The Theory of Fields and Its Application to Corporate Governance

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ABSTRACT

My goal here is twofold. First, I want to introduce the theory of strategic action fields to the law audience. The main idea in field theory in sociology is that most social action occurs in social arenas where actors know one another and take one another into account in their action. Scholars use the field construct to make sense of how and why social orders emerge, reproduce, and transform. Underlying this formulation is the idea that a field is an ongoing game where actors have to understand what others are doing in order to frame their actions. Second, I want to argue that there is a great deal of theoretical leverage to be gained by considering law as a field. To make all of this more concrete, I use field theory to offer a stylized account of the rise of the "shareholder value" movement of the 1980s and the use of agency theory as the dominant theory of corporate governance to justify the shareholder value revolt. I end by considering whether or not field theory has normative implications useful for the law.

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INTRODUCTION

The main idea of field theory in sociology is that most social action occurs in social arenas where actors know one another and take one another into account in their action.[1] Fields imply that something is at stake and can be won or lost. Fields also imply a stable order, one that allows for the reproduction of the actors and their positions over time. This general formulation of field theory is sometimes described as a meso-level social order.

The term "meso" refers to the fact that actors are taking each other into account in framing actions. This does not mean that all actors are individuals. Field theory conceives of actors as including individuals, groups, subunits of organizations, organizations, firms, professions, and states. Examples of meso-level social orders that include both individual and collective actors include groups of individuals who work in an office who cooperate over a task, subunits of organizations that vie for organizational resources, firms that compete with one another to dominate a market, and states that come together to negotiate treaties. An important insight that field theory yields is that fields are situated within other fields and affect one another across their boundaries. Consider the relationships between individuals in an office, the office situated in a division of a corporation, and the corporation situated in a broader field of competitors.

Scholars use the field construct to make sense of how and why social orders emerge, reproduce, and transform. Underlying this formulation is the idea that a field is an ongoing game where actors have to understand what others are doing in order to frame their actions. This idea caused field theorists to consider issues of agency and action. They have pursued sociological views of how cognition

1. *See generally* PIERRE BOURDIEU & LOÏC J. D. WACQUANT, AN INVITATION TO REFLEXIVE SOCIOLOGY (1992); NEIL FLIGSTEIN & DOUG MCADAM, A THEORY OF FIELDS (2012); John Levi Martin, *What is Field Theory?*, 109 AM. J. SOC. 1 (2003).

works, focusing on issues of culture, framing, meaning, identity, habit, and socialization. While the role of actors in field theory varies somewhat across different versions of the theory, field theories explicitly reject rational actor models and instead rely on phenomenology and symbolic interaction as models of actors to understand what actors do under varying field conditions.

Given this flexibility and abstractness, these ideas have profitably been applied to a wide variety of settings, including social movements,[2] state building,[3] state–society relations,[4] culture and lifestyle,[5] the construction of cultural fields,[6] and various aspects of firms and markets.[7]

My goal here is twofold. First, I will introduce the theory of strategic action fields to the legal audience. I will then argue that there is a great deal of theoretical leverage to be gained by consider-

2. *See generally* CHRISTOPHER K. ANSELL, SCHISM AND SOLIDARITY IN SOCIAL MOVEMENTS: THE POLITICS OF LABOR IN THE FRENCH THIRD REPUBLIC (1st ed. 2001); DOUG MCADAM, POLITICAL PROCESS AND THE DEVELOPMENT OF BLACK INSURGENCY, 1930–1970 (2d ed. 1999); DEBRA C. MINKOFF, ORGANIZING FOR EQUALITY: THE EVOLUTION OF WOMEN'S AND RACIAL-ETHNIC ORGANIZATIONS IN AMERICA, 1955–1985 (1995); Elizabeth. S. Clemens, *Organizational Form as Frame: Collective Identity and Political Strategy in the American Labor Movement, 1880–1920*, *in* COMPARATIVE PERSPECTIVES ON SOCIAL MOVEMENTS: POLITICAL OPPORTUNITIES, MOBILIZING STRUCTURES, AND CULTURAL FRAMING 205 (Doug McAdam, John D. McCarthy & Mayer N. Zald eds., 1996).

3. *See generally* HENDRIK SPRUYT, THE SOVEREIGN STATE AND ITS COMPETITORS: AN ANALYSIS OF SYSTEMS CHANGE (1996).

4. *See generally* FRANK DOBBIN, FORGING INDUSTRIAL POLICY: THE UNITED STATES, BRITAIN, AND FRANCE IN THE RAILWAY AGE (1994); VARIETIES OF CAPITALISM (Peter A. Hall & David Soskice eds., 2001); Pierre Bourdieu et al., *Rethinking the State: Genesis and Structure of the Bureaucratic Field*, 12 SOC. THEORY 1 (1994); Peter Hall, *The Movement from Keynesianism to Monetarism: Institutional Analysis and British Economic Policy in the 1970s*, *in* STRUCTURING POLITICS: HISTORICAL INSTITUTIONALISM IN COMPARATIVE ANALYSIS 90 (Sven Steinmo, Kathleen Thelen & Frank Longstreth eds., 1992).

5. *See generally* PIERRE BOURDIEU, DISTINCTIONS: A SOCIAL CRITIQUE OF THE JUDGEMENT OF TASTE (Richard Nice trans., 1984).

6. *See* Pierre Bourdieu et al., *supra* note 4.

7. *See generally* NEIL FLIGSTEIN, THE ARCHITECTURE OF MARKETS: AN ECONOMIC SOCIOLOGY OF TWENTY-FIRST-CENTURY CAPITALIST SOCIETIES (2001) [hereinafter FLIGSTEIN, ARCHITECTURE OF MARKETS]; NEIL FLIGSTEIN, THE TRANSFORMATION OF CORPORATE CONTROL (1990) [hereinafter FLIGSTEIN, CORPORATE CONTROL]; MICHAEL USEEM, EXECUTIVE DEFENSE: SHAREHOLDER POWER AND CORPORATE REORGANIZATION (1993); Gerald F. Davis, Kristina A. Diekmann & Catherine H. Tinsley, *The Decline and Fall of the Conglomerate Firm in the 1980s: The Deinstitutionalization of an Organizational Form*, 59 AM. SOC. REV. 547 (1994); Neil Fligstein, *Markets as Politics: A Political-Cultural Approach to Market Institutions*, 61 AM. SOC. REV. 656 (1996) [hereinafter Fligstein, *Markets as Politics*]; Paul Ingram & Hayagreeva Rao, *Store Wars: The Enactment and Repeal of Anti-Chain-Store Legislation in America*, 110 AM. J. SOC. 446 (2004).

ing law as a field.[8] The courts, legal professionals, law schools, various organizations of legal subfields, and constituencies that hire lawyers, particularly corporations, can be studied as a set of fields that have histories, dominant groups, dominant ideas, and trajectories.

