Preface

*Silvio M. Brondoni**

The over-supplied global markets (i.e. with open competition and with production exceeding the absorption capacity of the demand) showed clearly the primacy of product intangible assets (i.e. pre/post sales services, logistics, merchandising, design, packaging, etc.) which in turn helped to enhance the corporate intangible assets (corporate culture, information system and brand equity).

In over-supplied markets (where products were more sophisticated, but quickly made obsolete by easy imitation) we observed a product and corporate intangible economy that on one hand emphasized the role of multimarket and multi-business firms, and on the other hand reduced the competitive significance of the sector: thus, the traditional analysis based on maturity/novelty industry give way to competitive-intensive business activities, for which the creation of new value presupposes the destruction of earlier values. Phenomenon whose consequences are obvious both in the 'up & down' share prices both in the processes of improvement of the degree of 'harmony' with the staff, both in product innovation aimed at processes of customer fidelization.

In over-supply, market-driven orientation configured a policy of long-term corporate development, where the competitive constraints of cost compare themselves with the primary goal of meeting demand.

The over-supply was a structural factor for the development of enterprises, which are confronted with an increasing glut of goods (produced at decreasing costs for the continuous technological development); goods must also be offered with an abundant alternatives variety to meet the needs of increasingly sophisticated consumer and motivate a demand with an increasingly unfaithful behavior.

Over-supplied markets outlinesd new logics of competition, with a profound rethinking of the theories of management and marketing. The basic principles of 'rational management' were in fact designed to 'drive' a demand which was much higher than the production possibilities of the offer (phase of scarcity economy, which has characterized the U.S. until the 40s and Italy until the late '50s); later, the development of international markets has introduced new paradigms of business management, directing it to stimulate the request for news from the demand side, which actually put it in continuous dynamic balance with the offer (phase of welfare economy, which persisted on international markets until the late '80s).

With the dominance of over-supply, the strategies of 'hyper-competition' are based on the assumption that a business is highly profitable only for firms that shape innovation and create 'demand bubbles', rapidly coming to meet them ('time

* Full Professor of Management. Editor-in-Chief *Symphonya. Emerging Issues in Management (symphonya.unicusano.it)*.

to market') and abandoning them at the right time ('time competition'), leaving its competitors-imitators the residual portion of the bubble (generally dispersive and not very profitable for the crowding of alternative proposals).

From the beginning of 2010s and up to these years, a fourth phase of globalisation produced a structural change in network competition. The primacy of knowledge management, the worldwide localization of production and the new policies of innovation and imitation have been modified in opportunities for merger and acquisitions, global competitive alliances and joint ventures. As a result of strategic alliances, mergers and acquisitions, globalising capitalism has brought increased concentration of ownership and power to many areas of production. For example, in several industries fusions have involved a 'mega-merger' of corporate giants that has radically transformed the competitive balance in these sectors.

In brief, the main factors affecting corporate competitiveness in global networks can be attributable to:

– corporate tasks of profit and growth. Over-supplied markets led many large corporations to develop expansion plans, in line with the vision of a global company;

– development of hybrid sectors by the convergence of technologies;

– reorganisation of distinctive competitive competence in the search for broader boundaries of scale economies (market-space management);

– continuous changes to the competitive base. A competitive edge does not remain for long if the firm does not develop innovation and imitation plans with continued product progress and the relentless search for 'unfilled' demand.

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Ouverture de 'Corporate Governance Communication'

*Silvio M. Brondoni**

Abstract

The globalisation of the market and the growth of companies into increasingly complex and ramified networks underline the importance of communication and of the information flows that sustain relations between a company's executive organ, its management, shareholders and other stakeholders.

In a complex framework of relationships, corporate governance communication and information are of prime importance to manage consensus in organisations operating on global markets.

We can identify three main approaches in the debate on corporate governance communication. The first typically focuses on the shareholder supremacy of corporate policies. This approach in today's global markets it often finds concrete implementation in companies operating in conditions of competitive scarcity (typical examples of this are corporations operating in oil extraction, energy and similar markets).

The second approach refers to the balance between shareholder supremacy and stakeholder interest. In today's global markets, this policy emerges in conditions of controlled competition, where corporate governance reveals a management power that is absolutely not subordinated to the shareholders.

