Beyond the Shareholder - Stakeholder Tug-of-War: Introducing Emergent Action

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There are two dominant theories that currently prevail with regard to corporate governance (CG); stakeholder and shareholder. This paper first explains how the debate, despite decades of efforts, has not thrown much light in either settling the argument or providing a satisfactory reconciliation of the two. Given that these theories form the bedrock for CG discussions today (Jensen, 2002) and their individual merits, it is important to draw ideals from both which can be done by casting "Emergent Action" as the "third anchor" for a trialectics (Ford & Ford, 1994) of governance. "Emergent Action" is not an arithmetic addition of one extra theory to the two previous ones. It will, together with shareholder and stakeholder theories provide a new logic of attraction in place of the existing logic of antagonism. This can provide a major transformation to the mental constructions and situational actions coming as they do from CG decision shapers and decision makers.

The Two Dominant Logics

The shareholder argument states that, in the free market system, the raison d'etre for the corporation is making returns on investment over and above "normal" returns for the benefit of its owners. Correspondingly the moral imperative of the manager who run the corporation – or the agent of the owners - is to create as much wealth as possible for the owners of the means of production. "In a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to their basic rules of the society, both those embodied in law and those embodied in ethical custom." (Friedman, 1970).

In this argument the prima donna is the shareholder in the privately-owned firm. The firm buys the other resources – anything other than owners' capital but including borrowed capital – in a transactional exchange on the basis of the marginal utility to the firm accorded by the resources. As a result, going by the economic theory, the price willing to be paid by the firm for the resources is equivalent to the benefits accrued by it at the margin (McEachern, 2012). These resources - which may include forms such as intellectual, human, reputational etc. – would be bought by the firm for a price from their respective

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markets which is negotiated within the rules of the respective markets. Naturally the ethical imperative for the society is to provide, through government policy and institutional means, an efficient and level-playing field in these markets. The demand and supply in the markets would lead to equilibrium prices and, correspondingly, long-term stability in prices and quantities produced and supplied.

The other view is that a business organization is essentially a social entity whose existence is dependent upon the social sanctions granted to it as a juristic person for its origination, sustenance and business operations. The proponents of this view, while agreeing with the need for markets, argue for considering the role played by the custodians of the various resources - other than owners' capital – as more than mere disinterested external parties. They aver that what is expected of the corporation is more than a hands-off "transactional" relationship with the custodians of various forms of capital who may be designated as stakeholders. The shareholder is merely one of the stakeholders. From this viewpoint the corporation is an artificial entity that is granted a charter by the society to do business. This charter comes with many privileges and immunities in return for which the firm needs to protect the interests of various organs of society, or stakeholders, the firm's activities would impact upon. These privileges and immunities need to be considered as morally binding on the businesses. These may or may not be contractually expressed. According to this view, what is expected of the management is to protect the legitimate interests of all the stakeholders. Ideas such as limited liability of owners, corporation as a juristic person, separate entity concept etc. are pointers to the privileges that the society grants to the owners of business organizations in exchange for the firm meeting its ethical responsibilities that transcend contractual (or merely transactional) obligations.

The debate between the shareholder/ stakeholder theories form the foundation for much of the current governance debate (Jensen, 2002) and this gets reflected in most debates on the issue. In the context of CG diffusion, for instance, Ansari, Fiss and Zajac (2010) suggest that diffusion of CG practices across nations takes place through adaptation. Adaptation in turn is explained through either, what the authors call "the rational account" or "the social account". The authors point out that the former "has its roots in the economic literature and builds on the rational actor model… conceiving of adopters as rational actors that scan the environment and make efficient choices." (p:69). Here diffusion of common governance practices is predicated on competitive processes or, in other words, through a process of optimization based on rational choices. Social account, on the other hand, as pointed by Ansari et al is "somewhat more eclectic but overall more closely associated with a sociological perspective and a focus on the social embeddedness of actors" (p: 69). Here there is pressure to conform socially which, over period of time, creates norms that carry social legitimacy. The rational account is strongly oriented towards maximization of economic returns and the social account towards satisfying or satisficing (Simon, 1979) various social constituents of which the shareholder is only one. It can readily be seen that the "rational" and the "social" respectively parallel the shareholder and the stakeholder perspectives. This applies to the entire way of thinking and researching the topic. It would be right to claim that even where it is not explicitly stated, a large majority of research and popular writings on governance follow either of these two logics.