Law is a force that is used to structure field relations outside of the legal arena. Indeed, the linkage between state and market is frequently mediated through law.[9] To the degree that dominant groups are given privileged access to the legal and regulatory system, or their practices are codified and enforced as law, dominant groups maintain their positions of power. Scholars accept that regulatory and cognitive capture occurs routinely.[10] Additionally, scholars agree that corporations, more or less, get their way in the construction and implementation of law.[11]

What is perhaps more interesting is the process by which some groups successfully challenge the incumbents in a given field or market, reorganize that field or market, and then capture the law and regulators in their favor. To make all of this more concrete, I use field theory to offer a stylized account of the rise of the "shareholder value" movement of the 1980s and the use of agency theory as the dominant theory of corporate governance to justify the shareholder revolt.

At the core of the literature on corporate governance is the agency theory model in economics.[12] This model views the corporate governance problem as an issue of how owners of joint-stock corporations control managers and ensure they work in the corporation's

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8. *See, e.g.*, YVES DEZALAY & BRYANT G. GARTH, DEALING IN VIRTUE: INTERNATIONAL COMMERCIAL ARBITRATION AND THE CONSTRUCTION OF A TRANSNATIONAL LEGAL ORDER (1996); YVES DEZALAY & BRYANT G. GARTH, THE INTERNATIONALIZATION OF PALACE WARS: LAWYERS, ECONOMISTS, AND THE CONTEST TO TRANSFORM LATIN AMERICAN STATES (2002); Stephanie Lee Mudge & Antoine Vauchez, *Building Europe on a Weak Field: Law, Economics, and Scholarly Avatars in Transnational Politics*, 118 AM. J. SOC. 449 (2012).

9. The classic works in the history of law were all concerned with thinking how law was at the center of the relationship between business and the government. For a variety of perspectives, see LAWRENCE M. FRIEDMAN, A HISTORY OF AMERICAN LAW (3d ed. 2005); MORTON J. HORWITZ, THE TRANSFORMATION OF AMERICAN LAW, 1870–1960 (1977); and JAMES WILLARD HURST, THE LEGITIMACY OF THE BUSINESS CORPORATION IN THE LAW OF THE UNITED STATES, 1780–1970 (2010).

10. *See* PREVENTING REGULATORY CAPTURE: SPECIAL INTEREST INFLUENCE AND HOW TO LIMIT IT 71–98 (Daniel Carpenter & David A. Moss eds., 2013).

11. *See* Lauren B. Edelman, Christopher Uggen & Howard S. Erlanger, *The Endogeneity of Legal Regulation: Grievance Procedures as Rational Myth*, 105 AM. J. SOC. 406, 407 (1999).

12. *See* Michael C. Jensen & William H. Meckling, *Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure*, 3 J. FIN. ECON. 305 (1976).

interests. It views the production of shareholder value, usually defined as raising the share price, as the central purpose of a publicly held corporation. This is done through the creation of a set of institutional arrangements that provide carrots and sticks to managers in order to get them to perform. The main problem that economists, political scientists, and business scholars see is that these institutions fail to constrain managers. Because boards of directors do not perform their fiduciary oversight, managers take on too much risk because their time horizons are short. Managers also work to exploit boards of directors and increase their pay substantially. But here, agency theory proposes that the market for corporate control provides a backstop, such that poorly performing managers and weak boards of directors will be faced with a hostile takeover if they fail to maximize shareholder value.[13]

Now, field theory's problem with the agency theory approach is that it fails to consider how these ideas were historical creation borne out of field dynamics. Roe shows how the entire agency theory story is an inaccurate historical account of how the relationship between financial markets and publicly held corporations emerged in the United States in the 1930s–1950s.[14] In order to understand why the shareholder value revolution developed, we need to understand who the agents were that propagated these ideas in order to gain advantage and justify their actions.

The central field where corporate governance is at stake is the market for corporate control where the ultimate corporate power—the ability to own and control corporations—is enacted. The extant literature argues that managers dominated corporate governance before 1980, as they decided who was going to be a target for mergers and acquisitions.[15] But the economic downturn of the 1970s undermined managerial dominance; managers failed to deliver growth, profits, or stock price increases. As a result, outside challengers, principally different kinds of institutional investors who used the capital markets to raise funds to upset sitting management teams and reorganize corporations, invaded the market for corporate control.[16] This invasion shifted those in control of the field of corporate control

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13. *See* Eugene F. Fama & Michael C. Jensen, *Separation of Ownership and Control*, 26 J.L. & ECON. 301, 313–18 (1983).

14. *See generally* MARK J. ROE, STRONG MANAGERS, WEAK OWNERS: THE POLITICAL ROOTS OF AMERICAN CORPORATE FINANCE (1994).

15. *See* USEEM, *supra* note 7.

16. *See* FLIGSTEIN, ARCHITECTURE OF MARKETS, *supra* note 7, at 147–66.

from managers to institutional investors.[17] Accompanying this restructuring was shareholder value discourse that justified the takeover of the field. The agency-theory-inspired discourse of shareholder value privileged shareholders over other actors, embedding the view in corporate law.

Field theory proves useful to explain when challengers might be successful and, once in place, how they maintain power. It provides us with less of a theory of what "ought" to be and more of an account of what happened. This Article ends by considering whether field theory has normative implications.

I. A THEORY OF STRATEGIC ACTION FIELDS

The core insight of field theory is that fields are socially constructed arenas within which individuals or groups with differing resource endowments vie for advantage.[18] For groups to succeed, they must engage in strategic social action, by which I mean undertake actions that take into account what others are doing. The model of action that we wish to propose here is one that focuses on social skill: the ability to engage cooperatively with others.[19] I use the term strategic action field (SAF) in order to highlight both the structuring of the field and the role of actors in the production and transformation of the field.[20]

Fields are embedded in other fields like a Russian doll. A firm may contain product divisions each locked in competition with divisions from other firms; the divisions themselves may fight out for others' resources with each other in the larger firm, and the larger firm is embedded in a world of financiers, suppliers, customers, and regulators. Each of these might constitute a field for analysts to study. This view of SAFs implies that the possibility for collective strategic action in modern societies is virtually endless, and the number of such fields may be impossible to estimate.

It is necessary to specify what kinds of problems need to be solved in order for a stable social space, an SAF, to come into existence.[21] In an unorganized social space, everything is up for grabs:

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17. *See id.*

18. *See* BOURDIEU & WACQUANT, *supra* note 1, at 94–115; FLIGSTEIN & MCADAM, *supra* note 1, at 8–23; Martin, *supra* note 1, at 1–5.

19. *See generally* Neil Fligstein, *Social Skill and Institutional Theory*, 40 AM. BEHAV. SCIENTIST 397 (1997).

