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Working paper:

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reflexivity, and the limits of 'soft' regulation**

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Working Paper Series

The Modern Corporation Project

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Abstract

We identify limits of ‘reflexive governance’ by examining the UK Code of Corporate Governance that is celebrated for its ‘reflexivity’. By placing the historical genesis of the Code within its politico-economic context, it is shown how its scope and penetration is impeded by a shallow, ‘single loop’ of reflexivity. Legitimized by agency theory, the Code is infused by a ‘cultural grammar’ that perpetuates relations of shareholder primacy as it restricts accountability to narrow forms of information disclosure directed exclusively at shareholders. Engagement of a deeper, ‘double loop’ reflexivity allows account to be taken of the historical conditions and theoretical conceptions that shape practices and outcomes of corporate governance. Only then is it possible to disclose, challenge and reform narrow conceptions, boundaries and workings of ‘reflexive governance’.

Keywords

corporate governance, industrial relations, management, organizational theory, participation and workplace democracy, reflexivity, soft law, strategic and international management, top management, trade unions

Introduction

In recent years, concerns have grown about the vulnerability of public and private institutions to instability and crisis. To remedy failures attributed to inadequate forms of governance, comparatively ‘hard’ measures based upon statutory regulation have been complemented, and sometimes displaced, by forms of ‘soft’ governance that rely upon private initiatives and mechanisms of control (Abbott and Snidal, 2000). The advocacy and justification of ‘soft’ forms of governance rests, in substantial part, on the efficacy



ascribed to *reflexivity* as a means of continuous, self-organizing improvement of regulatory practice. In this article, we focus on the commendation and incorporation of reflexivity in the field of corporate governance.

The governance of corporations merits close scrutiny and debate as it frames ‘a wide range of relations and institutional arrangements that shape who controls corporations, what interests corporations serve, and how risks and rewards are allocated among stakeholders’ (Jackson, 2000: 267). Corporate governance contributes to forming, shaping and guiding relations between internal constituencies (e.g. employees); it conditions how corporations relate to wider, external constituencies (e.g. shareholders); and it serves to hold organizational members, notably executives, responsible and accountable to such constituencies. With a few exceptions (e.g. Crouch, 2011; Davis, 2009; Deetz, 1992; Ezzamel and Reed, 2008; Khurana, 2007; Lounsbury and Hirsch, 2010; Perrow, 2002; Pye, 2002), corporate governance has, however, been neglected or marginalized within the field of organization studies and associated streams of research on corporate behaviour. This is lamentable not least because the UK’s Code of Corporate Governance has supported an increasingly financialized economy that endorses the capture of rents by a tiny financial elite (Veldman and Willmott, 2013) with divisive effects on the global division of wealth (Ireland, 2005; Piketty, 2014).

In the UK, a key moment in the recent history of corporate governance was the publication, in 1992, of the Report of the Committee on the Financial Aspects of Corporate Governance. Widely known as the Cadbury Committee and the Cadbury Report, after the name of its Chairman,¹ its work provided the basic framework for what became the UK Combined Code of Corporate Governance.² The Code has been adopted as a blueprint of ‘best practice’ in the EU (Keay, 2014: 282) and worldwide (Henry, 2008: 400; Jordan, 2013: 9, 26), even when national regulators are sceptical about the appropriateness of the Code’s model.³ The impact of the Cadbury Committee’s deliberations, it has been suggested, ‘cannot be overstated’ as ‘[n]early every corporate governance development in the UK and throughout the world in the past two decades has derived much of its content and inspiration from the Cadbury Report’ (Jones and Pierce, 2013: 31).

Of greatest relevance to our analysis of ‘soft’ forms of governance in which reflexivity is prized, the Code is widely celebrated as a prime example of ‘regulatory instruments which are explicitly designed to be “reflexive”’ (Cankar et al., 2010: 510). The Code’s design explicitly institutionalizes a continuous and ongoing process of learning and reflection through regular reviews and updating. As Spira and Slinn (2013: 222) note, ‘The Code is regularly reviewed, in recognition of the need to adapt its requirements to the changing corporate landscape’. The incorporation of reflexivity into the Code con-

veys the strong suggestion that it institutionalizes a permanent process of thoughtful application and review based on ‘best practice(s)’. Such reflexive governance promises to forestall potential pathologies and crises that threaten confidence in corporate governance, and so bestows upon the Code a degree of credibility and legitimacy that has inspired and supported its worldwide adoption.

Given the importance of the UK Code in framing international corporate governance prescriptions; considering that it is hailed as a prominent and widely commended example of ‘soft’ regulation; and, recognizing, moreover, how the legitimacy of the UK Code trades upon its ‘reflexive’ approach, the question addressed in this article concerns the nature and role of the ‘reflexivity’ in the Code’s design and operation. We begin by addressing the reflexive turn in governance where forms of ‘soft law’ have been commended and introduced to facilitate processes of ‘collective learning’ and continuous improvement through private, voluntary agreements. We then consider the Code as an example of ‘reflexivity in practice’. We note how, despite the celebration of reflexivity, and despite the seriousness of a series of spectacular failures, the preparers and overseers of successive incarnations of the Code have paid scant attention to the broader historical framing of corporate governance. It is an oversight that, we argue, naturalizes and preserves a particular agency-theoretic conception of governance. In a discussion section, we show how the claims of wider constituencies in relation to accountability, regulation and control were, and remain, present in broader conceptions of corporate governance,⁴ yet these considerations are largely absent from the institutionalization and operation of the Code. This leads us to argue that limiting reflexivity to a ‘single loop’ in the design and operation of the Code acts to affirm and protect a notion of corporate governance that supports a particular, financialized political economy where the claims of wider constituencies are marginalized or even excluded. We conclude our analysis by providing pointers for rethinking reflexive governance, the Code and corporate governance theory.

Reflexivity and governance

In this section, we consider how ‘reflexivity’ is articulated in the institutionalization of the Code; in the operation of the Code; and in processes of organizational learning and change.

