THE MULTI THEORETICAL APPROACH TO GOVERNANCE: AUTHENTICATING THE CONCEPT AND ESTABLISHING ITS CONTROL FRAMEWORK

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Abstract

The purpose of this paper is to authenticate the multi-theoretical approach to governance and establish its control paradigm. Through a theory building approach an analysis of existing concepts and definitions of governance is undertaken to authenticate the multi-theoretical approach to governance. Thereafter, common themes that form the basis for recognizing the governance levels of a multi-theoretical governance paradigm are identified from the analysis to establish a control framework. This paper argues that the proposed broad four level control framework applicable under a multi-theoretical governance paradigm can be practically applied by organizations and will contribute towards narrowing the theoretical practical gap in governance. It contributes to the governance literature and encourages future research to explore the utility of the framework.

Keywords: Corporate Governance, Governance Theories, Governance Framework, Multi Theory Approach

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1. Introduction

Over the past decade, there have been an abundance of research and policy developments in the corporate governance area. An important reason for this was societal demands for greater accountability and responsibility for board members and senior management of corporations, following a well publicized spate of corporate scandals.

Researchers and policy makers on governance have been strongly influenced by so-called 'agency theory' (Berle and Means, 1932; Jensen and Meckling, 1976), which has been commonly accepted as the most significant in this field. The theory, which has its origins in the economics discipline, essentially posits that the interests of shareholders (principal) and management (agent) are at odds, and that these interests need to be realigned. Consequently, the concept of governance has been typically viewed as a principal vs. agent problem and has revolved around the structure of rights and responsibilities between these principal participants (Aoki, 2001).

Operationally, organizations have responded to governance policy and guidelines built on the above structure of rights and responsibilities by developing and implementing appropriate governance mechanisms and processes to identify the interests of shareholders, and, in the main, to align those interests with those of management (Daily et al., 2003; Shleifer and Vishny, 1997; Walsh and Seward, 1990). Effective 'governance' based on the concept of agency theory implies that mechanisms and processes are put in place to ensure that management respects and protects the rights and interests of shareholders. Aguilera et al., (2008 pg 2) describes this process as: *'mechanisms to ensure executives respect the rights and interest of company stakeholders, as well as making those executives accountable for acting responsibly with regard to the protection, generation, and distribution of wealth invested in the firm'.*

There is a stream of literature, however, which reflects a growing concern with research studies, as well as the development of policies and guidelines based on the foregoing relationship, and generally, the use of agency theory as the primary theoretical foundation for corporate governance. Aguilera et al., (2008) for example, argued that the findings of empirical studies of corporate governance practices and performance, which have assumed the primacy of agency theory, have been generally mixed and inconclusive. They argued that this was due to the 'closed system or narrow' approach found within agency theory that did not provide for the comparison and explanation of the diversity of corporate governance arrangements across various institutional contexts. In a similar vein, earlier researchers such as Perrow (1986) and Hirsch et al., (1987) criticized agency theory for being excessively narrow, and Eisenhardt (1989) likewise argued that the theory ignored a considerable amount of the complexity of organizations. Band (1992) questioned whether governance mechanisms aimed at limiting self-serving behavior were sufficient given the potential for other socio-economic impacts on governance, and Wright and Mukerji (2000) raised the issue of the capacity of agency theory to deal with all of the socio-economic perspectives and aspects of corporate governance.

With respect to the issue of the complexity of the environments in which corporations operate, a common recommendation has been to incorporate theories other than agency theory. For example, this was suggested by Hirsch et al., (1987), Eisenhardt, (1989), and by Daily et al., (2003), who suggested that a multi theory approach to corporate governance might be more appropriate through recognition of a broader set of governance mechanisms and structures potentially affecting the governance of corporations. It was suggested that this was essentially due to wider interdependencies resulting from wider environmental influences that impacted on effective governance (Aguilera al., 2008; Young and Thayil, 2008). Christopher (2010) through a theory building approach developed a multi-theoretical model to recognize the impact of these wider influencing forces on the governance paradigm of organizations. A theoretical proposition of this model is that an extended governance control paradigm is created as a result of recognizing an organization's wider influencing forces. The difference between this extended governance control paradigm and the agency oriented control paradigm is referred to the governance gap which essentially refer to the additional governance mechanisms and processes that need to be developed to address the wider contractual obligations resulting from the wider influencing forces.

