## Repairing the Breach of Trust in Corporate Governance

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**Abstract**
The governance of companies, other than very small ones, operates through a double agency relationship. The first agency relationship is that between owners or stakeholders, on the one hand, and corporate management, on the other. The second agency relationship is that between corporate management and the employees of a firm, including middle managers, who execute plans and policies. This second relationship has been largely ignored in discussions of corporate governance, yet its effectiveness is essential for achieving a firm's objectives. If employees have limited trust in their companies, the ability of corporate managers to get their policies executed will be impaired. This paper suggests policies that may help to repair employee trust and in so doing strengthen corporate governance. Its underlying theme is that greater attention to the trust that employees have in managers would help to achieve a long overdue realignment of corporate governance theory and policy.

Corporate governance is concerned with ensuring that managers run firms honestly and effectively, so as to provide a fair and acceptable return to those who invest resources in them. This definition implies that there are basically two criteria of good corporate governance. The first is that the conduct of managers should be ethical. The second is that they are competent in how they administer the resources under their charge. These same two criteria - ethical behaviour and an ability to deliver on assurances - are also widely accepted as the two essentials for people to earn the trust of others, especially in business relations (Lane and Bachmann, 1998; Sheppard and Sherman, 1998). If employees, suppliers, customers or others having contractual relations with a firm believe that its managers either intend to let them down or will do so because of incompetence, they have no grounds for trusting those managers. The coincidence of criteria arises because managers are in effect placed in a position of trust for the exercise of their authority, and corporate governance is concerned to see that this authority is not abused.

This perspective goes beyond the conventional focus on how the interests of shareholders and managers can be aligned, to take account of how well corporate resources are managed (Lazonick and O'Sullivan, 2000). As heads of companies consistently affirm, the knowledge and skills that employees are prepared to commit are the most valuable of such resources. If employees do not trust their company's management and their commitment is consequently impaired, this poses a serious threat to a company's performance and amounts to a failure of its governance.

Greater attention to the trust that employees have in managers would help to achieve a long overdue realignment of corporate governance theory and policy. As perusal of textbooks on the subject indicates (e.g. Monks and Minow, 2001), it has neglected relationships within firms in favour of those between corporate managers and their external principals. This reflects a longstanding concern that managers will take advantage of the so-called divorce between ownership and control in modern large firms (Berle and Means, 1932). The recent crisis of confidence in corporations following the Enron, Worldcom and other scandals has added to this concern.

It would, however, be misleading to depict the corporate crisis solely in terms of a failure of accountability by corporate managers to shareholders. The confidence that employees have in management has also been shaken in recent years. This presents a major problem for corporate governance because of the organizational separation between strategic management and operations that arises as companies grow in scale and diversity. With this separation, a condition of double agency arises in which the corporate managers who are held accountable for their company's performance have in turn to rely on the agency within firms of middle managers and employees to achieve the required results. This reliance has become all the more significant today as the contribution of knowledge workers becomes a key factor in securing competitive advantage. The presence of double agency means that if the trust employees have in their company is damaged, the attainment of corporate objectives and satisfaction of principals' interests are likely to be compromised.

The thesis advanced in this paper is that the agency relationship internal to firms is essential to corporate governance, and that it has become problematic due to the limited trust employees have in their companies. This lack of trust has impaired the ability of corporate managers to get their policies executed. The paper begins by examining the presence of double agency in contemporary corporate governance. It then looks at how a loss of employee trust has arisen in companies and the negative consequences for the operation of double agency. The final section suggests policies that may help to repair employee trust and in so doing strengthen corporate governance.

**Double agency**

Double agency arises when the process of holding agents to account for the attainment of goals given to organizations involves two sets of accountability and control relationships, reflecting the presence of agents at two main levels. This is likely to happen in all medium and large-size firms. Discussions of corporate governance, dominated by what the OECD (1999) has called the outsider view, have so far focused almost exclusively on the first agency relationship, that between owners and other stakeholder groups on the one hand, and corporate management, on the other. They have largely ignored the second agency relationship between corporate management and the employees within the firm, including middle managers, who execute plans and policies. [1]

A key assumption in the governance literature is that shareholders, through the Board of Directors they elect, have the capacity to make sure that the managers of capital do the right thing by the owners of capital. This is achieved by having sufficient incentives and sanctions at the Board's disposal to control the actions of senior corporate managers. That this control will, in turn, extend down the organization is premised on the assumption that corporate managers can in turn govern the behaviour of their own agents. The conventional view of corporate governance takes it for granted that strategic control is sufficient both to avoid misinformation and to ensure a level of operational effectiveness that will ensure a good return to shareholders. It therefore assumes that top management has the means to ensure that a firm's operations are aligned with its strategic objectives.