The reflexive turn in governance

The incorporation of reflexivity into governance has informed and legitimized policy and analysis in diverse fields that include ‘employment policy, social inclusion, enterprise promotion, environmental protection, energy policy and fundamental human rights’ (Deakin, 2009: 225) as well as politics, education, coastal adaptation, nanotechnology,

utility systems, culture, risk, sustainable development and societal development (Goergen et al., 2010; Scott, 2008; Voss and Borneman, 2011; Voss and Kemp, 2006). Advocates of ‘reflexive governance’ commend it for attending to, and advancing, processes of ‘collective learning’, intraorganizationally and interorganizationally (see Scott, 2008: 174), and for encouraging ‘multilevel stakeholding’. Central to the philosophy of reflexive governance are processes of continuous review in which actors are conceived to revisit and redefine their interests and actions through ongoing deliberative processes where ‘no-one has privileged access to the best solution’ (De Schutter and Deakin, 2003). In principle, the incorporation of reflexivity into governance has implications for (re)interpreting *inter alia* the conditions of governance, the dynamics of its practices and its (un)intended consequences (Voss and Bornemann, 2011). A strong notion of reflexive governance ‘call(s) into question the foundations of governance itself’ (Voss and Kemp, 2006: 4) as it invites a deconstruction of ‘the concepts, practices and institutions by which societal development is governed’ (Voss and Kemp, 2006: 4). Within this framing of reflexive governance, ‘one envisions alternatives and reinvents and shapes those foundations’ (Voss and Kemp, 2006: 4). We characterize this strong form of reflexive governance as ‘double loop’ a notion that we adapt from Argyris and Schön’s (1978) idea of ‘double loop learning’. In common with double loop learning, it encompasses a preparedness to facilitate, and not just to contemplate, change in the multiple arenas of governance formation and implementation. Extending beyond a ‘single loop’ of learning that is restricted to making incremental adjustments and technical fixes, double loop reflexivity incorporates critical scrutiny of the presence, nature and mobilization of the taken-for-granted understandings that frame and support theories and practices of governance.

Reflexivity and the Code

The architects of the Code seeded reflexivity into its *institutionalization* where it is continuously reviewed; into its *operation* where its application invites reflexive explanations of non-compliance, rather than rigid adherence to rules; and into *processes of organizational learning and change* that are instigated by reflection on the spirit, rather than the letter, of the Code.

Institutionalization. The late 1980s and early 1990s witnessed a spate of high profile corporate collapses and corruption scandals, including those of Barings Bank, Bank of Credit and Commerce International (BCCI), Polly Peck International, and Maxwell/Mirror Group Pensions (Goodman, 2003; Jordan, 2013: 4–5). In the eyes of many employees, consumers, suppliers, editors and voters, lax regulation had allowed directors to



misrepresent their companies' financial position (Henry, 2008: 380), and it had thereby mislead diverse parties affected by corporate collapse. The resulting drain on confidence in corporate governance raised the spectre of external, statutory regulation – a spectre explicitly acknowledged in the Cadbury Report: 'if companies do not back our recommendations, it is probable that legislation and external regulation will be sought to deal with some of the underlying problems which the report identifies' (Cadbury, 2012: 1.10). In response to the crisis of confidence in corporate governance, the Financial Reporting Council (FRC) and the London Stock Exchange (LSE), together with the most influential of the accountancy bodies (Institute of Chartered Accountants in England and Wales [ICAEW]), established the 'Committee on the Financial Aspects of Corporate Governance' (CFACG). CFACG's prescription for minimizing future failures of corporate governance was the establishment of a privately operated Code in which company boards would be required to reflect on 'best practice'. Invoking the view that 'one size does not fit all' in matters of corporate governance (Arcot and Bruno, 2006: 5), the Code offers an alternative to hard regulation that is considered counterproductive as it fosters 'tickbox' behaviour (Pye, 2013; Roberts, 2012). While the Code lacks a statutory basis, compliance with it became a formal part of the listing requirements for the Stock exchange (Jones and Pollitt, 2004: 167), thereby creating a strong presumption in favour of compliance in the operation of the Code.

The basis for the institutionalization of the Code was the establishment of a form of private interest government⁵ (see Morgan, 2008: 641; Streeck and Schmitter, 1985) that headed off the risk of 'hard', statutory regulation. In this context, the flexibility of the 'comply or explain' approach could be used to placate critics of the Code within the elites – notably the Confederation for British Industry (CBI), which lobbied hard to exclude its 'regulatory' aspects (e.g. the reporting requirement and compliance with the Code as part of the listing requirements for the Stock exchange). At the same time, claims to incorporate reflexivity were helpful for appeasing sceptical observers by offering the reassurance that the voluntarism of 'soft' governance was being stiffened by an on-going process of learning, leading to the continuous identification, refinement and implementation of 'best practice(s)'.

Operation. The Code requires companies to report on a set of issues by indicating not only their degree of compliance with 'best practices' but also by providing an explanation of any deviation from them. The declared purpose of the explanations is to point to examples of 'better' practice(s) as well as to disclose where companies have fallen short of what the Code identifies as 'best practice(s)'. It is important to appreciate that the

Code does not require compliance per se. Instead, it seeks recognition and explanation of practices that exceed, or fall short of, its specification of ‘best practice(s)’: ‘The Code is to be followed by individuals and companies in the light of their own particular circumstances. They are responsible for ensuring that their actions meet the spirit of the Code and in interpreting it they should give precedence to substance over form’ (Cadbury Report: 3.10).

In the Code’s ‘comply or explain’ approach, it is acceptable, and indeed it is expected, that deviations from ‘best practice’ will occur, and that these will be accompanied by detailed and well argued explanations. As the FRC puts it, ‘to the extent that [the company] departs from that code, it must explain which parts of the code it departs from *and the reasons for doing so*’ (FRCUK, 2012: 3, emphasis added). Advocates of the Code contend that this quasi-voluntary approach offers ‘flexibility and intelligent discretion and allows for valid exception to the sound rule’ (Arcot and Bruno, 2006: 2).

The Code is thus formally committed to a bespoke approach that is intended to enable and encourage boardroom members to emulate what is taken to be ‘best practice’ by reflecting upon the relation of their particular governance structures and practices to the Code’s universal ‘best practices’, and to justify deviations in relation to their specific situation and priorities. To its supporters, such justified deviations provide an invaluable evidence base for identifying even ‘better’ ‘best practice(s)’, and so offer pointers to how elements of the Code might be refined and improved. In short, in the operation of the Code as a work in progress, ‘reflexivity’ is formally incorporated as a means of continuously improving the Code’s guidelines and their application.

Learning and change. A third aspect of reflexivity takes the form of the Code’s contribution to broader processes of change in corporations. The principle of ‘comply or explain’ and its voluntary implementation are commended for facilitating and accelerating continuous learning in which improvements result not only from more widespread adherence to ‘best practice’ but also from deviations that work in the spirit of the Code to exceed ‘best practice’ (see Roberts, 2012). As innovations and lessons reported by individual companies are disseminated across sectors, and may extend to the entire economy, the challenge of reflexivity is, in principle, not confined to the institutionalization or operation of the Code and its commendation of better corporate governance. It also, and again in principle, challenges passive compliance with the Code by stimulating ‘reflection on what, say, corporate governance is intended to achieve (or possibly might achieve) and what they can do to enable such achievement (as board members, for example)’ (Scott, 2008: 174).

