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Rethinking Corporate Governance: A Comparison of Agency, Stakeholder, and Cognitive Approaches

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ABSTRACT: This article analyzes three main theories of corporate governance: agency theory, partnership theory and cognitive theory. Agency theory focuses on control mechanisms designed to mitigate conflicts of interest between owners and managers. In response to the limitations of this approach, partnership theory broadens the perspective by taking into account a wider set of stakeholders, while emphasizing the need for ethical and collaborative governance. Cognitive theory, meanwhile, emphasizes the importance of learning and innovation in creating value within organizations.

The article provides a comparative analysis of these three theories, identifying their convergences and divergences, as well as their relevance to current governance practices. This reflection shows that these theories, far from being mutually exclusive, offer complementary perspectives for developing more inclusive governance mechanisms, capable of responding to contemporary challenges while integrating the economic, social and cognitive dimensions of organizational performance.

KEYWORDS: Corporate Governance, Agency Theory, Partnership Theory, Cognitive Theory, Stakeholder Management

I. INTRODUCTION

Contractual theories, such as agency theory and partnership theory, as well as cognitive theory, provide key conceptual frameworks for analyzing corporate governance. Agency theory, established by Jensen and Meckling (1976), focuses on conflicts of interest between owners and managers, emphasizing that the dissociation between ownership and management generates information asymmetries and agency costs. Governance mechanisms, identified by Fama and Jensen (1983) and Williamson (1985), aim to mitigate these costs, although this theory is criticized for its simplified view of organizational relationships.

Partnership theory broadens this perspective by integrating a wider set of stakeholders, including employees, customers and suppliers. Inspired by the work of Evan & Freeman (1988) and Charreaux (2004), it maintains that organizational performance depends on cooperation between all stakeholders, based on justice, equity and transparency.

In contrast, cognitive theory, developed by Charreaux (2005), focuses on value creation through learning and innovation. It highlights the importance of organizational actors' skills and knowledge, and proposes new mechanisms for harmonizing their cognitive patterns, reducing cognitive costs and strengthening cooperation.

These three complementary theories offer a more inclusive approach to corporate governance, combining economic performance with social responsibility.

II. ARTICLE METHODOLOGY

This article uses a theoretical and analytical approach to explore contractual and cognitive theories in corporate governance. The first step is an in-depth review of the literature, covering the major contributions on agency theory, partnership theory and cognitive theory. This review identifies the conceptual foundations and key assumptions of each theory, as well as the points of divergence and convergence between them. The article then analyzes how these theories have evolved in response to contemporary issues in corporate governance, such as the management of information asymmetries, the role of stakeholders, and the integration of cognitive dimensions into governance mechanisms. This methodological approach enables us to build a critical and integrated vision of the main approaches to corporate governance, shedding light on their theoretical and practical implications in various organizational contexts.

III. THEORETICAL DEVELOPMENT

A. Contractual theories

- **Agency theory: a model of transparency and accountability**

Agency theory, introduced by Jensen and Meckling (1976), describes the relationship between owner (principal) and manager (agent), in which the owner delegates management of the company to a manager. This separation of ownership and management creates conflicts of interest, known as agency conflicts, resulting from divergent objectives between shareholders and managers. Berle and Means (1932) had already highlighted the transfer of control to management, underlining the contradictions between the interests of owners and managers. In this context, managers can exploit information asymmetries to their advantage, a phenomenon observed in companies with fragmented ownership (Fama & Jensen, 1983; Hillman & Dalziel, 2003).

Agency theory is not limited to principal-agent conflicts, but also includes principal-principal conflicts, between majority and minority shareholders (Ward and Filatotchev, 2010; Young et al., 2008). These conflicts arise from the power of majority shareholders to exploit private benefits to the detriment of minority shareholders (Faccio et al., 2001).

This theory is based on information asymmetries, where managers have access to privileged information that they may not disclose (Fama and Jensen, 1983). The resulting agency costs (Boudier et al., 2012) require control mechanisms to align incentives, such as boards of directors and audits (Bakkour, 2013).

Agency theory, while initially focusing on the shareholder-manager relationship, has gradually broadened to include other players. As a result, it is juxtaposed with partnership (Charreaux, 2004) and cognitive theories, which look more broadly at the dynamics of power, commitment and learning within the organization.

- **Partnership theory: a model of participation and ethics**

The partnership model extends corporate governance beyond the owner-manager relationship to include other key players, such as employees, customers, suppliers and external stakeholders (Evan and Freeman, 1988). It is based on the idea that organizational performance must integrate not only financial returns for shareholders, but also the satisfaction and commitment of all internal and external stakeholders, including human capital (Charreaux, 2008).

This model retains the foundations of the contractual approach while introducing new partners into the creation and sharing of value, and highlights the importance of cooperation between all stakeholders in achieving the organization's strategic objectives (Kipley and Lewis, 2008). The equitable distribution of partnership value then becomes a major issue, which can lead to ownership conflicts (Charreaux, 2014). Thus, control mechanisms are needed not only to maximize wealth, but also to minimize conflicts related to this distribution (Hoarau and Teller, 2001).

In addition, this theory provides a normative basis for ethical governance, balancing the interests of stakeholders (Phillips and Reichart, 2000). It values principles such as justice and equity (Dahl Rendtorff, 2006), where decisions are made with the general interest in mind rather than individual interests, making the partnership model an exemplary ethical approach.

B. Cognitive theory: a model focused on innovation

The relationship between human capital and value creation reveals that disciplinary theory, particularly in its partnership vision, emphasizes stakeholder participation to maximize value creation (Rajan and Zingales, 1998; Blair and Stout, 1999). However, this theory does not take sufficient account of the process of knowledge accumulation, learning and innovation. In this respect, the cognitive theory developed by Charreaux (2005) goes a step further, proposing a new approach to governance focused on value creation through learning and innovation.