Hierarchy has been the usual means for achieving this top-down operational control. Hierarchy in principle provides control through specifying levels of decision-making authority. It may be possible to centralize this in small firms operating under relatively stable conditions. In other cases, decision making is delegated and subject to control through formalized rules, incentives, and the cultivation of loyalty to senior managerial intentions through what bureaucracies like to call 'esprit de corps' and firms 'the corporate culture'. In practice, there are always risks attached to the implementation of corporate strategies through agents situated at lower levels.

One reason lies in a striving for autonomy among subordinates, leading to 'control loss' within formal organizations which means that corporate intentions may not be realized (Williamson, 1970). As three consultants with Booz Allen Hamilton recently remarked, 'cooking the books isn't the only sure path to notoriety for companies these day. Far more endemic is corporate dysfunction. From the CEO on down, the laments are familiar: "We have the right strategy and a clear action plan, but we can't seem to execute"' (Neilson et al., 2003). The ability of middle managers and employees to act in ways that distort management intentions has been well documented (e.g. Dalton, 1959; Hickson, 1961).

Attempts to deal with the problem through tightening hierarchical control, such as stricter systems of accountability and monitoring through information technology, may be counterproductive because they serve to alienate employees, especially if their commitment to management is already low (Merton, 1940; Berry et al., 1995). Nor is there strong evidence that decentralizing the monitoring of performance to bring it closer to the actions taken by employees necessarily resolves the problem. As Demsetz (1992: 21) has observed comparing centralized with decentralized approaches, 'which form of organization causes more serious distortions in the firm's policies will be a function of which can create the most biased information for top management to act upon'.

Within the double agency chain, the link between corporate management and employees may for these reasons be as problematic as that between management and external principals. If management cannot elicit the willingness of employees to commit their best efforts and contributions towards the goals of the company, its performance will be compromised and with it the interests of its principals. At the present time, the ability of top management to secure employee commitment has become further weakened because of the breach of trust that has occurred within many firms. This breach of trust seriously undermines the goodwill that may previously have been accorded to top management in keeping with a strong esprit de corps or corporate culture.

**The breach of trust**

Employee mistrust of their employers is by no means a new phenomenon. Its association with perceived conflicts of interest and alienation from work has been recognized for a long time. Many social scientists have seen these phenomena as endemic within the capitalist system and enhanced by institutions that grant primacy to shareholder interests (Thompson and McHugh, 2002). Nevertheless, following the Second World War, many companies made strenuous efforts through training and development, job enrichment programmes and corporate culture building to enhance the attachment and trust their employees felt towards them. These efforts were encouraged by the shift in employment towards categories of people who would be relatively responsive to them, notably female, white-collar and knowledge workers, and they also coincided with a secular decline in trade union membership.

Although popular confidence in corporations did appear to grow on both sides of the Atlantic, the picture has changed markedly in recent years. Surveys indicate that levels of trust in companies and in the wider system are declining worldwide. For instance, a survey by Environics and Gallup International, polling 36,000 citizens in 47 countries on six continents and claiming to be representative of 1.4 billion people, confirmed this decline. It indicated that trust was lowest in large companies and national legislative bodies (Elkington, 2003). Another large-scale survey of employees conducted in all fifteen European Union countries concluded that their trust in employers has been significantly damaged by a number of developments (Skapinker, 2003). One of them is the widespread and large-scale downsizings of the 1990s that are still continuing today. The cutting of employers' pension contributions and, in particular, their closure of final salary pension schemes is another. The revelations that followed the Enron, Worldcom and other corporate scandals of collusion between corrupt employers and supposedly independent financial institutions advising investors, have further eroded trust (BBC, 2003). There can be no doubt that there is widespread mistrust of business today among people, in their roles as employees and members of the public.