This paper seeks to confirm the above multi-theoretical proposition of Christopher (2010) by critically analyzing established governance definitions and concepts. They are analyzed in line with the three conceptualized dimensions of influence identified by Christopher (2010) to establish common themes of governance levels and thereafter conceptualize them as control levels for the purposes of establishing a multi-theoretical control framework. This approach is buttressed by the work of Daily et al., (2003, pg. 372), who asserted that *"a multi theoretic approach to corporate governance is essential to recognizing the many mechanisms and structures that may reasonably enhance organizational functioning"*. The multi theoretical control framework developed here is accordingly designed to narrow the theory practice gap by assisting corporations identify appropriate control mechanisms and processes and determine the degree to which they are to be implemented for the purposes of ensuring effective governance under multi level environmental influences.

The remainder of this paper is structured as follows. Firstly, the concept of corporate governance definitions and concepts are critically analyzed by integrating it with the three dimensions of influence referred to by Christopher (2010) in his multi-theoretical model. These relate to (1) identifying the wider influencing forces to be incorporated within an organization's governance framework, (2) strategically managing them and (3) operationally managing them on a day to day basis. This process is used to authenticate the need for a multi theoretical concept to governance and establish an extended governance control framework. Secondly, common themes are identified through the analysis of governance concepts and definitions for the purposes of defining the governance levels associated with a multi-theoretical governance paradigm. Thirdly, a four level system as an operational governance control framework is proposed. The extended governance control framework provides for broader interdependencies resulting from multi level environmental influences. The final section provides a summary and overview of the paper.

2. Critical analysis of existing definitions and concepts of governance

An analysis of some of the many definitions of corporate governance (e.g. Tricker, 1984; Cadbury Commission, 1992; Molin, 1996; OECD, 1999, 2004; ASX Corporate Governance Council, 2003; Barrett and Richards, 2001) leads to the conclusion that governance is a concept that does not lend itself to a single definition. It is argued that this is because the extent of the contractual relationships between the parties to governance of an organization varies beyond the agency oriented governance paradigm, which creates a different set of rules for each organization. This is brought about by each organization experiencing different levels of impact from its distinct set of environmental influencing forces. It is argued here that organizations, in this context, need the flexibility to recognize these new wider interdependencies impacting on their governance paradigm than that limited by agency theory resulting in different governance paradigms for each organization. This idea is generally consistent with critics of agency theory who imply that the degree of applicability and effectiveness of particular governance components and processes depends on a range of environmental and contextual factors and that any governance definition applicable to a particular organization should be refined to cater to these factors applicable to it (e.g. Aguilera et al., 2008, Perrow, 1986; Hirsch et al., 1987; Eisenhardt, 1989, Band, 2000, Daily et al., 2003).

The recognition of these wider interdependencies was also observed to be supported by OECD principles (2004), which inferred that differing external and internal forces faced by organizations might be due to the different accountability requirements of respective stakeholders and the complex nature of the different businesses activities in which organizations were involved. This reference to broader environmental influences and interdependencies, and the consequential impact on effective governance, was also encapsulated in the definition of governance by Cadbury (2003): *"Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interest of individuals, corporations and society."* As a consequence of this conceptualization that recognized wider interdependencies that differs with organizations, it is clear that differentiated models/frameworks of corporate governance may arise for different organizations.