In sum, the Code can be considered to embrace reflexivity in how its institutionalization is continuously reviewed; in its operation through the application of reflexive principles; and in the way it calls on organizational actors to accomplish change.

The terrain of corporate governance and the cultural grammar of reflexivity

We now focus more directly upon reflexivity, its possible forms and how it is conditioned. With Ailon (2011), we argue that the embeddedness of reflexivity in a particular ‘cultural grammar’ enables, but may also impede, its institutionalization and operation. Specifically, we illuminate how wider sets of concerns and problematics, which we show to be historically present in the discourse of corporate governance, are largely absent from the narrow and shallow, ‘single loop’ reflexivity that informs the institutionalization and continuous revision of the Code.

Single and double loop reflexivity

Following Ailon (2011), who directly addresses the cultural grammar of reflexivity, we are persuaded that claims about reflexivity should be treated cautiously. Ailon’s key point is this: where the notion of reflexivity becomes abstracted from specific practices, it can defy, or even escape, critical examination as it becomes absorbed into, and diluted by, a prevailing ‘cultural grammar’⁶ in which its meaning and significance is (narrowly and superficially) framed. Reflexivity may then be conceived as a self-evident, quasi-universal phenomenon that appears to operate independently of, or somehow to float free of, culture and institutions (Ailon, 2011: 144). As a consequence, there is limited scrutiny of the asymmetrical power relations through which the meaning and significance of reflexivity is culturally defined and exercised. At worst, enactments of reflexivity serve simply to affirm and reproduce the dominant values of the field, with the result that the principal contribution of reflexive interventions is an endorsement and reinforcement, rather than a problematization, of the status quo (e.g. Ailon, 2011: 159–160; see Boltanski and Chiapello, 2007). Ailon’s (2011) analysis is pertinent for appreciating how, when limited attention is paid to the cultural grammar that endows ‘reflexive governance’ with meaning(s), the outcome can be ‘a sense-making mechanism cast in the shape of its own beliefs’ (Ailon, 2011: 160). When confined within a dominant, taken for granted ‘cultural grammar’ where reflexivity takes the form of a single loop, the legitimacy of established preconceptions and priorities is assumed (Ailon, 2011: 142). This possibility is signalled by the distinction drawn by Argyris and Schön (1978) when differentiating between single and double loop

learning (see Tosey et al., 2012 for a critical review). Single loop learning leaves largely unquestioned what Argyris and Schön term the ‘variables’ (assumptions, goals, values) that inform and shape practices, such as the ‘variables’ that condition practices of corporate governance. Learning/reflexive governance is limited to developing fixes within established parameters. In double loop learning, in contrast, assumptions, goals, values and so forth – that is, the ‘variables’ that are naturalized in single loop learning – are thematized and interrogated. Correspondingly, what we term double loop reflexivity is ‘a process involving self-reflection upon problematized beliefs or knowledge limitations and attempts to revise them’ (Ailon, 2011: 142). Double loop reflexivity serves to explicate, interrogate and potentially overhaul assumptions, goals and values embedded within institutionalized practices, such as those that comprise the Code. By applying this approach, we show how the Code is embedded in a dominant cultural grammar that defines its reach and responsiveness – for example, by setting ‘knowledge limitations’ (Ailon, 2011: 142) with regard to the forces, processes and stakeholders that condition the governance of corporate activity.

In order to provide a context for our analysis of the Code, especially with regard to the assumptions and values institutionalized within it, we now consider the deliberations over corporate regulation during the decades that preceded the Code’s introduction. This enables us to place the formation, scope and content of the Code in its historical setting and, more specifically, to appreciate what it omits to thematize or address.

The Code in historical perspective

Twenty years before the establishment of the Cadbury Committee, a report by the British Institute of Management (1970) indicated that companies lacked adequate and proper control, and that directors had been unable or unwilling to remove those responsible for failures (Parkinson, 2000: 251). At that juncture, pressures to rethink and reform principles of corporate governance coincided with Britain’s accession to the European Community (EC) in 1973 (Horn, 2012: 99). The 1972 Draft EC Fifth Directive on company law mandated the separation of management and supervisory functions and employee representation in the form of two-tier boards, comprising one-third employees and two-thirds shareholders. This was in addition to an employee council entitled to receive information on the affairs of the company and give advice to management on certain decisions (see Clift et al., 2000: 71). The Watkinson Report, published in 1973, found that the interests of workers were too often ‘relegated to the background’; and it also offered proposals for the mandatory establishment of two-tier boards of directors, including worker representatives (Spira and Slinn, 2013: 25). The same year, the Labour party was upbeat about



the prospect of promoting industrial democracy: ‘It is no longer a question of whether workers should play a greater part in their day-to-day factory life – but how this is to be done’ (Clift et al., 2000: 72). Sharing this sentiment, the 1974 Community and the Company Green Paper argued for a change in the ‘outmoded view’ of company law, in which the ‘interests of the company’ are equated to the interests of the shareholders (Clift et al., 2000: 73). This inclusionary philosophy of corporate governance was reaffirmed in the 1975 European Commission Green Paper on Employee Participation and Company Structure that stated that ‘employees are increasingly seen to have interests in the functioning of enterprises which can be as substantial as those of shareholders, and sometimes more so’ (Horn, 2012: 92). In sum, in the early 1970s, deliberations on corporate governance in the EU as well as in the UK explicitly advocated and incorporated a comparatively broad and inclusive view of its scope in which the interests of diverse stakeholders, and notably those ascribed to employees, were included. This view drew support from the Standards Committee of the ICAEW that, in 1975, published the Corporate Report.

The Corporate Report

In common with interventions summarized above, the Corporate Report (1975) directly challenged a conception of corporate governance concerned only with ‘the protection of shareholders’ and creditors’ rights and property’ (Accounting Standards Steering Committee, 1975: 34) – a view that is described as ‘incomplete and unsympathetic to modern needs’ (Accounting Standards Steering Committee, 1975: 31). One of the more remarkable features of the Corporate Report, from the standpoint of the present, is its presentation of evidence that a large majority of the chairpersons of the 300 largest UK companies endorsed a stakeholder conception of corporate governance (Accounting Standards Steering Committee, 1975: 38). Shareholder primacy, in contrast, was identified as an ‘extreme view’ and responsibilities towards employees were rated slightly higher (71%) than those to shareholders (69%) (Accounting Standards Steering Committee, 1975: 93).