20. This discussion summarizes FLIGSTEIN & MCADAM, *supra* note 1.

21. *Id.* at 8–23.

what the purpose of the field is, what positions exist, who occupies which position, what the rules of the game are, and how actors come to understand what other actors are doing. A stable SAF solves these problems, as fields are governed by formal and informal rules. Rules are a collectively shared cognitive construct used to control interactions between organizations or groups in an SAF. The nature of these rules is to give actors an intersubjective view of what other actors mean by their actions. Once in place, the rules comprise the template for constructing and interpreting subsequent actions.

The purpose of fashioning a shared template is, first and foremost, to ensure sufficient stability to allow action to take place. However, the rules and definitions that emerge define and promote the interests and advantages of already existing organizations or groups. This is achieved by articulating rules by which actions between more and less powerful members can be made more predictable, less threatening, and more rewarding to all. Hence, all forms of strategic action oriented towards the creation and maintenance of rules are by nature political, in that they involve both contestation and alliances.

One can usefully distinguish between incumbents and challengers in any given SAF. Incumbents are powerful organizations or groups with the necessary political or material resources to enforce an advantageous view of appropriate field behavior and definition of field membership on other groups. Challengers are organizations or groups which define themselves as members of a given SAF, but generally accept the given social order and the advantages it gives incumbents, either because they fear retribution by incumbents or because they see little chance of altering the order in the short run.

There are two main tactics toward solving the general conflict in SAFs: the imposition of a hierarchical power relationship between actors or the creation of a political coalition based on cooperation. Hierarchy implies a pecking order of groups that can be distinguished as incumbents and challengers. The incumbents are generally the largest groups that predominantly define the situation and get most of the valued objects in the SAF.[22] The challengers are the smaller groups who may not totally accept their place in the SAF but are generally unable to contest it. The hierarchy of incumbents and challengers is held in place by coercion or competitive threat. If incumbents have overwhelming resources, including the threat of force,

22. Indeed, that is why we think of them as incumbents!

they can coerce challengers and keep them in line by using material and psychic threats.

A political coalition reflects an alliance between two or more groups. Cooperation may be based on common identity or interests. A political coalition that organizes an SAF can contain explicit agreements between groups on the nature of the SAF and how the gains and losses will be distributed between groups. Often, groups in a political coalition will come to share a common identity, even if they did not have one before. This identity defines who is a member of the coalition and who is not.

In reality, hierarchies are not just held in place by coercive or competitive advantage, and political coalitions do not rely entirely on cooperation. Hierarchies often depend on the tacit consent of challengers and can even provide some rewards for compliance with a hierarchical order. So, incumbents will keep the lion's share of resources to themselves, but will allow challengers to survive. In return, challengers will keep their opposition to incumbents in check. Political coalitions continue to experience conflict and competition on an ongoing basis. Groups in the coalition will believe that they are not getting their fair share of rewards or that their vision of the coalition is not being honored. They can try to remake the coalition by getting a different configuration of groups and goals recognized.

II. STRATEGIC ACTION AND SOCIAL SKILL

Strategic action is the attempt by social actors to create and maintain stable social worlds by securing the cooperation of others.[23] In order to engage in strategic action, people have to exercise social skill. Social skill is defined as the ability of actors to induce cooperation in other actors in order to produce, contest, or reproduce an order.[24] Social skill is based in symbolic interaction, a theory that emphasizes both the symbolic and social nature of interaction.[25] At the core of social skill is the ability to imaginatively identify with the mental states of others in order to find collective meanings that motivate others. Social skill entails utilizing a set of methods to induce cooperation from one's own group and other groups.[26] Skilled social

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23. *See* Fligstein, *supra* note 19, at 398.

24. *Id.* at 397–99.

25. For the original explication of this theory, see generally GEORGE HERBERT MEAD, MIND, SELF, AND SOCIETY (1934).

26. Neil Fligstein, *Social Skill and the Theory of Fields*, 19 SOC. THEORY 105, 105–10 (2001).

actors interpret the actions of others in the field and, on the basis of the position of their group, use their perception of current opportunities or constraints to attain cooperation.

The definition of social skill highlights how certain individuals possess a highly developed cognitive capacity for reading people and environments, framing lines of action, and mobilizing people in the service of these action "frames."[27] These frames frequently involve understandings that are open to interpretation, offering other actors identities and resonating with varying groups. Discovering and propagating these frames is a social skill that underscores the "cultural" or "constructed" dimension of social action.

In stable social worlds, skilled strategic actors help to produce and reproduce a status quo.[28] They are aided by a collective set of meanings shared by other actors in which those actors' identities and interests are defined. It is also the case that in "institutionalized" social worlds, meanings are "taken for granted" and actions are readily framed against those meanings. In unorganized social space, the task for skilled strategic actors is somewhat different. Skilled actors can become "institutional entrepreneurs."[29] In those situations, their ability to help create and maintain collective identities comes to the fore and is at the greatest premium.

By emphasizing the cognitive, empathetic, and communicative dimensions of social skill, I hope to underscore that actors who undertake strategic action must be able to use whatever perspective they have developed in a sufficiently intersubjective fashion to secure the willing cooperation of others. This kind of skill requires that actors have the ability to transcend their own individual and group's narrow self-interest and formulate the problem of the multiple group interest, thereby able to mobilize sufficient support for a certain shared worldview.[30]

A. The Emergence of SAFs

It is useful to consider more systematically how skilled social actors, strategic action, and the relative resources of groups produce

27. *Id.* at 108–12; *see also* David A. Snow & Robert D. Benford, *Ideology, Frame Resonance, and Participant Mobilization*, 1 INT'L SOC. MOVEMENT RES. 197 (1988).

28. *See* William H. Sewell, Jr., *A Theory of Structure: Duality, Agency, and Transformation*, 98 AM. J. SOC. 1 (1992).

29. Paul DiMaggio, *Interest and Agency in Institutional Theory*, *in* INSTITUTIONAL PATTERNS AND ORGANIZATION: CULTURE AND ENVIRONMENT 3, 3–21 (Lynne G. Zucker ed., 1988).

30. MEAD, *supra* note 25, at 322–26.

either hierarchically organized SAFs or cooperative SAFs. Action in an emergent SAF is often best thought of as akin to a social movement. This is because in unorganized social space, the purpose of the field, the positions that exist, who occupies which position, the rules of the game, and how actors come to understand what other actors are doing are not established. Groups will come into a social space where there is an opportunity to offer alternative cultural framings for how to organize that space, just as social movement groups do when there is a political opportunity. New social spaces are political opportunities. Because the social space is fluid, there exists the possibility for new political coalitions of groups and new social forms of interaction.

It is useful to understand where such opportunities are generated. New SAFs are likely to emerge in nearby existing ones. They are also likely to be populated by, or offshoots of, existing groups. Indeed, to the degree that societies become increasingly organized, the opportunities for forming new fields are increasing because unorganized fields are spawned by empty spaces created between organized fields, including those fields and the state. For instance, once the dominant biological model of disease won out over its rivals, the medical profession and its specialties developed.[31] In the case of the economy, "new" product markets are often founded near to "old" product markets as part and parcel of the search to attain stability for the firm.[32] Existing SAFs provide opportunities for new SAFs because they provide the "market" for new ends to emerge.