It is argued that the reference to these wider interdependencies arising from complexities in operations of contemporary organizations in the OECD (2004) governance definition is justified by globalization, improvements in information technology, and increased corporate social responsibilities required of the board and management in today's operating environment. It is further suggested that these wider interdependencies that impact on an organizations paradigm is indirectly attributable to the growing interest shown in the activities of organizations by a wider stakeholder base than the single shareholder as posited by agency theory. This is particularly inferred in the reference to accountability to individuals, corporations and society in the definition by Cadbury (2003).

The argument as to the impact of a wider base of stakeholders on the governance paradigm has been supported by a number of research studies. Christopher (2010) refers to Waddock et al., (2002) for example, as suggesting that the range of secondary stakeholders with interest in an organization increasing because of changing social trends and institutional expectations. Other than primary stakeholders relative to shareholders, employees and customers, these secondary stakeholders were concerned with human rights standards, labour standards and environmental concerns. They were classified as non-governmental organizations (NGO's), activists, communities and governments. Others cited by Christopher (2010) included Berry and Rondinelli (1998) who similarly implied a growing wider stakeholder base impacting on the governance of organizations resulting from stronger governmental regulations with stringent compliance regulations to support these wider stakeholder interests; Louma and Goodstein (1999) who inferred that there was pressure on corporations to include stakeholders such as suppliers, customers and members of the public on their board of directors due to growing pressure from society for organizations to deal more effectively, efficiently and responsibly and the growing complexity of contemporary organizations and its impact it has on a wider non shareholder base; Hart and Sharma (2004) who related to a group referred to as the illiterate, poor and isolated who traditionally had little impact on the governance of organizations, but were now considered a potent influence especially if they combined their forces with activists, non-government organizations and civil right groups; and Maren and Wicks (1999) who referred to the changed legislative view on fiduciary duties which implied that the wider stakeholder base has a legal obligation to be aware of, and ensure the organizations operate in their interest.

Chirstopher (2010) in his model suggests that a theory that augments agency theory and provides for the recognition of the wider stakeholder base is Stakeholder Theory (Freeman, 1984; Donaldson and Preston, 1995). Freeman (1994, p.46) defined stakeholders as: "any group or individual who can affect or is affected by the achievement of the organization's objectives". This concept was further extended by Donaldson and Preston (1995) who included in this category all persons or groups with legitimate interests in an organization with no one having priority over another.

The above analysis of governance concepts and definitions authenticates the need for complimenting agency theory with stakeholder theory as it provides the basis to recognize the wider influencing forces impacting on an organization's governance paradigm arising from different stakeholders.

Other than recognizing the wider interdependencies resulting from wider external and internal influencing forces impacting on an organization through a wider stakeholder base, an associated part of governance is to manage them effectively from a strategic viewpoint. A relatively early researcher in this area, Tricker (1984), suggested that there was broad agreement that corporate governance was a process comprising accountability to stakeholders, supervision of managerial action, and the establishment of strategic direction. Subtle differences between management and governance were provided through his interpretation of corporate governance [Tricker (1984 pg 6-7)], as follows: *'The governance role is not concerned with running the business of the company, per se, but with giving overall direction to the enterprise, with overseeing and controlling the executive actions of management and with satisfying legitimate expectation for accountability and regulation by interests beyond corporate boundaries. If management is about running business, governance is about seeing it is run properly'*

Tricker (1984) was primarily concerned with the introduction of a collaborative model of governance which he felt was appropriate for addressing the needs of different stakeholders through appropriate management. His argument in support of this was simply that a collaborative model provided a more fluid framework for governance that allowed for participation of different dimensions of influence through a multitude of stakeholders, as underpinned by stakeholder theory and the need to manage an organization effectively to address the needs of these multiple stakeholders. Later definitions such as those by Molin (1996), Barrett & Richards (2001) and formal authoritative definitions of corporate governance by the Cadbury Commission (1992) and OECD (1999) appear to be strongly influenced by Tricker's (1984) view of corporate governance. Their formal authoritative definitions were similarly developed as a result of growing concerns about the problems of corporate accountability by the board and management of public and private sector organizations towards stakeholders.