Ethical Issues in Shareholder Theory

Two important ethical issues within shareholder theory are about the problems of asymmetry of information and restoration of control, as owners, to the shareholders. Asymmetry of information could mostly occur between the founders of a firm and those who subscribe for the IPO (Bebchuk, 2002) or between the managers and the shareholders of widely held companies (Fama & Jensen, 1983). While there are similarities and dissimilarities between these forms of asymmetries, the underlying genesis for asymmetry is the same; namely hands-on familiarity with the operations of the firm, management expertise and knowledge of potential value of the firm which one constituent has while the other one may not. Arrow (1964) had long ago pointed to two types of asymmetries; hidden information or adverse selection on the one hand and hidden action or moral hazards on the other. In the former case, asymmetry prevails ex-ante at the time when agreements are made. In the latter, hidden action could occur ex-post that is in violation of the agreement such as shirking of work by the agent that cannot be observed and recorded. The former types are supposedly mitigated by provision of information and transparency while the latter are handled by alignment of interests, incentives, contracts and appropriate control mechanisms. The shareholder model recognizes costs associated with such mechanisms. The shareholder model assumes that it is possible to bring the costs associated with these mechanism to be lower than the loss incurred by the agents *without* the contracts. There is also another assumption that there are no other mechanisms to reduce these agency costs. Both these assumptions have their own limitations.

The shareholder theory also invokes ideas such as the primacy of property ownership and markets for property exchange. Property rights provide a "material basis for personal independence and a sense of self-respect" (Rawls, 2001, p.114). It is also supposed to provide for the ownership to the means of production or, in other words, the ownership of the firm itself. Right to property assigns shareholders unalienable and sovereign rights to the consequence which requires the managers – as agents – to treat the shareholders not as another stakeholder but as a special entity whose property is under their fiduciary care.

Further, shareholder theory upholds exchangeability of various resources that the firm requires and the existence of markets where such exchange takes place. Resident in this argument is also other important assumptions such as the primacy of competition required for survival and the nurturance of the fittest. The shareholder argument also seeks an active market for corporate control that provides a level-playing field for efficient management to come in and provide superior performance to the shareholders in case the incumbent management team provides less than expected performance. The threat of takeover of inefficient managements is an incentive to the incumbent managements to perform as "true" agents of the shareholders. The implications on institutional design and institutional processes are obvious; clear demarcation of ownership and rights arising from that, a legal framework that dispenses justice with respect to legal cases pertaining to ownership, monitoring of corporates that prevent healthy take overs, promotion of institutions that provide a healthy market for corporate control etc.

Ethical Issues in Stakeholder Orientation

Stakeholder theory originally advanced by Evan and Freeman (1988) provide an alternative view to the shareholder concept. According to their initial viewpoint, stakeholders are those whose actions affect the corporation (strong form) or those who are affected by the corporation (weak form). The stronger version as a possible definition of the stakeholder has come to be dropped since such a view may lead to some diabolical outcomes of who constitutes the stakeholder. For instance, Langtry (1994)points out how a shopper who avoided a particular store becomes a stakeholder to that store since that store is an affected party on account of the shopper's decision to shop elsewhere! This way, he argues that whole world becomes each individual firm's stakeholder.

Those who subscribe to the stakeholder theory, while agreeing with the market clearing principles, consider this as inadequate. They argue that, for capitalism to thrive and great business enterprises to sustain and prosper, there is a need to interpret modern- day capitalism as a system of social cooperation and value creation (Freeman, Harrison, & Wicks, 2007). For Freeman et al the concept of stakeholder management goes much beyond the idea of social contract. For instance, if we were to consider employees as stakeholders, the good work and loyalty of the workers are expected to be reciprocated with good wages and benefits with the implicit promise that the firm will take long-term care of the employees. They also point out that the stakeholder perspective provides scope for negotiated political solutions that satisfice (Simon, 1979) multiple constituents.

