, provides a good indication of its dominant ideological position. In line with the ILO, the consensus among alter-globalists – notwithstanding the difficult integration of the great variety of views inside the movement – is that the problem is not globalization in itself, but rather the neo-liberal policies supporting it at the international level. For ATTAC, as for other NGOs, policies geared towards deregulation, privatization and trade liberalization are favoring a rise in power of global corporations while excluding a growing share of the world population from the benefits to be derived from globalization, thus generating greater inequalities within the world economy, and calling for transnational regulatory intervention.

These discussions over globalization and appropriate ways to regulate it are rooted in a long-standing debate among economists, building on different views of the firm and its contribution to society. For the neo-classical school, a "fair" development of corporations can best be obtained by promoting conditions of competition through "laissez-faire" policies. Under such conditions, market dynamics will ensure that firms do not appropriate extra-profits or gain excessive power over competitors within their industry. The Chicago school reinforced such view within the context of rising firms' size during the 1970s. It legitimated the existence of large firms on the ground of efficiencies derived from scale economies. Theories based on the notion of "transaction costs" (Williamson, 1975, 1985) and "contestable markets" (Baumol et al., 1988) have further promoted a reintroduction market forces during the regulatory reforms of the 1980s and 1990s. Such views were in direct opposition with the structure-strategy-performance paradigm promoted by Bain (1956), Shepherd (1964) and others in the industrial organization school of the 1950s and 1960s. Stressing that industry structure would influence corporate strategies and performance, and that firms deployed continuous efforts to build power through monopolistic positions, they emphasized the need for State intervention through anti-trust laws and other governmental regulation. As pointed by Chevalier

(1997), anti-trust policies have significantly weakened after the 1970s due to (i) the rising influence of the "laisser faire" view in policy-making circles, (ii) the growing intricacies of market position measures in a context of product proliferation and network forms of organization, and (iii) government objectives to promote the rise of "national champions" in the global arena.

Are such debates specific to the field of economics, or are management researchers also concerned with the role of institutions and appropriate forms of regulation of competitive dynamics? A number of developments indicate a growing involvement of management researchers in these issues. The corporate governance debate, in particular, has strongly penetrated the spheres of management research. The following section aims to provide a framework for clarifying and strengthening the normative positions adopted by management and other social sciences researchers in these discussions.

II. Models of corporate governance and their policy-making implications

A review of the literature on corporate governance allows distinguishing three approaches respectively based on what I label here a "contractual", a "moral", and a "dialectical" view of the corporation, its relationship to the State and forms of contribution to the well being of society. These three views are rooted in implicit but strong and long-standing premises regarding the nature of human beings and ways to organize human interactions within productive organizations and the broader economy, so that filiations can be established between these views and older schools in both economics and work organization theories (for an excellent review and critical discussion of these theories, see Perrow, 1986). As already mentioned, this typology builds more specifically on the work of Brabet (2004) – herself inspired by analytical distinctions established by Blair (1995) – and on O'Sullivan's (2000) contribution to the debate. While Brabet (2004) initially sketched out the typology, in this paper I am attempting to specify more systematically the various types in terms of corresponding research schools, analytical frameworks,

theories of the firm, as well as the roles attributed to public policy and perceived ways to articulate economic performance and social well-being.

- **A 'contractual' or shareholder view of corporate governance**

Based on the premises of neo-classical theory, and today dominant in finance studies, this view of corporate governance defines the firm as a "nexus of contracts". It builds on transaction cost theory (Williamson, 1975, 1985) and agency theory (Fama, 1980; Fama and Jensen, 1983; Jensen, 1976, 2000), to recognize bilateral contracts between individuals making free and rational decisions - the *homo economicus* largely criticized in organizational studies, notably by March and Simon (1996) – as the fundamental operating mechanisms of large corporations. This view also builds on property rights theory (Alchian and Demsetz, 1972) in giving primacy to ownership, and therefore shareholders, in the legitimacy to appropriate the wealth generated by large corporations. Such theoretical developments have been accompanied by the diffusion, in the business field, of new performance indicators such as the Economic Value Added (Steward, 1991) and the Shareholder Value Added (Rappaport, 1986), promoted by major consulting firms and based on calculations approximating the theoretical notion of free cash flow, i.e., the wealth that corporations are expected to deliver to shareholders (Froud et al., 2000).