Cognitive governance emphasizes the importance of human behavior and skills within the organization, stressing the central role of human capital and knowledge in value creation (Bessire et al., 2010). Unlike the disciplinary approach, which is limited to resolving conflicts of interest, cognitive theory views knowledge as a set of mental constructs derived from information, enabling it to be given meaning (Peter Wirtz et al., 2011). Differing perceptions, or "cognitive biases", can lead to cognitive conflicts, distinct from classic agency conflicts. These conflicts, based on mutual misunderstandings, can hinder innovation and even destroy value (Charreaux, 2005).

Thus, this approach requires specific mechanisms to resolve these behavioral conflicts and align cognitive patterns, beyond traditional governance mechanisms such as boards of directors (Charreaux, 2002). Governance thus becomes a cognitive lever, facilitating learning and innovation, and aiming to reduce cognitive costs and improve cooperation between organizational players.

Although each theory presents different governance mechanisms, there are points of intersection between them. They agree on the idea that value creation is based on an approach centered on the firm as a "node of contracts" or "productive entity"

(Charreaux, 2004). However, they differ as to the central element of this process. Cognitive theory offers a broader perspective that could enrich existing approaches by incorporating dimensions of learning and innovation (Saïsset, 2016).

Despite their popularity in the corporate governance literature, these theories are still little exploited in the context of public organizations (Frederickson, 2004). However, it is relevant to consider corporate governance as a subset of public governance and, by extension, of general governance. Barrett (2003) suggests that corporate governance principles apply well in the public sector, particularly in the context of the New Public Management (NPM) of the 80s and 90s (Calabrò, 2011).

During this period, the public sector adopted several governance practices from the private sector (Ahn et al., 2002), significantly influencing its management (Edwards et al., 2012). This mutual influence has manifested itself through various types of organizations, such as ministries and Crown corporations (Thynne et al., 2002).

IV. COMPARISON OF THE THREE THEORIES

A. Objectives and Main Focus

Agency theory: This theory focuses primarily on conflicts of interest between a company's owners (principals) and its managers (agents). It proposes control mechanisms to reduce these conflicts and align the interests of both parties. The main objectives are to minimize agency costs, improve transparency and increase management accountability.

Partnership theory: This broadens the perspective of governance by integrating a wider set of stakeholders, such as employees, customers, suppliers, etc. The aim is to create value not only for shareholders, but for all stakeholders, by promoting ethical, collaborative and inclusive governance. The aim is to create value not only for shareholders, but for all stakeholders, by promoting ethical, collaborative and inclusive governance.

Cognitive theory: Focusing on learning and innovation, this theory emphasizes the importance of the skills, knowledge and adaptability of organizational players. It sees governance as a lever for stimulating innovation and improving long-term performance by reducing the cognitive costs associated with differences in perception and errors of judgment.

B. Fundamental assumptions and governance methods

Agency theory: Based on the hypothesis of bounded rationality and opportunism, this theory assumes that agents can hide information or act opportunistically. Governance methods include monitoring, control and incentive mechanisms, such as boards of directors, internal and external audits, aimed at restoring the balance between owners and managers.

Partnership theory: based on the idea that organizational performance is the result of balanced cooperation between stakeholders, guided by ethical principles of justice, equity and transparency. Governance methods include the participation of all stakeholders in decision-making processes, the establishment of open dialogues, and the setting of rules and ethical behavior.

Cognitive theory: considers that governance must integrate the processes of learning and knowledge creation, where information is transformed into useful knowledge for the organization. Governance mechanisms include the promotion of innovation, continuous learning, and the management of cognitive biases in order to harmonize the cognitive schemas of actors to improve cooperation and value creation.

C. Value Creation Approach

Agency theory: Value creation is seen through the reduction of agency costs and the optimization of the principal-agent relationship to maximize shareholder wealth. Value is linked primarily to the effective management of conflicts of interest, and to improved transparency and accountability of management.

Partnership Theory: proposes a plural approach to value creation, where value is shared equitably between all stakeholders. It emphasizes the co-creation of value, taking into account the contribution of each partner to the organization, whether in terms of human, financial or social capital.

Cognitive theory: Perceives value creation as a dynamic process based on the accumulation of knowledge and innovation. It introduces the idea that value is generated not only by resource management, but also by the continuous improvement of organizational players' skills and knowledge.

D. Convergences and Divergences

Convergences: Although these three theories approach governance from different angles, they converge on the idea that governance must go beyond the simple management of conflicts of interest (agency theory). Partnership theory and cognitive theory complete this vision by integrating broader dimensions of social responsibility (partnership theory) and learning (cognitive theory).

Divergences: The main divergence lies in their approach to governance and value creation. Agency theory focuses more on control and monitoring mechanisms to minimize conflicts of interest, while partnership theory concentrates on the inclusion of all stakeholders in value creation. Cognitive theory, meanwhile, emphasizes the importance of learning and innovation as drivers of organizational performance.

CONCLUSIONS

This article explored agency, partnership, and cognitive theories of corporate governance to better understand organizational management dynamics. Each theory offers a distinct perspective: agency theory focuses on control mechanisms to reduce conflicts of interest; partnership theory incorporates a broader range of stakeholders and emphasizes ethical governance; and cognitive theory highlights learning and innovation in value creation. A comparative analysis shows these theories are not mutually exclusive but can complement each other, leading to more inclusive governance mechanisms that address contemporary challenges by integrating economic, social, and cognitive dimensions.

This reflection suggests a holistic approach to governance that adapts to today's complex organizational contexts. Future research could explore the application of these theories in specific settings, such as the public sector, where transparency, accountability, and innovation are essential.

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