Has the Worldwide Convergence on the Anglo-American Style Shareholder Model of Corporate Law Yet been Assured?

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Abstract

It has become increasingly mainstream for corporate law scholars to recognize that the world has dichotomised itself into two patterns of share ownership: dispersed ownership of shares and concentrated ownership of shares. In substance, the differences in ownership patterns beget different background systems of corporate governance. In general, the US and UK corporate governance system adopts the former which is more aligned with a shareholder-oriented model, whereas the corporate governance systems of most European and Asian countries adopt the latter which is more in alignment with a stakeholder-oriented model. Over time, the academic debate has revolved around the question of whether there can or will be global convergence on a single type of share ownership and resultant global convergence in corporate governance. This debate has simmered concomitantly with Hansmann and Kraakman’s hypothesis put forward in their seminal scholarship of 2001 that it is only a matter of time that the emergent consensus on the supremacy of the shareholder-oriented model might propel judiciaries in countries with a non-shareholder-oriented model to make corresponding changes in their corporate laws towards a shareholder-model. Influenced by the above discussion, this article enquires into the soundness of their hypothesis. This article ultimately shows that the worldwide convergence is not necessarily a straightforward exercise in practice due not only to the persistent differences in the world’s corporate ownership structures, also to several other reasons.

Keywords

corporate governance; shareholding

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Emphasizing the inertial impact of path dependency, proponents of the former political theory have focused on the barriers to formal convergence and been skeptical of the prospects for legislative change. Proponents of the “legal” hypothesis have yet advanced no logical corollary to their. Finally, this article argues that convergence in corporate governance will occur not at the level of corporate laws, but at the level of securities regulation. In particular, it emphasizes the critical, but often overlooked, role for securities regulation in reducing agency costs. Under the Anglo-American Model of corporate governance, the shareholder rights are recognised and given importance. They have the right to elect all the members of the Board and the Board directs the management of the company. Some of the features of this model are: This is shareholder oriented model. This is also called European Model. It is believed that workers are one of the key stakeholders in the company and they should have the right to participate in the management of the company. The corporate governance is carried out through two boards, therefore it is also known as two-tier board model. These two boards are: Supervisory Board: The shareholders elect the members of Supervisory Board. The Anglo-US model is based on a system of individual or institutional shareholders that are outsiders of the corporation. The other key players that make up the three sides of the corporate governance triangle in the Anglo-US model are management and the board of directors. This model is designed to separate the control and ownership of any corporation. Therefore the board of most companies contains both insiders (executive directors) and outsiders (non-executive or independent directors). Traditionally, though, one person holds the position of CEO and chairman of the board of directors. This