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Special Issue: Corporate Governance and Ethics

Corporate Governance and Ethics: Shareholder Reality, Social Responsibility or Institutional Necessity?

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This introduction to the special issue on governance and ethics situates the question in existing theoretical frameworks, highlights stakes and implications, and discusses the different ways in which companies are perceived. New approaches give rise to a more fundamental reflection on a new stakeholder type of governance and the development of ethical conduct. Ethics has thus become one of the reference values upon which a new pact should be built between the various actors of the organization concerning governance. Ethical behaviour in governance is defined as the way in which a company's stakeholders try to manage collective action from the perspective, and in the interest, of the majority, thus avoiding damaging behaviours, and through a better control of the power and responsibilities of the company's managers. In the area of governance, therefore, ethics aims at raising awareness of the others' rights and common needs, by imposing some principles of minimum requirement. From this point of view, ethical governance must be seen as a system of shared and transparent governance which seeks to establish the general frameworks and guidelines for managers of large companies, by enforcing the values of transparency, responsibility and professionalism. For this reason, a stronger link between ethics and governance has to contribute to help the company's stakeholders to behave, in their decisions and actions, in a way which is acceptable, reasonable and in conformity with given values of reference. Nevertheless, notwithstanding these positive actions, it should be stressed that a company forms part of the business world, and as such has to create value and generate profits. Indeed, other reasons should be highlighted, such as the capacity to generate value for the client and all other stakeholders in an equitable and responsible way, thanks to a better and continuous adaptation of its products and services to new needs and market expectations. Contributions to the special issues are also introduced.

At the start of the new millennium, a series of corporate scandals on both sides of the Atlantic revived public interest in debates on governance and ethics within organisations. The corporate landscape of the United States was rocked by a number of financial scandals as senior executives at Enron, Andersen and WorldCom were found guilty of accounting fraud and corruption. Europe, too, witnessed a number of governance malpractices. In 2002, for example, Jean-Marie Messier, the former chairman and CEO of Vivendi-Universal, was fined €1 million by France's market regulators for inaccurate financial reporting. As a result of these accounting irregularities, Messier also received a €1million fine from the US Securities and Exchange Commission and was barred from holding the position of officer or director of a public US company for 10 years. Across the Alps in Italy, it emerged in 2003 that the food and diary giant Parmalat had for years falsified its financial records and concealed holes in excess of €14 billion. The company's former CEO Calisto Tanzi was subsequently jailed following the discovery by Italian procurators of a network of shell companies set up to generate fake profits for Parmalat and its subsidiaries. Meanwhile, in Germany, public prosecutors in 2007 handed Peter Hartz, a Volkswagen board member, a two years' suspended sentence and a fine of €576,000 for his part in a fraud and corruption scandal involving front companies that the German car manufacturer had used to finance brides to suppliers and members of the company's works council.

Existing knowledge of and rules on governance were unable to prevent these operational and managerial malpractices, which generated real tensions between economic actors and destroyed value for the many involved parties. Several factors can explain these governance deficiencies, including flaws in decision-making processes, inappropriate monitoring and supervision, insufficient training of board members or inadequate auditing of documentation and financial reports. These recent developments have incited a number of actors to react and modify their forms of decision making and conduct, through both the adoption of new laws and regulations (such as the Sarbanes Oxley Act in the USA) and through the improvement of the governance of their organisation (including the clarification of roles and responsibilities, consolidation of monitoring and evaluation processes, accountability of decisions, transparency of results and better training of board members, endorsing codes of good governance practices).

This special issue of *M@n@gement* seeks to enhance existing understandings of governance and ethics, as applied to organisations. Its understanding of governance draws inspiration from the OECD's definition of corporate governance (KPMG, 2002: 6) as «the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation (…) and spells out the rules and procedure for making decisions on corporate affairs. By doing this, it provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance».

Accordingly, Guillén and O'Sullivan (2004) define corporate governance as the answers to three specific questions, chiefly: Who exercises control over corporate activity? What do they do with their power? Who benefits from the way they exercise their power. As such, corporate governance is influenced by a number of different legal, economic, societal, political and historical factors. The quest for good practice is thus complex.

