Associative corporate governance: the steel industry case
Joustra, P.K.

Link to publication

Citation for published version (APA):

General rights
It is not permitted to download or to forward/distribute the text or part of it without the consent of the author(s) and/or copyright holder(s), other than for strictly personal, individual use, unless the work is under an open content license (like Creative Commons).

Disclaimer/Complaints regulations
If you believe that digital publication of certain material infringes any of your rights or (privacy) interests, please let the Library know, stating your reasons. In case of a legitimate complaint, the Library will make the material inaccessible and/or remove it from the website. Please Ask the Library: http://uba.uva.nl/en/contact, or a letter to: Library of the University of Amsterdam, Secretariat, Singel 425, 1012 WP Amsterdam, The Netherlands. You will be contacted as soon as possible.
8. Conclusion

In my introduction, I expressed my concern about the way the world steel industry will handle the existing need for concentration and internationalisation. As the background for this concern, I referred to the general negative consequences for societies of the neoliberal merger and acquisition process as a threat to the social and economic future of many industrial steel regions in the world.

This was my first concern, the threatening of the future of millions of people living in these regions. However, I also mentioned a second concern: the political consequences of the neoliberal model in relation to the functioning of democracies. The ever-growing impact of the outcome of the mergers and acquisitions process has a major impact on the public domain and the future of many citizens. National politicians lose control of the economic process given the, from a democratic point of view, ‘black box’ character of the model. The financial crisis of 2008 was a clear confirmation of this trend. Politicians become ‘unreliable’ agents in the eyes of many citizens and lose respect accompanied by all the well-known political consequences for the functioning of democracies. These two concerns caused me to investigate the possibility of developing a new corporate governance concept for multinational companies: Associative Corporate Governance (ACG). It is a concept that faces these concerns and that results in an improved social and economic performance of corporations and leads to an increased democratic content of governance. The need for reforms can be best summarised by two important ‘voices of The South’, Walden Bello and Umberto Unger, as introduced in section 2.3 and 2.4 of this thesis.

Walden Bello refers to Thomas Kuhn’s *A Structure of Scientific Revolutions*:

‘When a paradigm is in crisis, there are two responses. One response is to make more and more complicated adjustments; the other is to break away completely from the old paradigm’ (cited in Bello 107). Bello proposes a strategy of deconstruction-construction: ‘deglobalisation of the national economy combined with the creation of a pluralist system of global economic governance’ (Bello 112).

‘Democratic experimentalism needs the tools of the institutional imagination. Democratic experimentalism is a plea for a systematic change of institutions, no revolution. Still, it will be a ‘radical reform’ based on transformative politics, not a matter of ‘humanizing the inevitable’ attitude of ‘conservative, disappointed social democrats’ (Unger 20).

In Part 1 of this thesis, I highlighted the steel industry and its need for concentration and globalisation. I described the steel industry’s long-term
orientation as a suitable industrial sector for introduction of ACG with its long-term orientation, and its labour- and capital-intensive character.

The steel industry is a unique industrial sector with a huge target for the twenty-first century. It has to fulfil the growing demand on steel products because of the growing consumption of the population of the BICs and other developing countries. It has to face serious environmental threats because of the handling of huge amounts of raw materials and energy and the nature of the steel process as such. It has to fulfil the growing demand on new advanced products for the automotive, construction and packaging industry.

I described the general and specific aspects of globalisation, the role of multinational companies and the Varieties of Capitalism in the world. I put special emphasis on the rise of the BIC- countries given their big impact on the world of steelmakers.

Against the background of the main corporate governance issues from the last half-century, I described history and trends of corporate governance in the steel industry.

In Part 2, I introduced a more democratic corporate governance approach based on associative democratic principles. By integrating two recent corporate governance theories, Corporate Social Responsibility and stakeholder theory, with the principles of associative democracy, I developed the Associative Corporate Governance model (ACG). I described history and trends in democratic experiments and institutional settings in the industry, and defined ACG as a next step in Industrial Democracy. It bridges the unrealistic gap between corporations and their social environment by introducing community involvement in the development of the corporation.

ACG fuses stakeholder theory and CSR and tries to meet the challenge by mobilisation of all available talent within all stakeholders of the company and by creating a strong social embeddedness of the company. It improves the living and working conditions of people that are involved in the steel industry. It creates ‘social guarantee’ and a high level of participation. It is a first step on the way to democratised corporate governance of multinational companies. It stimulates further discourse on this issue by ‘just doing it’ and by showing positive results.