It is relevant to note how the stance of the Corporate Report is commensurate with the position of Company Law on this issue. In Company Law, formal ownership of a company resides in a separate legal entity, and explicitly not with shareholders or boards.⁷ Since the fiduciary duties of directors are owed to ‘the company’, rather than to ‘the shareholders’, the company must be run ‘for itself’ by managers who become the ‘trustees’ of the institutional assets (Berle and Means, 2007 [1932]; Bratton, 1989; Robé, 2011). Considering that the company is built upon the inputs of constituencies who *ex ante* have a legitimate and nominally equivalent interest in ‘the company’ (see Biondi



et al., 2007), it follows, in principle, that corporate governance is inescapably ‘the locus of many conflicting claims’ (Allen, 1992: 280; see also Collison et al., 2014), and that its design and operation is properly attentive to ‘a diverse range of variable social and commercial objectives’ (Thompson, 2012: 124). This understanding of corporate governance in Company Law confounds a conception of the corporate form as an instrument ‘owned’ by, or exclusively managed in the interests of, one constituency (Allen, 1992: 265; Crouch, 2011: 136). Perhaps it was because the Corporate Report’s identification of shareholder primacy as an ‘extreme view’ was uncontroversial in the context of the mid-1970s, and unexceptional in relation to the company law understanding of corporate governance, that its recommendations attracted comparatively little interest. In any event, its wide-ranging recommendations were never put to the test, as it was first overshadowed by the 1977 Bullock Committee Report commissioned by the then Labour government. Then, in 1979, a Conservative administration, led by Margaret Thatcher, was elected on a ticket to dismantle the post-War, ‘one nation’ settlement, including its corporatist forms of regulation by unleashing the ostensibly self-regulating power of (efficient) markets, realized most dramatically in the ‘Big Bang’ of financial markets reform in 1986. Although there was continuing discussion of corporate governance, these discussions were, as we shall show, confined to a much narrower set of issues.

Non-executive directors (NEDs)

The role of the Non-Executive Director (NED) has been a recurrent focus of corporate governance improvement. In 1970, Sir Brandon Rhys Williams introduced a private member’s bill to the House of Commons that proposed that each Board should appoint at least three NEDs. Although the bill garnered insufficient support to become law, it proved to be critical in defining the agenda for subsequent deliberations on corporate governance reform. In 1973, the Watkinson Report recommended the inclusion of a statement in Annual Reports about the composition of the Board and the qualifications and interests of the NEDs, but without any legal compulsion to provide this information or to increase their number. In 1984, PRONED – a lobby group dedicated to the appointment of non-executive directors to boards – was formed with the Bank of England as a prime mover in its establishment (Spira and Slinn, 2013: 28), and with Sir Adrian Cadbury as its chairman (1984–1996). Guidelines prepared by the Association of British Manufacturers in 1990, reissued the following year by the Institutional Shareholder Committee, adopted the appointment of NEDs, in combination with the provision of reliable financial information to shareholders, as the principal levers of reform and a key marker of ‘good governance’ and ‘best practice’. This was despite the NED role being ‘defined in vague terms’ (Spira and Slinn, 2013: 29),

and it being widely regarded as ‘a refuge for long-serving senior employees, retired armed forces personnel, out-of-office politicians, titled members of the upper classes, and friends and relations of board members’ (Spira and Slinn, 2013: 26).

Commentary

We have noted how, during the 1970s, a string of reports considered the merits of two-tier boards, employee representation on boards and the benefits of statutory control. This cultural grammar of regulation had not been entirely displaced or suppressed by the time that the Cadbury Committee was formed in 1991 (Collison et al., 2014). Yet, by the early 1990s, following a succession of Conservative administrations dedicated to ‘market first’ policies, this grammar had been progressively marginalized (Spira and Slinn 2013: 25). In the new cultural grammar, increasingly infused by neo-liberalism, corporate governance was mostly confined to considerations of the quality of information flows, disclosure in relation to the competence and reliability of boards of directors, and the salvational role ascribed to NEDs.

The Code and agency theory

The restrictive framing of corporate governance by members of the Cadbury Committee was assisted by developments in mainstream academic debate. Crucially, beginning in the 1970s, the presuppositions of agency theory (e.g. Jensen and Meckling, 1976), where the focus is narrowly on shareholders and board members – as ‘principals’ and ‘agents’,⁸ had come to shape and restrict the theory and the practice of corporate governance.

Supremacy of shareholders

The Report of the Cadbury Committee (1992) presupposes the agency theoretic understanding that companies are run exclusively for the benefit of shareholders who are identified as the owners and the providers of equity capital. This presumption is reflected in the assertion that the responsibility of the Board of Directors is to protect, and report on the activities of the company to, shareholders (Cadbury Report: 2.5–2.8; 4.2; 4.40; 4.44; 4.59; 5.3c&d; 6.1; 6.6). What, then, of the interests of other stakeholders? These are conceived to be best and fully served within the agency theoretic formula: all stakeholders are beneficiaries of corporations that generate strong returns for shareholders.⁹ To adapt the quote attributed to Charles Erwin Wilson concerning the identity of interest between General Motors and the US economy, both agency theory and the Code presume that what is good for shareholders is good for all stakeholders.¹⁰ This equation is explicitly affirmed by the statement in one of the reviews of the Code that ‘Good governance ensures that constituencies (stakeholders) with a relevant interest in the company’s busi-



ness are fully taken into account' (Hampel Report, 1998: 7), and in the insistence that 'the directors' relationship with the shareholders is different in kind from their relationship with the other stakeholder interests' (Hampel Report, 1998: 12). In short, the conception of corporate governance institutionalized in the Code¹¹ privileges the dyadic relation between two constituencies – owners (shareholders) and senior executives (board of directors) (Daily and Johnson, 1997; Daily et al., 2003; Henry, 2008: 382; Jackson, 2000; Parkinson and Kelly, 1999: 101).

Accountability

In the dyadic relation between principals and agents, the obligation of the agent (directors of the company) is to make decisions that maximize shareholder value; and, in return, shareholders incentivize and remunerate directors (e.g. through performance-related pay and share options). As agents, executives are accountable to the principal (the shareholders) (Daily et al., 2003: 371), and they are charged with the task of maximizing shareholder value (Blair, 1995; Ezzamel et al., 2008). This 'market first' conception of 'accountability' (Parkinson and Kelly, 1999: 104) is embedded in the Cadbury Report's central focus upon directors' responsibility to shareholders: 'The issue for corporate governance is how to strengthen the accountability of boards of directors to shareholders' (Cadbury Report: 6.1). There is no mention of any other stakeholder to whom directors might, or should, be held accountable: 'It is for the shareholders to call directors to book if they appear to be failing in their stewardship' (Cadbury Report: 6.6). Directors have a 'responsibility' to stakeholders, but this is fulfilled through their 'accountability' to shareholders (Hampel Report, 1998: 12).