In modern society, new SAFs often result from state action. For example, as soon as a law is set in place, organizations or groups can move in to take advantage of the new opportunities the law creates for strategic action. Similarly, organized groups can take their grievances to the state in an attempt to help produce rules to stabilize their SAFs. States can also intentionally or unintentionally undermine stable SAFs through direct and indirect actions.[33]

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31. *See* PAUL STARR, THE SOCIAL TRANSFORMATION OF AMERICAN MEDICINE: THE RISE OF A SOVEREIGN PROFESSION AND THE MAKING OF A VAST INDUSTRY (1982).

32. *See* HARRISON C. WHITE, MARKETS FROM NETWORKS: SOCIOECONOMIC MODELS OF PRODUCTION 266–84 (2d ed. 2004).

33. So, for example, antitrust law has been used effectively to undermine the order of markets by forcing incumbent firms to change their behavior. This takes away the advantage of the dominant firm and can force a reorganization of the market. There can also be unintended consequences from state actions that undermine particular fields. FLIGSTEIN, CORPORATE CONTROL, *supra* note 7, at 123–46. The federal government's legislative responses to the civil rights movement had the unintended consequence of reorganizing the basis of political parties in the United States. The basis of the Democratic Party before the 1960s was a coalition between white southerners and elements of the northern working class.

Furthermore, emergent fields require new cultural tools to make sense of what is going on. Emergent fields are the locations in society where one expects to see the most innovative forms of action precisely because more possibilities exist to define the situation. These frames can be borrowed from actors in a nearby social space. They can also reflect the unique political compromise by which field stability has been achieved. One could go so far as to argue that almost all of the real opportunities to innovate in SAFs occur at their formation. One reason change seems so endemic to modern society is that the extension of social organization has the effect of creating more unfilled spaces.

Emergent fields also represent situations in which particularly skilled strategic actors, who are able to consider interests outside of their own, can make an enormous difference by helping to fashion a collective identity that speaks to the interests of many prospective field members.[34] Indeed, while material resources remain a powerful weapon in the struggle to shape the broad cultural contours of the emerging field, it is quite possible at this stage for a coalition of relatively impoverished groups to band together under the tutelage of skilled strategic actors to overcome better-endowed groups. Successful field projects produce cultural elements that can be borrowed by actors in adjacent social spaces.[35]

B. Stability in SAFs

One can say an SAF is stable when the stakes are well understood, the incumbents and challengers are defined, and the rules of the game are known. But, "[i]n stable SAFs, constant adjustments are being made."[36] The most common form of change occurs when individual incumbents or challengers leave the SAF or take up a different position vis-à-vis the others. Similarly, "[a] system of 'rules' may be

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After the Democrats supported civil rights legislation, whites in the South migrated towards the Republican Party to form a new political coalition. *See* DOUG MCADAM & KARINA KLOOS, DEEPLY DIVIDED: RACIAL POLITICS AND SOCIAL MOVEMENTS IN POST-WAR AMERICA 3–29 (2014).

34. *See* ANSELL, *supra* note 2, at 1–16.

35. The civil rights movement provided a set of techniques and cultural templates for organizing action and a collective identity that subsequent groups adopted. Doug McAdam shows that many of the people who participated in the civil rights movement ended up being important in the women's liberation movement that followed. They explicitly borrowed from the civil rights movement and applied it to a new field. DOUG MCADAM, FREEDOM SUMMER 199–232 (1988).

36 . Neil Fligstein, *Understanding Stability and Change in Fields*, 33 RES. ORGANIZATIONAL BEHAV. 39, 45 (2013).

agreed upon by both incumbents and challengers, but adherence to those rules is always more or less."[37] Common understandings can themselves become altered, suggesting that these rules can be in some form of flux and negotiation. The ongoing field process is thus a game that is constantly being played. This means that some rule breaking and conflict will characterize stable SAFs. This will result in constant system adjustments and testing whereby tactics might change, but the overall nature of the field remains intact.

Incumbents will always work to protect their positions by using the advantages built into the fields. But as those advantages are undermined by new tactics on the part of challengers or coalition partners, incumbents will assert their power. Typically, this means trying to defend the existing order by using whatever methods they have. This is business as usual in stable SAFs. So, while some level of conflict and change is ubiquitous in fields, SAFs are constantly making accommodations to conditions within and across SAFs, all the while preserving the power of incumbents. This suggests that the steady state of a field is always somewhat chaotic and contains conflict which, in turn, can make it difficult to assess just how close to crisis an SAF actually is.

C. What Causes the Transformation of a Stable Field?

There may well be instances where a crisis develops in a field as a result of gradual, corrosive processes internal to the SAF. Challenger groups that are learning and adapting may undermine the incumbents' ability to defend how the field is structured and who gets what rewards.[38] Most frequently, such innovation on the part of challengers is met by strategic actors in incumbent groups who work to maintain their privileges by figuring out ways to accommodate, coerce, or co-opt challengers.

Most scholars have argued that the opportunity to really transform a field will be the unintended consequence of exogenous shocks to the field. Most of the interesting stories we have about institutional change in SAFs start with an externally induced crisis.[39] Existing SAFs are often experiencing some form of turbulence often caused by their relationships to other SAFs. This produces piecemeal ad-

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37. *Id.*

38. *Id.* at 45–46.

39. For a review of the literature, see Marc Schneiberg & Elisabeth S. Clemens, *The Typical Tools for the Job: Research Strategies in Institutional Analysis*, 24 SOC. THEORY 195 (2006).

justments that do not undermine the power of a particular set of incumbents, but might operate to make their ability to control the SAF more problematic in the long run. So, for example, incumbents may have to make incremental concessions to challengers that undermine their positions in the long run. This may make the SAF more open to crisis and hence reorganization or invasion.

Real crisis will be indexed by the failure of incumbents to reproduce their position. This relatively precise definition allows the analyst to recognize that it is the breakdown of the delivery of goods to the incumbent that creates the most significant problems for an SAF. This will be accompanied by a breakdown in the shared consensus on which SAFs depend. In these moments there is the possibility for momentous change. If the challengers engage in successful strategic action, a new social order can be produced. Since all fields are connected to other fields, and since some fields are always in crisis, it is in the connections between fields that we are likely to produce the possibility for change. Such sources of change will always be reverberating somewhere in a set of SAFs and, therefore, the exogenous shock perspective only means that the social world is constantly full of possibilities for transformation.

Crisis in nearby SAFs is the most frequent cause of significant episodes of contention within fields. This is most often the case where resource dependencies exist. If one SAF is dependent on another for either the production of input or the consumption of output, then crisis in the other field will produce crisis in a given SAF. This creates a kind of vertical ripple effect across SAFs. Such crises can undermine the very logic of a field, thereby creating opportunities for either incumbents or challengers to dramatically change what is at stake, who is a winner and loser, and how the new game is understood.

