

**Workshop #6**  
**Summary Report**

**November 15-17, 2006**  
**San Francisco, CA**

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## INTRODUCTION

Corporation 20/20 is an initiative premised on the idea that societal expectations and needs in the 21<sup>st</sup> century demand greater corporate contributions to urgent environmental, social and economic global imperatives. The initiative strives to design and disseminate prototypes of new corporate forms that embed the public interest at its core. Comprising 170 leading theorists and practitioners from business, labor, law, civil society and government, Corporation 20/20 seeks to bring “corporate redesign” to the business and public policy agendas. A set of Principles for Corporate Redesign (see Annex B), embodies the thinking that lies at the heart of the initiative. The Principles challenge the received wisdoms pertaining to the purpose of the corporation and its role in society while providing cohesiveness to the initiative’s activities.

The recent workshop in San Francisco – the subject of this report – was the sixth in a series of bi-annual workshops that have brought together scores of participants in dialogue on a variety of corporate redesign issues. The meeting will be the last in the series that will shape the agenda for a larger public event scheduled for November 2007, the *Summit on the Future of the Corporation* (more on this follows in the report).

The primary objective of the workshop was, like its predecessors, to put forth ideas for feasible, coherent and inspiring corporate forms. In addition, the meeting aimed to gain clarity on defining pathways for change—identifying the actors who will facilitate the uptake of corporate redesign ideas and the strategies for doing so. Thus, Corporation 20/20 is in a phase of defining both new corporate forms, and identifying those who will take ownership of these ideas and drive them forward.

## SUMMARY OF DISCUSSIONS

### Internal Transformation

Steve Voigt and Ken Larson (see Annex C for full list of participant bios) kicked off the workshop, introducing a discussion on internal transformation. They focused on mechanisms that companies have voluntarily implemented to drive organizational change.

Voigt described his experience leading an ESOP. The company's structure and philosophy is well-captured in Corporation 20/20 Principle 4: "Corporations shall distribute their wealth equitably among those who contribute to its creation." He mentioned the need to set the bar high for accomplishing social good and the importance of CEOs with strong values to lead the charge and set an example for mid-level managers as well as enhance the desirability of the company to future employees. Mechanisms for internal transformation are not unique to each company; they hold important lessons for other companies and we must continuously learn from each others experiences and tools.

Ken Larson spoke from his experience at HP, stressing the need to combine top-down and bottom-up approaches for transformation. The leadership at a company must be metrics driven and should harness the power of employees to enact change. In doing so, commitments at all levels of management are important. Even if the goals are not fulfilled immediately, clearly defined objectives lay the groundwork for change.

Group discussion began with comments on lawyers' aversion to public commitments based on increased risk to the company. Perhaps though, companies do not consider a wide enough spectrum of risk. For example, not considering the possibility of skyrocketing oil prices could be seen as a violation of fiduciary duty if it threatens to undermine company's performance. However, taking action to minimize non-traditional risks is difficult when there are financial arguments against doing so. Thus, we must convey to both companies and lawyers the positive reasons for internal transformation that are built on a broader perspective of the organization's relationships to multiple stakeholders and to society in general.

The group then moved to discussing what form public commitments would take. Goals and metrics are critical, and there must be a shared understanding of the goals at all levels of the company. A shared framework for goals can be a significant driver of innovation. However, the easiest metrics are often the ones that enable gaming the system; the more meaningful metrics are harder, although not impossible, to quantify.

The discussion shifted to questions of where change should, and is mostly likely to, occur within a company. Given recent trends in relation to rapid turnover in executive leadership, how might a company drive change from the top, but ensure that values and methods are indelible and remain during and after management turnover? What are the rewards, incentives and signals that could be introduced to the mid-level managers to increase their effectiveness in pushing for transformative change? And, how might one

do this across a large number of companies all at once? Is there a specific mechanism or law that is influential in preventing or motivating change?

One participant suggested that identifying “key change points” is critical. Many companies are hesitant to enact or intimidated by, transformational change. Thus, starting by changing a few key aspects (e.g., the decision-making processes) will create momentum in working towards broader goals, even if it creates some operational inefficiency at the beginning.