With greater interdependencies between

nations and people and the integration of various economies of the world, there is much greater need today for being sensitive to stakeholders who influence the fortunes of the firm differently in different countries and across different cultures. Further, businesses are not anymore about different stakeholders merely seeking various entitlements from the firm. Different stakeholders can provide important support to the firm through various means of engagement (Crane, Matten, & Moon, 2004). For instance, there are firms like Google or Proctor and Gamble that have an elaborate structure to receive innovative ideas from the customers (one of the stakeholders) on product and service innovations and act on them. It may be pointed out here that there is more emotional appeal to the stakeholder theory. This encourages Stoney and Winstonley (2002) to suggest that stakeholder theory is based on post-hoc rationalizations of principles that are emotionally rooted and have advocacy value.

Irreconcilability of the Two Logics

The shareholder and the stakeholder theories provide their own partial and biased views. The shareholder theory reinforces the ownership argument. Correspondingly, governance efforts would tend to be restorative of the ownership rights to the shareholders. This may take different forms. For instance, it may give rise to efforts towards stronger proxy protection for shareholders, less exit barriers for shareholders through active and transparent stock markets, less entry barriers for stock-bidding by new owners etc. All such means have something in common. Namely, the assumption that there is a model set of codes that could be rationally applied across different regional and national contexts that will fix the shareholder-agent problems (Useem, 2004). Even if changes are required to fit the context such changes would be administrative in nature. A natural corollary of such a view is that greater *convergence* of CG codes would necessarily enhance governance practices. The convergence argument would lead to seeking greater control on the activities of the agent-managers and their alignment of their incentivization to reward shareholder-principals as handsomely as possible (Aguilera & Cuervo-Cazurra, 2004).

It is interesting to note that the convergence argument would apply not only for the benefits of shareholders but also other constituents such as the employees, customers etc. The positivistic argument is obvious here. The political outcomes of such governance solutions may be unintended consequences such as lack of considerations of local context and a minimalist approach to meeting the governance requirements (Waddock, 2003).

Those who reject the exclusive shareholder emphasis, for whatever reason, seek appropriate fit between the interests of various stakeholders. The list of *important* stakeholders may vary from one place to another (Freeman, 2010) and this would be on account of the divergent situations that the firm may face across different regions and nations. Naturally the stakeholder approach seeks contextually relevant practices and strives to accommodate pressures from the local aspirations and past practices. This translates to advocating differences in corporate governance practices to suit the differences in the social contexts that the firms face.

This either-or argument between the shareholder and the stakeholder perspectives has been countenanced by seeking to regard shareholder interests to be first taken care,later to be followed by stakeholder-friendly actions. This is evidenced by the popularity of convergence of governance models (Dignam & Galanis, 2009) in the context of the assumed superiority of global capital flows and the resultant efficient use of them. The argument seems to be that once the capital market is efficient and shareholder interests are taken care of there is sufficient room for exercising "local discretion" in dealing with the other stakeholders. Table 1 summarizes the means and ends arguments resident in the shareholder and stakeholder perspectives.

Table -1

	"Ends" Arguments	"Means" Arguments
Shareholder	- Performance clarity - Business focus	- Provide strong property rights regime
Stakeholder	- Risk reduction	- Recognize that right to form a company is privilege

Letza and Sun (2002) have identified five presumptions that underlie the shareholder-stakeholder dichotomy which are summarized below:

1. The assumption of one ideal model for corporate governance which *has* to be either shareholder or stakeholder based.
2. The exclusive dependence on markets and hierarchies as means of governance structures: Dependence on markets can be observed in arguing for an efficient stock market, market for corporate control etc. Similarly, dependence on hierarchies is evident in the form legal stipulations safeguarding property rights coming from outside the organization and internal monitoring and administrative mechanisms coming from within the organization.
3. Convergence of governance context across national boundaries
4. The underpinning of rationality and economic reductionism
5. Polarized theorizing: A highly polarized view admits of only one truth to the exclusion of the other.