One of the most important sources of change is when other groups or organizations invade. This relatively common form of field transformation takes one of two forms: the new groups could just be trying to assume a position of dominance in the SAF but maintain the basic cultural rules regarding the division of power and resources, or the new groups could actually be trying to set up the field on entirely new terms, restructuring what is at stake, positions and relationships, and understandings. The latter is probably more common than the former because gaining dominance in the SAF requires a new view as to how the SAF should be organized. The invading groups may try and make alliances with members of the old incumbent groups or else some of the challengers, on the basis of a new view of reapportionment of resources and conception of the SAF.

The basic imagery, then, is of a society consisting of millions of SAFs linked by various types of relations. Virtually all SAFs are connected to the state, either directly or indirectly. SAFs are thought to be closer together when their conceptions of control rely on nearby SAFs for rules or resources. SAFs are farther apart when there are no obvious vertical or horizontal links. A large number of SAFs in modern societies will always be in some form of crisis and this will in turn place other SAFs at risk. Further, invaders or the state can pose risks to established SAFs. Those with dominant positions in SAFs will respond to crisis by trying to make small adjustments. They will be very unlikely to initially undertake large-scale change for two reasons: first, they will not be able to conceptualize what that change should look like; and second, their first response to crisis will reflect their commitment to the existing order from which they benefit.

D. The Role of Strategic Action in Crisis

In a crisis, incumbents will initially stick to what got them there. This is partially because they are limited by their understanding of how things work. But it is also because their power over resources and their ability to deliver goods depends on that understanding. A second option incumbents will use is to call upon the government in a crisis. If they cannot enforce their view, then getting the government to recognize their difficulties in order to preserve the stability of their SAF is a good tactic. In market economies, some economists see states as distorting markets when they intervene to protect or help some set of incumbent firms.[40] What they miss, however, is that the key dynamic of SAFs suggests that before such dominant firms will succumb, they will appeal to the state, precisely because the state has already conferred legitimacy on the essential structure and logic of the field. This is natural because the state is a participant in virtually all fields and has a stake in their stability to bolster its own legitimacy. If too many fields go under, the state loses its control over its own SAFs (after all, they have to be the final guarantee of stability) and therefore creates a regime crisis. So, it is

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40. George Stigler is one of the principal founders of this perspective in economics. *See* George J. Stigler, *The Theory of Economic Regulation*, 2 BELL J. ECON. & MGMT. SCI. 3 (1971).

axiomatic that an SAF in crisis will eventually have its incumbents appeal to the state.

The crisis of an already existing SAF creates political opportunities for challengers to engage in strategic action. As the existing SAF falls apart, the situation looks more and more like the emergence of new SAFs. As an order breaks down, challengers must create a larger collective identity that encompasses themselves and others. At the moment of flux, if challengers do not recognize that and forge a collective identity with other members of the SAF, then the political opportunity will be lost. If they stick to the collective identity that has made them successful challengers, then they are probably going to get swept away.

In short, some group or set of individuals must propose to others a way to reorganize the SAF. If they fail to do so, the SAF may simply collapse and become unorganized social space. Thus, the disruption of an SAF does not always result in the construction of a new one. Challengers can opt for several alternative solutions to coalition building around new collective identities. In particular, they may exit the field and migrate to other fields or unorganized social space where they will try and set up new social arrangements. The advantage to this is that they may not have to dilute their collective identity. The disadvantage is they might fail and risk the group disbanding. They can also work to partition the already existing SAF into several SAFs. This can be done by enlisting those who are most sympathetic and thus also avoid diluting the collective identity of the actors in the field.

Challengers may go about setting up the new SAF in a variety of ways. Successful challengers will orient themselves towards the reorganization of the social space by creating a new collective identity and bringing others along. Challengers have the best chance when there are fewer challengers with complementary resources, and where one group is significantly bigger than the others. If challenger groups are able to communicate and draw on complementary resources, they may successfully find a collective identity. If one of the challenger groups is a lot larger than the others and is able to bring off a coalition of the others, then the chances of reorganization are enhanced. Challengers frequently enlist the state to support whatever direction they pursue. A failure to find a new order may result in a field drifting in an unorganized state or even the reemergence of incumbents to restore the old order.

III. APPLYING THE THEORY OF SAFS TO THE FIELD OF CORPORATE GOVERNANCE

Any reader who has made it this far is probably wondering why the use of such an abstract theory as field theory. The abstract nature of the approach is actually one of its greatest strengths. Field theory is a conceptual framework that is quite useful in understanding how real social change occurs. It situates these changes in history, in real social arenas that shape interaction, and in the identities and interests of individual and collective actors. This kind of conceptual apparatus is useful to organize how we think about important changes in business and government and the role law plays in such changes. In this Part, I show how field theory can be used to make sense of the emergence of the agency theory model of corporate governance that has also been referred to as "shareholder value."

Cioffi defines corporate governance as a "'nexus of institutions' defined by company law, financial market regulation, and labour law."[41] Beginning with Berle and Means, scholars have seen the joint-stock publicly held corporation as dominated by the managers of the largest corporations.[42] This has meant that they have controlled firms, mostly had power over workers, and organized the market for corporate control. The law has generally provided support for this dominance. For our purposes, the most important field was the market for corporate control. For most of the twentieth century, this market was dominated by the managers of the publicly held corporations and not the financial community.

Mergers and acquisitions played an important role in helping managers make profits for owners. In a previous book, I show that managers of the largest corporations in the United States went through several periods of change in their perspectives on how to make money.[43] Central to these changes was the use of mergers and acquisitions. Indeed, each of the merger movements during the twentieth century can be seen as the spread of a new way in which firms would be organized to make money. In the 1920s, managers focused their attention on creating oligopolies by buying shares of firms within their main industries. During the Depression, managers were con-

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41. John W. Cioffi, *Governing Globalization? The State, Law, and Structural Change in Corporate Governance*, 27 J.L. & SOC'Y 572, 574 (2000).

42. *See generally* ADOLF A. BERLE & GARDINER C. MEANS, THE MODERN CORPORATION AND PRIVATE PROPERTY (1932). For a review, see GERALD F. DAVIS, MANAGED BY THE MARKETS: HOW FINANCE RE-SHAPED AMERICA 31–58 (2009).

43. FLIGSTEIN, CORPORATE CONTROL, *supra* note 7, at 1–32.

cerned about declining business and began to be more concerned with sales and marketing. They often used mergers and acquisitions to diversify or fill out their product lines. This helped protect them against downturns in any given market.

Beginning in the 1950s, managers with financial backgrounds began to assemble conglomerates through mergers. Their key argument was that the financial markets were unable to value and manage assets in order to make profits. Financially savvy executives claimed they could manage disparate businesses like a financial portfolio—they would make investments according to financial criteria and, in doing so, would be able to maximize profit. The merger wave, which peaked in 1967–1969, saw 40% of the Fortune 500 swallowed up in mergers.[44]

Throughout most of the century, managers claimed to have the knowledge and information to maximize profits. Circa 1970, managers of publicly held corporations still dominated the market for corporate control. They decided who would get bought and under what conditions. The financial markets existed for them to make such investments. From the perspective of field theory, they were the incumbents.