Against a background of key economic sectors, the articles presented here take a specific interest in issues surrounding not only transparency, equity, sense of responsibilities but also the obligation of organisations to be accountable to stakeholders and ensure the level of profitability that determines the survival and sustainability of the structures. Drawing on existing literature and field studies, they seek to determine the extent to which governance systems can evaluate and supervise managers, and support their decision making in an uncertain, complex, and sometimes hostile environment. These issues are especially pertinent to academics who, to date, have devoted little attention to the problems of defining and implementing corporate strategies that integrate ethics into firms' internal practices and activities. This is particularly the case in Europe where scholars have tended to overlook the link between ethics and management research. The purpose of this special issue, therefore, is to gain a better understanding of the evolution of governance systems in organizations and to appreciate the importance of ethics in decision making and management.

Today, the issues of corporate governance, ethics, sustainable development and social and corporate responsibility are practically unavoidable. But how can management academics and practitioners think about these notions in a context of globalization and increasing international competition where firms have to compete with their rivals whilst simultaneously taking into account the numerous stakeholders that directly or indirectly influence the development of their activities? Responding to this question is one of the principal objectives of this collection of articles, in which researchers from different national, cultural and disciplinary backgrounds bring to bear their own unique analyses and reflections. Before presenting each contribution, it appears important to situate the question of governance and ethics in existing theoretical frameworks, highlight the stakes and implications and discuss the different ways in which companies are perceived.

DEVELOPMENTS IN CORPORATE-GOVERNANCE THEORY

Since the works of Berle and Means (1932) on the modern corporation and private property, the term 'corporate governance' has been used to describe the general system governing the ownership and management of firms. This traditional definition of corporate governance, based on the separation of ownership and control of organizations, has given rise to two dominant models: the shareholder model and the stakeholder model.

THE SHAREHOLDER MODEL OF CORPORATE GOVERNANCE

The different theories on governance were first built around works relating to the separation of functions of management and control (Berle and Means, 1932) and the contractual analysis of the firm, particularly the theory of transaction costs (Coase, 1937) and agency theory (Jensen and Meckling, 1976). The dominant trajectory of governance literature is therefore essentially contractual. It is primarily focused on resolving conflicts of interest and in particular on minimizing agency costs between shareholders and company managers.

According to the shareholder model, the role of (formal and informal) governance mechanisms is to reduce conflicts of interests, notably between shareholders and managers. Specifically, it involves minimizing the agency costs resulting from asymmetrical information between managers and shareholders and from the existence of opportunistic behaviour and diverging interests. Governance is limited to disciplining and supervising managers' behaviour, the objective being to align their behaviour to the interests of shareholders. The performance indicator is that of shareholder value. A governance system is therefore considered efficient when it limits the possibility of managers appropriating value and when it prevents managerial behaviour departing from maximization of shareholders' value. In this perspective of monitoring managerial discretion, shareholders are obliged to establish organisational structures and an institutional system of governance capable of securing the earnings performance of financial investments (Shleifer and Vishny, 1997).

As a result, the shareholder model of corporate governance rests on a judicious combination of internal and external mechanisms, aimed at monitoring the behaviour of company managers (Charreaux, 2004). The internal mechanisms of the company are intentionally developed by the parties or the legislator. Amongst these organisational mechanisms, shareholder voting rights, boards of directors, mutual manager oversight, managers' remuneration systems, internal trade-union associations or audits are favoured as alternative modes to disciplinary mechanisms of corporate governance. For their part, external mechanisms stem from market forces. In this context, several markets can be identified: the market for company executives (where the value of executives rises or falls in relation to their performance), the market for acquisitions (including public take-over offers, public offers of exchange, contractual guarantees, legal procedures or judicial regulation) and the market for financial information (like the market for acquisitions, this market reduces agency costs and resolves conflicts of interest from the perspective of maximizing the creation of shareholder value).