Letza and Sun perceptively argue that this dichotomous argument results in a static approach that assumes a priori principles and readymade concepts into which all practices have to be pigeon-holed. "Under this static approach, the corporate governance analysis presupposes and inherits *a priori* principles, ready-made concepts and taken-for-granted notions for the purpose of theorising and model building, and then identifies, classifies and simplifies the complex practice of corporate governance to those pre-existent conceptual templates for analysis and explanation. In so doing, the dynamic practice and experiences of corporate governance are forced to fit the theoretical models, which become increasingly abstracted, isolated, fixed, endured, and finally static and dogmatic." (p: 54-55).

They further argue that the static approach has its origin in the "dominant western intellectual tradition of a "being" ontology and the corresponding "representationist" epistemology associated with it" (Letza & Sun, 2002, p:55). This dominant intellectual tradition believes that there is an objective world out there and the only way to negotiate the uncertainty is to make better and more accurate representation of that reality. Reality is independent of the objective observers who have no role except to intellectually understand and, when in a proactive sense, perhaps even "conquer" it. Viewed thus, corporations, the board and players and the entire social reality are all pre-formed and static. At best they are ready to be cognized and acted upon exclusively from a previously conceptualized knowledge of them. Such an understanding would view options available as truly restricted. This presents us with an opportunity to change our ways of thinking. Or in other words, change our thinking that is currently rooted in a "being" ontology. Similar ideas are expressed by many including Fris & Lazaridou (2006) according to whom there is "a growing awareness of the limits of the being perspective, and a neglect of the *becoming* perspective,is what often lies behind contemporary calls for organizational theorists to re-examine their thinking…" (italics mine).

The Logic of Emergent Action

The dialectic between thetwo views described here has been thoroughly debated in research with no satisfactory resolution of the polarization in sight (O'Sullivan, 2000). This intractable polarization is a result of a static view of the players' roles (Letza & Sun, 2002). This staticity may be in the form of the assumptions of a priori structures with assumed clarity in the nature of relationship among the actors and their roles and relationships. These structures are considered exogenous variables that are capable of entirely explaining the behaviors of the players involved and the outcomes. For instance, there is the underlying assumption that the executive would perform better with greater overseeing by independent directors. This may not necessarily be true. A review of research on the relationship between governance and the presence of independent directors reveal that there is a more nuanced relationship between the two (Iwu-Egwuonwu, 2010) rather than a direct one on one relationship. Assumptions of a priori structures having a definite impact fail to account for:

1. The manner in which ideas gather clarity as communication and feedback toggle

between the source of an idea, the various players and the scene of real-life application generating innovative incremental solutions.

2. Role of emergent leadership
3. The emergent nature of solutions that arise from the collective problem solving and opportunity gains that may happen

Ideas evolve and the epistemology used to study ideas also has to be alive to this (Bateson, 1979). While the evolution of corporate governance is linked to changes in the regional or national political ideologies (Barker, 2010), it is also observed that political changes and governance processes change over time (Davis & Thompson, 1994). To consider a "big and ambitious" example, even as we credit Abraham Lincoln with emancipation of the colored people we must remember that ideas and events gradually evolved. There was initially hostile reception to Lincoln's ideas from his own constituencies. In fact, for Lincoln himself the ideas of emancipation may have matured gradually. Some historians like Klingaman (2002) say that Lincoln, even if opposed to slavery, had intended the proclamation as tool to win the war and that it was only later that it assumed a heightened moral significance. The static view does not regard the dynamical nature of the situation on the ground and ignores the emergent comprehensions, reflections, compromises, persuasions, capitulations and transformations. The static view could pejoratively be characterized as the "scholastically correct" view (Nayak & Sotnak, 1995). When we consider the dominant hold of the deductive and inductive approaches to knowledge generation it is not difficult to see the cause of the staticity thatLetza and Sun (2002)complain of. An a priori intellectual closure on the one hand (deductive), or an a posteriori empirical investigation of merely the 'resultant states' (inductive) have their limitations. One is reminded of Korzybsky's famous quip, "The map is not the territory".