The dyadic relation at the heart of the Code is also apparent in the restriction of the type of information considered to enable 'good governance'. 'Governance by disclosure' (Ezzamel and Watson, 1997) is regarded as an essential ingredient of markets' effective functioning to coordinate and develop the economy: 'The lifeblood of markets is information and barriers to the flow of relevant information represent imperfections in the market' (Cadbury Report: 4.48). As a consequence of conceiving of accountability solely in relation to shareholders, the 'high information flows' considered essential for 'governance by disclosure' are limited to the provision of financial information for shareholders (Cadbury Report: 2.1). With 'accountability' and 'transparency' confined to the evaluation of financial performance in relation to the sentiments, calculations and speculations of traders in financial markets (Horn, 2012: 97), 'monitoring' becomes narrowly directed to financial market actors who simultaneously are the primary definers and the evaluators of the scope and quality of the accountability and transparency provided.

Reliance upon the market and avoidance of statutory regulation

Advocates of ‘soft law’ (Abbot and Snidal, 2000) repeatedly assert that voluntary regulation is more effective than statutory regulation. In the words of the Cadbury Report: ‘We believe that our approach, based on compliance with a voluntary code coupled with disclosure, will prove more effective than a statutory code’ (Cadbury Report: 1.10). The Code rules out statutory regulation with two arguments. First, statutory regulation is considered to shackle ‘the efficient working of the market economy’ (Cadbury Report: 3.2) and ‘the efficient operation of capital markets’ (Cadbury Report: 3.5) by impeding or distorting high information flows. In this ‘market first’ argument, such distortion is seen to constrain the effective operation of markets (Cadbury Report: 1.9). Second, statutory regulation is considered to foster only formal, visible compliance (Roberts, 2012), and so fails to provide an effective, substantive means of control. The idea that statutory regulation and control could lead to ritualistic, ‘prescriptive box-ticking’ (Hampel Report, 1998: 10–11; Higgs Report, 2003: 13) is frequently repeated in the Code. At the same time, the potential criticism that the Code itself might comprise ‘sets of prescriptive rules’ (Hampel Report, 1998: 7), and so contribute to ‘box-ticking’ and/or would foster a ‘one size fits all’ approach (see Pye, 2013: appendix 2; Combined Codes of 2003, 2006 and 2008; FRCUK, 2012), is firmly rejected. The rejection takes the form of assertions and reassurances that the ‘comply or explain’ mechanism and the prospect of making continuous revisionary upgrades of ‘best practice(s)’ provides flexibility in relation to changing circumstances.

Agency and change

To effect change, the Code advocates the uptake of its ‘spirit’, including the judicious engagement of reflexivity in relation to ‘best practice(s)’ by company boards: ‘To follow the spirit of the Code to good effect, *boards must think deeply, thoroughly and on a continuing basis* about their overall tasks and the implications of these for the roles of their individual members’ (FRCUK, 2012: 2, emphasis added). Reflexivity is thus harnessed to the pursuit of a continuous process of improvement by board members who are, within the framing of the Code, induced as individuals to better serve ‘principals’ (shareholders) as their ‘agents’. The Walker Report, one of the most recent reviews of the Code, attributes deficiencies of governance ‘much more to patterns of behaviour than to organisation’ (Walker Report, 2009: 12); and it anticipates that ‘behavioural changes’ will lead to the ‘feeling’ of ‘ownership’ of good corporate governance by ‘boards and their major owners’ (Walker Report, 2009: 9–10). Where corporate governance deficits are attributed to the ‘behaviour’ of

boards, and their correction is achieved by ‘behavioural changes’, reform is exclusively focused upon the relationship between the board and the shareholders, and so processes of change remain a monopoly of these elite agents (Berk and Schneiberg, 2005: 49; see also Ailon, 2011: 143; Collison et al., 2014: 14).

The Code embraces agency theory to frame its central assumptions (see Jackson, 2000; Roberts, 2012) about ownership, control, accountability, transparency, monitoring, regulation, agency and change. It institutionalizes a highly restricted view about the relationships central to corporate governance; the potential role of constituencies who have created the assets of the corporations in setting corporate strategy; the scope and direction of accountability and transparency within corporations; the relevance and legitimacy of statutory regulation; and the scope for effecting change in corporations.

The shift in the theory of corporate governance, occasioned by its embrace of an agency theoretic understanding of business, coincided with a de facto concentration of power in the hands of (institutional) investors that, in the UK, accelerated from the mid-1980s (Collison et al., 2014: 7; Pye, 2002: 908). This transformed the relationship between (institutional) investors and boards. In interviews conducted with board members in 1998–2000, Pye (2002: 915) found ‘a surprising degree of consistency’ in how they spoke in terms of strategic focus, shareholder value and corporate governance. An agency theoretic frame of reference had been much less in evidence in earlier interviews conducted with equivalent respondents in 1987–1989 (Pye, 2002: 908). By the end of the 1990s, and congruent with the agency theoretic framing of the Code, investors had come to assume that a core responsibility of CEOs was to demonstrate to investors the logic of their strategy and that it was their responsibility as well as their right to hold CEOs directly to account (Pye, 2001, 2002). As one investor stated: ‘we have absolute rights to question whether the board’s strategy, management or capital structure is right and if we’re not satisfied with that then we can . . . change the management’ (Pye, 2001: 189).

In little more than 20 years, the cultural grammar of corporate governance had been radically overhauled. The agency theoretic framing of corporate governance informed a significant reinterpretation of company law (Bratton, 1989; Collison et al., 2014; Ireland, 2010), regulation and rule-setting (Roberts, 2012), notably, in the areas of stock market listing rules, corporate governance codes, takeover regulations and tax laws. The Code was a significant element in this overhaul. Its claims to a reflexive approach to corporate governance provided legitimization for the institutionalization of agency theory in corporate governance theory and practice and for market-first approaches to regulatory practice following the debacles of the early 1990s.

Discussion: The Code, agency theory and reflexivity

When plunder has become a way of life for a group of men living together in society, they create for themselves in the course of time a legal system that authorizes it and a moral code that glorifies it. (Frédéric Bastiat, 1845, *The Physiology of Plunder*) Our analysis has shown how, as an exemplar of ‘reflexive governance’, the reflexivity

incorporated in the UK Code of Corporate Governance is restricted to what we have termed a single loop. This is manifest in multiple ways.

A single loop type of reflexivity is present in the actors and topics selected for the initial framing of the Cadbury Code. Participation by groups such as trade unions, environmentalists, consumers and small investors was explicitly rejected (Spira and Slinn, 2013: 48); and the parties whose participation was approved¹² insisted upon a highly restricted agenda.¹³ For example, despite the chairman’s openness to discussion of two-tier boards,¹⁴ this was excluded because ‘[t]he prospect of a two-tier system was regarded by both the CBI and Institute of Directors (IoD) with hostility’ (Spira and Slinn, 2013: 96).¹⁵ It was also decided that government should not be a sponsor of the Cadbury Committee’s deliberations, since ‘this would change the essentially private sector and self-regulatory nature of the committee’ (Spira and Slinn, 2013: 174) and might take away from a focus on a market-centric interpretation of monitoring and control (Spira and Slinn, 2013: 122). So, in contrast to earlier reports and debates, and despite the interest of wider stakeholder groups in being directly included in the preparation of the Cadbury Report, the elites whose members comprised the Committee ensured that other constituencies and their concerns would be excluded. Unsurprisingly, the recommendations of the Cadbury Committee affirmed the marginalization of the earlier cultural grammar.