After the 1970s, however, American managers lost control over the market and, thus, the largest corporations. Due to high inflation and slow economic growth in the 1970s, profits and stock prices for publicly held corporations fell, even as their underlying assets were increasing in value.[45] From the perspective of field theory, the economic crisis in the country was the exogenous shock that undermined the justification for managerial dominance of the market for corporate control.

It is useful to understand how this shock played out in the world of the financial markets. Slow economic growth meant that the major markets of many firms stopped expanding, causing their profits to stagnate. The inflation of the 1970s had a set of other negative effects on corporate balance sheets. Interest rates were quite high over this period. These high rates pushed investors towards fixed income securities like government bonds and away from stocks, causing stock prices to drift downward over the decade. Inflation caused

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44. *Id.* at 191–225.

45. For an overview of what happened, see DAVIS, *supra* note 42, at 59–101; FLIGSTEIN, ARCHITECTURE OF MARKETS, *supra* note 7, at 45–65.

firms to have assets on their books that were increasing in value, but from which they were not earning higher profits.[46]

Since many measures of firm performance were based on returns on assets or investments, firms looked even less profitable. Foreign competition, particularly with the Japanese, heated up. American firms lost market shares and, in some cases, entire markets (e.g., consumer electronics). Taken together, profit margins were squeezed by inflation, competition, and slow economic growth. Thus, by the late 1970s, with low stock prices, undervalued assets, and slow growth in sales and profits, many large American firms had stock prices that valued them as being worth less than the value of their assets and cash.[47]

During the economic crisis of the 1970s, the existing managerial elite who ran large corporations were incumbents that had much at stake in their control over the largest corporations. They explained the poor performance of their firms to their boards of directors as a result of the poor performance of the overall economy. This made them unlikely candidates to produce a sweeping new order. From a field theory perspective, most managers defended their positions by arguing to their boards of directors that they were the people who were best situated to ride out the economic storm. In practice, they did not borrow money, did not revalue assets on their books that were inflating in value, and held on to cash. Instead of taking actions to try and alter their situation, most of them sat back and waited for better times.

The theory of fields suggests that when existing ways of managing fail to produce economic growth or earn profits, new economic actors emerge with a new view on how to make money. Once some firms demonstrated the efficacy of these tactics in solving a particular crisis, the tactics frequently spread across the population of the largest firms. The actors who pioneered these tactics often came from outside the mainstream of business to challenge the existing order. These pioneers had to have a critique of the existing order and a set of strategies they would impose on firms to solve the problems.

The questions of who came up with the shareholder value conception of the firm and how they related to those who were already

46. For an in-depth analysis of these issues, see the papers in NAT'L BUREAU OF ECON. RES. PROJECT REPORT, CORPORATE CAPITAL STRUCTURES IN THE UNITED STATES (Benjamin M. Friedman ed., 1985).

47. *See id.* at 113.

running the largest corporations has been extensively studied.[48] Not surprisingly, the groups proposing analysis of the shortcomings of sitting management teams were the ones who had the least to lose and the most to gain by this analysis. There appears to have been a number of important actors, including financial analysts in brokerage houses, institutional investors like mutual funds and pension funds, investment bankers, private equity, insurance companies, and the newly formed executive position of chief financial officer.[49] The financial community proposed that firms either had to voluntarily reorganize to raise profits and stock prices or face getting bought out.[50]

It is useful to explicate the idea of "maximizing shareholder value" both as an ideology and as a set of strategies. Then, one can connect it more directly to the various actors who promoted it. The main idea is that the job of top managers is to insure that the assets of the firm were returning the highest possible profits for their shareholders. This implies that no other constituency (i.e. workers, communities, or customers) should matter for the decisions that managers undertake. Hirsch and Whitley argue that the theory has its roots in agency theory, a branch of financial economics that evolved during the 1970s.[51] Jensen, one of the originators of agency theory, argues that the changes that occurred during the 1980s in the market for corporate control enhanced efficiency.[52] By forcing managers to pay more attention to shareholder interests, firms refocused their businesses to produce higher returns.

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48. *See* FLIGSTEIN, ARCHITECTURE OF MARKETS, *supra* note 7, at 147–69; USEEM, *supra* note 7, at 19–56; Dirk M. Zorn et al., *Managing Investors: How Financial Markets Reshaped the American Firm*, *in* THE SOCIOLOGY OF FINANCIAL MARKETS 269 (Karin Knorr Cetina & Alex Preda eds., 2005); Gerald F. Davis & Suzanne K. Stout, *Organization Theory and the Market for Corporate Control: A Dynamic Analysis of the Characteristics of Large Takeover Targets, 1980–1990*, 37 ADMIN. SCI. Q. 605 (1992).

49. *See* Zorn et al., *supra* note 48; Dirk M. Zorn, *Here a Chief, There a Chief: The Rise of the CFO in the American Firm*, 69 AM. SOC. REV. 345 (2004).

50. *See* Gerald F. Davis & Tracy A. Thompson, *A Social Movement Perspective on Corporate Control*, 39 ADMIN. SCI. Q. 141 (1994); Ezra W. Zuckerman, *Focusing the Corporate Product: Securities Analysts and De-Diversification*, 45 ADMIN. SCI. Q. 591 (2000).

51. *See* Paul M. Hirsch, *From Ambushes to Golden Parachutes: Corporate Takeovers as an Instance of Cultural Framing and Institutional Integration*, 91 AM. J. SOC. 800 (1986); Richard Whitley, *The Transformation of Business Finance into Financial Economics: The Roles of Academic Expansion and Changes in U.S. Capital Markets*, 11 ACCT. ORGS. & SOC'Y 171 (1986).

52. *See* Michael C. Jensen, *Eclipse of the Public Corporation*, HARV. BUS. REV., Sept.–Oct. 1989, at 61.

The theory underlying shareholder value is that the relationship between managers, boards of directors, and equity markets involves monitoring, rewarding, and sanctioning managers to maximize the returns on assets and, in doing so, raise the price of the stock.[53] Boards of directors monitor managers by tying their pay to performance. If boards find that these incentives do not sufficiently produce high enough profits, then boards are forced to change management teams. If boards of directors fail to monitor managers closely enough, the equity markets will punish firms when owners begin to sell stock and the share price of the firm drops. This causes the overall value of the firm (i.e., the stock price multiplied by the number of outstanding shares) to drop. If it drops low enough, the firm's assets and cash will be worth more than the cost of taking the firm over. This condition produces the final source of discipline for recalcitrant firms: the hostile takeover. Theoretically, a hostile takeover happens when a new team of owners and managers takes over the assets of a corporation by buying them at the depressed price and using them more fruitfully in the pursuit of maximizing shareholder value.

