The role of corporations in global governance remains a much overlooked area of study

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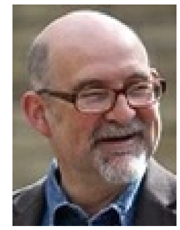
What role do corporations have in global governance? **Christopher May** *writes that while corporations are often viewed as either the subjects of global governance, or actors that have a particular influence (positive or negative) over setting political agendas, within their extended international supply chains corporations have a significant governance role which is worthy of study in its own right.*



Often in the discussion of global governance, if corporations *are* included they are seen as either subject to various international organisations' regulatory impact/oversight or are identified as having (benign or malign) influence over agenda setting in the issue areas in which they operate. However, it is less often recognised that within their extended international supply chains, global corporations and/or internationalised firms play a significant governance role themselves.

If, as is commonly asserted, one third of world trade is between corporations, and a further third is within global supply chains (intra-firm trade) then the majority of trade activity in the international realm is in some way or another overseen by corporations. This is a significant arena for political economic interactions, subject to inter-agent asymmetries, normative shaping, structural power and the construction of legitimated authority.

The extended and complex supply chains that are utilised by many firms and corporations bring together a wide and varied group of subsidiaries, associated and independent suppliers, and require significant levels of governance to maintain the flow of products (and services) for the core organising corporation. This ranges from the governance of property rights (tangible and intangible) and technological development and deployment, to questions of labour relations and the impact on the environment of contractors' activity. Much discussion of (global) supply chains focusses on their 'efficient' management, but seldom explores the explicit and implicit power relations that corporations' governance function is based upon.

However, the highly developed and necessary internal processes and practices of control and cross-ownership that make up any corporations' governance of its supply chain, by virtue of the global reach of such networks, represent a significant parallel to the range of issues that are more usually identified as of importance in the analysis of global governance, including principal/agency issues as well as the management of compliance, and the setting of agendas of action and establishing legitimacy of practice. Therefore, our understanding both of global governance and the political economy of the global corporate sector can be enhanced by regarding global corporations as additional institutions of global governance.

Popular demands that corporations act responsibly under the rubric of corporate social responsibility (CSR) already recognise that corporations are governance institutions able to effect shifts and changes in practices (albeit imperfectly) within their networks of exchange. Previously, concerns around global governance have focused on how global corporations have interacted with regimes of CSR including but not limited to the OECD Guidelines for Multinational Corporations and the United Nations Global Compact. However, the ability to enact the requirements of such agreements and principles involves corporations in a series of governance arrangements that are by no means dissimilar to the forms found in the 'public' realm of global governance even if the agents and practices are not exactly the same.

Therefore, in parallel to work that recognises the growing pluralism in international law, it makes sense to also posit a pluralism of institutional form and authority in contemporary global governance. Understanding global corporations' control of these supply chains as a form of global governance immediately opens up this realm to analytical tools already developed to examine more normally conceived forms of global governance, while also offering a complementary analysis showing how global governance may be experienced across the global system.

Perhaps the most important element that this analysis can draw from the study of public institutions of global governance relates to the establishment and maintenance of legitimacy; for corporations any resources required to 'force' compliance with contractual terms and conditions can be costly, and thus the ability to construct such demands as party of a legitimate authority can pay off both in efficiency terms (as other analysis might capture) but also in terms of overall organisational effectiveness.

Moreover, this approach allows analysis to understand the negotiation (and power relations therein) where corporations are dealing with contractors who are not exclusively working with their network; exit, voice and loyalty issues become key to maintaining the network's ability to keep production flowing through the chain. This has led to solutions to supply chain governance that look much more like empowerment and socialisation than the operation of basic spot-market contracting.

The argument that this is a useful approach to the study of global corporate networks is not a claim that all corporations or firms are equally able to govern their networks to the same degree or level of effectiveness. As with any other globally focused organisations, we are likely to find some corporations achieve a level of effective governance as good as, or even beyond that which the most effective global regimes can claim; equally we will find others that choose or are effectively unable to establish strong governance functionality in the same way that we can identify weak or partly ineffective public global governance institutions.

Nevertheless, recognising corporations as institutions of global governance encourages an analysis of the operation of power (in its various dimensions) within an important realm of the global system which remains obscured when accounts focus only on states and intergovernmental organisations. Crucially, this approach recognises that while specific corporate supply-chain constellations may be often rationalised as serving the goal of efficiency, they are actually the result of a continuing process of power relations, effective governance and the construction of legitimacy.

Research that has foregrounded private authority in the global system has gone some way in this direction, but the internal political economy of the corporate supply chain has not been extensively examined by these analysts. Thus, political economists might usefully move beyond this relative inattention to examine the realm of the supply chain as an interesting site of global governance in itself to reveal how global corporations shape their own political economic space. One way to respond to the often heard assertion that 'corporations rule the world' is to examine the global governance of the corporate supply chain to both offer evidence of where that rule does seem pervasive, but also to explore the limitations of such claims for corporate power's influence across the global system.

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Note: This article draws on the author's recent paper in Palgrave Communications. It gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics. Featured image: Frankfurt skyline by Carsten Frenzl / Flickr.

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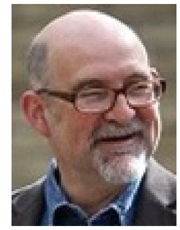

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