I developed the main features and conditions of ACG and its moral and ethical basis. ACG uses the ‘minimum morality with contextualised approach’ as moral basis and has chosen Shue’s ‘basic rights’ philosophy as minimum morality. For the dialogue between stakeholders it uses Amartya Sen’s realisation-focused perspective combined with Charles Sabel’s Learning by Monitoring.

ACG as a democratic reform of the existing corporate governance rules
tries to contribute to necessary reforms. On the one hand, I worked out a philosophically conceptualised framework for ACG; on the other hand, I developed a feasible and practical framework for the introduction of ACG in order to show the feasibility of the approach. It is dangerous to combine both in one work. Philosophers will criticise the limited philosophical depth, while non-philosophers will doubt the benefit of philosophical considerations. However, a retreat to one of the two one-sided approaches will not be sufficient. Practical approaches still have to face questions like ‘why more democracy?’ or ‘why to consider ethical and moral values in business?’ Philosophical considerations without a check on reality are toothless. Therefore, I took the challenge of the combined approach.

In Part 3, I introduced the steel company ASC (Associative Steel Company) as the steel company that introduces ACG as its corporate governance principle. The ‘systematic change of institutions’ as defined by Roberto Unger will be implemented by a step-by-step approach. I showed that implementation of ACG can be done via reasonable and feasible actions without asking for revolutionary changes in the management. Most actions are based on examples and experiences in existing steel plants. The associative corporate governance philosophy as presented in this thesis, does not ask for a new revolution, be it economic or societal. It can be a supplement and a process-like transformation to existing institutions and procedures.

I presented 27 feasible policies and 64 feasible actions, making it possible for all stakeholders to contribute to the implementation of the associative approach.

Most policies and actions are based on examples and experiences in existing steel plants or with existing corporate governance methods in other multinational companies. I consider it as ‘one step forward’. In Paul Hirst’s words: ‘in the search for profit and ultimate management control with institutional forms that allow their members involvement and that give incentives to motivated services’ (Hirst, Associative Democracy 109). With the conditions fulfilled for an acceptable starting level and the actions ready to take, ASC can make a feasible start with a successful implementation of ACG. Its target is to become a vanguard within the steel industry by performing very well in a sustainable way. Via the WSA, it can start the Micro-Macro process within this industrial sector. It will be a positive and sustainable answer to the need for the concentration and internationalisation of the steel world. It is a positive and sustainable implementation of the sustainability subsections of the WSA.

I conclude that the introduction of ACG within the steel industry is a feasible and realistic target. It can be an answer to the two major social and political concerns that inspired me to write this thesis:

- The threatening of the social and economic future of millions of
people living in many steel regions in our world;  
- The political consequences of the neoliberal model in relation to the  
functioning of democracies.

It contributes to the development of a sustainable future for the steel industry  
and its stakeholders.

ACG is a next step in Industrial Democracy. It avoids the hegemony of one  
stakeholder, labour or shareholder. Both hegemonies did not work out. It  
balances and respects the interests of all stakeholders in the industrial process.

As a final consideration, and to judge the position of my search for  
effective democratic corporate governance, I conclude by once more asking  
the two basic questions:
- Why introduce and initiate a new step in participatory democracy?  
- Is it a realistic target?

In facing and answering these questions, I refer to John Dewey, David Estlund  
and Amartya Sen as introduced in Part 2.