Single loop reflexivity is evident in how the guardians of the Code ignored critical responses to its framing and recommendations. There were a number of critical commentaries on the draft recommendations of the Cadbury Report that *inter alia* questioned the empty threat of obligation rules (Spira and Slinn, 2013: 124) and delisting (Spira and Slinn, 2013: 97); the absence of means of enforcement (Spira and Slinn, 2013: 94, 96, 110, 117); the lack of a strong framework of accountability and control with regard to executive pay (Spira and Slinn, 2013: 91); and the excessive reliance on NEDs as a panacea for all shortcomings (Spira and Slinn, 2013: 97). Instead of giving serious consideration to these criticisms, they were ignored or brushed aside. Amongst the more trenchant of them was Cousins et al.’s prediction, in 1991, that the Code’s positioning of shareholders as guardians and monitors of corporate governance was non-viable as (institutional) shareholders would lack sufficient commitment to invigilate management effectively.

Criticisms of the Code, including those that anticipated the unreliable or non-existent monitoring by market parties, and the resulting ‘creative compliance’ (Spira and Slinn, 2013: 190–191), have largely been vindicated. The flexibility of voluntary oversight supplied by ‘the market’ has been met with boilerplate ‘comply or explain’ statements (Keay, 2014; Moore, 2009 in Spira and Slinn, 2013: 202). A recent review of the operation of the Code undertaken by accounting firm Grant Thornton observed that ‘the quality of explanation for non-compliance varied significantly, with the worst companies providing no insight into the reason for non-compliance and the alternative arrangements in place to protect shareholders’ interests’ (Grant Thornton, 2013: 4–5). The fact that unjustified non-compliance is unmet by a clear (i.e. punitive) response by the market (Keay, 2014) as well as by regulators may explain why full compliance, including ‘creative compliance’, with the Code has been in the region of 50 percent (Grant Thornton, 2013). Such widespread non-compliance suggests that there is limited ‘reflexive’ preparedness to learn and change –

in defiance of what is ostensibly expected by the Code’s architects and enforcers. The irrelevance of the ‘spirit’ of the Code to companies’ strategic concerns may reflect an attitude, as Keay (2014) speculates, that ‘such companies, or at least some of them, regard shareholders with some contempt. The board might ask itself: how much is sufficient to ensure explanation of deviation? But this could be replaced with the question: how much can we get away with?’ (Keay, 2014: 292–293).

The non-responsiveness of guardians of the Code to its anticipated or realized failings is not limited to concerns about its internal functioning: it extends to their assessment of its central assumptions in the wake of successive scandals and crises of corporate governance. For example, in the context of a spate of corporate scandals in the US, including Enron, Worldcom and Tyco (Jones and Pollitt, 2004: 164), the Higgs Report (2003) affirmed the Code’s market-first approach by arguing that ‘the brittleness and rigidity of legislation’ meant that statutory regulation was not ‘the way forward’ (Higgs Report, 2003: 12). It is difficult not to infer from this recommendation that, in effect, flexibility, which accommodates recklessness by turning a blind-eye to non-compliance, is preferred to prudent restrictions on boards enforced through statutory legislation and public accountability. More remarkably, perhaps, the same market-first stance is taken in the Walker Report (2009), commissioned in the wake of the 2008 financial crisis and following the collapse of major UK banks. The same received wisdom is repeated, seemingly without a trace of irony, in the Walker Report’s assertion that stronger regulation risked ‘provoking unintended consequences’ (Walker Report, 2009: 9–10). Despite noting ‘serious deficiencies in prudential oversight and financial regulation in the period before

the crisis' and making reference to the 'major governance failures within banks' (Walker Report, 2009: 9), the Walker Report maintains that 'non-statutory routes to implementation' (Walker Report, 2009: 11), in the form of shareholder monitoring of voluntary codes of best practice, delivers effective regulation.

In sum, despite the problematic empirical relation between prescriptions of 'good governance' and the instruments provided in the Code, and the evidence of failing compliance, and disregard of the spirit of the Code, the voluntaristic 'comply or explain' approach continues to be hailed as 'a non-negotiable factor in UK corporate governance' (Keay, 2014: 281). In the remainder of this section, we draw out the main contributions of the preceding analysis.

Three contributions

The *first* contribution has been to explicate and critique the limits of the reflexivity incorporated into the claims of 'reflexive (approaches to) governance'. As an instrument of regulation that trumpets its reflexive credentials, the Code has harboured a narrow, single loop reflexivity that renders its design and operation unresponsive to, and/or dismissive of, critical scrutiny. Notwithstanding calls for more substantial, structural change in response to the fall-out from successive scandals and crises, and disillusionment with the contemporary machinery of corporate governance (e.g. Garratt, forthcoming), reviews of the Code have consistently confined reform proposals to an intensification of efforts to devise and implement technical fixes (e.g. placing greater responsibilities upon NEDs) (Parkinson and Kelly, 1999: 102; Pye, 2001: 190; Roberts et al., 2005: 21), or recommending enhanced disclosure of financial information. It is therefore plausible to conclude that reviews of the Code are largely ceremonial.

Their single loop reflexivity results in the design, operation and review of the Code, and of the agency theoretic understanding of 'ownership' and 'accountability' that undergirds it, being somewhat shielded from examination and challenge.¹⁶ The successive reviews of the Code have produced 'changes at the margins which retain independence but keep at bay government regulation' (Bowden, 2000: 184; see also Armour et al., 2003: 532; Gospel and Pendleton, 2003: 560; Horn, 2012: 86; Jackson, 2000; Jones, 1995; Spira and Slinn, 2013: 42; Tsuk, 2003). As a consequence, the Code continues to act as a flexible buffer for impeding and deflecting discussion of a broader conception of corporate governance where the diverse interests of multiple stakeholders are acknowledged and to some extent incorporated (Jackson, 2000: 267) – as signaled in company law (Collison et al., 2014; Parkinson, 2000) and gestured toward in earlier reports (e.g. the Corporate Report, 1975) that were framed within an earlier,



more inclusive cultural grammar.