The shareholder perspective offered both a criticism of what managers were doing circa 1980 and a set of prescriptions about what ought to be done about it.[54] From the point of view of these critics, the main culprits to blame for the problems of American business in the early 1980s were managers who had failed to maximize shareholder value in the 1970s.[55] Put simply, these managers were not deploying the assets of firms in such a way as to earn the highest possible rates of return. Managers were sitting on undervalued assets that were earning low profits. Not surprisingly, stock prices reflected the judgment of the market as to how well they were doing. These sitting management teams were also accused of controlling their boards of directors.[56]

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53. *See* Jensen & Meckling, *supra* note 12; Michael C. Jensen & Richard S. Ruback, *The Market for Corporate Control: The Scientific Evidence*, 11 J. FIN. ECON. 5 (1983).

54. For versions of what managers "should" do that appeared in the popular business press, see GEORGE P. BAKER & GEORGE DAVID SMITH, THE NEW FINANCIAL CAPITALISTS: KOHLBERG KRAVIS ROBERTS AND THE CREATION OF CORPORATE VALUE 104 (1998); MICHAEL HAMMER & JAMES CHAMPY, REENGINEERING THE CORPORATION: A MANIFESTO FOR BUSINESS REVOLUTION 18 (HarperBusiness 2006) (1993).

55. Jensen & Ruback, *supra* note 53, at 18–30.

56. It was thought that CEOs would appoint "insider" board members, either other top executives of the firm or people with whom they were friendly, who were beholden to them. *See* LUCIAN BEBCHUK & JESSE FRIED, PAY WITHOUT PERFORMANCE: THE UNFULFILLED

The low stock price relative to the value of assets and cash on hand was proof that managers had failed to maximize shareholder value. If it was more beneficial to liquidate, rather than continue operation of, a firm, then clearly, managers were to blame. The rhetoric of shareholder value began to seep into management practices. Useem describes how managers either responded to demands to increase shareholder value by engaging in activities that the financial markets valued or, alternatively, they risked becoming takeover targets.[57]

Maximizing shareholder value implies a balance sheet in which return on assets is high and growing over time. This encourages managers to financially engineer their balance sheets in order to increase the attractiveness of the firm and raise its share price. The kind of tactics managers pursued evolved over the twenty-year period.

It is useful to review some of what we know about those tactics. At the beginning of the 1980s, firms with lots of cash, little debt, and low stock prices found that they were likely to be merger targets. First, by borrowing money to pay for new companies, the firms became larger, more in debt, and less valuable as takeover targets.[58] Second, managers were told to reevaluate their product lines and sell off certain assets. Firms needed to make sure that they were in profitable businesses and were encouraged to divest themselves of unprofitable businesses. This meant they were encouraged to refocus their business on the things they were thought to do best, what in the parlance become known as "core competences."[59] Firms, as a result, sold off diversified businesses.[60]

Third, managers were under pressure to reduce costs by closing facilities and laying off workers. Mergers were frequently justified in cost-savings terms. Workers who were redundant were laid off, product lines that were not profitable were divested, and the newly

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PROMISE OF EXECUTIVE COMPENSATION (2006). These board members would be less likely to question the actions of the CEO.

57. USEEM, *supra* note 7, at 19.

58. Davis & Stout, *supra* note 48, at 613; *see also* Linda Brewster Stearns & Kenneth D. Allan, *Economic Behavior in Institutional Environments: The Corporate Merger Wave of the 1980s*, 61 AM. SOC. REV. 699 (1996).

59. Zorn et al., *supra* note 48, at 271; *see also* HAMMER & CHAMPY, *supra* note 54, at 9–33.

60. Davis, Diekmann & Tinsley, *supra* note 7, at 561; *see* Ezra W. Zuckerman, *The Categorical Imperative: Securities Analysts and the Illegitimacy Discount*, 104 AM. J. SOC. 1398 (1999); Zuckerman, *supra* note 50, at 613.

reorganized, more "focused" firm, would presumably make more money.[61] Eventually, managers figured out they could give a momentary boost to their stock price by announcing layoffs: a firm's short-term costs would decrease, which might spike the bottom line and, therefore, increase returns on assets.

Using a field theory perspective, Davis and Thompson argue that the financial community and managers who embraced the "maximizing shareholder value" rhetoric formed a kind of social movement.[62] The financial community used the frame of "maximizing shareholder value" to push existing firms toward financial reorganization; where managers resisted, members of the financial community would aid others in doing hostile takeovers. Some managers resisted proponents of maximizing shareholder value. Davis shows how managers tried to resist hostile takeovers by creating financial devices (including so-called poison pills) to prevent such takeovers.[63] Poison pills flood the market with stock of a firm in the event of a hostile takeover bid—diluting stock and forcing those initiating the takeover to make a higher offer.

However, the evidence shows that, overall, the pressure of the financial community towards maximizing shareholder value resulted in firms engaging in precisely the forms of financial reorganization recommended by the financial community.[64] In a prior paper, I provide evidence that firms who were targets of takeovers had undervalued assets relative to stock prices.[65] I show that firms who engaged in mergers, divestitures, and stock buybacks were less likely to be targets of takeover bids. I also demonstrate that having institutional investors on the boards of directors pushed managers to engage in financial reorganization.

Evidence shows that firms reduced the number of products they produced by merging with firms producing similar products and divesting unrelated product lines.[66] Zorn and his colleagues demonstrate that the number of mergers involving diversification dropped

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61. *See* Peter Cappelli, *Examining the Incidence of Downsizing and Its Effect on Establishment Performance*, *in* ON THE JOB: IS LONG-TERM EMPLOYMENT A THING OF THE PAST? 463 (David Neumark ed., 2000); Kevin F. Hallock, *Layoffs, Top Executive Pay, and Firm Performance*, 88 AM. ECON. REV. 711 (1998).

62. *See* Davis & Thompson, *supra* note 50.

63. *See generally* Gerald F. Davis, *Agents Without Principles? The Spread of the Poison Pill Through the Intercorporate Network*, 36 ADMIN. SCI. Q. 583 (1991).

64. USEEM, *supra* note 7, at 19–56.

65. FLIGSTEIN, ARCHITECTURE OF MARKETS, *supra* note 7, at 147–69.

66. *See* Davis, Diekmann, & Tinsley, *supra* note 7.

precipitously during the 1980s.[67] There was a steep rise in mergers in firms' main product lines. There was also a substantial rise in vertical mergers (i.e., the purchase of upstream suppliers or downstream customers). Scholars have demonstrated how these changes reoriented top managers towards institutional investors.