The loss of trust has been significantly accentuated by the way that companies are perceived to have turned their back on their employees, after having previously promised better things. With the example of aggressively competing Japanese companies close to hand, many companies in the USA and UK attempted during the 1970s and 1980s to secure the trust and commitment of their employees through corporate cultures that affirmed the collective interest (Ouchi, 1980; Deal and Kennedy, 1982). As events subsequently demonstrated, they often failed to appreciate the importance of how Japanese companies underwrote employee trust through offering fundamental assurances, especially of employment security. Up until the end of the 1990s, privatisation and the encouragement of personal shareholding were sustaining an ideology of people's capitalism oriented towards strengthening the trust that ordinary people had in the private enterprise system as a whole. This trust has also been rudely broken.

Within writings related to corporate governance, the problem of employee trust was first signalled in the late 1980s when hostile takeovers gave rise to large-scale job losses in firms that had previously given priority to security of employment. These actions led Shleifer and Summers (1988) to advance their 'breach of trust' hypothesis. What had been broken was an implicit contract whereby employees who were willing to invest in developing skills and personal relationships specific to a given firm, and more valuable within that firm than in the external labour market, would enjoy job security as a return on their investment (Blair, 1996; Deakin et al. 2002). The economic importance of job security is indicated by the fact that employees who are forced to find new jobs often lose between 15 and 20 percent in wages plus the value of benefits that do not move with them (Osterman, 1999).

Hostile takeovers reflect a more general pattern of behaviour legitimated by views of corporate governance that support takeovers as a market mechanism to ensure corporate assets are employed in the best interests of shareholders. The problem is that this mechanism has been found wanting in practice. Many acquisitions fail to achieve their expected economic benefits for shareholders precisely because a lack of trust in the intentions of the acquirers undermines the commitment of people in the acquired companies (Child et al., 2001). This provides a clear example of the limitations of focusing on the external relationship between a firm and its shareholders to the neglect of those within the firm between management and employees.

The lack of trust in corporations and their senior management does not derive just from the consequences of hostile takeovers. Significant though these have been in establishing a perception of corporate untrustworthiness, other more general factors play their part as well. One is the context that legitimates behaviour such as hostile takeovers. The ideology of neo-liberalism plays a major role here. It has been prominent within the so-called Anglo-Saxon countries and has informed changes in their laws and practices bearing on the relationship between firms and their employees. A second factor that also leads to divisiveness and hence a loss of trust is the hierarchical system upon which conventional corporate governance relies on to guarantee control over the actions of employees.

*Ideology and institutions*

Many of the events that have damaged trust reflect the ideological assumptions and institutional arrangements prevailing in the so-called Anglo-Saxon countries. Since the administrations of Ronald Reagan and Margaret Thatcher, neo-liberal thinking has dominated the assumptions behind economic and political policy. Neo-liberalism has been seen as a shift from state ownership and administration of transactions to reliance on private ownership and a market co-ordination of transactions (Carrier, 1997; Touraine, 2001). It therefore encourages the free allocation and circulation of resources, including people, to where they are potentially the most productive. This means that labour markets should be 'flexible' in the sense that it should be relatively easy to detach employees from a given employer if they can add greater value in an alternative employment. Neo-liberalism therefore justifies measures, such as downsizing and outsourcing that remove people from a firm's establishment in the cause of improving corporate performance through greater labour productivity and increased strategic focus. Consistent with this thinking is a fundamental change in attitude as to who should be responsible for personal welfare. Rather than this being the employer, responsibility is now placed squarely onto the individual who is increasingly expected to make his or her own provision for pensions, medical insurance and the like.

The salient breach of trust in the eyes of employees has come about through actions that sever their employment relationship with a firm, notably downsizing and outsourcing. While there are compelling arguments for firms to operate with relatively flat structures, economical labour forces, and a concentration on core activities, it is a question of how this is achieved. Some companies have moved in this direction without threatening their middle managers and employees, and their performance has benefited as a result. Wayne Cascio and his colleagues studied S&P 500 firms over an 18 year period (Cascio, 2002). They classified companies based on the level of their change in employment and in physical assets, and observed their performance from 1 year before the employment changes to 2 years after them. They found that those companies that preserved employment security, while over time reducing their establishments and hierarchical layers, consistently performed better than those that did not preserve security of employment. Cascio also found that companies whose managers showed trust in their employees by involving them in decisions on how to adjust to the crises that put downsizing on the agenda, and communicated openly and honestly about the position, avoided a serious loss of morale and good staff, and often came up with innovative solutions. Unfortunately, most companies fail to adopt this approach.

