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#PACTE Law
Redefining the corporation and its ultimate purpose: a revolution ‘en marche’?

After the consultations which ended in December, the Action Plan for Corporate Growth and Transformation (PACTE), which should become a government bill in the spring, is entering a new phase this Monday with the launch of a public consultation. At the same time, a Private Member’s Bill tabled by a number of socialist party (PS) deputies and other supporters, aiming to rewrite or add to several articles of the Civil, Business, and Labour codes, will be debated in the National Assembly on Thursday 18 January. These announced changes redefine the objectives of French companies and could have unprecedented consequences.

Xavier Hollandts, professor-researcher at KEDGE and specialist in corporate governance, shares his analysis.

"On reading the 31 proposals to add substance to the PACTE that the government published online today, it becomes clear that governance is totally absent from the themes to be debated", notes Xavier Hollandts. "None of the aspects to be considered explicitly mentions this theme and yet the Ministry has announced that one of the goals of the PACTE is to "rethink the place of companies in society and involve staff more in their results". Could the government be content to merely strengthen the mechanisms of employee savings and shareholding schemes? If this were the case, it would be a far cry from the goals described at the launch of the PACTE and the substance of the law would seem very pale in comparison to the elements set out in the socialist Private Member’s Bill which will be debated by the National Assembly this Thursday”.

"The Private Member’s Bill n°476 entitled ‘New Corporation and new governances’ is quite simply one of the most ambitious and innovative texts on governance since the Sudreau report in 1975!", explains Xavier Hollandts. "The bill presented by the deputies Olivier Faure, Dominique Potier, and Boris Vallaud, has the sole aim of profoundly changing the ultimate purpose of a business and implementing a truly and typically French type of codetermination".

According to Xavier Hollandts: "This private member’s bill anticipates the discussions which should take place in the coming months in the framework of the PACTE. The aspect that raises most debate is the modification of article 1833 of the Civil Code, which specifies that "all partnerships must […] be created for the common interest of the partners”. The bill effectively aims to add a sentence with considerable ramifications: "The partnership is managed in compliance with the interest of the corporation, taking into account the economic, social, and environmental consequences of its activity”.

Xavier Hollandts emphasises that “this bill aims to protect the notion of the social interest of a corporation. This change would be major because it would impose the fact that a corporation should no longer be managed solely in the interest of its shareholders but in the priority interest of the corporation and, beyond that, of society as a whole”.

The other big changes concern the introduction of a French style of codetermination (which notably follows on from the laws of 2013 and 2015) with the progressive lowering of the staff representation threshold to 500 persons (Article 2) instead of 1000, and the guaranteed presence of staff members in the board of directors of large SMBs and listed corporations. "By modifying an article at the heart of our current corporate law, this bill will
purely and simply redefine what a corporation is and above all who is legitimate to participate in its governance*, explains Xavier Hollandts.

"This ambitious text, which seems to go further than the future PACTE law, lays down the foundations of a new, more inclusive form of governance, which would open its doors more widely to staff members. Between the discussion and the vote on this Private Member's bill, the public consultation and compilation of the future PACTE law, the coming weeks could be decisive in tracing the outlines of the future governance of French corporations. Will the reform simply lead to a strengthening of the existing mechanisms (employee participation and shareholding) or will it be more ambitious? In the latter case, we could witness the emergence of a true and typically French type of codetermination" concludes Xavier Hollandts.

About Xavier Hollandts

About KEDGE Business School:
KEDGE is a leading French business school with four campuses in France (Paris, Bordeaux, Marseilles and Toulon), three abroad (Shanghai, Suzhou and Dakar) and three partner campuses (Avignon, Bastia and Bayonne). The KEDGE community is made up of 12,600 students (including 25% coming from abroad), 183 professors (including 44% coming from abroad), 275 international academic partners and 55,000 alumni around the world. KEDGE offers 32 programmes in management, designed for students and industry professionals. It also provides tailor made educational programmes for businesses at national and international levels. KEDGE Business School is AACSB, EQUIS and AMBA-accredited, and is a member of the Conférence des Grandes Écoles. It is also recognised by the French government, with labelised programmes, and has obtained the EESPIG label. KEDGE was ranked 40th by the Financial Times in the European Business School ranking and 37th globally in its Executive MBA ranking.

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