

Facts File (Extended) of Pune University Pharmaceutical Institutions Privately Manage Shares Misleading Story. Towards the View of Culturally Determined Agency



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Abstract

This study has positioned to contribute to the subject area of corporate governance in Pune University pharmaceutical institutions, which represents a substantial void in the literature both on corporate governance and international business. The new theoretical proposition of culturally determined agency has suggested. It builds on the recently put forward behavioral theory of corporate governance. This novel theoretical lens in corporate governance merges the under-socialized agency theory, as the dominant institutional logic in corporate governance of domestic firms, and the behavioral theory of the firm, which has probably the only theory of the firm that explicitly treats firms as complex social systems. Finally, three exemplifications of application of this new theoretical construct of culturally determined agency to the analysis of contemporaneous business issues in pharmaceutical institutions have briefly discussed: meta-national governance, use of expatriates, as well as knowledge and innovation management.

Keywords: Agency theory; Culture; Multinational corporation; Power/ politics; Agency; Contemporaneous; Business; widening gap; Gross Domestic Products; Saxon

Introduction

The financial crisis that erupted and infected the world economy in the years of 2009 and 2011 has sparked vigorous debates about the social order, problems of allocation of scarce resources, and the lack of distributive justice in wealth-distribution across different societal groups. This leads to an increasingly widening gap between the elitist and poorest strata of the society. Implicit to this discourse are the phenomena of power in social relationships and politics that has played out not only in societies, but also in large corporations, and especially the Pharmaceutical Institutions (PIs). Such entities generate financial streams of the magnitude that often exceed the Gross Domestic Products (GDP) of the small-sized, albeit well-developed, national economic systems (e.g., Walmart's or Exxon Mobil's revenues exceed the GDP of Turkey or Austria; Rugman and Collin son (2009)).

The current degree of internationalization of businesses, and the high volume of international trade and exchange have led to the situation, where Pharmaceutical Institutions at different managerial levels have commenced resembling

'transnational societies in miniature', with increasingly international and diverse managerial teams and task groups [1,2]. At the same time, there have been voices articulated in the international business scholarship that the field suffers from the lack of a big research question that would serve as a catalyst for its development [3,4]. Yet, there is a substantial void in the international business literature: the problem of corporate governance in Pharmaceutical Institutions [5,6]. Therefore, in an attempt to start addressing that gap, the theoretical framing that I adopt in this paper is corporate governance in Pharmaceutical Institutions. I build on the recently suggested theoretical proposition of the behavioural theory of corporate governance.

It merges the under-socialised agency theory [7,8], with the behavioural theory of the firm. The former represents a main institutional logic informing corporate governance of domestic firms, whereas the behavioural theory of the firm treats companies as complex social systems and arenas of organisational politics in a comparatively most explicit way. In devising my theoretical proposition, I recognise the phenomenon of culture as a distinctive feature of Pharmaceutical Institutions,

which differentiates them from their domestic counterparts. It is equally specific for the entire area of international business research and makes it a separate field of study within managerial science [9,10]. The new theoretical construct of culturally determined agency is to serve as an analytical tool that will allow for the rigorous scrutiny of the socio-cognitive processes of the perceived individual agency formation at the interface of boardrooms across the two governance levels in Pharmaceutical Institutions, i.e. at the parent and subsidiary level [9,10].

Finally, I discuss the three exemplifications of the application of this theoretical construct to the study of important contemporaneous topics in Pharmaceutical Institutions governance and management of high relevance for the business practice. The paper has structured as follows. In the next section, I provide the theoretical foundations for researching governance in Pharmaceutical Institutions. Next, I discuss the predictions of the agency theory, behavioural theory of corporate governance, and ultimately come up with the proposition of the new theoretical construct of the culturally determined agency. The third section contains a brief presentation and discussion of three exemplifications of application of this new theoretical construct to the analysis of contemporaneous business issues in Pharmaceutical Institutions. The final section comprises concluding remarks.

Corporate governance in Pharmaceutical Institutions

Pharmaceutical Institutions represents a traditionally conceived for-profit stock exchange listed organization, and hence it has long-term objectives have no different to the domestic firms. Therefore, the principles of corporate governance are equally applicable to Pharmaceutical Institutions. Since the UK Cadbury Committee (1992) corporate governance movement evolved into practically systems in Pharmaceutical Institutions as compared to their domestic counterparts. As a result, corporate governance in Pharmaceutical Institutions represents a relatively uncharted territory in terms of academic contributions [11,12]. Among the corporate governance mechanisms, scholars have been paying particular attention to a board of directors. It represents an internal institutional mechanism of shareholders' indirect control over company management. Board structures vary between countries due to their different legal and socioeconomic legacies and personal dependencies.

