Abstract

Inspired by Schlicht's and Sabel's theory of the firm, a new three-pillared theory of the firm (Trimiti: 3Cs model) has been developed under the belief that theories of the firms are much related to theory of corporate governance. Underlying theory of the firm is the concept of the balance of power. The balance of power is the core of corporate governance that appears to have been referred to more by practitioners than scholars. This paper shows that corporate governance can actually find its root in economic governance in which the balance of power has been the dominant principle underlying all stable and prosperous economic systems from the past to present. The economic history of Europe shows this. More recent studies on modern organizational economics have shown two interacting thrusts inside the firm: to achieve the firm's objective and to keep its activities efficient. Both streams of evidences lead this paper to synthesize the balance of power as the core of corporate governance. The balance of power concept, though much mentioned, never has been proposed in the past as a theoretical ground because of the firm subtlety. This theoretical framework argues that a firm can be understood and conceptualized in several realms. Whereas the legal realm of the firms is commonly used in theoretical analysis, its narrowly characterized nexus-of-contract hinders an understanding of the complexity of the governance realm which can be construed as the balance of power driven by three interacting components, namely Authoritative capability, Control power and Cultural consensus. Since a sizable portion of Thai listed companies are plausibly controlled by majority shareholders and their families, the companies represent the ideal subjects of study through the lens of the 3Cs model. The test results were found compatible with previous studies. The 3Cs model is proved to be a new effective tool of corporate governance study. Most Thai listed firms lack corporate governance. Some firms are able to show their corporate governance, which are voluntary acts of majority shareholders.