It is argued that the updated OECD definition (OECD, 2004) particularly addressed this accountability of management concern. Other than outlining the nexus of contractual obligations between the main players in an organization by emphasizing corporate governance as involving a set of relationships between a company's management, its board, its shareholders, and other stakeholders, it also provided for management's extended responsibilities in meeting its accountability requirements. It stated that corporate governance provided the structure through which the objectives of the company were set and the means of attaining those objectives and monitoring performance. There was a strong inference that in contemporary organizations, the board and management needed to have appropriate skills and experience to recognize the significance of impacts of the wider influencing forces on an organization's governance paradigm, and manage them accordingly. It is argued that this dimension of management responsibility is not effectively addressed by agency theory as the theory merely concentrates on the monitoring role of the board and in realigning the interest of management with the shareholders. Research studies have indicated that broader interdependencies such as social norms and institutional environments have an effect on the board. Young et al., (2001) for example, highlighted that the requirements for experience and skills of board members of Chinese firms in Hong Kong and Taiwan were more pronounced than control and monitoring requirements.

Christopher (2010) in his model provides that the theory that compliments agency theory to ensure that the board and management recognize the broader interdependencies resulting from the wider influencing forces and manage them accordingly through adequately skilled and experienced board members is resource dependency theory. Pfeffer, (1972); Pfeffer and Salancik, (1978); Boyd, (1990); Daily and Dalton, (1994); Gales and Kesner, (1994) and Hillman et al., (2000) all refer to resource dependency theory as essentially positing that the ability of an organization to respond to its wider interdependencies is directly related to the qualities and effectiveness of its board of directors to manage them. These qualities and effectiveness of directors is referred to as the 'board capital'. Christopher (2010) refers to numerous other studies carried out that confirmed a strong association between 'board capital' and performance (Singh et al., 1986; Johnson et al., 1996; Hillman et al., 2000; Daily et al., 2003). Mizruchi and Sterns (1988) exemplified this association by identifying that corporations with solvency problems were more likely to appoint board members from finance companies and with exposure to knowledge in assisting the company in their immediate solvency problem.

Christopher (2010) also noted that the range of services provided by the board not only includes enhancing the company reputation and managing external influences but also being council to senior management (Pfeffer and Salancik, 1978; Zahra and Pearce, 1989). It was further inferred that this role extended to advising the CEO and top managers on strategic, administrative and other managerial issues (Johnson et al., 1996). Christopher (2010) argued that for the board to perform effectively there is interdependence on the quality of senior management and as such the 'board capital' requirement of resource dependency theory should be refined to also include 'management capital'.

The above analysis authenticates the need for complimenting agency theory with resource dependency theory as it provides the basis for organizations to strategically manage the wider influencing forces arising from different stakeholders and complexities of operations.

Having recognized the need to take into account the wider influencing forces impacting on an organization by recognizing the interest of a wider stakeholder base (drawn from stakeholder theory), and the need to adequately management them through an experienced and skilled board and management (drawn from resource dependency theory), the analysis of a number of governance definitions and concepts also suggested the need to develop and implement appropriate governance processes to assist the board and management in meeting their accountability requirements. For example, the ASX Corporate Governance Council (2003, p.3) defined corporate governance as *'the system by which companies are directed and managed. It influenced how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimized'.* The definition refers to a set of governance processes to be operationally in place to ensure organizations are appropriately directed and managed. While references are made towards strategic planning, performance monitoring and control processes in most definitions, an interesting aspect of the ASX definition was the specific mention of risk management.