Turning back attention to the shareholder-stakeholder tension, the two opposing positions arise mainly from their cognitive and affective roots. As Jensen (2002)points,

"*Stakeholder theory taps into the deep emotional commitment of most individuals to the family and tribe. For tens of thousands of years those of our ancestors who had little respect for, or loyalty to, the family, band, or tribe probably did not survive.*" *(p: 243).*

Having said this, Jensen next suggests that the emotional or the affective approach as lacking in evolutionary progressiveness and advocates a rational shareholder-based orientation.

"*Many people are drawn to stakeholder theory through their evolutionary attachment to the small group and the family… Stakeholder theory taps into this confusion and antagonism and relaxes constraintson the small group in ways that are damaging to society as a whole and (in the long run) to the small group. Such deeply rooted and generally unrecognized conflict between allegiances to family and tribe and what is good for society* *as whole has a major impact on our evolution, and in this case, the conflict does not operate for the good" (p:244).*

It is unfortunate that a person of Jensen's standing would reduce the affective (which he himself admits as having contributed to human survival) to narrow family and tribal affiliations. While one is tempted to suggest that Jensen should meditate over some of the more recent neuroscience research findings on the role of emotions to human survival and development popularized by authors likeDamasio (1994), Lipton (2005) and others, the point here is that corporate governance research has been systematically reduced to either-or antagonisms. Unless this dichotomous debate is transcended answers will allude us.This paper contributes to such a change by introducing the idea of emergent action that corresponds to conation and generative a trialecticsof the cognitive, the affective and the conative. Such a trialecticcan produce a non-oppositional, attraction-based logic through which corporate governance can be better conceptualized, exalted practices appreciated, and holistic governance practices furthered.

From Dialectics to Trialectics

The dialectic tension between shareholder and stakeholder theories have created a situation of conflict that can only be resolved by subscribing to either of the two logics. Dialectics provides a logic of contradiction where the solution to an issue is provided by oppositional struggle (Horn, 1983a). Conflict here becomes a precondition for change. As Ford and Ford (1994) have pointed out, under dialectics, transformational change occurs through a gradual shift in quality that finally leads to internal conflict where the unitary nature of the entity gets threatened to generate an newform that is a synthesis of the earlier oppositional entities. No doubt external influence may certainly play a role in its transformation of thesis and antithesis to synthesis. But this ascribes too much to the explicate order and ignores the possibility of implicate order (Bohm, 1980). Hanson andKlimo (1998) drawa parallel between Bohm's implicate order and the idea of cosmos "as characterized by the Vedic literature… (as) intrinsically dynamic and contain (ing) time and change as essential features. The cosmos is seen as inseparable reality – forever in motion, alive, organic, spiritual, and material at the same time." (p: 305).

In the context of corporate governance what this means is that the current theories suggest that only pressure from outside (whether from shareholders or stakeholders) will result in inviolate corporate governance; the impetus from within is ignored. As Mizuo (1999), in the context of Japanese corporate governance, has pointed out, there is a need that "ethicality takes on that portion of ethics concerned with promoting positive thinking and behavior… the company's business ethics will also include the idea of self-governance…" (p:67). This internal impulse or Bohm'simplicate order that Mizuo points out is something that the shareholder-stakeholder dialectic fails to recognize.The popularity of dialectic reasoning with its oppositional orientation precludes us from being creative in seeing possibilities of alternative logics. According to Ford and Ford (1994), "*the dialectical logic may serve as a tool. Indeed, it is sometimes considered evidence of creativity if one can "move between" different points of view when working on an issue or problem. But when people are unaware that they are using logic, or are "trapped" in only one, this point of view becomes an unwitting limitation to what might be seen or understood, restricting their observations and offering no really new alternatives… The difficulty, of course, is that a person doesn't always know that he or she is in a trap." (p: 758 - 759).*

Dialectical logic has been criticized on several counts (Horn, 1983). The main criticism is that dialectics' overemphasis on conflict and antagonism and the notion that there has to be a winner at the end. This also gives rise to the idea that winning depends on force. Fortunately, as Ford and Ford (1994)point out, there are alternatives to dialectical logic, viz., trialectics(Horn, 1983b; Ichazo, 1976). Earlier we added the conative (purposeful action) to the cognitive (shareholder orientation) and the affective (stakeholder orientation) to form a triumvirate. If these three aspects are positioned as the three nodes of a trialectic logic, the shareholder-stakeholder conflict would dissolve into a new logic where new, creative solutions could emerge.