Faced with the difficulty of distinguishing clearly between the internal and external disciplinary mechanisms, it is also possible to draw on two classification criteria initially developed by Williamson (1985) in the theory of transaction costs: specificity and intentionality. According to this vision, the specificity of assets (meaning the impossibility of alternatively redeploying an asset without incurring an additional cost) becomes central to the analysis of the coordination tools of the principal-agent relationship. These specific mechanisms are the legal and regulatory environment, national-level trade unions and consumer associations. The criterion of intentionality can be added to that of specificity. This expresses the will to establish, from an institutional perspective, regulations aimed at orientating and therefore monitoring the behaviour of managers. From this viewpoint, corporate culture, networks of informal confidence and reputation amongst employees constitute institutional mechanisms. It should be noted, however, that certain mechanisms can be simultaneously specific and intentional, including for example shareholders' voting rights, company-level trade unions, boards of directors or even remuneration systems. Although all these mechanisms are useful for shareholder-oriented governance, the fact remains that other tools are more frequently used. Indeed, it is possible to identify other management instruments that characterise shareholder governance, such as the different indicators that contribute to shareholder monitoring: free cash flow (Jensen, 1986), the creation of stock market value (Caby and Hirigoyen, 2005), fair value (Bignon, Biondi and Ragot, 2004), the distribution of stock options and the market of corporate control (Jensen and Ruback, 1983).

In summary, the shareholder model of corporate governance proposes an attractive framework for explaining the emergence of efficient organisational forms, the behaviour of owners and managers of listed companies and more generally the way of resolving potential conflicts in situations of cooperation. It legitimises the vision of a company belonging exclusively to its shareholders, without any other consideration. Following the considerable growth of stock markets since the 1980s, Guillén and O'Sullivan (2004) recognise that a number of significant factors appeared to be moving global corporate governance in the direction of the 'shareholder value' model long adopted in Anglo-American markets. For example, empirical evidence from France (Boyer, 1996; Maclean, 2001; Goyer, 2003; Schmidt, 2003; Clift, 2004) and Germany (Vitols, 2001; Jürgens, Naumann and Rupp, 2000; Beyer and Höpner, 2003; Lütz, 2005) suggested that both countries had since the late 1980s undergone deep-seated stock-market reforms which encouraged business leaders increasingly to focus on maximizing shareholder value.

However, according to Wirtz (2005), a critical analysis of the theoretical presuppositions underpinning the shareholder approach reveals a relatively poor representation of the concept of value, which emphasises the plundering by financial investors and the economy of costs. In addition, the explanatory power of the shareholder model appears weak. Indeed, the studies by Baghat and Black (1999) and Larcker, Richardson and Tuna (2004) call into question the link between the mechanisms of shareholder governance and the financial performance of firms. The sound functioning of the shareholder model of corporate governance is also limited by the rise over recent years of shareholder activism, whereby often rebellious shareholders apply pressure on a company's management, through proxy battles, publicity campaigns or litigation, to pursue a particular strategic course. The role played by TCI hedge fund in scuppering the planned takeover by Deutsche Börse of the London Stock Exchange in 2004 and 2005 provides a case in point (Crane and Stachowiak-Joulain, 2006). Vehemently opposed to the conditions of Deutsche Börse's planned acquisition, the fund's creator Christopher Hohn systematically acquired shares in Deutsche Börse and requested the replacement of the entire supervisory board. Following sustained opposition from TCI, the chairman of the board, Dr. Rolf Breuer, and the Chief Executive Officer, Dr. Werner Seifert, finally stepped down from their positions. Finally, the shareholder model is criticised for not taking into consideration the relationships between all company stakeholders, which restricts its ability to claim to be the dominant approach to understanding the governance of companies. It is precisely on the second critical point that attempts to extend the positive theory of agency are concentrated. The positive theory of agency aims to make up for insufficiencies by exploring the stakeholder model of governance.

THE STAKEHOLDER MODEL OF CORPORATE GOVERNANCE

In the stakeholder model of corporate governance, the company is a social construction, a container of expectations, objectives and interests of multiple stakeholders. Stakeholders include not only managers and shareholders of a firm, but also its employees, customers, suppliers and any other individual or group that could influence or, if a broad definition of stakeholder is adopted, be influenced by the decisions of the company (Freeman and Reed, 1983). According to this perception of corporate governance, aligning decisions solely to the interests of shareholders is counterproductive since it does not guarantee the sustainable development of the organization, which can only result from the convergence of all stakeholders' interests (Donaldson and Preston, 1995). The stakeholder conception of corporate governance has many concrete effects. It encourages us to reconsider the composition of monitoring and management bodies and questions the representation of stakeholders (Jones and Wicks, 1999) and the formal and informal mechanisms for taking their expectations into consideration. In addition, the stakeholder model of governance questions the issue of arbitrage between opposed interests and, as a consequence, also calls into question the legitimacies with the company and the forms of conflict resolution (Clarkson, 1995).