According to this view, the market provides, or should provide, the best regulatory mechanism for maximizing the so-called "shareholder value". State intervention should be restricted to ensuring the efficient operation of market mechanisms in the spheres of corporate ownership and corporate management. The development of a 'market for corporate control', based on the liquidity of capital ownership, and the promotion of a market for top management positions, annihilating management's attempts to 'entrench' themselves at the top of large corporations, should contribute to maximize the wealth generation capabilities of large corporations (Jensen, 2000). A central claim of the contractual view of corporate governance, and a major foundation of its social legitimacy, lies in the idea that maximizing shareholder value provides the best avenue for

maximizing the performance of the economic system as a whole, and thereby the well being of citizens in society. By excluding all forms of collective dynamics from its theoretical representation of the corporation, the contractual view can indeed make abstraction of power imbalances and conflicting interests between various groups of contributors to the firm's activity, including shareholders, clients, suppliers, and employees. Combined to the key – if hardly realistic – hypothesis 'if all things are equal', its focus on 'free' individual agents allows to believe that the maximization of shareholder value cannot be detrimental to the interests of other 'stakeholders' in the corporation, and can only improve corporate performance. This can presumably be achieved because, while shareholders' retribution is not determined *ex ante*, other stakeholders are protected by contracts specifying the retribution that they will receive for their contribution to the productive activity of the corporation – for an insightful analysis of these aspects of the shareholder theory of corporate governance, see O'Sullivan (2000: 43-52). Extending these principles to the analysis of globalization, proponents of the 'contract-based' view emphasize the benefits of free trade as a lever for economic development. Restructuring, plant closures and lay offs that may occur as a consequence of deploying global market forces, however painful in the short term, should contribute to a more efficient allocation of resources and a greater generation of wealth in the long run.

With its emphasis on contracts, the first model of corporate governance shares core assumptions not only with neo-classical theory in economics, but also with the classic managerial school in organization theory. Indeed, a central tenet of Taylor's (1911) approach to work organization was that human action should be controlled as tightly as possible through formalization and standardization in order to improve performance in productive organization. Hence, agency theory's central preoccupation with disciplining managers, controlling corporations, and drafting detailed – Taylor would have said 'scientific' – contracts to reduce opportunistic behaviors, can all be seen as a transposition of Taylor's obsession with controlling workers and improving productivity at the shop floor.

- **A 'moral' or stakeholder view of corporate governance**

By contrast, some of the premises of the 'moral' view of corporate governance can be traced to the human relations movement in organization theory. Mayo (1945), Herzberg (1966) and others believed that the classic managerial school was wrong in seeing individuals as isolated, opportunistic and guided by rational calculations, and that organizational designs built on such assumptions actually undermined corporate performance because they did not tap the creative resources of individuals, nor did they build on their need and desire to form social groups and share common objectives. Along similar lines, leading thinkers in the stakeholder approach have criticized the contract-based, shareholder-oriented view of corporate governance, claiming that a focus on shareholders as beneficiaries of corporate value creation was not only unfair from an ethical point of view, but also ultimately detrimental to corporate performance (Freeman, 1984; Post et al., 2002). While the human relation school emphasized the corporate benefits of investing in workers' skills and motivation, the stakeholder approach extended such rationale to a broader set of constituents: '*Individuals well endowed with economic and social capabilities will be more productive; companies which draw on the experience of all of their stakeholders will be more efficient*' (Kelly et al., 1997: 244 in O'Sullivan, 2000: 52). In her influential contribution to the stakeholder school, Blair (1995) further drew on human capital theory to emphasize the need to promote corporate performance on the basis of shared investment by employers and employees in firm-specific skills. Freeman's (1984) approach puts more emphasis on notions of fairness and equality of treatment among stakeholders.

The articulation of notions of ethics and business performance is a complex matter within this line of though. Some, such as Blair (1995), rely on economic demonstration of the need for firms to invest in relationships with a broad constituency of stakeholders. Others, such as Berman et al. (1999), consider that investment in shareholder relations stems from a moral commitment independent of corporate search to maximize profit. At the same time, however, a strong tenet of this school is that stakeholder relationships based on mutual trust and cooperation will be a source of competitive advantage, hence lead to

