Familiar places or liminal spaces? Using de Certeau and Turner to examine codification and resilience in corporate governance

Abstract: For a quarter of a century, corporate governance in many countries has been viewed as a process of institutionalising codes of good conduct by institutionalising periodic their deinstitutionalisation. Episodic shocks, induced by spectacular corporate failures, have created opportunities for more radical change, but such codes have proved resilient. But has this been process firmed up a thickening core? With each revision, is the corporate governance community living in increasingly familiar places or opening itself to liminal spaces? This paper deals with a story that is even now unfolding. The UK Corporate Governance Code is undergoing a major revision, with submissions to a consultation closing on February 28. As we wait for a new code to emerge, let us explore its philosophical underpinnings, drawing on concepts from the writings of de Certeau (2002) and Turner (1977), to reflect on places, spaces, rituals, and explorations, to understand what creates and constitutes resilience.

Introduction

Britain is currently in the process of reconstituting an important, iconic part of its framework of corporate conduct, a promised root-and-branch rethink of the UK Corporate Governance Code. It promises to be a major event, and potentially not just in Britain, with ramifications for many organisations in many countries Key aspects of the code have been copied throughout the world (Aguilera & Cuervo-Cazurra, 2009). The code has informed practice in both civil- and common-law jurisdictions, in emerging markets and developed economies. It has provided core concepts of good corporate governance to multilateral organisations, listed and unlisted companies, public- and private-sector organisations, and even organs of national governance (Nordberg, 2014).

From its inception as the Cadbury Code (1992), through a major, post-Enron revision (FRC, 2003), and the challenge to its integrity after the existential crisis of the global financial crisis (FRC, 2010), the code has proved resilient. Nordberg and McNulty (2013) show how, in response to these crises in the corporate world, the code has bent to embrace shifting understandings of what constitutes good governance but remained true to its core.

Other revisions, at intervals of roughly two years, have made minor modifications. This practice of periodic revision has institutionalised a process of deinstitutionalisation, creating a ritual of consultation and revision and at once facilitating change while reinforcing its legitimacy. Resilience implies both flexibility and rigidity, a balance between a solid centre and a surface to absorb shocks. That raises uncomfortable questions for a code now a quarter of a century old. When does a core ossify or the surface become brittle? How does change proceed when the crisis isn't one in the core constituencies of corporate management and investment practice? How does change proceed when the motivation for it come from a crisis in national governance, the shock of Brexit and the questions of legitimacy of government itself through an ill-timed election and the ill-run campaign?

In this preliminary paper, I seek to explore ways of understanding the problem in preparation for an analysis of how the code revision itself proceeds. I do so by bringing into discussion two perspectives little used in corporate governance literature but with much to say about resilience in the face of change. First is work drawing on ideas of the French sociologist, Michel de Certeau (2002), who distinguishes between the concepts of place and space. Place in de Certeau embodies definition and ownership; space facilitates emergence, lacks definition, and connotes freedom of action. Second is a stream of thinking that developed from the writings of the British anthropologist Victor Turner (1977) concerning rituals and rites of passage and the creation of liminal spaces where hierarchy is suspended, temporarily, to encourage creativity.

This paper proceeds by discussing briefly the institutional and market context of corporate governance, with reference to the UK and the 2018 revision of the code currently unfolding. It then examines place and space through de Certeau's writings and its elaboration into the world of management and entrepreneurship through Hjorth (2004, 2005), and company secretaries (McNulty & Stewart, 2015). Next is the concept of liminality, as developed by van Gennep (1909/2013) and Turner (1977), and then modified to illuminate the work of management consultants (Czarniawska & Mazza, 2003), expatriate managers of multinational businesses (Guimarães-Costa & Pina e Cunha, 2009), and boards of directors (Concannon & Nordberg, 2017). Using the issues under discussion in the current revision process of the UK code, the paper then examines the overlap between place, space, and liminality, asking questions about the ontologies these standpoints inhabit, and what that says about (de)institutionalisation and resilience. It concludes with observations on codification and ideas for further research.

Corporate governance in context

Place vs. space

Liminality, ritual, and liminal spaces

Issues of place and space in the UK code debate

Ontological implications

For boards and managers

For organizational theory

Conclusions

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