Letters and Responses

In his recent article "From Hired Hands to Co-Owners" (Boatright 2009), John Boatright deals with the proper role of the CEO. Traditional views of the CEO have been based on what he describes as the agent-principal model, or APM. He challenges theorists who advocate a team production model (TPM) as a better alternative. Boatright believes the role of the CEO depends mostly on what turns out to be most efficient, and all other things being equal he thinks we should reject notions of co-ownership that might make the firm less effective and competitive.

Despite bringing a welcome clarity to the issue of the role of CEO, Boatright's arguments beg several questions about the underlying values implicit in his discussion of these two competing models.

Boatright is concerned with the neutrality of the so-called mediating hierarch in the team production model and the scope of executive responsibility. He believes the CEO will be unaccountable to anyone in particular, and the lack of personal incentives will lead her or him to satisfice rather than maximize returns. Here I think we should be careful to distinguish between impartiality and neutrality, since the issue boils down to what sort of values the hierarch would bring to the role. Boatright contends that neutrality may mean unprincipled or capricious. While this is one plausible view, it could equally be that the mediator is impartial and seeks to increase the welfare of many affected parties.

Recall that this is the same problem addressed by R. Edward Freeman's view of the firm, insofar as managers need to recognize that stakeholders have joint interests, and any conflicts have to be resolved so that suppliers, customers, employees, communities and shareholders do not exit the deal or use the political process to benefit themselves at the expense of others (Freeman, Wicks, and Parmar 2004: 365). Freeman's solution focuses on the fact that each firm will have a normative core that provides a baseline of shared beliefs about the overall mission and direction of the company (see, e.g., Freeman, Harrison, Wicks, Parmar, and De Colle 2010: chap. 7). For many, this kind of shared understanding—often framed in terms of service to others—could inspire motivation just as effectively as financial incentives.

A stakeholder approach also demands reflection about the nature of value creation and efficiency. If we think solely in terms of traditional bottom line measures, then the case for APM may be clear-cut. However, if we consider the overall impact of the firm and the distribution of its goods and services, we may have to broaden our understanding of what, for example, constitutes a productive output and maximized profit. For example, a firm might choose to employ local mentally challenged individuals to perform basic assembly work at a very modest premium instead of

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sub-contracting the job to a cheaper supplier. Stakeholders might still realize both significant financial and non-financial benefits, even though the action satisfices rather than optimizes the potential for profit. The move from judging by profit to overall value creation means it is important to draw on sufficiently rich accounting methods (perhaps using the language of triple bottom line) to demonstrate the overall effects of various governance models, not only on the firm, but on other stakeholders as well.

Boatright also favors the traditional APM because he feels the quest for flawless corporate governance is comparable to seeking a mythical Nirvana. Yet this claim confuses an objective with a goal. Objectives are steps along the way to achieving a goal, which may turn out to be unattainable, yet still worth striving for. For example, most corporate codes include an aspirational element, where perfection is presented as a goal even though it may not be realistic: e.g., the perfect manager will always be unprejudiced by personal biases. Similarly, companies should aim to be completely efficient, and society should try to ensure full health care for all From my perspective while these goals may turn out to be impossible in practice, that is not really the point. Their function is to stretch the imagination and motivate us to improve. Thus, although absolute perfection is elusive in corporate governance (and life), it may nevertheless serve as a worthwhile goal.

Boatright admits "the inefficiency of corporate governance on the team production model would not be decisive if the model were preferable on other moral grounds" (Boatright 2009: 491). He then says that the goals of fair wealth allocation are not likely to be achieved through the mechanism of the mediating hierarch, and so we should stick with what we know to work. However, I would argue that we should not abandon the attempt at distributional fairness too readily without engaging in a healthy discussion about what those other moral grounds are and the taxonomy involved. The measurement of value-added has to be secondary to agreement about what constitutes that value. Returns to investors are important, but they do not have to be the sole grounds for determining the best possible form of governance.

It might seem that yet more discussion of fundamental corporate values and ideal states is a self-perpetuating industry of academics, especially those in business ethics, and therefore it is appropriate to advocate practical advice based on empirically testable data from accepted viewpoint in business. However the experience of the last quarter century shows that terms such as *stakeholder*, *sustainability*, and *corporate social responsibility* have surfaced from academic discourse and have significantly altered business practice. These issues are not semantic quibbles, but arguments about the very nature of doing business that have direct consequences. Furthermore, the willingness to engage in such value debates may not bring about perfect systems, but they at least have brought important questions about fairness and justice to all constituents into the open and led to significant changes in corporate theory and action (see, e.g., Snider, Hill, and Martin 2003).

Finally, it is worth noting that a single fundamental principle of efficiency (APM) or team performance (TPM) will not make hard decisions easy or provide a simple algorithm for action. Boatright has adopted a lesser-of-two-evils approach, which suggests the two models are exhaustive and exclusive. However in practice firms are likely to draw on both, and a CEO will necessarily make discretionary judgments in a context of established and emerging power relationships. The locus of the moral debate should therefore be shifted from looking at the governance model in isolation to questions about how the firm ensures it has a CEO of integrity and moral imagination at the helm. This is not to say questions of governance are not important, only that they are secondary to the choice of a person with demonstrable skills and virtues to carry out the normative vision of the corporation.

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Response to Kevin Gibson

KEVIN GIBSON'S RESPONSE TO MY ARTICLE "From Hired Hands to Co-Owners" raises some important issues in my assessment of the changed role of the CEO (Boatright 2009). In that article, I offered a defense of the moral desirability of the way in which the chief executive role in American corporations had changed in the past two decades, since roughly 1990. The main moral objections of this changed role, against which my argument was directed, are founded, in large part, on a team production model (TPM) of corporate governance, as opposed to the conventional understanding of corporate governance that is built primarily on the agent-principal model (APM). Although a rejection of the TPM in favor of the APM does not logically entail the falsity of the critics' positions—that would be the fallacy of denying the antecedent—is does undermine the ground of any criticism based on the rejected model and suggests that critics need better reasons for their opposition.

My argument is open to criticism from various directions. One response is to question the rejection of the TPM, which Gibson does by raising an issue about the sense in which a mediating hierarch is neutral. It is true, as Gibson observes, that neutrality could mean that a mediating hierarch is impartial rather than, as I suggest, unaccountable or even unprincipled and capricious. I do not deny that a neutral mediating hierarch might have any number of characteristics, good or bad. The rel-

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