John Dewey (1859-1952), was greatly concerned about expanding democratic  
values, which he saw as central to allowing people to work on solving their own  
and society’s problems. His role as intellectual is well described by Richard  
Rorty in *Achieving Our Country*. Rorty states that Dewey, together with  
Walt Whitman, shaped the rhetoric for the American Left during the first six  
decades of the twentieth century. Rorty personified the reformist, participatory  
Left with experimental pragmatism, an anti-authoritarian attitude, a forward-  
looking attitude, and the hope for the realisation of the American Dream. He  
describes how after the Vietnam War reformist Left changed into ‘tired old  
Left’ and was eclipsed by spectatorial New Left, with no hope for progress  
within the system, locked up in academic environments, no social actions, no  
cooperation between intellectuals and unions like during the New Deal, and  
reading Friedrich Nietzsche, Martin Heidegger, Michel Foucault and Jacques  
Derrida. Rorty sees the rise of the cultural Left during the last decades of the  
twentieth century, with a non-economical focus on ‘otherness’, cultural and  
gender studies. He notices an increase in economic inequality and growing  
populism, strengthened by the effects of globalisation and internationalisation.  
Rorty pleads for a second reformist progressive era at the start of the twenty-  
first century along the lines of Dewey but believes that the cultural Left will  
have a hard time transforming itself into a political Left. He criticizes the ideals  
of the cultural Left such as participatory democracy, the ‘angelic’ power called  
‘the people’ and the end of capitalism. He even distrusts the introduction of  
the stakeholder’s - concept in economic decisions. His main argument is that  
nobody is yet able to imagine how these ideals should be actualised. He wants to  
know how participatory democracy is supposed to work. The public, sensibly,  
have no interest in getting rid of capitalism until they are offered details about
the alternative. Rorty, a big admirer of Dewey, opposes the latter’s defence of participatory democracy. Rorty believes that the Left should go back into the business of piecemeal step-by-step reform within the framework of a market economy since ‘that was the business the American Left was in during the first two-thirds of the twentieth century’ (Rorty, Achieving 105). Although written in 1997, Rorty ends with the call to the intellectual Left to contribute to the making of America as the country of Whitman and Dewey’s hope and dreams: an ideal decent and civilised country\footnote{I met with Frank Cunningham, Professor of Philosophy and of Political Science of the University of Toronto, and Dewey-expert, on 19 March 19 2009. Frank stated that Barack Obama’s speeches (‘hope’ and ‘change’) definitely define Obama as a ‘Dewey-man’.}

Although this is all very ‘American’, I subscribe to his call for a new reformist Left. I consider this thesis as a contribution to this call\footnote{I think Rorty is too harsh and negative on the cultural Left, and he should trust Dewey’s positive opinion on participatory democracy. ACG’s step-by-step nature and the Learning by Monitoring approach accommodate Rorty’s preference for reform methods.}. It fits in his call for expanding democratic values and direct participation. It puts emphasis on learning through experience and the importance of social context. It fits in his focus on ‘praxis’, concrete actions here and now.

Dewey was alarmed by the growth of the corporate mentality and its threat for democracy, as already mentioned in the introduction of this thesis (Cochran 297). ACG can be considered a serious attempt to change the ‘mental and moral corporateness’ as experienced by Dewey. It will contribute to Dewey’s plea for participatory democracy in corporate organisations and is a new pragmatic approach with orientation both on theory and work floor practice, on Dewey’s focus of learning and experimentalism.

Dewey’s focus on threats and opportunities of democracy brings me to David Estlund. ACG can be considered to be an aspirational normative theory on corporate governance. It tries to get away from the complacent realism of existing corporate governance theories without ending up in utopianism. John Rawls has described this position as ‘realistic utopian’. David Estlund prefers the term ‘non-complacent non-utopianism’ (Estlund 259).

As an aspirational normative theory, ACG posits sound standards that are not generally met, though they can be met. It departs from realism but posits certain aspirations for improvements in the future in order to meet the standards. Estlund describes this approach as ‘non-harsh’ (265). Non-harsh means that it does not put unreasonable moral constrains on human beings like utilitarianism, requiring that we sacrifice our own pursuits and wealth almost endlessly.

ACG is normative because it counsels actions of some kind. ACG is aspirational because these actions can lead to improvements in ASC’s performance in the future. ASC’s stakeholders have to act one way or another. Their actions will change the environment and the institutions. Acting as if
people or institutions will behave in some better way than there is actually
reason to expect might sometimes be a way of improving them.

Estlund insists on the difficulty/probability distinction: ‘If something
is not difficult, then it is not impossible, but it might yet be very unlikely
or even certain not to occur. I assume that ought implies can—that if it’s
impossible then it’s not morally required. I do not accept the very different
and perverse principle that if it is unlikely, however possible or easy, then it
is not required. It is not the case that ought implies reasonably likely. This
distinction matters a lot for political philosophy. We might not want to set
standards that are impossible or unreasonably difficult. However, these are not
yet reasons for wanting to avoid standards that will certainly or very likely not
be met’ (Estlund 265)

He describes the role of a normative theory as to help create breathing
space: ‘The first role is that there is intrinsic value in philosophical inquiry if
it is done well, and in seeking the philosophically most defensible account of
what political arrangements should be like. If the best accounts turn out to be
hopeless, because people are simply unlikely to do what they could and should
do, the theory should be undaunted. Call this the theory’s philosophical role’.
‘A related but distinct role for normative theory is a causal one. Reflection
on how people and institutions should be can direct our intention and energy
to determining how far realism can reach. We sometimes expect too little
precisely because we have no normative standards that forces the question of
whether more can realistically be expected’ (Estlund 269)

