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Book review: Shelley Marshall, Richard Mitchell and Ian Ramsay, eds. 2008. Varieties of capitalism: Corporate governance and employees ISBN 978 0 52285548 7; xviii + 177 pages; \$49.95; Melbourne: Melbourne University Press, Academic Monographs

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Book review

Shelley Marshall, Richard Mitchell and Ian Ramsay, eds. 2008.

Varieties of capitalism: Corporate governance and employees

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Not so long ago, debates on varieties of capitalism, corporate governance and employees may have been seen as a theme for reflection in the rarefied environments of court rooms and university lectures. Now, with the recent passage of the US 'bailout' legislation in response to the international credit crisis, this book, *Varieties of capitalism: Corporate governance and employees*, edited by Marshall, Mitchell and Ramsay could not be more timely. Based on a series of papers presented in the University of Melbourne Law School in December 2006, the book meets its promise of providing a multidisciplinary perspective on what has recently become a consuming debate.

The book has three parts: theoretical approaches, empirical studies and finally, corporate social responsibility and regulatory approaches. Each of these sections has insights for reflective practitioners, researchers, policy-makers and executives. Arguments come from leading scholars representing a range of disciplinary perspectives: from work and organisational studies, industrial relations, commercial law, corporate law, labour law policy, labour-market regulation and human resource management.

The multidisciplinary perspective is one of the key strengths of this book, as the debates it presents are complex. No one discipline or perspective has all the answers to which variety of capitalism Australia might choose to take into the future. Our governance and workplace relations practices have served us relatively well in recent years, but this book challenges us to think to the future. What varieties of capitalism, or corporate governance and of workplace relations should we consciously choose as we move into a very different economic cycle?

Early chapters focus attention on historical practices and workplace relations, both in Australia and in some comparable economies. Policy-makers and executives will also find much to consider in the discussions by labour law scholars in

chapters 2, 3, 4, 5, 8 and 11. These chapters compare Australia's labour law and labour relations systems with a range of international institutions and systems, and provide important fuel for debates about future policy directions. Some of the questions which arise include: should we aim to be more like the UK, or the US, or other OECD countries such as Germany, Sweden or Japan? We are asked to consider the practical implications of policies which may focus on the relative merits of shareholder value and power-sharing and co-operation, at the possible cost of insecurity for employees and lack of investment in human capital. These are extraordinarily important questions, as the next few years of economic change are likely to show.

A useful comparison of the concept of 'partnership' between employees and managers and owners is built in several early and middle chapters. These chapters provide strategic overviews, leaving readers with a knowledge of the landscape of corporate ownership and corporate governance and their relationship to workplace practices and attitudes.

The middle section of the book, as highlighted in chapters 6 and 7, begins to provide arguments for various options to consider as Australia reshapes its corporate environment. Chapter 7 in particular, by Jones, Marshall, Mitchell and Ramsay, on 'Corporate governance, shareholder primacy and the interests of employees: Evidence from a survey of Australian directors' offers important new evidence, based on survey data. This data, part of a larger research project, tends to support the proposition that Australian corporate values may be less like the US, especially in terms of directors' perceptions of the primacy of shareholder value. Our broader stakeholder perspective may be more consistent with some European or Asian models. While this may have been of academic interest in the recent past, the October 2008 bank collapses and mergers in the US and in parts of Europe mean that these debates, and the policies which stem from them, now have significant practical consequences. While these researchers are cautious about making broad predictions, their work is helpful in assessing potential future policy directions.

Later chapters highlight innovative approaches to understanding the importance of institutional investors as 'owners', not just stakeholders, in an ever-increasing range of Australian listed companies. These chapters also have specific resonance in light of the late 2008 international financial institution collapses and mergers.

One strategically significant argument is posed by Anderson, Marshall and Ramsay in the third section on corporate social responsibility and regulatory approaches. Anderson, Marshall and Ramsay ask: 'Do Australian institutional investors aim to influence the human resource practices of investee companies?' This question has also been considered in recent work on human capital and its potential as a lead indicator of future value by Bassi and McMurrer (2007) in the *Harvard Business Review*. Here, Anderson, Marshall and Ramsay reflect many of the themes highlighted in the first and second sections of the book, particularly on how and with whom power should be shared. Institutional investors, while they may be part owners of their investee companies, do represent the interests of their clients. Their clients are increasingly the large superannuation fund members. Therefore, under the current Australian compulsory superannuation contribution

regime, most working people are shareholders, either directly or indirectly. This situation changes some of the traditional arguments over power-sharing between owners and employees. As the researchers note, the long-term nature of superannuation investments is more likely to create pressure on investee companies to incorporate the high commitment work practices which are consistent with long-term value creation.

This final section concludes with varying views on corporate regulation: 'light touch' or 'heavy handed'? Given the recent financial crisis, these questions deserve careful and well-informed consideration.

In summary, the book provides readers with knowledge to begin to make informed choices on these questions. It is a well edited and readable presentation of the context for debates on models of corporate governance and on varieties of capitalism and power-sharing. It poses many questions to those academics, policy-makers, executives and practitioners who have an interest in decoding the maelstrom of the current debates on the future possible varieties of capitalism.

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