Another authoritative definition, particularly useful in taking the broad governance concept to an operational level, was the interpretation of corporate governance by Pat Barrett (Barrett and Richards, 2001), then Auditor General of Australia. He specifically identified a framework of governance processes that needed to be embedded in the governance spectrum and needed to be managed as part of the accountability requirements to various stakeholders in public sector entities. The Auditor General emphasized that the governance framework was concerned with structures and processes for decision-making and with the controls and behavior that supported effective accountability for performance outcomes and results. These various processes encompassed; defining and monitoring strategic direction, defining policy and procedures to operate within legal and social requirements, establishing control and accountability systems, reviewing and monitoring management and the organization's performance and risk management.

The need for understanding various governance processes was reinforced by the National Institute of Governance (2004), which in its explanation of the meaning of *'governance'*, suggested that it was the process whereby decisions important to the future of an organization were taken, communicated, monitored and assessed, and that it included the processes an organization had for holding managers accountable and for measuring performance.

The importance placed on governance processes in completing the cycle in a governance framework was further supported by Mardjono (2005), who asserted that the sustainability and enhancement of the value of corporate governance as a system by which organizations were directed and controlled in the interest of shareholders and other stakeholders very much depended on the effective implementation of corporate governance processes.

Christopher (2010) argued that the range of governance processes to be developed and implemented in an organization as inferred by the above definitions and concepts of governance is impacted firstly by its wider influencing forces and secondly by board and management experience and skill or 'board and management capital'. As governance processes have a cost attached to it, it is further argued that organizations need the flexibility to decide between monitoring and extrinsic rewards and empowering and intrinsic rewards by recognizing the constraints of its operating environment. This is achieved by recognizing its particular environmental influences and the consequent risk it faces. Christopher (2010) argued that implementing standard rigid control systems associated with agency theory in an organization that may not have a divergence of interest between shareholders and management will only increase cost and reduce flexibility and speed of decision making, all operational characteristics that have a negative impact on effective governance (Durden and Pech, 2006). It has also been argued by Clark (2006) that such implementation of rigid control mechanisms without the flexibility to implement alternative empowering and intrinsic rewards will cause organizations to become more risk averse and less competitive. Examples of such situations include family owned companies where there are also family members involved in management (Chin et al., 2004; Eisenberg et al., 1998; Huse, 2000). Other studies have also implied that similar scenarios have an effect of requiring less monitoring by boards as would normally required by agency theory (Davis et al., 1997; Louma and Goodstein, 1999, Muth and Donaldson, 1998; Sundaramurthy and Lewis, 2003).

Christopher (2010) suggests that a theory that provides the flexibility to balance the rigid monitoring and extrinsic reward control mechanisms with the more empowering and intrinsic reward mechanisms is stewardship theory. Stewardship theory has the opposite effect to agency theory and essentially posits that directors and management have interests that in fact are consistent with those of the shareholders (Donaldson and Davis, 1991 and Davis et al., 1997). It is suggested that it compliments agency theory by recognizing the wider influencing forces impacting on organizations and managing them accordingly through the appropriate development and implementation of governance control processes.

The above analysis authenticates the need for complimenting agency theory with stewardship theory as it provides the basis for organizations to operationally manage the wider influencing forces arising from different stakeholders and complexities of operations.

In summary the foregoing critical analysis of governance definitions and concepts along the three dimensions of influence suggested by Christopher (2010) support the theoretical argument that agency theory is limited in recognizing the impact of some dimensions of wider influencing forces on the governance paradigm of organizations. One of these dimensions relate to the different levels of interest in the activities of organizations by an increased stakeholder base. This limitation of agency theory is argued as complimented by stakeholder theory. Another dimension of the influencing forces relates to the increased complexity of operations under the current operating environment and the need to respond to the impacts of a wider stakeholder base and managing them adequately. This relates to specific skills, experience and contact levels of board and management (other than only satisfying a monitoring function as posited by agency theory) in dealing with the wider interdependencies arising from the increased complexity of operations and interest of a wider stakeholder base. This limitation of agency theory is argued as being complimented by resource dependency theory. The final dimension of influence considered in this paper relates to the recognition that the impact of the wider influencing forces and consequent levels of skills and experience of management would require a level of flexibility between the development and implementation of governance processes associated with extrinsic rewards and monitoring controls with empowering processes and intrinsic rewards. It has been argued that undue implementation of extrinsic and monitoring control processes in organizations (as required of agency theory) that require a mix with empowering and intrinsic reward processes would have a negative impact on effective governance. This limitation of agency theory is argued as being complimented by stewardship theory.