One of the consequences of the breach of trust when downsizing is accomplished through forced unemployment is the so-called "survivor syndrome". The remaining managers and staff, who keep their jobs, experience negative effects in terms of anxiety, guilt, apathy, disengagement and other mental and emotional states that result in poor morale, productivity loss, quality decline, and more workplace injuries (Littler, 2000). The survivor syndrome indicates how even one-off events can impair the performance of firms for long periods of time, because of the way they damage trust.

Neo-liberalism has also informed a number of institutional changes that further undermine employees' trust that their interests are being protected. For example, legislation enacted in the UK during the 1980s increased the restrictions on employees who sought to take industrial action against their companies. In the USA, labour law now prohibits the right of employees to elect representatives who meet periodically to review their company's human resource policies, including executive compensation policies, pensions and layoff provisions. Moreover, penalties against companies firing workers who vote to join a union are so delayed and weak that many employers violate the law which provides for that right (Kochan, 2002). In both countries, retirement risks have shifted from companies to individual employees as final salary or defined benefit pension plans are, with official encouragement, replaced by schemes that place the onus on employees to make their own provision. Dire warnings are today being issued on the inadequacy of many employees' pension provisions.

*Hierarchy*

Despite the popularity of delayering, hierarchy continues to provide the structural backbone of virtually all corporations. Its effects are also injurious to trust because of the economic and social distinctions it promotes. The fundamental problem with hierarchy lies in its janus-like character. One face is a means for coordinating and controlling the work of employees. The other face is a basis for distributing rewards, privileges, and powers differentially, and creating divergent social identities. Paradoxically, hierarchy divides people at the same time as it endeavors to unite them. It formalizes differences between the members of a firm by designating who are the 'superiors', implying in so doing that others are 'inferiors'. These differences are particularly injurious to employee trust when they open the door for senior managers to abuse corporate power for their personal gain.

The hierarchical nature of companies has encouraged, even facilitated, the abuse of corporate power in several ways. First, hierarchical difference has been used as the basis for dramatically widening differentials in reward. In 1970 the income (base salary and bonuses) of the average American chief executive was 25 times as large as that of the average industrial worker; by 1996 the differential had widened to 75 times. If stock options exercised are included, the differential had widened in 1996 60 210 times (Murphy, 1999).

This situation has had several very harmful consequences. The prospect of such huge rewards, especially when bolstered by stock options, has led some top managers to act in ways that are detrimental to their firms. They have jacked up short-term profits instead of focusing on long run opportunities, and they have disregarded paying out dividends to their shareholders (Osterloh and Frey, 2002). There have also been many claims that firms cannot afford pay rises for their ordinary employees while at the same time awarding huge rises to under-performing top managers. These provide clear evidence of the divisive anti-social effects of hierarchical difference and the reason why it breeds a cynicism destructive of goodwill and trust.

For instance, on the same day, December 16, 2002, the *Financial Times* carried two reports. One featured the fact that Tony Isaac, chief executive of the British Oxygen Company received a 47 percent pay increase in 2002 despite a second consecutive year of falling profits. The other report mentioned that average pay settlements for manufacturing employees were running at 2.3 percent and those for service sector employees at 3.7 percent. Another example is that of American Airlines. At the same time as its employees agreed to pay cuts to rescue the struggling company, they were outraged to find that it planned, in the event of bankruptcy, to provide compensation for senior directors and to protect the pensions of 45 top managers. Understandably the unions maintained that there had been a breakdown of trust (Rayner, 2003).

The problem of corporate abuse has been made worse by the dependency that hierarchy creates among middle and lower-level managers and employees. Whistle-blowers, who draw attention to irregularities and misdemeanors have usually been victimized and often driven out of their jobs for their public-spirited behaviour. For example, middle-level investment analysts who questioned the dubious advice their Wall-Street firms were giving to the investing public were obliged to leave their jobs (BBC, 2003). Warnings have been conveniently ignored by those higher up, as was the case in Enron when Kenneth Lay, Enron's [former] chief executive, apparently failed to listen when Sherron Watkins, vice-president, warned of its accounting problems, and when an internal lawyer wrote to his superiors that the financial books were being cooked (Orts, 2002).