And finally, the third corporate governance policy concerns the conduct of organisations operating with a stakeholder supremacy. This approach is quite recent, developing in the early 1980s due to the globalisation of the markets of large corporations, which introduced networking logics into their corporate policies, tackling new problems of economic and environmental sustainability, with the result that new needs related to more heterogeneous and complex classes of stakeholders have emerged.

Keywords: Corporate Governance Communication; Corporate Policies; Global Markets; Shareholder Supremacy; Economic Sustainability; Environmental Sustainability

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* Editor-in-Chief Symphonya. Emerging Issues in Management (silvio.brondoni@unimib.it)

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1. Overture

The globalisation of the market and the growth of companies into increasingly complex, ramified networks that specialise in specific functions, underline the importance of communication and of the information flows that sustain relations between a company's executive organ, its management, shareholders and other stakeholders.

> □ *The evolution of corporate governance definitions have followed various waves of corporate governance and shareholder activism. The first wave of shareholder activism was led by major long-term institutional investors…These shareholders fought for boards and board members to be sufficiently independent to resist managerial dominance…The task of boards should be to create value for shareholders through firm value creation. (Cr. A. Cadbury, Corporate Governance and Chairmanship, Oxford University Press, London, 2002). A Second wave of shareholder activism occurred after the trends of globalisation, ITC and new economy…Firms became global, corporations were listed on major stock exchanges, focus on market prices replaced focus on dividends and stock options became the key argument for managerial incentives…The third wave of corporate governance evolution occurred after the scandals of global corporations, calling for more ethical corporate governance and for creating sustainable value for shareowners, managers, employees, customers and local communities. (Cf. M. Huse, D. O. Neubaum, J. Gabrielsson, Corporate Innovation and Competitive Environment, International Entrepreneurship and Managerial Journal, no. 1, 2005).*

In a complex framework of relationships, corporate governance communication and information are of prime importance to manage consensus in organisations operating on global markets with multiple structures of interests.

2. Corporate Governance and Competitive Dynamics

The current debate about corporate governance began towards the end of the last century, focusing on the optimal corporate governance conditions to ensure effectiveness, correctness and transparency, but it is still far from any conclusion.

Recently, in fact, corporate governance principles have been critically revised, in the light of globalisation and the consequent new concept of corporate accountability. This exceeds the boundaries of the company's operating space, to search for positive and concrete correlations, in a modern key, between a global company's potential for lasting success and the appropriate composition of the interests of all the parties that converge in the organisation.

> □ *'A corporate governance revolution seems to be taking place, and while many official reforms have already been passed following Enron's meltdown, boards are going even further, instituting sweeping*

changes in their composition, structure, and practices on a scale not seen since skyrocketing executive pay gave birth to the modern governance movement in the 1980s.' see Business Week, 7 October 2002, p. 58.

More industrialised countries are striving to develop governance models that can sustain corporate policies with goals of reliability and transparency from the viewpoint of market-space competition, i.e. not protected by administrative or physical boundaries, that are designed to highlight: on one hand, the governance decisions (generating consensus inside and outside the organisation, about relations between resources acquired, activities developed and results obtained); and on the other, positive relations with important stakeholders regarding the actions and results of corporate governance.

We can identify three main approaches in the debate on corporate governance. The first typically focuses on the shareholder supremacy of corporate policies. This developed in the past on the basis of a company's local dimension, whereas in today's global markets, it often finds concrete implementation in companies operating in competitive conditions of scarcity, i.e. usually with monopolistic supply markets for raw materials or strongly regulated outlet markets (typical examples of this are corporations operating in oil extraction, energy and similar markets).

The second approach refers to the balance between shareholder supremacy and stakeholder interest. From a historical viewpoint, this approach has taken shape with the international development of corporate activities, which introduced new corporate governance standards to respond to vast markets and the need for massive recourse to financial markets. In today's global markets, this corporate governance approach often emerges in conditions of controlled competition (for example, the markets for products for smokers and specifically the static oligopolistic cigarettes market), where corporate governance reveals a management power that is absolutely not subordinated to the shareholders, to the point that it joins forces and occasionally opposes a shareholder power that is often highly fragmented.

And finally, the third corporate governance approach concerns the conduct of organisations operating with a stakeholder supremacy, where shareholders are a class, albeit primary, of 'stakeholders'. This approach is quite recent, developing in the early 1980s due to the globalisation of the markets of large corporations – particularly those based in the US, Japan and South Korea – which introduced networking logics into their corporate policies, tackling new problems of economic and environmental sustainability, with the result that new needs related to more heterogeneous and complex classes of stakeholders have emerged.