superior performance outcomes. Accordingly, by adopting a 'socially responsible' behavior, corporations will simultaneously boost economic performance and improve the well being of society, thus ensuring a convergence between social and economic considerations in the organization of work and the economy. O'Higgins (2003) adopts this view to analyze the '*alleged evils and merits'* of globalization. She considers that '*globalization, like all strategies, is essentially amoral, concentrating on economic objectives. However, moral objectives and corporate social responsibility can become an inherent part of a globalization strategy if these social goods also satisfy corporate economic claims*' (p. 52). Corporations adopting codes of conducts, for instance, would thus act on the basis of *'enlightened self-interest'*, realizing that the value of their products depends on consumers' perception of their endorsement of a socially responsible behavior (p. 64). Accordingly, the stakeholder view recognizes some of the imbalances generated by a focus on market rules and shareholder value, and suggests that they can be solved on the basis of 'voluntary individual action' (Brabet, 2004), motivated by a combination of moral and economic considerations and taking the form, for instance, of codes of conducts and corporate discourses on commitment to a socially responsible behavior. When members of this school prescribe governance reform, as did Margaret Blair, they do so with considerable caution, emphasizing that existing forms of regulation should presumably allow for the spontaneous emergence of new governance structures (O'Sullivan, 2000: 55).

Critics have repeatedly pointed that the claims of human relation scholars remained of an ideological nature, and could not be substantiated by scientific evidence (see for instance, Perrow, 1986). Likewise, O'Sullivan remarks that *'the stakeholder perspective is more often espoused as a political position than as an economic theory of governance. Indeed, many of its proponents rely on sweeping and unsubstantiated assumptions about the foundations of economic success*' (2000: 52). A critic of a different nature can be made by pointing to the persisting focus of the stakeholder view on individual decision-making processes. O'Sullivan (2000) similarly points to this drawback of the stakeholder view in considering that Blair (1995) 'maintains the neo-classical assumptions that resource allocation is individual and optimal' (p. 59). Although a variety of actors are taken into

account in and around the corporation, proponents of a moral view of corporate governance persistently overlook the power structures established through collective action. By contrast, such analytical dimension holds a prominent position in the third view of corporate governance.

- **A 'dialectical' view of corporate governance**

The key premises of analysis developed in the alter-globalist movement are embodied in this third view of corporate governance. Holding a minority position in both contemporary sociology and economics, it is virtually absent in management research, although a number of French authors are leaning in this direction in their critical assessment of the market-based view[1]. Three salient dimensions of this dialectical view of corporate governance will here be highlighted. First, it develops a conception of the firm based on collective dynamics that simultaneously channel creative energies into innovation processes, and produce tensions and oppositions regarding the distribution of wealth generated through innovation. Such dynamics are sustained by non-market, rule-based institutions that both foster innovation and organize redistribution in ways that as perceived as 'equitable' by a broad constituency in society. Second, such approach relies on contextualized representations of markets and institutions, taking into account geographic and historical variations in the ways in which innovation and wealth distribution are organized in societies and their economy. Third, it seeks to identify and strengthen new forms of institutions able to play a regulating role in a global and financialized economy.

A conception of the firm based on collective dynamics and the role of institutions

[1] See for instance, the contributions of José Allouche, Laurent Batsch, Julienne Brabet, Eric Godelier, Isabelle Huault, Philippe Lorino, Florence Palpacuer, Bernard Ramanantsoa, and Géraldine Schmidt to a panel discussion on "Corporate Social responsibility or the Myth of the Welfare Enterprise" at a workshop on Corporate Social Responsibility held at the University of Montpellier, France, in October 2003 (2005); also see Pérez (2002).

The dialectical view of corporate governance is rooted in an institutional perspective, seeing individual action as embedded in collective dynamics by which ideas, norms, and rules are developed and sustained in both society and the economy. These dynamics simultaneously provide a broader framework that channels, and thus constrains, individual action, while at the same time being sustained, and at times modified, by individual initiatives, as highlighted by Giddens (1984) in his analytical approach of interactions between 'agents' and 'structure'. Adopting a Schumpeterian perspective, a number of researchers have focused on the role of collective dynamics and institutions in the processes of value creation, while underplaying issues of value distribution both within the firm and in the broader society. Among leading management researchers, Gary Hamel has consistently opposed the shareholder-oriented corporate governance model by promoting a view of the firm based on the collective search for innovation (see for instance, Hamel and Stern, 1995). Reminiscent of the human relation school and Barnard's (1938) ideology of management, Hamel's approach emphasized people's need to share a common cause beyond individual interests, as well as the role of leadership in building and sustaining a firm's innovation capabilities. Along similar lines, Henry Mintzberg took position against the growing management-by-number orientation of management training in MBAs, at the expense of the building of leadership skills needed to drive collective innovation processes (Mintzberg, 2004). Porter's (1998) critics of the shareholder model have been geared towards promoting a long-term investment perspective and the need for 'patient' – as opposed to 'liquid' – capital in the corporation, to be obtained through regulatory constraints on investors' activity. Encompassing both views and building on the work of Penrose (1959), Schumpeter (1949, 1975) and Nelson and Winter (1982) among others in evolutionary economics, O'Sullivan (2000) developed an 'organizational control' theory of corporate governance, based on a combination of access to long-term financing, the promotion of collective innovation within the firm, and the decentralization of investment decision-making to managers involved in internal innovation processes. In doing so, she stressed the role of financial and social institutions in sustaining wealth generation and innovation dynamics within the firm.