Accordingly, we can distinguish between Anglo Saxon (common law) and countries in continental Europe together with for instance Japan (civil law), which has characterized by the stock market and relational/welfare capitalism, respectively. In the former case, companies typically install one tier/monistic boards, where differently contractually obliged nonexecutive and executive directors meet to form a single collegial body at the apex of organizational hierarchies. In the latter variant, there typically occur two tier boards with a separate executive segment in the form of a management board and a nonexecutive

segment construed as a supervisory board [13,14]. Regardless of the ultimate board structure, the most crucial aspect of this governance mechanism has derived from the fact that the contractual scripts for particular board roles determine a chain of accountabilities, and hence power distribution, among them. So, the Principal and other executive directors are accountable to the Chairman of the board (provided that it is a non-executive function) and other non-executive directors.

The non-executive directors have in turn accountable to shareholders, who, if it has an institutional shareholding, has further accountable to their clients and their own shareholders, if such an institutional investor represents a stock exchange listed company itself [15,16]. Such a configuration of accountabilities and power distribution among the main corporate actors, in the sense of their responsibilities for the decision-making process, sounds complex. Furthermore, their implications and consequences cascade down the organization, and have direct influence on the strategy making process, which determines the long-term direction of company development. This is so, even if this complex set of relationships describes only a domestic company and not pharmaceutical institutions.

The picture becomes much more complicated, when we add multiple foreign subsidiaries with their own boards of directors, and even more so, when those subsidiaries have listed on the stock exchanges, and hence have their own shareholders. As a result, we have separate circuits of configurations of accountabilities for Pharmaceutical Institutions headquarters and for its all pertinent subsidiaries. The extant academic research recognizes the importance of the headquarters-subsidiary relationships for the overall successful governance of an Pharmaceutical Institutions [17,18]. However there has been a paucity of especially empirical research that would examine the interface and interactions between the headquarters' and subsidiary boards in Pharmaceutical Institutions. The existing contributions were largely confined to either the 1st or 2nd governance only.

One conceivable explanation for this substantial void in both international business and corporate governance literature has the difficulty involved in rigorous conceptualization of this complex set of relationships at both governance levels, and especially at the interface between them in the Pharmaceutical Institutions. Drawing from the dominant institutional logic in the Anglo-Saxon corporate governance system, i.e. the agency theory, we need to recognize that such a chain of accountabilities in an Pharmaceutical Institutions, involving both headquarters' and subsidiary boards, de facto constitutes an agency framework with multiple layers of agency relationships [19]. Accordingly, for instance nonexecutive directors on the subsidiary board are, in addition to their accountability to the subsidiary shareholders, also accountable to both executive and nonexecutive directors on the headquarters' board, and indirectly to the headquarters' shareholders. So, they act as principals towards the executives on the subsidiary board, and as agents in relation to all

aforementioned board members at the headquarters level as well as indirectly to the headquarters' shareholders. There are many conceivable combinations of the agency relationships between different corporate actors at both headquarters' and subsidiary governance levels. However, I have illustrated just one case for the subsidiary nonexecutive directors as a matter of depicting the complexity in-built in governance structures in Pharmaceutical Institutions. Nevertheless, such an exercise could be carried out for other board members and/or shareholders at either of the governance levels in the PIs.

Conclusion

In this work, by considering the problems of Pharmaceutical Institutions governance I touch upon the reason determined of Pharmaceutical Institutions. There is a substantial void in the literature on both corporate governance and international business. Both these ample and rich research streams have greatly developed over a few last decades, however somehow there is a paucity of contributions that would address research questions that arise at the interface of these fields of research. In recognition of this opportunity for a contribution, I propose a novel theoretical construct of the culturally determined agency. It draws from the behavioural theory of corporate governance and allows for the accommodation of the cultural factors in the analysis of the governance practice. I also discuss the exemplifications of potential applications of this theoretical concept to the state of the art topics of the Pharmaceutical Institutions governance and management that are of high managerial relevance. It is my hope that this theoretical proposition can serve as a useful analytical tool for scholars that will decide to explore this almost uncharted research territory, or that it will at least provoke further discussion and debate on this subject matter.

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