



# CSR International Book Review Digest

MAY-JUNE 2014 (volume 6, number 5-6)

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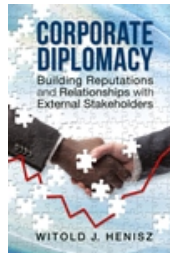
by Witold J. Henisz (Review by Sasmita Maurya)

### 2. Theories of Corporate Governance: The Philosophical Foundations of Corporate Governance

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## Corporate Diplomacy- Building Reputations and Relationships with External Stakeholders

Author: Witold J. Henisz  
Publisher: Greenleaf Publishing Ltd  
Year: 2014  
Pages: 203



Author Witold J. Henisz has included a myriad of perspectives and experiences from industry practitioners in his book *Corporate Diplomacy- Building Reputations and Relationships with External Stakeholders*.

The book is a useful guide on how to manage the collective opinion of external stakeholders in a business. The book will be of interest to senior and middle management professionals interested in influencing the opinions of stakeholders and looking to learn from shared experiences.

This text provides a practical approach to managing stakeholders' opinions in an organisation. The introductory chapter has an interesting case study of an American firm that decided to enter Georgia, a country grappling with multiple issues. The author has used this case to epitomize the challenges faced by high profile multinational companies. With this background, he has given his interpretation of how to assimilate different types of stakeholder engagement in an organisation in order to minimize failures and lead a company to sustained growth.

The corporate diplomacy framework in the book integrates various management functions and gives

corporate diplomats tools to increase their effectiveness and status within their companies.

*Corporate Diplomacy* describes the "how to" of winning hearts and minds of a mostly detached set of stakeholders. The book focuses on proactive reputation building and reactive reputation management and repair.

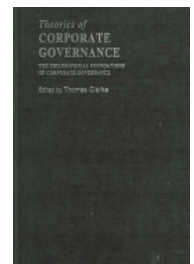
The captivating stories of corporate success and failures make the book an interesting read. It concludes with the author's own list of twelve common traps that hinder the development of desired level of capability.

In short, Witold J. Henisz has given a fascinating and fresh insight into smart stakeholder engagement by managing the analytical and behavioural elements of diplomacy.

Review by: Sasmita Maurya, CSR International

## Theories of Corporate Governance: The Philosophical Foundations of Corporate Governance

Editor: Thomas Clarke  
Publisher: Routledge Publication  
Publication Date: 2004  
Pages: 370



*Theories of Corporate Governance: The Philosophical Foundations of Corporate Governance* is aimed at reconceptualising corporate governance theory after the Enron catastrophe. It endeavours to explain a wide range of theories of corporate governance, including theories relating to the firm, agency, stewardship, stakeholder, resource dependency, institutional, (social) network and convergence theory.

The book is organised into nine parts, each expounding on one of the dimensions of corporate governance theory. The editor begins by alluding to the economic foundations of corporate governance before moving on to the part and parcel of today's corporate governance, i.e. agency theory (part two).



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Clarke presents two of the most cited papers in corporate governance and finance theories from Jensen and Meckling (1976), Fama and Jensen (1983), along with the comprehensive review of agency theory by Eisenhardt (1989). This part is one of the corner stones of corporate governance theory that has shaped its literature in the past half a century.

The editor attempts to shed light on the power of directors and managers since the 1960s and how their roles have changed drastically, through the market environment development and corporate failures, from ornamental to independent. This is followed by an exploration of stewardship theory, acknowledging that there is no inherent conflict of interest between managers and owners.

One of the most exciting features of this book is that it encompasses a variety of theories that seem eccentric and contradictory to each other but, in effect, overlap over a wide range of topics. The editor has concentrated on internal pressures, before shifting towards external challenges such as resource dependency theory, institutional theory, social network theory and stakeholder theory.

As far as I am concerned, part seven's "theories of convergence" is the most galvanizing chapter of the book. It explores the global convergence of corporate governance towards Anglo-Saxon market-based outsider model of corporate governance since the 1990s. However, as Branson (2001) argues "one size fits all" is culturally and economically insensitive.

Lastly, the book questions the appropriateness of shareholder primacy by mentioning the financial scandals of the beginning of the 21st century, such as Enron, WorldCom, Tyco International, Adelphia Communications, Global Crossing, Arthur Andersen, Qwest Communications, etc. and emphasizes on the post-Enron era.

With a foreword by Sir Adrian Cadbury, *Theories of Corporate Governance* provides an all-inclusive synthesis of corporate governance theories. In my opinion, this book can have a positive impact on the enhancement of our theoretical knowledge of corporate governance. It is compulsory reading for corporate governance academics and professionals alike.

Review by: Amir Hossein Rahdari, CSR International

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