The *second*, related contribution of our analysis has been to provide a comparatively detailed account of how a shallow, single loop reflexivity has contributed to the institutionalization and legitimation of a particular kind of political economy. As a consequence of the embedding and protecting of agency theoretic assumptions in the Code, shareholders are privileged as the primary recipients of value; a narrow focus on legal and economic accountability by boards to market actors is taken as given and sufficient; change is framed as exclusively board-centric; and reliance on a private, non-binding framework based upon voluntary disclosure of non-compliance with best practice is regarded as self-evidently effective and/or appropriate (Keay, 2014; Parkinson, 2000: 256). The grip and influence of these assumptions, or articles of faith, is perhaps most evident in how successive crises of 1990, 1999, 2003 and especially 2008 – which were, arguably, symptomatic of a deep-seated malaise in the theory and practice of corporate governance – have been met by unwavering responses, in the form of reviews that reaffirm the efficacy of agency theoretic prescriptions in which a market-first approach is conceived to produce the greatest social utility for all stakeholders (see Glynos et al., forthcoming). In this way, a shallow application of reflexivity leads to a consistent defense of a political economy of corporate governance deeply influenced by agency theory.

The *third* contribution has been to note the existence and significance of the design and operation of corporate governance that is wider-ranging and more penetrating. By enabling critical reflection upon the ‘variables’ (assumptions, goals, values) (see Argyris and Schön, 1978) that condition contemporary corporate governance practices, there is the prospect of recognizing how it was only in the 1980s that agency theory began to assume centre stage in thinking on corporate governance (Aglietta and Rebérioux, 2005), company law (Collison et al., 2014: 15) and accounting (Biondi et al., 2007). As a consequence of the Code’s reliance on agency theory, a dyadic model (Jackson, 2000) has become hegemonic in which the participation of wider constituencies in the creation and maintenance of corporate assets (Berle and Means, 2007 [1932]; Biondi et al., 2007; Blair, 1995; Zingales, 2000) is effectively denied or dismissed. When adopting a double loop approach, contemporary notions of accountability and fiduciary duty may be subjected to critical scrutiny. It also becomes possible to examine the role and significance of the elite actors that have shaped the cultural grammar informing the field of corporate governance by invoking narrow conceptions of corporate purpose, ownership and control.

Taken together, the first two contributions of the article illuminate the Code’s incorporation of a single loop notion of reflexivity that acts to: legitimate and institutionalize



asymmetrical relations of power and privilege; sustain a particular kind of financialized political economy (see Chorev and Babb, 2009; Crouch, 2011; Duménil and Lévy, 2001; Harvey, 2009); and obscure the role of elites as the principal architects, guardians and beneficiaries of the institutionalization of those relations. And the third contribution opens up a broader vista that includes *inter alia* consideration of historical accounts and more expansive possibilities for corporate governance theory and practice.

Summary and conclusions

We have examined ‘reflexive governance’ by reference to the incorporation of reflexivity within the design and operation of the UK Code of Corporate Governance. Claims of reflexivity in corporate governance theory, policy and practice merit close and critical attention because corporations play such a central role in (re)creating the modern world, and in shaping our future (Ireland, 2005). Claims to reflexivity also merit examination because they contribute significantly to the positive appreciation and reputation of the Code’s ‘soft law’ approach to regulation that has been commended as a blueprint for corporate governance codes worldwide (Henry, 2008: 400; Jordan, 2013: 9, 26). The economic and political significance of the Code and its single loop application of reflexivity is not, of course, limited to the UK. In a global context, where the embrace of free market enterprise and private sector management is extensive (Pye, 2002: 913), the Code has become a pillar for the worldwide institutionalization and spread of the theory and practice of ‘soft law’.

With regard to the legitimacy of the Code and its claims to reflexivity, our analysis has shown how it has exhibited remarkable resistance to change in the face of empirical challenges, internal as well as external, to its design and operation. Promises and reassurances made in the name of (single loop) reflexivity have kept statutory regulation at bay, while evidence of widespread non-compliance with the Code’s ‘best practice(s)’ and its ‘comply or explain’ principles, as well as ongoing and intensifying crises of corporate governance, have simply prompted reiterations of the same formula. No matter the severity of the empirical challenge to its claims, every revision of the Code has affirmed and sustained its market-centric conception of accountability; its voluntaristic and unaccountable concepts of regulation and change; and its understanding of political economy guided by agency theory. Since the Code effectively ‘re-embeds critical reflection into the same culture it appears to distance itself from’ (Ailon, 2011: 161), the reflexivity attributed to it is seemingly impervious to calls for change. Claims to reflexivity are invoked to provide legitimacy but, in practice, the Code’s single loop reflexivity denies the possibility of critically inspecting its limits and impedes the contemplation of other

designs.

The application of single loop reflexivity to the design and operation of the Code is not merely an epistemological problem; it is also an economic and political one. The Code at once accommodates and naturalizes an agency theoretic philosophy (see Collison et al., 2014: 7). A dyadic conception of the core corporate governance relationship, and the emphasis placed on the creation of shareholder value, accommodates an expanding use of share buybacks, the raising of stock dividends, and the rise of executive remuneration. Simultaneously, it diminishes the resources available for R&D, discourages investments into sustainability, and reduces the share of wealth distributed to workers (Aglietta and Rebérioux, 2005; Lazonick and O'Sullivan, 2000).¹⁷ In such ways, single loop reflexivity affirms and reinforces an approach to corporate governance that advances and secures the priorities of financial and executive elites by supporting an increasingly financialized political economy worldwide in which 'a small minority . . . appropriate a grotesquely disproportionate share of total social wealth and production, both nationally and internationally' (Ireland, 2000: 172).

The hegemony of single loop reflexivity serves to maintain a single-minded focus on 'markets as seemingly impartial, impersonal means of ensuring effective regulation' (Parkinson, 2000: 262). Ascribing a monopoly of effective regulation to markets diverts attention from two elephants in the room – the ever-present possibility of government intervention, in the form of either British or EU regulation, intended to address the social injustices occasioned by the narrowness and deficits of contemporary corporate governance (Bowden, 2000: 184; Clift et al., 2000: 75–76; Jones and Pollitt, 2004; Keay, 2014; Parkinson, 2000: 253; Spira and Slinn, 2013: 92–93); and the *politics* involved in the design and operation of corporate governance itself. In sum, single loop reflexivity has provided a flexible buffer sufficiently resilient, to date, to impede or deflect more probing critiques of the ways in which a neo-liberal political economy was embedded in the Code and defended by elites who stood to gain the most from this approach to corporate governance and regulation.

