The Analysis on the Assimilation of the Model of Corporate Governance

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ABSTRACT

Companies in different countries have different corporate governance systems. One of the reasons is that the trade cost dealing in the society and other economic factors are different in different countries. View from this angle, corporate governance systems should have the value that can reduce the costs. However, observing the situations of corporate governance in the real society, we will find the reasons of formation of corporate governance systems are not so simple. Understanding the formation of different corporate governance systems, we should pay more attention to the elements like society and culture. The process of formation has relationship with legitimacy such as the company roles that the society expects, and this kind of concept forms the concept of social responsibility, and at last form the particular model of corporate governance.

Keywords: Corporate Governance, Isomorphism, Social Expected Roles, Social Responsibilities of Company, Stakeholders

Now European and other regions has made the assimilation of system and formed an effective institutional framework in the economic aspects. In this particular area, how could the process of the institutional assimilation or the institutionalization evolve? What elements can have a great influence on this process? These problems are worth studying in modern society that the international and regional integration have become increasingly prominent. For example, recently a lot of media or the heads from different countries claim the formation of an East Asian Community, but many people think that the process of East Asia’s institutionalization is not simple because many obstacles which include historical issues, political problems, and economic problems and so on need to be cleared. Therefore, some people even think that East Asian countries are different from EU that can determine the common economic and political policy in the same system. Formation of the same institutional framework between East Asian countries that have the complex relationship is impossible and unnecessary.

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However, relative to human activities, the Earth is getting smaller and smaller, which is an undeniable fact. Moreover, many countries have activities in the framework such as the WTO, FTA and other systems. We can see from these facts, one day in the future, East Asia countries will have activities in a unified system, which is a general trend. From this perspective, we need to study the problem of institutionalization of East Asia, while, its premise is the research about the theory of regional institutionalization. This essay will study the selected issues related to corporate governance system that is among the theory of institutionalization.

Now many people discuss the issues related to corporate governance, which is common in East Asia, too. China revised the Company Law in 2005; the contents of the relevant corporate governance in it have also been greatly modified. It is same in Korea. In order to prevent the phenomenon that the families of wealthy allies dominate the company happen again, under the guidance of the IMF, Committee governance system was introduced, and the corporate governance system was reformed. In Japan, commercial law is modified every year from 90s. Company Law was separated from Commercial law from 2005, and the corporate governance system has also been greatly reformed. The common place among the reformations of East Asian countries’ corporate governance is the introduction of American systems such as the independent directors or committee system. From this direction of reformation, the final form of corporate governance in East Asia seems to be the United States-based forms; perhaps this kind of corporate governance that is a U.S.-based system is one of the trends, which belong to the assimilation of Asian corporate governance. Although the assimilation of Asian corporate governance has a great significance, but we should pay more consideration for the problem whether the direction of the corporate governance system in the region is Americanization or whether the direction should be Americanization.

To analyze the above assimilation of corporate governance system, we first need to consider the difference of corporate governance systems. There are the American type, Japan type, Germany type, and other corporate governance models in the world. From the different point of view, we could consider why the differences come out, and whether the different corporate governance systems of different countries have different values. Solving these problems, we first need to consider the conceptual issues such as “what is the company on earth?” and also need to consider the three “who” questions in the corporate governance system: “Who is the owner?” “For whom to exist?”, and “who is supervising?”. After understanding these issues, we can find out the development trend of assimilation on corporate governance system in above specific areas such as the East Asia, and answer what kind of value the corporate governance system should have.

CRITICISM OF PREVIOUS THEORIES

Many people now advocate the concept which the company relates to the economic costs, namely, it treats the company as an instrumental object, and recognizes that the purpose of the company to exist is to reduce costs. Now this view, which is put forward by Ronald H. Coase, becomes the mainstream view. According to this view, if the activities carried out in the market, its Production Cost or Transaction Cost is zero, then the trades among individuals or production activities in the market can be successfully completed, so the company does not need to exist, only individuals are necessary. However, there is no zero cost existing in reality. There always exist the elements, which increase the costs in the market (Curtis, 2009), such as Bounded Rationality, Opportunism, Asset-Specific Investment and other factors. We form a company in order to reduce these costs. According to the level of Transaction Costs in a particular society, company forms the type of inside system (an internal institution governance model), the type of outside system (a market-based corporate governance), and the type of the intermediation.
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