**Repairing the breach of trust**

A breach of trust with employees has to be considered as a failure of corporate governance, whether one adopts a shareholder-value perspective or a stakeholder perspective. A firm that gains the reputation of being an untrustworthy or unfair employer is likely to face difficulties in attracting the best quality employees and in persuading them to invest in firm-specific human capital. It will also undermine their commitment to the goals of the firm. The firm's ability to compete profitably and to provide good returns to shareholders will suffer in consequence. A breach of trust of the kind that has occurred in hostile acquisitions and downsizing through compulsory redundancies also clearly harms the interests of employees as stakeholders in a firm. It transfers to shareholders income streams that would otherwise have accrued to employees, as well as exposing the latter to the economic and psychological costs of unemployment.

All firms depend on the commitment of their employees to their objectives and to the policies that support them. Moreover, the governance of larger firms has to proceed through a double agency relationship and this suffers if employees withdraw their goodwill because of low trust. Employee goodwill is essential for corporate policies to be executed without undue cost and distortion, while their willingness to speak out can strengthen internal controls against potential senior managerial abuses. Goodwill is nurtured by policies that earn trust, and this usually takes time. It is very rapidly destroyed by the fear and cynicism that follow a breach of trust. Given the evidence that employee trust is currently at a low ebb, it is vital to ask what measures could be adopted to repair the damage.

The baseline, clearly, is to avoid any kind of negative action that applies corporate power unilaterally at the expense of employees. This is less likely to arise the more that the distinction between a firm's principals and agents is reduced. Therefore one of the ways forward is to close the interest gap between employees, managers and shareholders through schemes that co-opt employees and middle managers into ownership. Another is to reduce the negative consequences of hierarchy by moving towards more inclusive and participative forms of control and accountability. Neither of these approaches is novel. However, they deserve more urgent attention today in the light of the breakdown of trust.

*A wider cooptation of agents into ownership*

The recommendation here is to co-opt employees into ownership, or at least into the right to share the rewards of ownership, so that they become principals as well as agents. This policy is in tune with current organizational realities in two respects. First, many firms today are obliged to devolve initiative to individual employees or project teams so as to become more innovative and adaptive. One intention of co-opting employees into ownership is to reduce the risks of opportunism that arise with devolution by strengthening their commitment to the overall goals of the firm. Second, many workers are now providing firms with knowledge assets that have become the key resource and the only scarce one. This in effect 'means that knowledge workers collectively own the means of production' (Drucker, 2001:8). Knowledge assets now assume as much, if not more, significance for corporate success as financial assets (Boisot, 1998). If this knowledge is of proprietary value for a firm, and some of it necessarily held in tacit form by employees, then the economic argument alone for increasing their commitment by granting them a formal stake in ownership becomes compelling.

In fact, the balance of evidence on the consequences of employee share ownership plans [ESOPs] is that they are economically beneficial for firms even in terms of traditional indicators such as productivity (Heller et al., 1998). Examples of the supposed failure of such schemes, such as United Airlines, on closer examination generally indicate the presence of other factors such as economic distress when the scheme was established or a lack of union cooperation (*The Economist*, 2003). Counter examples of successful firms, like the John Lewis Partnership, that have reaped many benefits from employee ownership, rarely become headline news (Bradley and Taylor, 1992).

While the financial value of each employee's ownership stake will normally be a tiny proportion of the whole, its absolute value to individuals and their families is more significant. The symbolic value for such individuals of a share in ownership of the firm where they work is also of potential importance because it signifies an identity of interests with the company and a commitment to its common objective. The same principle has been widely applied to senior managers in the form of share allocations or stock options, and many writers on corporate governance have applauded it. When confined to a small elite group, however, the potential gains to be had have sometimes encouraged deceptive and opportunistic behaviour at the expense of the rest of the company – in other words, the opposite of what is intended. Having a *large number of informed inside members of a firm*, motivated as owners to monitor senior managerial behaviour, should provide a significant check on this abuse of power. It should also provide a sound basis for re-establishing an acceptable social contract with employees and healing the breach of trust.

*A more inclusive approach to control*

The cooptation of employees into ownership is also consistent with their greater participation in the process of control because of the corporate citizenship rights that this brings them. An approach to control that is more inclusive of employees should in turn reduce those attributes of hierarchy that have accentuated the erosion of trust.