In the stakeholder model of corporate governance, the stakeholders represent families of economic agents who have legitimate rights and obligations in the company. For instance, while shareholders run the risk of losing financial capital invested, other stakeholders are equally likely to suffer more or less significant losses: for example, employees risk losing their jobs, or subcontractors risk losing earnings or liquid funds in the case of unrecoverable debt (Pérez, 2003). Further, stakeholders provide critical resources and expect in return that their interests are satisfied. For example, shareholders provide equity capital: they expect that the company maximizes their return of investment in order to reward them for their determining behaviour. For their part, managers and employees invest time, competences and more broadly human capital. In return, they expect to be offered comfortable salaries and working conditions.

Overall, stakeholder-orientated perceptions of corporate governance recognise the multiple objectives of the company, much more than solely the maximization of shareholder wealth. In a relational model of the organization, the connection between shareholders and managers is nothing more than an existing contract between productive entities. The company is considered to be a specific set of contracts applicable to customers, suppliers, employees, unions, investors and so on. In this regard, changes turn out to be particularly significant concerning consumers that would like to consume products manufactured under conditions corresponding to principles of sustainable development, or for investors that would like to invest in companies that position themselves on this objective. On the basis of this, the desire for an equilibrium between the interests of the various stakeholders of the company and the investors manifests itself in a way that the value is appreciated more broadly across a multi-stakeholder vision of the company and its governance. This new conception is supposed to result in a better distribution of the income freed up for the benefit of all the participants if shareholders are not the true 'residual claimants' (Garvey and Swan, 1994). It is in this perspective that Blair (1995) clearly shows the will to proceed to a realignment of property rights in favour of employees in recognition of the specific knowledge and competences that they invest in their companies.

As such, gaps in the unilateral conception of the agency relation favour the emergence of integrated conceptual frameworks, such as the stakeholder-agency theory (Hill and Jones, 1992) or the vision of the company as a multi-contract organisation developed by Laffont and Martimort (1997). This work remains within the framework of the positive agency theory but shifts the emphasis from a simple model, comprising one principal (the shareholder) and one agent (the manager), to a more sophisticated model incorporating several principals (stakeholders) and an agent (the manager). According to this perspective, new monitoring and incentive mechanisms should be implemented to protect the interests of all partners and to optimize shareholder value (Charreaux and Desbrières, 1998). These governance mechanisms are inspired by the perception of the company as a coalition with a common objective, chiefly the viability and the continued existence of the company. They involve shifting from a system of governance based on agency to one based on stakeholders to achieve an equilibrium between financial investors and industrial actors (Hirigoyen, 1997). However, this approach has its limitations insomuch as it cannot satisfy the conflicting interests of all the participants and is incapable of identifying those that really count. Thus, these company models, together with the set of implicit and explicit multilateral contracts, emerge from the contradiction between the positive agency theory and the existence of transaction costs. They propose a representation of the governance system resting on a dynamic game between managers and other stakeholders in order to create and share income. Since then, several control mechanisms have been advocated. The notion of contractual costs substitute the notion of agency costs, taking into consideration the total amount of utility reductions supported by stakeholders to make disciplinary mechanisms work. Likewise, the concept of institutional structure replaces Williamson's term governance structure by simultaneously exercising the traditional disciplinary function and guaranteeing the execution of implicit contracts between the various stakeholders.