By invoking a broader cultural grammar to frame the Code, our purpose has not been to lionize a glorious past but, rather, to stimulate more challenging analyses of the foundations, scope, design and operation of corporate governance. As Arthur Andersen observed on the first draft of the Cadbury Report: 'it is disappointing that the Report does not discuss the advantages and disadvantages of alternative forms of governance and encourage experimentation' (Spira and Slinn, 2013: 216). In this spirit, a task for future research is to engage with, build upon and mobilize a countervailing cultural grammar in ways that *inter alia* (i) investigate the conditions and consequences of the historical



development of corporate governance theory and practice, including consideration of its outcomes for the many constituencies, including internal constituencies and the wider public, that contribute to, and depend upon, corporations (see Biondi et al., 2007; Perrow, 2002; Robé, 2011); (ii) provide an alternative to theories of the corporation and corporate governance in which fuller recognition of its status, as a jointly constructed ‘going concern’ with investments by many parties, is accommodated and where accountability to those parties is realized (Biondi et al., 2007); (iii) investigate the option of response to deficits and failures of corporate governance by making use of statutory law, as well as control and certification; and (iv) develop a tighter and more critically inspired coupling of wider, policy-focused debates relevant to addressing the claims of diverse parties, present and future, with a stake in the development of corporations¹⁸ that are publicly accountable and ecologically sustainable. In such ways, critical analysis that exemplifies double loop reflexivity may more closely fulfil the stated goal of the Cadbury Report: ‘to contribute positively to the promotion of good corporate governance *as a whole*’ (Cadbury: 1.2, emphasis added).

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Notes

1 Sir Adrian Cadbury, knighted in 1977, was Chairman of Cadbury Schweppes from 1965 until 1989 before becoming a director of the Bank of England from 1970 to 1994 (Jones and Pollitt, 2004: 166).

2 A string of UK reviews and reports on corporate governance subsequently affirmed and refined the approach and recommendations of the Cadbury Committee’s Report. These are collectively known as the ‘Code of Best Practice’ (hereafter ‘the Code’).

3 For example, even though the Swedish corporate governance system is barely comparable in terms of ownership structure to the UK, Swedish regulators felt that adoption of the principles of the UK Code of Governance was necessary in order not to jeopardize foreign investment (Larsson-Olaison, 2014).

4 For instance, in company law (Ireland, 2005; Robé, 2011), accounting (Biondi et al., 2007), economics (Aglietta and Reberioux, 2005), politics (Van Apeldoorn et al., 2007) and management (Crouch, 2011; Harvey, 2009; Khurana, 2007).

5 Members and contributors to the Code comprised the Institute of Chartered Accountants of Scotland (ICAS), Department of Trade and Industry (DTI), Institute of Chartered Accountants in England and Wales (ICAEW), BDO, Financial Reporting Council (FRC), Prudential Group, PRONED, Bank of England (BoE) and Institute of Directors (IoD) (Spira and Slinn, 2013:

44–45; 52–53; 69).

6 In Ailon's work, 'cultural grammar' is broadly understood as a group of principles that structure the unfolding dynamics of a sense-making process (Ailon, 2011: 142).

7 See <http://themoderncorporation.wordpress.com/company-law-memo/>.

8 In agency theory, executives as well as boards serve 'as an instrument of the shareholders' (Aglietta and Rebérioux, 2005: 31) whose role is defined as serving the goals and interests of shareholders so as to maximize shareholder value (Aglietta and Rebérioux, 2005: 31–32).

9 In the deliberations of the Committee, it is argued that 'A rising tide lifts all boats' (Spira and Slinn, 2013: 34).

10 See http://history.gmheritagecenter.com/wiki/index.php/Wilson,_Charles_E.

11 Collison et al. (2014: 14, note 22) comment, 'the Cadbury Report, the Greenbury Report and Hampel Committees, the Combined Code, the Myners Review and the Higgs Report all articulate governance mechanisms which privilege the shareholder and are aimed at reducing their "agency costs"'.¹¹

12 It is noteworthy that there is no clarity on how the Cadbury Committee was formed or by which criteria (Spira and Slinn, 2013: 46). Laura Spira notes that Sir Adrian Cadbury 'had no influence over appointments to the Committee – that process remains a mystery – and all the members were in place before he took the chair' (<https://theconversation.com/britains-broken-corporate-governance-regime-38239>).

13 Austin Mitchell, MP, wrote in a letter (30 August 1991) that the Committee 'looks like a team who have protected, vested economic interests by opposing reforms to accounting and auditing'. Sir Adrian Cadbury responded that the membership of the Committee 'must be made up of people who have the ability to turn words into action' (letter to Austin Mitchell, MP, 9 September 1991).

14 When it came to discussing the possibility for extending the one tier board focus, Sir Adrian Cadbury wrote: 'why should the two-tier board model be so vehemently opposed by those who speak for British industry?' (Spira and Slinn, 2013: 120–121).

15 The CBI rejected worker representation on boards with the argument that 'a rising tide lifts all boats': 'there is widespread acceptance of the notion that the successful business offering a good return to its owners will also discharge its obligations to its other stakeholders: its workpeople, customers, suppliers, and the community in which it functions' (Spira and Slinn, 2013: 34).

16 There is evidence of strong pressure by the UK's Department of Business Innovation and Skills and the FRC to retain nominal 'shareholder' oversight (Keay, 2014: 298–299) and to forestall pressures for external regulation.

17 In their penetrating and forward-looking commentary on the draft Cadbury report, Labour MPs Mitchell and Cousins, together with Prem Sikka, an accounting scholar, noted in 1991 already that the Code's explicit focus on shareholder value would lead to negative outcomes for investment, research and development, organic growth and company strength (Cousins

et al., 1991).

18 See also <https://themoderncorporation.wordpress.com>.

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Appendix 1. Reports and reviews

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A Review of Corporate Governance in UK Banks and Other Financial Industry Entities (Walker Report), 2009.

Review of the Role and Effectiveness of Non-Executive Directors (Higgs Report), 2003.

Internal Control: Guidance for Directors on the Combined Code (Turnbull Report), 1999.

The Combined Code: Principles of Good Governance and Code of Best Practice, 1998, 2003, 2005, 2008.

Committee on Corporate Governance; Final report (Hampel Report), 1998.

Study Group on Directors' Remuneration: Final Report (Greenbury Report), 1995.

Committee on the Financial Aspects of Corporate Governance (Cadbury Report), 1992.

To obtain the Reports and access the Cadbury Archive, visit <http://www.cadbury.jbs.cam.ac.uk/index.html>.

Grant Thornton Corporate Governance Review (Grant Thornton), 2013.

To obtain the Review, visit <http://www.grant-thornton.co.uk/Documents/FTSE-350-Corporate-Governance-Review-2013.pdf>.

Accounting Standards Steering Committee The Corporate Report: A discussion paper published for comment by the Accounting Standards Steering Committee. 1975.

To obtain the Corporate Report, visit <http://www.ion.icaew.com/Talkaccountancyblog/post/ICAEW-project--The-Corporate-Report--still-relevant-today>.