Trialectics is an altogether different way to make sense of reality and also create change. Unlike the dialectic logic, here "things" assume less importance compared to the "movement" or the "process". Process here means a naturally occurring unfolding of reality based on the nature's principles that could be characterized as flow of energy (Csikszentmihalyi, 1990). These flows are constitutive of the cosmos. Things and events are material manifestation points (MMPs) according to the terminology of trialectics. The MMPs are "micro" stagesin the evolutionary advancement. Change therefore involves "quantum" jump from one MMP to the next MMP which are temporal manifestations in the form of things, ideas and events; all temporary states in the overall flow of energy. The MMPs constitute various interactions and dynamics that allow for mutation of the MMPs. In such a scheme, MMPs are simply states where equilibrium of energy flows occur at different points of time. But across timespans, MMPs, due to interactions with other MMPs, create disequilibrium in the flow and create new mutations of MMPs. The quantum jump that follows creates a new identity altogether. When such a lens is used to view any system, whether an organization, a board of governors or any other organized unit, we will be able to notice that a system previously characterized as permanent and abstract is indeed something constantly in a process of change:

" *The discontinuity of change means that what is here now is absolutely different from* *what was here before, even if it is only at a microscopic level. From this perspective, continuity can be seen as a function of the framing used (Bartunek, 1989). At a macrolevel, there may appear to be no change, but at a microlevel there may be considerable change. Thus, for example, IBM may appear to continue as a corporation, but its internal dynamics and composition may be so unlike any previous version of IBM that it is a different organization. In this respect, every time the MMP called IBM jumps to another MMP, the prior MMP "dies" or "disappears" and a new one is "born" or "appears." It will be possible for those who are focusing their attention on the similarities between the two MMPs to say that this is the "same" organization, when, according to trialecticians, it is a different organization altogether." (Ford & Ford, 1994, p: 767-768).*

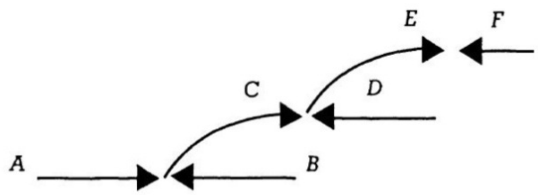
There are two important points in the above passage. One, the organization (or IBM here),according to the trialectician, isin a constant process of change. The next point to note is the importance ascribed to "framing". Reality is "created" by the very act of framing. This is at odds with the representationist epistemology and the corresponding "being" ontology (Letza & Sun, 2002)that was alluded to earlier. What we see is that the trialecticians' terminology too is thus specialized and they createnew potential for reality creation. Reality follows the act of naming. In other words, comprehension is prior to things themselves, quite unlike in the case of dialectical logic where comprehension is independent of the observer. This is quite at odds with the positivistic ideals of the philosophy of science (Byrne, 1998).

The movement from one MMP to the next MMP through mutation suggest that the small change can manifest in huge outcomes much like the bullwhip effect (Senge, 1994). Trialectics also involves the idea of attractors (Byrne, 1998; Fris & Lazaridou, 2006). Rather than conflict being the foundation for change (as in dialectics) it is attraction for a future MMP that creates the impetus for change. In this sense what causes change is pull (towards the "potential" future) rather than push (from the "real" present). The implications for such a view on the agency creating change are significant. The agency responsible for change would be proactive, entrepreneurial and aware of the potential the future holds. Any entity possesses the seeds of implicate order. Such a logic is more optimistic and creative when compared to dialectic's logic of contradiction (Ford & Ford, 1994). The primacy of mind and imagination with attendant visioning of the future are clearly observable in the trialectic logic.

The logics of dialectics (Figure: 1) and the logic of trialectics (Figure: 2)can be diagrammatically contrasted through the following diagrams, reproduced from Ford and Ford (1994).