Other proposals, each differing slightly from the dominating conception, have also emerged. For example, Cornell and Shapiro (1987) propose the concept of organisational capital developed by implicit contracts formed with different stakeholders, which allows them to extend considerably the traditional approach of the financing structure. In addition, Barton and Gordon (1988) espouse a more enriched conception of the financing structure by integrating a strategic perspective. For their part, Charreaux and Desbrières (1998), by placing themselves within the framework of the contractual approaches to the company and broadening the thus far dominant concept of shareholder value to multiple stakeholders, studied and evaluated the governance system by virtue of its capacity to produce stakeholder value. They claim that the latter is created by reducing the loss of value which arises from conflicts based on the redistribution of the income between stakeholders. Hoarau and Teller (2001) drew inspiration from the revival of the theory of the firm which corresponds to the resource-based approach to propose a substantial value going beyond simple financial value. Finally, the practical implications of this stakeholder conception of the firm and governance are increasingly being recognised. Certain companies have decided to go beyond legal rules, to engage by the intermediary of code of good practice, to take all stakeholders into account.

For example, IKEA feels that corporate social responsibility is part of its daily business (Bartlett, Dessain and Sjöman, 2006). In the words of Marianne Barner (2007: 59), the company's Director of Corporate Communications, IKEA has « a list of key performance indicators to measure its progress on CSR issues, such as the environment ». Furthermore, Anders Dahlvig, IKEA's CEO, decided in 2005 that the company should take more responsibility for its suppliers, co-workers and the environment through a dedicated code of conduct known as the IKEA Way of Purchasing Home Furniture Products, redefining IKEA's relationship with its suppliers worldwide.

By means of these codes, the firm attempts to reconcile the imperative of competitiveness with a conduct concerned with the interests of all stakeholders that contribute to a company's activities. Additionally, numerous 'ethical funds' have been created over recent years which favour investments in companies that show consideration for specific criteria, such as respect for the environment. For example, the UK-based investment management fund Generation Investment Management has built a global research platform to integrate sustainability research into fundamental equity analysis and focuses on economic, environmental, social, and governance risks and opportunities that materially affect a company's ability to sustain profitability and deliver returns. Nobel Peace Prize winner Al Gore is the Chairman of the Advisory Board and helps set the long-term thematic research agenda into global sustainability issues, including climate change, poverty and development, ecosystem services and biodiversity, water scarcity, pandemics, demographics and migration, and urbanization (Generation Investment Management, www.generationim.com, accessed January 2008).

In conclusion, the relation between the various stakeholders of a firm raises questions about the process of value creation. As long as stake-

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holders have specific expectations regarding the firms in which they evolve and require specific information on the conditions of those firms, each stakeholder participates in the creation of value. Questions are also being raised regarding the measurement of each stakeholder's contribution and the incentive methods coordinated by the firm to encourage stakeholders to adopt efficient and responsible conduct, with a common objective of maximizing value for all partners.

These new approaches give rise to a more fundamental reflection on a new stakeholder type of governance and the development of ethical conduct. Ethics has thus become one of the reference values upon which a new pact should be built between the various actors of the organization concerning company governance.

ETHICS: A FUNDAMENTAL CONCEPT FOR NEW ECONOMIC GOVERNANCE

In the field of corporate governance, awareness of ethical issues ensures that managers avoid abusing their power or undertaking improper actions that could result in questionable behaviours and practices within organisations (Mercier, 2004). From this point of view, sharing power amongst the different actors that make up a company's structure and environment becomes a crucial issue in corporate governance. In this way, the relationship between ethics and corporate governance humanizes the exercise of power and renders it more transparent and credible not only to the shareholders, but also to stakeholders in general (employees, clients, suppliers, trade unions, NGOs, public opinion). As Miller, Dessain and Sjöman (2006) argue, an ever increasing number of retail and institutional investors are looking to incorporate social and environmental criteria into their investment decisions. Simply making money is not enough for these social or ethical investors—they want to do good whilst doing well.

For the purposes of this special issue, ethical behaviour in governance is defined as the way in which a company's stakeholders try to manage collective action from the perspective and in the interest of the majority, thus avoiding damaging behaviour (such as fraud, personal enrichment, insider trading, corruption, deviances, dubious behaviour) and through a better control of the power and responsibilities of the company's managers. In the area of governance, therefore, ethics aims at raising awareness of the others' rights and common needs, by imposing some principles of minimum requirement. From this point of view, ethical governance must be seen as a system of shared and transparent governance which seeks to establish the general frameworks and guidelines for managers of large companies, by enforcing the values of transparency, responsibility and professionalism.

