

Book Review

Bryn Jones: CORPORATE POWER and RESPONSIBLE CAPITALISM? Towards Social Accountability. Edward Elgar Publishing, ISBN 978-1-78643-092-2, \$45.00

Bryn Jones didn't bother with donning on gloves as he embarked on his mission resulting in the book *Corporate Power and Responsible Capitalism? Towards Social Accountability*. He tackles head on the most unpleasant effects of the contemporary business activities in his mission to highlight the negative social and environmental impacts of current corporative action. And like any proficient missionary, he also enters the melee with an identified demon; the contemporary corporate governance model he names ST/EM, the share traded, executive managed corporation.

While the densely written book raises vital questions and offers a cornucopia of references, it requires the reader to either share the worldview of the writer, or to surpass the initial resistance that awakens from any encounter with a zealot – especially when Bryn Jones embarks on verbose critique of the status quo. However, should a more temperate reader manage to ignore the tone while focusing on the message, he would emerge from the experience with a broad perspective on the topical theme of the corporate responsibility (see e.g. a recent review of the ethics and CSR literature in international business by Ans Kolk in the *Journal of World Business* in 2016).

Towards the end of the book (p.180) Jones introduces a typology by Broad and Cavanagh (1999), a useful guide to positioning his approach. The typology consists of a continuum of perceptions about the nature of the transgressions committed by corporations: at the one end the corporate misconducts are seen as singular misdeeds by individual companies, and the solution is the punishment and correction of the abusive practises of the individual companies. In the middle of the continuum are the viewpoints that emphasize the need for overarching rules and regulations that govern the corporate activities on both national and international level. At the far end of the continuum the problems are seen as stemming from deeper structural issues that can be resolved only through a complete systemic overhaul.

Bryn Jones falls into the most radical category - however moderated by the ambitious aim of this book: Jones seeks to find realistic options and avenues for bringing about structural changes that would recreate the corporate realm as more responsible. To reach his aim, Jones weaves together two storylines, one explicating the philosophical underpinnings driving diverse approaches to corporate governance, and the other focusing on the historical events and the structural outcomes on the practical level. These two storylines converge into a red thread,

which is spun around the theme of social embeddedness, especially as earlier discussed by the anthropologist Karl Polanyi (1944) and the sociologist Mark Granovetter (1985). The main agenda of Bryn Jones is to first highlight the importance of social embeddedness of the firms, and then to seek viable solutions to re-embed the contemporary corporations into the societies they are a part of.

Bryn Jones builds his key arguments on the practical level storyline by tracing the emergence of the ST/EM corporations that embody the disembodiedness of corporations from the wider social and environmental realms. He writes a detailed narrative of how the ST/EM evolved into the high sovereign entities, emphasising on the one hand the underlying assumptions and philosophical underpinnings of the neo-classical economics, and on the other hand the socio-political history that gave rise to these corporations first in the U.S. and later elsewhere. The scope of this book is global, even though Jones devotes special effort to the corporate system in the U.K.

Originally the idea of the share traded, limited liability trading firms enabled merchants to expand their activities, as they didn't need to bear the full risk of one sunken ship. However, the evolution of the limited liability firm, and the successive emergence of financial markets have rendered the ownership of a corporation a faceless mechanism, present only in the alignment of activities towards increasing the dividends. This lack of a personalized ownership means that as long as the company manages to maximize the dividends, there are no socially invested forces overseeing the actions of the executives from the perspective of the social and environmental welfare. Faceless shareowners wield little *de facto* power over the decisions or the decision-makers, as the ownership in the current high-paced financial markets is of a completely different nature than the entrepreneurial ownership that the limited liability firm was designed to protect. According to Jones, the whole structure of the ST/EM adds the distance between the negative impacts of the business decisions made by the executives, and those executives, who form a club of a kind protecting their interests – for example in the form of sky-high wages.

After describing and tracing the emergence of the evil ST/EM, Jones explores more socially embedded ways of conducting business. In his narrative of the British economic history he discusses the large state owned corporations, but finds them also problematic in the Western societies due to the “predatory relationship between the corporate sector and a vigorous civil society” (p.203), so in seeking better solutions he turns to other models of governance.