Within the corporation, the title "Chief Financial Officer" (CFO) was used to describe the executive who interfaced with the financial markets to explain how the actions of the firm were going to raise profits and affect share price.[68] On the market side, financial analysts who worked for large brokerage firms were the main targets for such messages. In order to attain "buy" recommendations from these analysts, CFOs and "Chief Executive Officers" (CEOs) needed evidence showing strategic changes in line with increasing share prices. Stock analysts were guiding corporations to focus their product lines so that firms' prospects could be easily evaluated.[69]

Shareholder value was a historical system that entered the American business scene during the early 1980s. The invasion of the market for corporate control by financial institutions under the shareholder value rubric was about the assertion of power by the largest institutional investors over the management teams that led the largest corporations. It involved a realignment of the relationships between managers and financial markets, with the investors in those markets coming to dominate the largest corporations. The rise of agency theory-inspired, shareholder value-driven capitalism was, first and foremost, about the rise of finance and its new powerful grip over American corporations. This domination was achieved through the use of a set of financial devices that were applied to the activities of firms to measure the degree to which managers' strategies produced increases in shareholder value, measured by various kinds of financial statistics and, of course, the share price.

The shareholder value agenda of institutional investors successfully reorganized American society in profound ways. For example, since 1980, the share of national income in the United States going to capital has risen from 34% to 42%, while the share for labor has dropped from 66% to 58%.[70] At the same time, wealth and income

67. *See* Zorn et al., *supra* note 48.

68. *See id.*

69. *See* Zuckerman, *supra* note 60; Zuckerman, *supra* note 50.

70. *National Income and Product Accounts Table 1.12*, BUREAU ECON. ANALYSIS, http://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1#reqid=9&step=3&isuri=1&903=53 (last visited Nov. 27, 2015) (follow "Section 1: Domestic Product and Income hyperlink; then follow "Table 1.12. National Income by Type of Income" hyperlink).

inequality over the period have soared. A set of recent studies show that, at the economy, industry, and firm levels, the main source driving this redistribution of income from labor to capital has been the shareholder value revolution.[71]

Field theory suggests that the new incumbents in the market for corporate control are those who run the financial markets and those who invest in them. Their takeover of that market and their reorienting the view of managers of publicly held corporations to focus on raising the share price has been highly advantageous to its principal beneficiaries. The U.S. model of how to make money in the largest publicly held corporations has shifted dramatically in the past 150 years.[72] This suggests that one should try to understand corporate governance not as a static set of concepts, but as a historical and cultural phenomenon that reflects the power of some actors over others and their difference across settings.[73]

The historical understanding of this system means that someday it will collapse. What will cause it to collapse is not scholars who are critical of this institution, but, instead, a massive crisis where the largest corporations using financial techniques fail to make profit or, alternatively, where the interests of shareholders alter dramatically. I note that the financial crisis of 2007–2009 was not enough to dislodge the shareholder value view of corporations. This shows that a crisis is not enough for change. In order for there to be substantive change, an alternative must emerge and actors who carry the banner of that alternative must be in the position to reorganize the field. As long as shareholder value tactics continue to work for institutional investors, the shareholder value and agency theory perspective will continue to dominate. But, this does not mean that those models will not eventually transform.

71. *See, e.g.*, Adam Goldstein, *Revenge of the Managers: Labor Cost-Cutting and the Paradoxical Resurgence of Managerialism in the Shareholder Value Era, 1984 to 2001*, 77 AM. SOC. REV. 268 (2012); Taekjin Shin, *Explaining Pay Disparities Between Top Executive and Nonexecutive Employees: A Relative Bargaining Power Approach*, 92 SOC. FORCES 1339 (2014); Donald Tomaskovic-Devey & Ken-Hou Lin, *Income Dynamics, Economic Rents, and the Financialization of the U.S. Economy*, 76 AM. SOC. REV. 538 (2011); Thomas W. Volscho & Nathan Kelly, *The Rise of the Super-Rich: Power Resources, Taxes, Financial Markets, and the Dynamics of the Top 1 Percent, 1949 to 2008*, 77 AM. SOC. REV. 679 (2012).

72. FLIGSTEIN, CORPORATE CONTROL, *supra* note 7, at 1–32.

73. *See* ROE, *supra* note 14, at 3–8; MARK J. ROE, POLITICAL DETERMINANTS OF CORPORATE GOVERNANCE (2003).

CONCLUSION

The theory of fields offers a great deal of conceptual clarity to the transformation of the field of corporate governance in the past forty years. By focusing on who the players are, what the basis of their power is, and how they enforce that power, we can examine the historical process by which new conceptions of the corporation and corporate governance emerge. This Article provides a stylized account of the emergence of the agency-based, shareholder value perspective, focusing on how the crisis of the 1970s managerial-dominated field of corporate governance produced the conditions for a new way to organize corporate governance to emerge. The shareholder value revolution was literally a transformation of the relationships between managers, investors, financial markets, and workers. This reorganization has worked greatly to the benefit of the winners (owners of capital and CEOs) and has made things worse for the losers (workers and everyone who earns just a salary).

Much of the literature in economics, business studies, and political science that is critical of the shareholder value model implicitly accepts the assumption that the model, in its idealized form, is what good corporate governance should be. For these scholars, the main issue for corporations is remaining vigilant and ensuring these institutions constrain managers. From their perspective, it is the failure of boards of directors to do their fiduciary oversight that allows managers to be out of control. This means that the current system encourages managers to take on too much risk because their time horizons are short and, if they are successful, to increase their pay substantially.[74]

The field perspective shows why those critical of the shareholder value perspective are unlikely to have much luck in changing the system as it exists. The investor class does not fail to benefit merely because sometimes managers take added risks or act in their own interests. The critique that shareholder value does not leave space for stakeholders or provide concerns for labor and the environment, although well-intentioned, misses the very way the system works. A society where the only actors who matter are shareholders is the one we have in America. This allows these actors to undertake actions that benefit only themselves and, as the sociological literature has shown, there has been a redistribution of national income from work-

74. For examples of this perspective, see the analysis in BEBCHUK & FRIED, *supra* note 56.

ers and lower-level managers to top managers and investors. Stakeholders cannot matter when the system is built to exploit their weaknesses.

One advantage of agency theory and the shareholder value perspective is that it offers both a positive account of the most efficient ways to organize and a moral critique of any system that does not conform to that vision. Field theory does not have a straightforward normative model. It is not about a justification for a particular normative order per se. Indeed, by revealing the interests and identities of key players in any field, field theory is more about unmasking how things work and what holds them in place. Knowing these facts can help scholars and critics make arguments about how such systems are not exactly what their proponents claim—the best way to organize. But, they leave open the issue of what might be better and more justifiable for other actors. I think field theory can be deployed in such endeavors by appealing to how the current order is less fair and equitable, principles that can be deployed to judge any set of institutional arrangements.

Finally, field theory might prove useful to legal scholars who want to have a better understanding of how particular legal arguments came to have so much power in structuring social relationships within and across fields. I have demonstrated that agency theory and shareholder value were historical constructs that have benefitted corporations and their owners. Legal arguments that support that takeover can be understood and perhaps attacked by trying to expose how they were social constructions.