Although these lines of work certainly contribute to build a view of corporate governance recognizing collective dynamics, the two facets of such dynamics, including not only innovation processes, but also conflicting interests in the distribution of value created through innovation, are to be taken into account in a dialectical view of corporate governance. In the field of sociology, part of the work of Philip Selznick provides a basis to do so. First, in his study of corporations, Selznick (1957) analyzed the political and social dimensions of managerial action and the "institutional leadership" by which managers could contribute to create and sustain institutional linkages and shared values in a community. Second, he later emphasized that fostering employees' participation (or defined more broadly, investing in stakeholder relations) was not to be confused with a truly empowering process based on the capacity for employees (or other stakeholders) to exercise 'legitimate self-assertion' (Selznick, 1969). The later required an 'institutional order' or public process providing a setting for ordered controversy and accommodation, whereby the opportunity and capacity for legitimate self-assertion could be guaranteed (in Perrow, 1986: 114).

This notion of a broader institutional order encompassing, but extending beyond, managerial action, is central to a dialectical view of corporate governance. Such approach recognizes the existence of dialectic relations, made of tensions and complementarities, between the various social groups contributing to corporate value creation processes, and the need to build institutions aimed at regulating these tensions through the democratic expression of conflicting interests and the construction of shared norms and values. In this view, the fundamental rationale for managers' involvement is not – and this comes as a major difference with the stakeholder view – to be defined exclusively at the individual level on the basis of either economic or ethic considerations, and it should not be expected to deliver superior short-term economic performance at the firm level. Rather, the main motivation for management involvement should be the recognition that the long-term sustainability of a given form of capitalism requires the collective construction of institutions by which market forces can be regulated in ways that channel economic growth and performance towards enhancing the well being of a majority of constituents in society. In strategic management research, authors such as Astley and Fombrun (1983)

and Bresser and Harl (1986) have advocated various forms of 'collective strategies' by which managers develop institutionalized alliances beyond their corporation. They did so, however, for the sake of improving the firm's performance, so that their emphasis was on individualistic rather than broader societal purposes, and by promoting voluntary, opportunistic, rather than binding forms of management participation in collective actions, so that their perspective might actually undermine, rather than promote, the construction of a broader institutional order as envisioned by Philip Selznick.

Regulation, the Fordist 'compromise' and a 'plaidoyer' for biding rules

If the joining and combination of complementary resources are needed in order to generate wealth in a capitalist economy, then indeed, a basis of common interest is to be collectively defined in order to provide the ground for such integration. In the field of economics, it is a key tenet of the French regulation school that capitalism cannot perpetuate itself without regulatory institutions that channel the forces of competition and organize wealth redistribution. In line with the old institutional economics in the US, it produced contextualized research that served to identify key conditions and institutional mechanisms allowing for a 'virtuous circle' of wealth generation and redistribution to develop in industrialized countries under the Fordist system of the post-World War II period (see Boyer, 1987, 1996; Boyer and Durand, 1997). A central redistributive mechanism of the time lay in labor laws and collective bargaining systems allowing for the employment relation to simultaneously mobilize labor forces for production purposes and fuel market growth through regular wage increases (Grahl and Teague, 2000). In the US, radical labor economists and historians have further analyzed how a combination of social struggle on the part of workers, economic interest of large corporations, and moral commitment of key actors in the economy allowed for such institutions to progressively build up and become embodied into the Fordist system (Gordon, Edwards and Reich, 1982; Jacoby, 1985, 1991). Focusing on the role of employees in corporate governance, and emphasizing the essentially political – as opposed to economic – nature of the issue of employees' participation in resource allocation decisions within the firm, O'Sullivan (2003) developed a comparative analysis for the ways in which such consensus was

established in Germany, and to a lesser extent in the US. Studying the case of the New York garment industry, Palpacuer (1997, 2004) similarly highlighted the interplay between economic, social and political forces in the building of institutions aimed at stabilizing competition within a local industry, and the ways in which such institutions have been undermined by the processes of globalization.