Nowadays, effective managers recognize the competitive advantage of gaining the wholehearted support of their employees. Any imposition of control in a one-sided manner either by design or default, that does not allow for staff to discuss and agree both the criteria and methods to be applied, excludes their potentially valuable contribution and undermines their commitment to the goals that control is supposed to help achieve. This means that a good control system must operate with participation, transparency and evident fairness. Moves towards greater transparency of communication and information are in tune with contemporary organizational priorities, especially the promotion of learning and innovation. Collective learning requires that relevant information be shared within an organization or a partnership (Child and Heavens, 2001).

The same open organizational climate can also promote better corporate governance. While it does not remove the double agency problem, transparency can help because it facilitates public collective control. Greater transparency in the form of more open monitoring and reporting of concerns should reduce the risk of opportunism in devolved forms of organization – indeed in any form of organization. It also helps to avoid breaches of trust stemming from unfair, even unlawful, practices that give certain groups undue benefits. However, evidence indicates that to become effective, a policy of transparency requires HRM support, especially the training of employees to interpret financial and other complex data (Heller et al., 1998).

If the advantages of new devolved organizational forms are to be retained, then the more inclusive approach to control within such forms can benefit from additional steps to ensure responsible behaviour and good governance. One such step is to recognize that some conflicts of interest are endemic to the organization of firms, and have to be managed through a combination of negotiation, disclosures and approvals, and mutual monitoring. Different parties have to monitor each other. In a devolved organization it is not sufficient to rely only on the monitoring of the chief executive by the board and its committees, and of the board by shareholders. Given that it is impossible in practical terms for a chief executive, or even senior managers, to know the details of what is going on, it becomes necessary for the parties involved in a company's ongoing activities to monitor each other and to make any concerns public. This means that stakeholders such as employees, creditors and network partners should be allowed due voice. In particular, corporate leaders have to encourage what Michael Useem calls 'leading up' – criticism and questioning from their employees and others. If Enron had done this, disaster might have been avoided (Orts, 2002).

Mutual monitoring is facilitated by a general policy of making information widely available (transparency) and weakening barriers to this through the use of teams that cross functions, levels and organizational boundaries. Several more specific procedures should also facilitate mutual monitoring. Among these are protection for whistleblowers, the introduction of confidential 360-degree appraisal systems, regular meetings between managerial and other groups for exchanging information and opinion, and supervisory board system that permits various stakeholder interests to be represented.

While there is a danger that mutual monitoring through these mechanisms may stimulate conflict, this is only likely to happen if the conflict is endemic anyway. Indeed, there is just as much chance that the openness they promote will provide a sound foundation for mutual respect within companies and thus help to restore trust.

## Conclusion

The underlying theme of this paper has been that recognition of the double agency relationship in corporate governance is long overdue, and that this would focus attention on the vital importance of employee trust in corporate management. Faced with evidence of low trust levels, some CEOs are stressing the importance of adhering to values as a basis for building trust (Elkington, 2003). The problem is that values unsupported by concrete actions by themselves amount to little more than fine words. Most senior managers, however, appear unwilling to consider more substantial reforms of the kind just outlined. Their opposition is based primarily on a claim that that they know what is best for their companies and that a more inclusive and participative approach will therefore simply import inefficiencies.

We noted at the beginning of this paper that competence is only one of the necessary foundations for trust. Ethical conduct based on a respect for wider interests is the other. It is therefore salutary to reflect on how the claim to special expertise has been used to justify the right to use executive power beyond effective control or redress from shareholders or employees. Without any effective measures to enforce ethical behaviour, an arrogant culture of 'smartness' on the part of managers and consultants led to the devising of ever more complex and creative ways of exploiting the system (LeTrent-Jones, 2002). The claim to managerial exclusivity lies at the heart of the recent corporate crisis and the loss of trust in business leaders. Moves towards greater inclusion through the democratization of ownership within corporations, and channels for employees to have a more effective voice through participative and transparent systems of control, would provide an antidote to this dangerous trend. Any claim that these developments would open the door to irresponsibility rings very hollow in the light of recent corporate scandals. It also flies in the face of the available evidence on the organizational strategies that are necessary to restore employee trust and commitment (Heller et al, 1998; Cascio, 2002).

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[1] Increasingly sub-contractors and network partners are becoming incorporated into the value-chains of companies and in this respect they also act as agents for the achievement of its goals (Ebers, 1997). These quasi-external agency relationships fall outside the scope of this paper.