Many participants felt that incentives are critical in creating widespread, lasting changes in companies. Most companies operate with bonuses and stock options as incentives; it therefore is logical that stock price is management’s primary concern. Rewards are strongly linked to goals, and change will not occur without a realigning of incentives to fit with social purpose. Without incentives, all changes will be weak at best; with incentives, change will be self-reinforcing.

Governments can also play a role in enabling and providing incentives for companies to change. In order to produce change at a heightened scale and velocity, it is necessary to have both internal incentives and external forces.

In communicating these ideas to the business community, selecting the appropriate language is critical. We must use language that they understand. In addition, stressing the value of intangible assets is important. Particularly in a post-Enron era, we must look at information in an alternative way, attempting to gauge the real value of a company—not just its stock price.

In summary, recognition and alignment of company goals must occur at all levels of management. A shared understanding of the company’s vision is critical. Existing managerial tools and language are useful because managers are familiar with them. Such tools and resources can and should be deployed to meet social objectives.

### **Government’s Role in Corporate Transformation**

Rich Rosen and Charlie Cray introduced the discussion on the role of government in corporate transformation. Rich stressed the point that current social and environmental ills are *urgent*; this translates into a need for long-term planning from a body that is concerned with the future of society as a whole. He also emphasized the need to attend to market demand. Because the need for sustainable development is urgent, we must not allow people or companies to buy their way out of responsible choices. Market signals and prices are too weak to manage effectively for the long-term. As such, law and regulation is necessary to meet pressing timelines for sustainable development.

Charlie Cray put forth an objective we must work towards: to empower citizens to control their government and in doing so, to control corporations. His rationale: as individuals, we are not just investors and consumers, but also citizens—and should exert influence as

such. Charlie provided a history of corporate chartering for the group as a backdrop for discussing charters as a national planning tool. Rather than using chartering as a blanket policy, it is preferable to use it in the context of particular sectors and national policymaking, starting with those that intrude deeply into the public's well-being such as tobacco (public health), defense, energy and transportation (national security), etc. Alternatively, we could begin to exert more public authority over sectors where corporations are heavily reliant on the commons (e.g. clean air, water, land), or those that rely heavily on taxpayer funds (e.g., defense contractors, highway and mass transit construction) or subsidies.

The group launched into a discussion about state vs. federal chartering. One benefit of state level chartering is that the different states can serve as laboratories for experimenting with different types of processes. States can learn from one another and look for models that will add value to investors. In addition, state level processes are more likely to effectively incorporate stakeholder input than federal processes. In either case, the important thing is that companies be motivated to opt into new types of corporate charters and forms.

This issue of chartering led to a discussion of the general purpose and value of regulation: what is the optimal level of regulation of corporations that will protect the public interest? One participant suggested that we think about reinvigorating the role of government as a framing issue to deal with the issue of broken democracy. Another participant suggested that rather than questioning whether the government *should* have a role in corporate transformation, we must frame it more actively: what *is* the role of government? No role is in fact a role—it is a conscious choice. Nevertheless, achieving the appropriate level of government involvement in business is critical. Many feel that the UK has too much regulation rather than too little. A heavily regulated business climate may crush the entrepreneurial spirit. On the other hand, regulation is necessary to provide incentives, level the playing field, and drive the business case for CSR.

In fact, rather than crush the entrepreneurial spirit, the government can promote it and use it to create social good. As a society, we have in the last 25 years drifted far in the direction of trying to diminish the size and role of government, particularly the social role. But opportunities abound for government—a major stakeholder in corporations—to bring together social necessity and the entrepreneurial spirit. We should aim to help government recognize and support strong, socially minded businesses. We must then provide a setting supportive of moral and responsible behavior. In addition to government, private corporations and small businesses are a major source of untapped power that could help promote corporate redesign.

One participant summarized what a path forward, including internal transformation and external regulation, might look like. Objectives include:

- 1) democratizing corporations (without over-democratizing them at the expense of innovative and flexible management);
- 2) promoting government protection and encouragement of those who are change agents within companies;

3) scaling up, including implementing government regulation. Chartering processes are generally feeble and underutilized as agents for social change, but they have great potential as a supportive instrument to help corporations achieve major social and environmental goals.

In sum, government must fulfill its charge to protect the public interest. Business itself cannot be responsible for the public interest without regulations in place to ensure that they meet their responsibilities.

