

Preface

Eighteen years ago, we started to offer annual doctoral seminars in corporate governance and seminars for chairpersons and members of boards at the University of St. Gallen. In 1995, we published an “Integrated Board Management” concept and suggested that the board has to be developed as a team responsible for directing and controlling an organization (see level 4 in Fig. A.1).

It is a great pleasure to publish the fifth English-language edition of this book within just less than three years. We thank the readers for their valuable feedback on the fourth version.

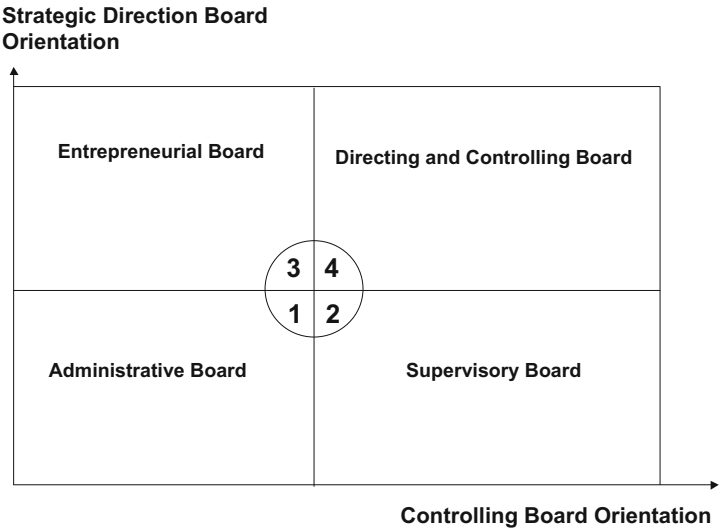


Fig. A.1 Development levels of boards

The subject of corporate governance has become highly topical worldwide because of the many corporate crises that have occurred – in both countries that promote shareholder-value governance approaches (see Rappaport 1986 and Stewart 1991, such as the United States or Great Britain) and countries that strive for stakeholder-value governance approaches¹ (such as Germany or Japan).

Depending on the value system prevailing in a particular country or context, corporate governance has been seen to deal with “the protection of shareholders rights or . . . the rights of all, or at least a part of the stakeholders.” (Wentges 2003, p. 74).

In research as well as in practice, the common assumption is that there are just “two basic models of corporate governance systems: the first model is the Anglo-American ‘market based’ model, which emphasizes the maximization of shareholder value, while the second model is the ‘relationship-based’ model, which emphasizes the interests of a broader group of stakeholders.”²

In this book however, we introduce a third way – “New Corporate Governance” that integrates the strengths of both approaches. We thereby avoid the traditional question of which approach should be used as a basis for corporate governance: the widely used, Anglo-American, shareholder-value approach or the stakeholder-value approach, which is found in a variety of forms.

We propose a both-and, glocal approach. In other words, we adopt both the global relevance of aspects of the Anglo-American board best practice (exemplified in Canada, New Zealand and Great Britain and adopted sometimes with little or no critical analysis in developing nations; see Ahunwan 2003), and the local governance best practices evident in the approaches adopted by many international firms operating in countries around the world. Companies only generate enduring success if they add value in all their activities for shareholders, customers, employees and society. Thus it is important for each board to determine the manner in which stakeholders share in firm success, according to that firm’s requirements. For example,

- 50 % shareholder value added (based on EVA, see Stewart 1991)
- 20 % employee value added
- 20 % customer value added and
- 10 % public value added

¹ See Freeman (1984, p. 31), wherein stakeholders are defined as: “those groups without whose support the organization would cease to exist.”

² Tabalujan in Hasan (2002, p. 488). See also the definition of corporate governance proposed by Shleifer and Vishny (1997, p. 737) for an example of a pure shareholder model and Preston and Donaldson (1995) for a discussion of stakeholder orientations.