The net effect of the recognition of these three other dimensions of wider influencing forces through three management based theories to compliment agency theory has resulted in the governance paradigm of an organization extending from an agency oriented governance paradigm to a multi theory governance paradigm.

The next section recognizes that there are some common themes identified through the aforementioned analysis of governance definitions and concepts. They relate to different governance levels underpinned by both agency and the three aforementioned management based theories.

3. Governance levels

The first theme relates to a governance level that recognizes that organizations are subject to external and internal environmental forces unique to them in varying degrees and which vary over time. This invariably places organizations at different locations along a governance theory continuum at different times, resulting in variable stakeholder accountabilities and responsibilities (drawn from stakeholder theory) for board and management. This would, of course, have an effect on the applicability and appropriateness of governance mechanisms and processes over time.

The second theme refers to a governance level that recognizes stakeholder rights (drawn from stakeholder theory), and accountabilities and responsibilities of the board and senior management in meeting the needs of the stakeholders (drawn from agency theory, stewardship theory and resource dependency theory). The direct message of this theme is that understanding and meeting stakeholder requirements dictates the accountability and responsibility levels of boards and managers.

A third theme refers to a governance level that recognizes that in order to satisfy requisite accountabilities and responsibilities of directors and managers, an appropriate set of strategic and operational governance processes needs to be developed and implemented. These processes represent the structure through which the objectives of the company, as well as the means of attaining those objectives, are set and can be attained for the benefit of stakeholders (as explained by agency, stewardship and stakeholder theory). The governance processes described are in fact the operational means to satisfy the broad accountability requirements of the board and senior management (as explained by agency theory, stewardship theory and resource dependency theory) to the stakeholders (as explained by stakeholder theory).

A fourth and final theme refers to a governance level where a cycle of assurance is provided to the board of directors and management that governance processes are functioning effectively. This is inferred from the broad reference to strategic and operational processes by the then Auditor General of Australia's definition of governance (Barrett and Richards, 2001). These include performance monitoring processes, risk management, and control and accountability processes. These services are provided by internal and external auditors to reduce the divergent of interest between principal and agent and the need to be flexible between implementing strong control processes and more empowering processes (as explained by agency theory and stewardship theory).

4. Developing an extended governance control framework from the different governance levels

It is suggested from the analysis of the above common themes that the word governance encapsulates the totality of the defined accountabilities and responsibilities of the board and management towards its stakeholders across the four identified governance levels. It is argued that the levels are interdependent and that for governance at the organizational level to be effective each of these governance levels need to be supported by the appropriate governance mechanisms and processes to ensure effective governance at the respective levels

For the purposes of identifying a working control framework, the abovementioned four common themes and governance levels are conceptualized as follows:

i. Identifying the broader environmental influencing forces applicable to the corporation
ii. Defining the accountability and responsibility boundaries of the board and management.
iii. Developing and implementing strategic and operational processes to meet the accountability and responsibility requirements of the board and management.
iv. Developing and implementing the assurance processes to be undertaken in order to provide feedback to the board and management as to the effectiveness of the strategic and operational processes.

The above four governance levels are interpreted as control layers that are significant in determining good governance in complex business environments. These are as follows:

Level 1: environmental influencing forces applicable to the corporation (defined as the outer layer of control).
Level 2: governance mechanisms as applicable to the corporation (defined as the mid layer of control).
Level 3: a set of governance processes (strategic and operational processes as determined by the outer layer and mid layer of control)
Level 4: a set of assurance processes to complete the governance cycle

The suggested framework is represented diagrammatically in Figure 1 (see Appendix 1)

[INSERT FIGURE 1 HERE]

At Level 1 of the above framework, all corporations need to be concerned with identifying the relevant environmental influencing forces (referred to in this study as the outer layer of control). This is important as these forces invariably determine the boundaries and constraints in which corporations operate, and influence the governance mechanisms and processes as determined by the subsequent levels.