### **Stakeholder Governance**

Chuck O’Kelley and Alan Willis led the discussion on stakeholder governance. Chuck elaborated on the issue of directors’ duties and obligations within the boundaries of existing corporate law. To the surprise of many participants, he explained that directors have tremendous leeway and flexibility with regard to the consideration of stakeholder interests. As long as a board decision is viewed as “rational”—an extremely flexible concept—and as long as directors are acting in good faith and in the interest of the corporation, then their actions cannot be attacked as violations of corporate law. In addition, only shareholders have standing to question directors’ decisions in court. In the U.S., there is essentially no perceived risk of lawsuits of shareholders suing directors. As such, the problem is not the limitations stemming from current corporate law, but rather the culture and ideology of markets and economics in which companies are rooted.

Alan Willis provided a description of Canadian corporate law similar to what Chuck described for the U.S. Canada has made some significant strides recently with regard to incorporating stakeholder interests in company decisions. For example, a recent court case reiterated that the “best interest of the corporation” is not the same thing as “the best interests of the shareholders.” And, new guidelines encourage directors to incorporate input from other stakeholders.

The group took up the issue of how strong and compelling ideology alone can be. Because most incentives within corporations are based on share value (options, bonuses, etc.) it makes sense that managers pay close attention to share price. Yet, because corporate law does not specifically require directors to maximize shareholder value, there is room for corporate law and fiduciary duty to include a broader purpose of the corporation that includes stakeholder interests and not just share price.

In taking advantage of the flexibility in corporate law and advocating for stakeholder governance, we must confront the issue of wealth discrimination. We should not try to advocate that shareholders will benefit from stakeholder governance—that is missing the point. Instead, we must legitimize the question of stakeholder governance as an issue in the public discourse and bring to the public’s attention the need for the equitable distribution of corporate wealth as well as a redefinition of the purpose of the corporation. Additionally, we must be positive in our phrasing—our initiative must show that it is *for*, rather than against, something (e.g., “for benefit”). Further, we must distill

our message and make it into an easily communicable idea that explains specifically *who* corporations benefit (the idea that actions are in the interest of a company generally is not meaningful to people). One participant noted that we are really talking about owners of corporations. What do we want owners to have to do and heed?

In summary, existing corporate law grants directors and managers tremendous latitude in exercising fiduciary duty. The current rewards and incentives system positions stock price as the primary determinant of financial returns for CEOs and top management. Replacing this framework with a stakeholder governance framework is difficult and complicated. But, because this system is ideological and not legally mandated, there is potential for significant change.

### **New Corporate Forms**

Ken Temple and Jay Coen Gilbert kicked off the discussion on new corporate forms by offering examples from their own experience. Ken described the unique structure of the John Lewis Partnership—an innovative and socially-minded retail company based in the UK. Highlights of the company’s structure include: no external equity; non-contributory retirement scheme; stated purpose to create “happiness” at work (defined as “satisfying and worthwhile employment in a successful business”); recognition of the downside to “too much profit”; and capped salary ratios of top-level management and other employees.

Jay Coen Gilbert’s recent endeavor, “B Lab,” strives to create a new sector, (analogous to the for-profit and not-for-profit sectors) called the “For Benefit” sector. The new sector would be comprised of For Benefit corporations, (“B corporations”) that have social and environmental performance and stakeholder interests embedded in their core.

The impetus for this initiative is the fact that socially-minded companies have had difficulty replicating, scaling up, and accessing capital markets. These problems are linked primarily to two system design flaws: first, it is hard for consumers and investors to identify ‘good’ companies. There are no clear, comprehensive standards, and the standards that do exist, deal only with specific products or practices—they do not assess the company as a whole.

The second system design flaw relates to liquidity (which implicates replicability and scalability). In order to become a B-corporation, a company will be required to: 1) incorporate stakeholder interests into the company’s governing documents (guidelines for appropriate language will be made publicly available); 2) complete a B report—a public document—that will provide easily accessible information to consumers about a company’s mission and performance.