For this reason, a stronger link between ethics and governance has to contribute to help the company's stakeholders to behave, in their decisions and actions, in a way which is acceptable, reasonable and in conformity with given values of reference. Defining these values should determine what is good in terms of respecting and bettering the conditions of the different stakeholders who work with the company, or the institution. It is then necessary to translate these values into moral rules, laws, regulations, rules of behaviour or company charters. This notably involves knowing how to exercise one's responsibilities, knowing what the essential values are, knowing which ones should be protected and defended and knowing which rights and responsibilities should be shared; it also involves knowing, when needed, what the best practices are and knowing which sanctions to have in place in the event of non compliance. Such questions should open the way to power sharing, that is, to a way of working together in which stakeholders feel responsible not only for their work, but also for the sound functioning of the organisation. In this way, they can estimate and monitor whether the objectives and the important stakes of the organization are pursued.

Nevertheless, this ethical orientation is not spontaneous and requires different stakeholders to transform profoundly not only their mindsets but also their behaviour and actions. In this regard, Enriquez (1993) identifies four main ethical challenges. The first is the ethics of conviction *(l'éthique de la conviction),* which entails the courage of affirming and defending one's own opinions and principles. Secondly, he defines the ethics of responsibility *(l'éthique de la responsabilité),* which emphasises autonomy and free will and asks individuals to reflect on the context and consequences of their decisions or actions. For this reason, this kind of ethics brings about tensions between organisational and personal responsibilities. Thirdly, Enriquez identifies the ethics of discussion *(l'éthique de la discussion),* based on sharing information and on defining interests around the issue of reciprocity. Last but not least, the author calls to mind the ethics of purposefulness *(l'éthique de la finitude),* focused on the goals of an action, for which ethical decisions take into consideration widely shared missions and values. Specific to this last form of ethics is its attempt to integrate the three others and thus change their principles to make them more compatible.

However, for these orientations to materialise, we should reflect on and transform into operational guidelines the formalisation of an ethical approach to corporate governance based on organisational values, and which matches professionalism with citizenship and principles of action (guidelines of behaviour) with rules of conduct (application of values and principles).This ethical formalisation appears to respond to a dual need: it allows the company to react to external pressures and is a tool for establishing internal rules (Mercier, 2000). For this reason, different monitoring and controlling systems should be established. These systems should ensure that declared commitments are respected and should aim at establishing relationships of trust as well as constructive transactions between shareholders, managers and other stakeholders (reinforcement of legitimacy). However, the creation of codes of conduct or of ethical charters is just one aspect of the process of ethical institutionalisation within companies. Companies would also need other, additional procedures and institutions such as internal ethics committee at the board level, the appointment of personnel in charge of ethics, the organisation of periodical ethic audits, the elaboration of corporate social responsibility practices/ sustainable development reports (or evaluations) as well as the establishment of training seminars focused on the ethics.

Nevertheless, notwithstanding these positive actions, it should be stressed that a company forms part of the business world, and as such has to create value and generate profits. The economic objectives of a company should not be criticized in themselves, insofar as these objectives are what distinguishes a company from a not-for-profit organisation. A company should thus carefully select the social and environmental issues it wants to address and select those more likely to bring about benefits to both society and itself (Porter and Kramer, 2006). Indeed, it would be improper to think that a company has to commit itself to sustainable development only to comply with the law or because it is under pressure. Other reasons should be highlighted, such as the capacity to generate value for the client and all other stakeholders in an equitable and responsible way, thanks to a better and continuous adaptation of its products and services to new needs and market expectations. In the areas of sustainable development and social responsibility, ethical needs have also to support the growth of companies' capacity to innovate through an anticipation of foreseeable situations and a more rigorous and global management of the risks, especially environmental and social ones. Respecting ethical principles is also at the core of companies' efforts to preserve their reputations and valuations, especially with respect to their image vis-à-vis public opinion and their clients.

INDIVIDUAL CONTRIBUTIONS

This special issue of *M@n@gement* contributes to and enriches the analysis and current thinking on this trend towards a stakeholder model of corporate governance that is open to all stakeholders. Alongside highlighting what progress has been made in the field, identifying what is at stake and discussing the means of actions, the articles also point to possible difficulties of application and implementation.