Figure: 1

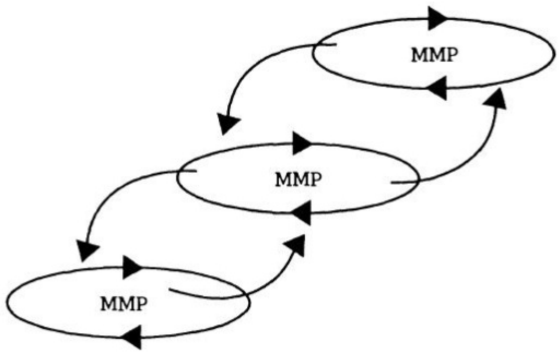
Dialectics: Change Through Contradiction



1. Contradictions *A* and *B*
2. Synthesis C and its contradiction *D*
3. Synthesis *E* and its contradiction *F*

Figure 2

Trialectics: Change Through Attraction



1. Energy of MMPs attracted "up" or "down" to other MMPs and potential MMPs

As can be seen in the diagram the dialectic logic is based on contradiction of two opposing positions (in the present case, shareholder and stakeholder orientations). In the dialectic logic these conflicting positions generate a synthesis that arises from this contradiction. The trialectic logic,on the other hand, encourages creation of an upward spiral (which could also with unfavorable forces reduce to a vicious downward spiral) with different levels of MMPs through attractors. The attractors are provided by the imaginative mental constructions or mental models (Senge, 1994) created by the decision makers or the governance team that are based on three factors: the cognitive, the affective and the conative. These respectively are oriented towards the shareholder, stakeholder and the will of the decision makers themselves. The conative or the "will" component can be interpreted to mean strategic intent (Ghemawat, 1991). To start with this is at the stage of the potential – something that the dialectical logic completely ignores. Only later would they materialize into actuality. The strategic intent along with the expectations of the shareholders and the stakeholders thereby become attractors for the material manifestation points – the unfolding of the latent into actuality. As can be seen,atrialectic logic accounts for the creative impulses and their manifestations that dialectics with its conflict-based, (merely) external-induced logic can never contend with.

Conclusion

In this paper we argued that the current research on corporate governance is heavily slanted towards the dialectic of shareholder-stakeholder logics that are essentially antagonistic to each other. Shareholder theory subscribes to the idea that the duty of the manager is to be an honest trustee of the owner. Underlying this argument is the notion that the providers of other resources to the firm are in transactional exchange with the firm. The paper shows how such a view corresponds with ideals such as social contract, strong property rights and creation of competitive markets in various markets for labor, corporate ownership, corporate control etc.

The stakeholder theory on the other hand, emphasized the different types of capital that play a role in a modern corporation such as intellectual capital, human capital etc., the need for longer-term stability of corporations, the role played by stakeholders etc. The paper argued that the shareholder-stakeholder dialectic has created an antagonistic fissure in the debate with no sight of settlement of the argument until now.In global terms the two correspond to two basic pressures on current CG practices; One is modernist pressure to conform to uniform governance codes and effort to diffuse such codes uniformly in different parts of the world. The other could be considered the pressure from the local traditions and past practices – the traditionalist pressure to account for local aspirations of the community and so on.This kind of a dualistic view has also given rise to a profusion of articles on “best” practices within firms and across nations.

This paper proposedthat the shareholder and the stakeholder theories can be creatively marshaled and their relative strengths tapped by accounting for innovative actions that can potentially emerge “on site”. For research in the area to develop further there is need to shift from the dialectical logic (that put the cognitive and the affective in antagonistic frames) to a trialectic logic that accommodates the cognitive-affective-conative triumvirate. Such an approach will encourage a more holistic understanding of the basis for the tension (stakeholder X vs. stakeholder Y or local vs. global etc.), the surfacing of the merits of each logic and transcending the tension through creative and emergent means. The resulting trialectic has the potential to create a logic of attraction in place of the current logic of contradiction. No doubt, trialectics is a recent idea and much needs to be done to further it. Some of the developments in complexity theory with idea such as emergence, attractors, dynamic systems etc. have a resonance with the idea of trialectics and hold much promise for future research and practice.

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