3. Global Companies and Corporate Governance Communication

The first stage, which focuses on the corporate governance of companies operating where competition is scarce (i.e. where corporations control the quantities offered and the related selling prices, with global purchasing policies and selling policies that focus on a large number of local markets), underlines the importance of shareholder supremacy and of the related economic expectations of these primary players who support the corporate risk and therefore play a dominant role in the definition of standards and internal rules and, as an obvious consequence, in the appointment of governance organs.

An orientation to shareholder value highlights the concept of corporate ownership and in the extreme form outlined by the Chicago School of Law and Economics, the company is considered as an organised sum of contracts with which several parties develop transactions. By this approach, corporate resources are the property of the shareholders and management is an agent of the shareholders; moreover, the competitive primacy of tangible production assets determines the importance of corporate conduct based on 'costs oriented manufacturing control'.

It is quite obvious that a shareholder supremacy approach attributes very well defined manifestations contexts and role to corporate governance communication.

In a shareholder value approach, corporate governance communication takes the shape of a very limited system of information flows (drawn up in simplified lines, concentrated and closely controlled by central headquarters), which primarily address the owners, the majority shareholders and select media and financial operators. Two-way communication flows are practically non-existent, and even internal communication is very limited because management only acts as an agent of the owners. And finally, corporate governance communication is strictly confined to aspects of corporate finance, revealing the importance of financial communication operators.

On the other hand, when there is a balance between shareholder supremacy and stakeholder interest, business stakeholders dominate, i.e. a specific class of stakeholders, strongly motivated to control competitive space and strongly oriented to maximising corporate profitability.

In companies where business stakeholders are dominant, 'costs oriented to market control' acquire particular significance. In this approach, the parent company headquarters determine a system of relations between domestic and international governance, centralising the definition of strategic development lines while fostering local development lines that evolve, on one hand, into top management value, i.e. the critical role attributed to the grown of corporate management (which in the case in point thus ceases to be the agent of the owners, becoming a strategic resource that decides company policies and decisions, in particular defining the size and distribution of profits at a product and country level) and, on the other, into the enhancement of human resources.

> □ *'In 1945, antitrust was an American legal tradition with no impact beyond the national borders of the United States. American antitrust reflected the double belief that competition should be the highest organizing principle and that the economy functions best when competitors have limits for permitted activities. Outside the United States, competition was feared rather fostered for its potentially disruptive and chaotic consequences. Sixty years later, we can see that a major reversal of trend has taken place. Competition has become the name of the game, both in national and international economic spaces. About one hundred countries have today a competition policy and competition institutions that seem quite compatible, at first sight, with the American antitrust*

tradition. The last few years have also seen multiple attempts at fostering antitrust principles and institutions within the Transnational space as well as initiatives to spread a 'culture' of antitrust'. see Marie-Laure Djelic, Thibaut Kleiner, The International Competition Network: Moving towards Transnational Governance, in M-L Djelic, K. Sahlin Andersson (eds.), Transnational Governance, Cambridge University Press, Cambridge, 2006, p. 287.

When shareholder supremacy and stakeholder interest are balanced, intangible product assets acquire greater significance, and the product brand in particular, to the point that the brand is often widely known while the manufacturer is entirely unknown.

In companies where control of competition spaces prevails, corporate governance communication takes a particular shape, with an integrated system of communication and information flows that is activated occasionally, with varying intensity of the tools and messages (*'when necessary, for specific goals, in particular markets'*), from time to time addressing the inside of the organisation, the owners or the business stakeholders.

And finally, the globalisation of the world economy has made traditional multinational organisations (multi-domestic businesses) obsolete. They have been replaced by transnational organisations (network organisations) that are in a position to tackle the economic interdependence of target markets (global markets), because domestic markets are no longer separate spaces but must be managed as vast aggregate target markets.

In global network organisation, the importance of 'corporate network value' emerges, and intangible corporate assets (corporate identity, corporate culture, corporate information system) acquire huge importance. A policy of controlling the competition becomes a priority, with the focus on 'costs oriented to competition control'.

In a dynamic, constantly changing context, which has extended not only its manufacturing and commercial boundaries but also its financial boundaries, corporate governance communication tends to adopt a competitive market orientation, with a market-driven approach that puts companies in a position to tackle the challenges of the global markets.