He finds examples of more socially accountable structures in Germany and Japan, and in the industrial districts or cooperatives in Italy and Mondragon, Spain. The idea is that as long as the effects of business actions have an impact on the welfare of the people in power (be-

yond mere monetary rewards), that power is more likely to be used in increasing that welfare. This naturally requires diffusing the power beyond the executive suite. Essentially, the stakeholders (individual people or nature by proxy, e.g. environmental NGOs) influenced by the activities of the corporation should share the power - an idea not unforeseen in the existing CSR literature, even when not outright labelled as social embeddedness (see e.g. a review by Aguinis and Glavas 2012).

In Germany, the social embeddedness of the corporations is built on the strength of the employers' associations and the trade unions spanning the industries and being represented within the firms, also on the board level. In Japan, the unions do not span the industry but are linked to the specific business groups, however with the same inclusion of employers as stakeholders in the governing organs of the firms. The search for the wider accountability to stakeholders beyond employers leads Jones to look at the industrial districts and cooperatives. The Mondragon cooperative in Spain and the industrial districts in e.g. Italy illustrate the merits of committed ownership. The Mondragon cooperative is owned by its members and provides a variety of social benefits to its members (and their families), while the industrial districts consist of individual SMEs, the district being engaged in creating such circumstances that benefit the region as a whole through supporting its firms.

On the level of the philosophical storyline Jones identifies three worldviews that underpin the different positions on the Broad and Cavanaugh continuum: the believers of the neo-classical economy attribute the problems to individual instances of bad management, and place their trust in the self-correcting might of the free markets. Interestingly it is not this neo-liberal philosophy that Jones attacks most furiously – probably as that approach is already under heavy fire from many fronts, see e.g. a discussion of the performativity of the rational/profit-maximizing man assumption (MacKenzie et al. 2007), the questions about the impact of MBA education on the ethical mind-set of the leaders (Hühn 2014) or the psychological findings about the framing power of money in decision-making processes (Kouchaki et al. 2013) – but saves his punches to the middle ground approach he names communitarianism (Etzioni 1988).

According to Jones, most of the current CSR literature and initiatives adopt this worldview - and while the approach has helped curb the most serious corporate transgressions, it has driven no deeper structural changes to the governance of the ST/EM corporations. This leads Jones to join other researchers (e.g. Aguilera et al. 2007, Bansal and Roth 2000) highlighting the dominantly instrumental nature of corporate responsibility: while the rules and regulations have had some impacts on the responsible behaviour of the firms, the underlying structures

still push the corporations towards seeking loopholes, resulting in mere cosmetic improvements in the long term.

Jones lists the serious problems in the communitarian worldview. First of all, granting a corporation a “citizenship” (the “corporate citizenship” approach) is problematic, because the corporations don’t have the same vulnerabilities as individuals, so utilising the rules designed to protect human beings to protect the interests of huge conglomerates leads to actually diminishing the protective power of those rules over the individuals. Second underlying notion of the corporations as communities unto themselves is problematic, because it serves to further separate the corporation community from the wider social and environmental sphere in which it operates. This leads to issues of regional inequality, when the members of the corporate community enjoy benefits lacking from their neighbours.

The third problem is the most serious. As the approach imposes no structural changes to the ST/EM, the drivers of economic action continue undisturbed, making the visible CSR campaigns designed for PR and marketing purposes just another tool by which to appeal to the paying customers. These visible campaigns function as smoke screens behind which the firms seek to exploit such areas where the regulations are looser and profit/cost-efficiency seeking actions with negative social and environmental impacts go undetected. While this discussion is at the core of the message of the book, it unfortunately remains somewhat simplistic: Jones has a tendency of writing as if the decisions and their outcomes were black and white. As a recent typology by Cairns and As-Saber (2017) however highlights, the corporate actions do not take sides along a clear cut division between good and bad, but fall somewhere on the dimensions of legality and ethics, both being context-embedded and shifty - especially in the global operational sphere. Even ignoring the myriad legal systems operational in different parts of the world, one decision may well simultaneously have both positive and negative ethical impacts, quite apart from the profit-related outcomes - a difficulty Jones doesn’t take into account in this book.