I want to apply the considerations mentioned above, to the key issue of
ACG: ACG as the next step in ‘Industrial Democracy’ by participation of all
stakeholders and by means of discourse platforms. The ‘learning organisation’
concept as key-aspect of ACG includes the ‘learning of democracy and
discourse ethics’. Stakeholders can be considered by many different measures
to have limited or no knowledge of the day-to-day and future governance of
the company in which they have a stake. There are many complaints by the
management of companies that the stakeholders’ knowledge is imperfect and
that they behave primarily selfishly and often irrationally. How should these
charges bear on normative political theory of participation? How to face this
poor performance of stakeholders, and how damning is this? I want to compare
these charges with charges against democracy as a political theory. Voters
are also very often accused of imperfect knowledge, selfish and irrational
behaviour. Still, this does not mean that the quality of democratic decisions is
below acceptable standards. The performance of democracies is rather good.
Tacit knowledge of voters about the surrounding society partly compensates
their so-called ‘ignorance’, just as tacit knowledge plays an important role
in the social innovation of corporations as explained in subsection 6.5.2. In
both cases, in the governance of a company and the governance of society,
there is little doubt that there are experts who know more and might be just as virtuously motivated. The trick is to know, and publicly to justify, which experts to rely on for which issues. It is difficult, in a way acceptable to the broad range of qualified points of view, to select a set of experts who could be expected to perform better than the best democratic arrangement. There is too much room for reasonable disagreement about who the experts would be. They epistocracy of the educated as introduced by Plato in *The Republic* will not be acceptable for modern society. The major objection to epistocracy is the ‘demographic objection’. ‘The educated portion of the populace may disproportionately have epistemically damaging features that countervail the admitted epistemic benefits of education’. ‘Even if we grant, for the sake of argument that everyone acts with good will rather than with neglect for the interests of others people are inevitably biased by their race, class and gender’ (Estlund 215). This will lead to increased collective errors.

This demographic objection also applies to the governance of corporations. The diversity of race, class, and gender amongst managers is very limited. The education of managers is almost standardised on a global scale. Education schemes of business schools are almost ‘one dimensional’. This bias will lead to increased collective errors like mergers for the sake of merger, financial mismanagement, and neglecting of necessary technological and social innovation. In my opinion, the governance of corporations should embark on a much broader diversity of management, staff and workforce. ACG with its broad participation of all stakeholders, as described in this thesis, is a deciding step in this direction.

The objections against the democratic governance of companies, as mentioned before, are of the same category as the objections against the democratic organisation of our society. Still, the latter is considered as a reasonable and responsible answer to governance issues, while the majority of owners and managers of corporations consider the former as an impossible and unrealistic approach of corporate governance. It would lead to insufficient decisiveness, to endless debates between selfish and irrational stakeholders, and to a fast decrease of competitiveness. In my opinion, instead of classifying a more democratic governance of corporations as utopian, I consider the attitude amongst owners, management and their biased education institutions as, what David Estlund calls, a “*utopophobia*” (275). It would be irresponsible to set small and narrow goals without good reason to think that improved things really cannot or will not be achieved.

It will be very difficult for a more democratic governed multinational to exceed the financial, social and environmental damage of failed mergers, plant closings and other irresponsible decisions of ‘well run companies’.

I consider the plea for democratic corporate governance as the philosophical role of ACG and its participation policies. Reflections on how to organise
this participation, as can be found in this thesis, can direct our intention and energy to determining how far realism can reach. This is the causal role of ACG. Moreover, it can lead to unexpected improvement of performance of companies. I refer to John Dewey and David Estlund at the end of my thesis because the results of Part 3 show that their ways of thinking and expectations can be met by ACG.

I end with Amartya Sen and his practical guide for a systematic guidance to reasoned decisions as highlighted I section 4.3. His realisation-focused perspective, the importance of prevention of manifest injustice rather than seeking the perfectly just, links the practical part of my thesis with the philosophical basis of ACG. Justice depends on the combination of institutional features and actual behaviour characteristics. ACG tries to work on both aspects. It combines the institutional features of ASC with a broader understanding of democracy via participation, dialogue and public interaction.

Democracy is no western discovery but is a recurrent theme in the history of many countries in the non-western world (Sen 330). The contextualised approach of ACG takes up this theme.

‘Philosophy can – and does – produce extraordinarily interesting and important work on a variety of subjects that have nothing to do with the deprivations and inequities and unfreedoms of human lives’ (Sen 413). ACG wants to produce work on the subject of Industrial Democracy.