Network organisations are characterised by stakeholder supremacy, in other words a stakeholder system prevails, with multiple classes of stakeholders. In particular, the predominance of a stakeholder view demands effective relations with complex systems of social interfaces and presupposes the ability to prefigure concrete, comprehensible, truthful and exhaustive answers to the cognitive-evaluative demands put forward by different types of stakeholders. It also outlines the need to use periodical information flows, with clear, comprehensive messages about the structures and means of implementing corporate governance.

The change from a dominant shareholder view and business interest view to a dominant stakeholder view highlights the importance of corporate governance and the need to recover consensus regarding company operations, accentuating the role of corporate business communication, i.e. communication regarding the company as a whole, which aims to meet the needs of all classes of stakeholders for information, and is designed to achieve consensus regarding corporate governance and the related economic, social and environmental results.

In situations of stakeholder supremacy, the company must balance the often conflicting interests of business stakeholders, social stakeholders and finally environmental stakeholders, In this complex view, corporate governance communication tends to be expressed with an integrated system of communication and information flows, which are activated constantly towards the organisation itself, the shareholders, the business stakeholders, and above all the social stakeholders. In fact, the establishment of effective relations with the social interlocutors is largely influenced by the capacity to prefigure concrete, comprehensible, truthful and exhaustive replies to the demand for information expressed by the various classes of stakeholders. In this sense, the evolution of governance and the affirmation of an integrated concept of accountability (administrative, economic, social and environmental) have caused institutional communications to expand, with the result that communications about the financial statements are developed together with other governance communication tools (social report, environmental report, sustainability report, corporate governance report, report on remuneration to governance organs and company management, cash flow report, etc.).

Globalisation thus forces us to qualify corporate governance communication with an approach designed to underline a corporate culture whose goal is stakeholder supremacy and competition, emphasising communication and information flows, decision-making autonomy and operating accountability.

The development from a local business (and then from a multi-domestic business) to a global network organisation, i.e. to a company with several relevant competitive spaces, questions many consolidated concepts, because the space becomes the critical element, demanding considerable flexibility and commitment to govern organisations that are often ‘spread over’ several countries, and owners that are often volatile and fragmented.

Corporate governance communication of global network organisations therefore interfaces with employees, co-makers and partners, emphasising the corporate ethics of the new values of citizenship of the global corporation, in a context of integration and continuous contrast between the transparency and the opacity of corporate policies.

The contrasting motivations of transparency and opacity that underpin the corporate governance communication of global network corporations, blends perfectly in the opposing visions of the so-called corporate view (i.e. the corporation’s corporate and unitary perspective), and the stakeholder view (the multiform and very differentiated perspective expressed by the various stakeholders). The stakeholder perspective strives for corporate governance communication based on standards of equity, fairness, comprehensiveness, timeliness and transparency of the flows disseminated to the various interlocutors, whether internal, co-makers or external. The corporate perspective, on the other hand, presupposes information flows based on: asymmetrical information, which envisages the openness of the company system graduated to reflect the different publics in the various markets. This openness is directly linked to the interests highlighted by individual groups of interlocutors; the specific nature of information, i.e. interpreted to pursue definite and contingent corporate interests and disseminated through the most appropriate channels; the partiality of information, in other words a deliberately limited 'view' of facts and events, to highlight their positive peculiarity for the organisation; and finally, from a corporate viewpoint, corporate governance communication often tends to be characterised by 'news timing control' (dissemination of information to the various stakeholders that is controlled in terms of content, times and means of dissemination), and by 'non-timely information' (i.e. the planned trend to 'stay one step behind' of the information expectations expressed by the stakeholder system).

In fact, with the continuous contraposition between the corporate view and the stakeholder view, corporate governance communication has to take into account modern conditions of market-space competition, which outline sophisticated competition boundaries with a global matrix, in which space and time come together to dynamically form and modify the relevant competitive context. In this dynamic context, the global company tends to form a complex vital system, focused on competition, with an operating horizon that rises above the traditional dimensions of time in a specific space, referred to a closed environment.

In concrete terms, the continuous contraposition between the corporate view and the stakeholder view obliges global companies to come to terms with their social responsibilities which, in the modern evolution of industrialised economies, puts global corporations forward as the most powerful organised structures of change, to solve the social and environmental problems of our age.