At Level 2, the responsibilities and accountabilities of the governance components are identified. Corporate strategy is invariably influenced by the outer layer of control as it determines the orientation of the corporation for which the board and management are responsible and accountable. The outer layer also sets the accountability boundaries for the other two governance components, the external and internal auditor.

At Level 3, the outer and mid layers of control establish the basis for identifying the governance processes to be implemented (referred to in this study as the framework of strategic and operational governance processes). These governance processes essentially provide the corporation with the specific operational basis upon which to satisfy its accountability and responsibility requirements.

At Level 4, assurance processes are identified to assist the board and management with the accountability and responsibility requirement to the stakeholders. These are influenced by governmental and best practice controls to ensure that the board and management are working in the interest of the stakeholders as determined through Level 1. These assurance processes are undertaken by external and internal auditors.

5. Conclusion

This paper has provided a brief review, and an analysis and critique, of the current literature on the governance control paradigm. It has recognized the traditional control paradigm underpinned by agency theory, but has also acknowledged the limitations in the general validity of this control paradigm within the context of current business and social environmental considerations. In fact, in the course of the past twenty years or so the responses of organizations have had to become more sophisticated and resource intensive. This, in part, was a result of globalization and the emergence of the ‘knowledge era’, improved technologies and communications, combined with increased awareness of corporate social responsibilities. The paper has recognized that as a result of these growing complexities, there is a broad range of environmental influencing forces currently impacting on the governance of organizations. It asserts that the traditional governance control paradigm associated with agency theory may be limited in capturing these wider influencing forces and in its capacity to assist in the development in an appropriate level of governance mechanisms and processes.

This paper therefore proposes an alternative governance control paradigm that encapsulates wider environmental influencing forces impacting on contemporary organizations. An integrated multi level theory approach has hence been proposed with the objective of overcoming the limitations of the established agency governance control paradigm. The authenticity of this approach was assessed by integrating an analysis of private and public sector corporate governance definitions and concepts with the three dimensions of influence on a governance paradigm identified by Christopher (2010).

Four common themes and governance levels relative to a wider governance paradigm consistent with a multi-theoretical governance framework were identified in this assessment process. These themes and governance levels were conceptualized as layers of control that have been used as a basis for a four level governance control framework. The framework essentially relied on the nexus between environmental influences and governance mechanisms, and strategic, operational and assurance processes.

A feature of this proposed framework was that it was relatively simple to understand and use for organizations of all sizes, and that it was dynamic, since it considered multi level environmental forces on a continuous basis. Consequently, it was capable of assisting the shaping of governance mechanisms and processes at a micro level, reflecting governance needs at specific times.

Limitations to the Study

The framework draws on a limited number of management-based governance theories to augment economics-based agency theory. Contemporary organizational settings, which are subject to various interdependencies, may well invoke other management-based theories that have not been identified or discussed in this study. Further, the framework has not been tested in practice with real life organizations as yet.

Future Research

This paper makes a modest but ongoing contribution to the governance control literature in this area. It provides for further research to explore and validate the suggested extended governance control framework by testing it against a range of real life organizational settings for the purposes of developing a more holistic approach to governance. It seems probable that this would assist in bridging the theoretical – practical gap, and it is envisaged that the findings of such research could assist organizations in meeting governance responsibilities through improved operational governance frameworks. Such a validated control framework could assist with the facilitation of improvements to existing governance agency oriented policies and guidelines in both public and private sector organizations.

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Appendix 1

Figure 1. A four level corporate governance control framework underpinned by agency, stakeholder, stewardship and resource dependency theories.