Several important characteristics of the set of rules established through State policy and collective bargaining systems during the Fordist period should here be emphasized. First, these rules emerged out of a process of conflict and confrontation allowing for the recognition and organized convergence of a variety of interests in society and the economy. Accordingly, conflicts might be a necessary condition for building an institutional framework that allows for the 'legitimate self-assertion' of diverse interests and the reach of a consensus among actors involved, either directly or indirectly, in the production process. Second, the set of rules embodied into Fordist institutions had a binding character by which they restricted the freedom of action of all actors involved. In his defense of bureaucracy, Perrow's (1986) emphasized that such rules could protect workers against arbitrary managerial decisions, an argument long-established in institutional and radical labor market theories (Doeringer and Piore, 1971; Gordon, Edwards and Reich, 1982). Relatedly, such regulatory system could not – and this comes again as a major difference with the stakeholder view – rely on the voluntary action of individual agents or corporations. In general terms, voluntary individual action is needed to launch the building of institutions, but is later restricted by a governance system embodying the interests of a variety of contributors to the production process. In O'Sullivan's (2003) perspective, this translates into an institutionalization of stakeholders' participation so that, in particular, *"employees' role in governance is not at the discretion of any other group in the economy (such as shareholders)"* (2003:21). This last characteristic provides the main reason why alter-globalists are not satisfied with corporate codes of conducts.

Codes of conduct, NGO-union alliances and new forms of regulation in a global era

Unilaterally established by corporations, codes of conduct do not embody, neither in their design nor in their use, a collective process of rule definition and rule control involving a broad representation of stakeholders. When a collective framework is established, as in the Fair Labor Association aimed at monitoring labor standards in the global production networks of leading US brand-name companies, or in the Global Compact Initiative led by the United Nations to promote transparency and improvements in global employment and environmental practices, labor organizations are remarkably absent from the governance process, and the rules established have no biding character for corporations. Hence, alter-globalists demand an independent monitoring process, and organize actions to push corporations to conform their behavior to the principles enounced in their codes of conduct. In doing so, a number of alter-globalist NGOs are working in close cooperation with labor unions to build international alliances. For instance, the 2003 Puma campaign against repressive work conditions at a Mexican factory working for the German brand has involved coordination between a local independent union in Mexico and a variety of NGOs specialized in fighting sweatshops in the global garment industries, such as Sweatshop Watch in the US and the Clean Cloth Campaign in Europe. During the campaing, alter-globalists used Puma's code of conduct as a lever to push the company to get involved in fighting repressive work conditions at its subcontractor's factory (Palpacuer, 2005).

While some commentators acknowledged a growing influence of alter-globalists in the global arena (Van Liemt, 2004), others have expressed skepticism about prospects for an enhanced role of both NGOs and workers' unions in corporate governance (O'Sullivan, 2003). Arguments weakening the case for labor unions include both the strong decline in union membership and influence over the last decades, and the fact that unions are not necessarily committed to industrial democracy. The linkages traditionally established by the AFL-CIO with the autocratic, government-dominated Confederation of Mexican Workers across the southern US border certainly provides an illustration of weak union commitment to democratic workers' representation. Along similar lines, a number of criticisms could be made of the objectives and strategies of a variety of NGOs. Some have developed into private agencies offering to rate the degree of social responsibility of

large corporations on the basis of private, unpublished and uncontrolled methods and results, thus contributing to enhance the legitimacy of voluntary, sanction-free "corporate social responsibility" programs, while others actively promote liberalization policies by adopting rhetoric reminiscent of the contract-based view of corporate governance. Examples include the French rating agency Vigeo in the first case, and OXFAM in the second case (OXFAM, 2002) – also see Coutrot (2005: 65-86). Nevertheless, the great diversity of both union and NGO movements leaves room for organizations committed to improve the well being of 'workers and the poor', to use the ILO's expression. In the US, the AFL-CIO has been significantly reshaped by internal reform since the early 2000s (Herzenberg, 2002), and NAFTA has boosted cross-border union exchanges between the US and Mexico, although such exchanges admittedly remain limited (Alexander and Gilmore, 1999).