The issue opens with an article by José Miguel Rodríguez Fernández that contains a comprehensive approach to corporate social responsibility, within the general framework of a stakeholder model of the firm. The approach draws from standard economic analysis of the firm complemented with ethic and socio-political considerations. The author postulates that, on the basis of implicit and relational contracts, the new property rights theory, cognitive approaches to management and the firm as a sub-economy, it is possible to draw up a coherent model of the pluralist or stakeholder corporation. One advantage of the approach is that corporate social responsibility can be investigated jointly with corporate governance and with the overall question on how to asses the performance of firms. The paper also contains some principles that can guide the implementation of the global approach to corporate governance: a/effective participation in the corporate management on the part of the main stakeholders, choosing among a wide portfolio of possible governance mechanisms; b/creation of total net wealth in the long term, sustainable in the time and assessed from different stakeholders' perspectives, which implies to calculate the creation of economic rents or quasi-rents; c/fair bargaining, equitable distribution and internalisation of externalitie; and d/accountability with disclosure and independent external monitoring.

The second article, written by Sandra Charreire Petit and Joëlle Surply, covers an interesting interpretation of the American practice of whistleblowing (a mechanism of internal control where an employee exposes fraudulent behaviour inside a company) adapted to the specific French context. The research attempts to answer the question of what happens when whistleblowing is used in French companies listed in the United States or in France-based subsidiaries of American companies. The article explores the various mechanisms and challenges of whistleblowing and discusses the development of three particular issues: The first point concerns the scope of whistleblowing; the second discusses the place of whistleblowing alongside other internal control tools within organizations; and finally, the third point concerns the employee at the heart of this control mechanism who simultaneously possesses the power to monitor and report instances of misconduct.

In their article, Nicola Postel and Sandrine Rousseau address the topic of social and environmental responsibility from an ethical perspective by stressing the increasing power that customers and other stakeholders have over companies. The article advances an operational definition of ethics based on the concept of communicational rationality in an institutionalist-pragmatic perspective (conventionalist approach). From this vantage point, it identifies and assesses various contemporary approaches that attempt to associate ethics and efficiency within capitalism. Its focus is trained specifically on paternalism, fordism and corporate social responsibility. In this conceptual and historical light, the article proposes an interpretation of corporate social responsibility as a conventional form that is currently in a process of institutionalisation. The success of this process depends primarily on consumer behaviour. This relation is the indispensable condition for the existence of an authentic ethical dimension within any corporate social responsibility approach.

The article by Miguel Blanco and Santiago Guttierez uses a case study to illustrate the relationship a widely used managerial model such as Total Quality Management (TQM) and ethical and socially responsible behaviour by business firms. The author argues that TQM implicitly assumes a stakeholders view of the firm where the combined interests of customers clients, employees, suppliers, society as a whole and shareholders, are satisfied in an efficient way. The paper illustrates the ethical and social components of TQM with a case study of Mercadona, a Spanish firm in the retail industry that has made compatible an extraordinary improvement in economic and financial performance over time, with high levels of ethical behaviour that have been widely recognized in Spain and internationally.

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The article by Riadh Manita focuses on the quality of external auditing and corporate governance: how should the auditing process be measured in terms of quality standards? How should members of a board of directors critically evaluate external audits and not accept them at face value? The main objective of this contribution is to establish an analysis table to measure the quality of the auditing process for the benefit of audit committees or any other corporate governance bodies concerned with the quality of an audit. The analysis table was established and tested using data gathered in Tunisia, as part of an experimental project based on the Churchill approach (1979) and adapted to the research context.

In the closing article, Mar Alonso and Eduardo Bueno build upon the conflicts of interest between shareholders and directors in the recent years, due to the proliferation of cases of abuses and opportunistic behaviour by managers around the world, to justify the relevance of trust for effective corporate governance. The paper acknowledges that the lack of trust increases financial costs of capital and lowers the value of the assets of firms, so to restore the trustworthiness of corporations is an urgent task in order to improve economic efficiency, which has called the attention of public authorities and regulators. According to the authors of the paper, information and communication technologies, especially internet, offer new opportunities to public corporations to build and operate effective communication channels with investors and small shareholders, improving the corporate governance mechanisms and restoring trust. The article goes on in analysing internet as a useful way to build up trust in the relationship between firms and shareholders.

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