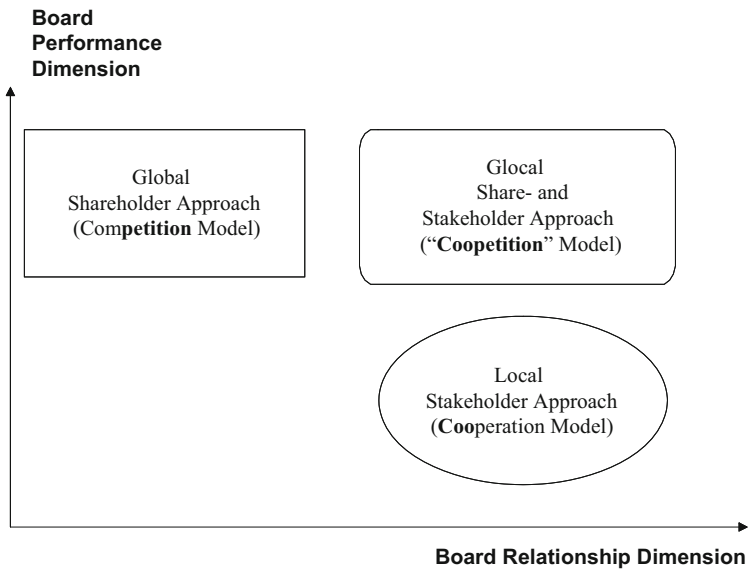


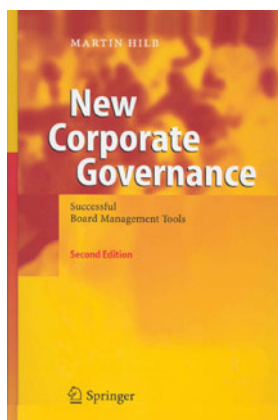
Fig. A.2 Models of corporate governance

In each case, the requirements, the satisfaction and the voluntary loyalty of these stakeholder groups could be measured periodically, using an integrated feedback toolkit, for example.³

In response to the growing interest in corporate governance, we founded the International Center for Corporate Governance, in order to focus our research, teaching and consulting activities in a targeted way using this integrated approach (see www.icfcg.org).

³ Such as that developed by Hilb (2003).

This book has been published in several languages:



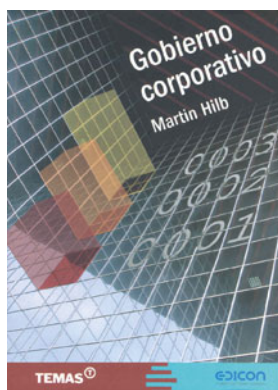
5th edition
New York 2016



6th edition
Berlin 2016



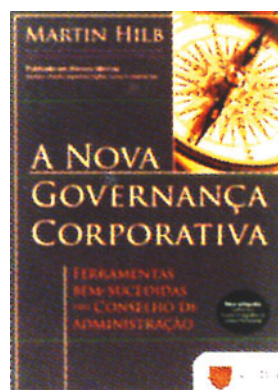
2nd edition
Saigon 2007



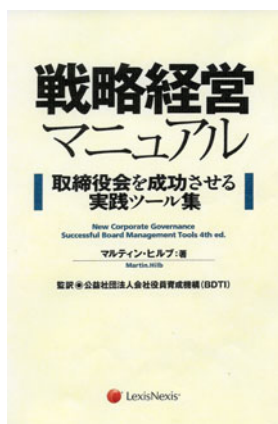
1st edition
Buenos Aires 2007



1st edition
Beijing 2008



1st edition
São Paulo 2009



1st edition
Tokyo 2013



1st edition
Lausanne 2014

We would like to thank all the people who made contributions to the completion of these book versions. Firstly, we thank the chairpersons who have given us the mandate to implement new board concepts and carry out board evaluations on their behalf. Secondly, we thank the numerous participants of our board seminars, board network workshops and annual doctoral seminars on corporate governance at the University of St. Gallen, for the many valuable contributions.

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Special thanks also go to all those individuals who prepared other versions of this book into other languages:

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- Prof. Dr. Trung Dinh (Vietnamese edition)
- Ms Erica Maidana (Spanish edition)
- Dr. Olena Kos (Russian edition)
- Luiz F. Turatti (Brazilian edition)
- Nicolas Benes (Japanese edition)
- Rosita Vittoria Oppizzi (French edition)

Last but not least, I would like to thank Dr. Prashanth Mahagaonkar of Springer Publishers for his valuable support to publish the new English edition of this book.

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Martin Hilb



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