Tying together the insights from the alternative governance models and the philosophical discussion, Jones proposes four avenues that could be taken to restructure the corporate realm in a more socially and economically sound way. First of all he finds genuine merits to the industrial district approach and laments the demise of the British industrial districts, proposing actions that would enable creating and re-creating such entrepreneurial communities. He also sees the value of the cooperative model of member-owners, especially through the increased owner commitment. For the third suggestion he takes the lead from the para-mutuals like the Welsh water company Glas Cymru, governed by a board of members elected from the society constituting the customers of the water company. The fourth suggestion focuses on

the German-type boards consisting of social stakeholders and long-term committed share-owners, who would oversee the executive appointments and as such could strategically guide the nominations towards favouring executives with a stronger ethical and socially/environmentally responsible disposition.

The Corporate Power and Responsible Capitalism? offers a broad overview of a surprising variety of topics. However, while Jones claims to provide deep philosophical insights, the philosophical narrative follows the quite established line between the neo-liberal and the neo-Marxist worldviews, firmly on the side of structure in the age-old discussion of agency and structure. The shortcoming of the structural point of view is that it gives little insight into the complexity of context-bound ethical action in the highly complex world, the tangle of causes and effects tainted black, white and more than an identifiable number of shades of grey. While reducing the contextuality and complexity by demonizing the profit-maximizing maxim is appealing, it might not be the structures that predetermine the ethical outcomes of any business action (or how would we interpret e.g. the Volkswagen “dieselgate” in the German type corporation Jones proposes as a solution?). Readers interested in an agency-oriented approach to the issue of corporate responsibility might want to take a look at the Aristotelian virtue of phronesis, practical wisdom as re-introduced by Bent Flyvbjerg (2001) and discussed further in for example the context of executive education by Cairns and As-Saber (2017).

However, Bryn Jones rewards the persistent reader with detailed insights in a variety of issues and one well-argued understanding of the diverse problems emanating from the interface between the economy and the environment. As such this is an interesting addition to the increasingly vital discussion of the intertwined fates of business, society, and globe.

References

Aguilera, R.V., Rupp, D.E., Williams, C.A. and Ganapathi, J., 2007. Putting the S back in corporate social responsibility: A multilevel theory of social change in organizations. *Academy of management review*, 32 (3), pp. 836-863.

Aguinis, H. and Glavas, A., 2012. What we know and don't know about corporate social responsibility a review and research agenda. *Journal of management*, 38 (4), pp. 932-968.

Bansal, P. and Roth, K., 2000. Why companies go green: A model of ecological responsiveness. *Academy of management journal*, 43 (4), pp. 717-736.

Broad, R. and Cavanagh, J., 1999. Corporate Accountability Movement: Lessons & Opportunities, *The Fletcher F. World Aff.*, 23, pp. 151-169.

Cairns, G. and As-Saber, S., 2017. The Dark Side of MNCs. In: C. Dörrenbächer and M. Geppert, (eds). *Multinational Corporations and Organization Theory: Post Millennium Perspectives*, *Research in the Sociology of Organizations*, 49, pp. 425-443. Emerald Group Publishing Limited.

Etzioni, A., 1988. *The Moral Dimension: Toward a New Economics*. New York: The Free Press.

Flyvbjerg, B., 2001. *Making social science matter: Why social inquiry fails and how it can succeed again*. Cambridge university press.

Granovetter, M., 1985. Economic action and social structure: The problem of embeddedness. *American journal of sociology*, pp. 481-510.

Hühn, M.P., 2014. You reap what you sow: How MBA programs undermine ethics. *Journal of Business Ethics*, 121 (4), pp. 527-541.

Kolk, A., 2016. The social responsibility of international business: From ethics and the environment to CSR and sustainable development. *Journal of World Business*, 51 (1), pp. 23-34.

Kouchaki, M., Smith-Crowe, K., Brief, A.P. and Sousa, C., 2013. Seeing green: Mere exposure to money triggers a business decision frame and unethical outcomes. *Organizational behavior and human decision processes*, 121 (1), pp. 53-61.

Mackenzie, D.A., Muniesa, F. and Siu, L., 2007. *Do economists make markets? On the performativity of economics*. Princeton University Press.

Polanyi, K., 1944. *The great transformation: Economic and political origins of our time*. Rinehart, New York.

Milla Wirén

University of Turku School of Economics, Department of Marketing and International Business, 20014, Finland

E-mail address: milwir@utu.fi