Alliances between NGOs and trade unions can be seen as going in the direction of rebuilding, at the global level, the type of rule systems successfully established at the national level in developed countries during the Fordist period. Globalization has deeply undermined the ability of Fordist institutions, including the welfare State and collective bargaining systems, to alleviate and channel the forces of competition into an economic system contributing to improve the well being of a majority of citizens in society. The emergence of the alter-globalization movement thus constitutes a new form of social struggle, in which NGOs and labor organizations have adapted their action to the global dynamics of competition by targeting leading brands, adopting a transnational, network-based organization and promoting social rights going beyond the specific interests of salaried workers in large corporations (Palpacuer, 2005). In such perspective, initiatives such as corporate codes of conduct or the Global Compact are not to be dismissed but should be seen as initial, voluntary steps towards providing adequate responses to the social and economic imbalances generated by globalization, while the next steps would involve the constitution of new forms of collective bargaining systems at the global level.

For the last two decades, the regulation school has been searching for a new form of "social contract" by which wealth would be redistributed and the dynamics of growth

enhanced in a post-fordist economy. Leading authors initially though that participative, flexible employment systems would allow for such redistribution to be achieved along the lines of a Japanese 'model' (Boyer and Durand, 1997). The diffusion of workers' displacement practices, work relocation and contingent forms of employment over the 1990s and the beginning of the 2000s all undermined such argument. More recently, the diffusion of shareholding in the general population has been considered to potentially play a redistributive role in society, thus forming a new mode of regulation associated with shareholder capitalism (Aglietta, 2000). However, Boyer (2000) introduced a fairly restrictive set of hypothesis for this role to be played, including conditions for 'property-earning' to substantially overcome 'wage-earning' as a source of buying power for the population, and he expressed skepticism about prospects for their realization. More broadly, a new line of thought is emerging within and around the regulation school, emphasizing the need to build up strong countervailing power in a global and financialized economy, on the basis of NGO-union alliances as well as public policy at the national and international levels (Coutrot, 2005, Hoang-Ngoc, 2005). Researchers developing such thesis actively participate in building the intellectual foundations of the alter-globalist movement.

Conclusion

In the meantime, and these few words will serve as concluding remarks, obstacles to the building of a global institutional order are daunting. First, the diversity of norms, values and institutions embedded in national settings is making the construction of shared norms and values extremely difficult as daily experienced in the working of the International Labor Organization. In an interconnected world, huge differences are arising between the perspectives and interests of developed versus developing countries, employers versus workers, large versus small firms, or the public versus private sectors, to name just a few. Second, the demise of collectivist systems such as the Soviet Union has deeply eroded the legitimacy of a regulatory role for the State in the economy, whereas powerful international institutions including the World Trade Organization, the International Monetary Fund and the World Bank are actively promoting neo-liberal doctrines in

guidance of international and development policies. More recently, the September 11, 2001 terrorist attack on the World Trade Center in New York has provoked a surge of nationalism, xenophobia and fear undermining the growing popularity of the alter-globalist movement in the US. Third, in social sciences, the legitimacy of abstract, hyper-specialized research is increasing at the expense of the empirical, holistic approaches needed to comprehend the dynamics of globalization and its effect on the life of people in local communities, and to guide policy-making along a dialectical view of corporate governance.

Nevertheless, such research will be needed if, as argued by the regulation school, the building of a balance between economic and social forces is a necessary condition for sustaining any given form of capitalism. If such assumption holds true – and a global financial capitalism cannot sustain itself on the basis of increasingly individualistic and opportunistic contracting schemes for mobilizing strategic resources, combined with fear, and at times coercion, in the use of commodity resources such as low skilled labor – then some management researchers could make a distinctive contribution to the debate on the basis of their specific knowledge and understanding of the operation of large corporations in marketing, accounting, finance, human resources, production and strategic management. Such knowledge might be useful, in particular, in devising a set of global rules that would succeed in simultaneously promoting innovation, stabilizing competition and allowing for greater wealth redistribution in local societies. While this paper mainly addressed the normative challenges of such undertaking, its operational challenges cannot be underestimated.

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