

# BOOK REVIEW

**Dixon John E**  
***Responses to Governance: Governing  
Corporations, Societies and the World***  
**Praeger, Westport Connecticut, 2003,**  
**ISBN: 0\*-275-97754-4.**

**Review by Andrew Clarke\***

The ambitious title of this book reflects a growing trend in the corporate governance literature. That trend is to increase the scope and reach of the notion of corporate governance in an attempt to make sense of globalisation and the increasingly international context for its discussion. Recent examples of corporate fraud, such as Enron and Worldcom, have had repercussions around the world for policy makers. In the United States (US) these cases gave rise to the *Sarbanes-Oxley Act 2001*, and in countries such as the United Kingdom (UK) and Australia the implications have also been keenly felt. Governments have been forced to be seen to be doing something to respond to these shocking events.

Much of the debate at a policy level in the US has focused on whether these are isolated, “bad apple” cases of corporate malfeasance or symptomatic of a wider pandemic in the way companies are governed. The US response via the *Sarbanes-Oxley Act 2001* has been to greatly increase the regulatory costs faced by firms. The UK Government has instituted studies into the effects of these US events in the UK. The principal reports have been presented by Sir Derek Higgs and Sir Robert Smith. These reports follow the tradition of UK governance development over the last decade with the publication of the Cadbury, Greenbury, and Hampel reports into various aspects of their governance arrangements. As a result, the UK approach has been to develop an incremental, low key, self-compliance model based on a

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Combined Code of findings. The Australian reaction has been to hold inquiries into HIH, and let litigation take its course in OneTel. Whilst US events and reactions have impacted here, we have essentially followed the UK model of self-regulation with, for example, the adoption by the ASX of the recent ASX Corporate Governance Council's *Principles of good corporate governance and best practice recommendations*. The operational key is the approach of encouraging adoption of the principles, and should a company not adopt them, for the company to explain why it did not. This is the "if not, why not" methodology. The underlying philosophy makes Australia's emerging governance paradigm closer to the UK's than to the US's. An illustration of this is the recent trouble NAB experienced for not complying with the provisions of the *Sarbanes-Oxley Act 2001* as to auditor independence in relation to its US branch operations.

The increasingly complex nature of national governance events and their global ramifications are the subjects of John Dixon's book. As Dixon explains in the preface: "the focus of this book is to provide a behaviourist perspective on governance. Its concern is with the governed's responses to those who seek to govern them - their governors - and the counter responses that they induce from the governors." This, Dixon's 30<sup>th</sup> book, is clearly not a modest project. He sets up four "competing social constructs", namely, the notions of hierarchy (based on authority and rules), enclaves (people inspired by common objectives), fatalism (self chosen isolationism) and individualism (those who emphasise the importance of the individual, and her or his interests, freedom and choice). The book, taking a highly theoretical approach, discusses each of these "social solidarities" in detail. The book consists of seven chapters, with chapters 2 to 6 inclusive each containing an appendix that seeks to provide a grid for the four solidarities in relation to the foregoing subject matter.

As such, the book is useful in setting out broad-based theories that can provide a way into the governance maze. However, it would have been useful to see how these theories could be applied to real life governance failures, such as Enron and Worldcom. There is no reference to these actual cases and events, although there is reference to the far more amorphous and "traumatic events of September 11, 2001."

Dixon's approach, which seeks to bundle governance into a global framework, also appears to overstate the case for the degree and extent

of global corporate governance. It unproblematically assumes that cultural mores underpinning a behaviourist approach can be applied across the corporate world. However, the extent (and for some, even the existence) of globalisation is a hotly contested topic. Globalisation is not simply a default mechanism for Americanism.

In terms of corporate governance, it can also be argued that national provisions, philosophies and practices are particularly resilient. As noted above, both the UK and Australia have eyed US developments with keen interest, but ultimately have not changed their underlying governance approaches.

Dixon's book is one of a growing trend of books on governance seeking to make sense of the subject within the matrix of globalisation. Other recent examples include Joseph A McCahery, Piet Moerland, Theo Raaijmakers and Luc Renneborg (eds), *Corporate Governance Regimes: Convergence and Diversity*, Oxford University Press, Oxford, 2002 and Mark J Roe, *Political Determinants of Corporate Governance: Political Context, Corporate Impact*, Oxford University Press, New York, 2003. These works also seek to tease out the tensions between national governance and the emerging frame of global governance. As such, they form useful companion pieces to Dixon's work. Dixon's book is a useful part of the wider perspective but, given its highly theoretical approach and US slant, it has its limitations. Its greatest use lies in its being read in conjunction with other works, such as those noted above, that deal to a greater extent with real world mappings of the emerging governance project.

This is a fascinating area of law and policy, and one in which challenging works such as Dixon's are sure to keep emerging in the course of the next decade.