Following the description of a potential For-Benefit sector, participants broke into three smaller groups to brainstorm critical elements of what a Principles-based corporation and operating environment might look like in the year 2020. They reported back with the

following descriptions of corporate forms and business-society relations, looking back from the year 2020:

*Group A*

New reporting framework; broad fiduciary duty; rating groups assess overall social performance; high performers qualify for tax or other privileges from government; dramatic shrinkage of “anti-social” companies; new forms of liquidity; limits to corporate lobbying and campaign funding; links between compensation and social and environmental performance; contraction of the black market; modification to current limited liability of managers; endowments to fund the SEC instead of funds accumulated from penalties; elimination of free speech of corporations; charter revocation for non-compliant corporations; Corporation 20/20 Principles written into all charters; industry norms to assess adherence to the Principles; corporations are peace enhancing institutions.

*Group B*

Companies are required to report on environmental metrics as fully as they do on financial metrics; stakeholder governance, including altered board structure; rational and fair process for getting on the board; a council of stakeholders to oversee and advise the board and provide input into decisions; limits on the size and scale of companies; federating structures—spin-offs accelerate the process of extending ‘good’ companies; focus on local production of goods and services; new corporate culture; most public companies insist that their employees are unionized; companies and government are not closely linked; new type of publicly traded security that advances long-term holding; retail investors can easily invest in local businesses; whistle blowing is redefined and supported; corporations cannot limit the free speech of employees; corporations have 30-year strategic plans; externalities priced for the public benefit; internalization of benefits that serve the public good.

*Group C*

Redefined employee rights—livable wage, health care, pension plan managed by the corporation, family leave, right to organize, work week limits, cap on executive salary, profit-sharing;

Environmental stewardship—new regulations, cradle to cradle design, closed loop industry standards, carbon reduction process/laws, 100% renewable energy, zero greenhouse gas emissions;

Human rights protections—initial and informal consent required from communities for corporations to operate, community profit-sharing and use of local inputs;

New governance structures—advisory council, process for obtaining stakeholder input into board decisions, spokes council for different constituencies and a grievance process for the board;

Redefined purpose of the corporation—create satisfying work, maximize shareholder value only if consideration of other stakeholder interests is built into the corporate charter, production only of products/services that benefit society, focus on stakeholder value.

## **Summit on the Future of the Corporation**

Allen White described to the group a major Corporation 20/20 event planned for November 13-14, 2007 at historic Faneuil Hall in Boston—the *Summit on the Future of the Corporation* (see Annex E for event overview). While the six biannual workshops to date have solicited highly complex and innovative thinking, they have operated out of the public view for the purposes of building a solid intellectual foundation for corporate redesign. The Summit is intended mark the next chapter in the evolution of Corporation 20/20, to move the ideas generated from Corporation 20/20 work over the past two and a half years into public discourse.

The purpose of the event is three-fold: 1) to bring the collective thinking of the past two-plus years into the public domain and present it as a starting point for imagining how corporations should be transformed in the coming decades; 2) to legitimate corporate redesign as a critical issue in public debate, equivalent to poverty alleviation, health, education, and other issues of high profile; 3) to foster a sense of ownership of ideas after the event among participants to facilitate stakeholder caucuses that can work together in the future.

Over the next year leading up to the Summit, Corporation 20/20 will be undergoing a variety of activities including a paper series to be published before the Summit and the establishment of a convening committee to provide advice on the event's speakers, participants, agenda, and sponsorships.

Participants at the workshop contributed a wide range of ideas for the planning and execution of the Summit. Comments included the following: include a statement of purpose or declaration at the Summit detailing what should occur afterwards; incorporate social gatherings into the event; make the event international in scope; utilize varied media and communication tools such as blogs, podcasts, e-dialogues, simulcasts, etc.; ensure varied participation from all sectors; do not politicize the event, although plan it with the impending presidential election in mind; define the size, nature and interests of the target audience and tailor the content to them; get endorsement from broad constituencies, perhaps of the Principles; obtain significant media coverage; and define the intended result and the theory of change behind the event.

## **Reflections**

On day two of the workshop, participants reflected on the preceding day's discussions. All agreed that the discussion was detailed, focused and stimulating and that to be in the presence of such strong intellectual energy was enlightening and energizing. The higher-level thinking and drive towards creating a broad-based movement, in contrast with highly detailed work on a daily basis, was refreshing for many. In addition, several participants acknowledged that the diversity of expertise and opinions in the room was

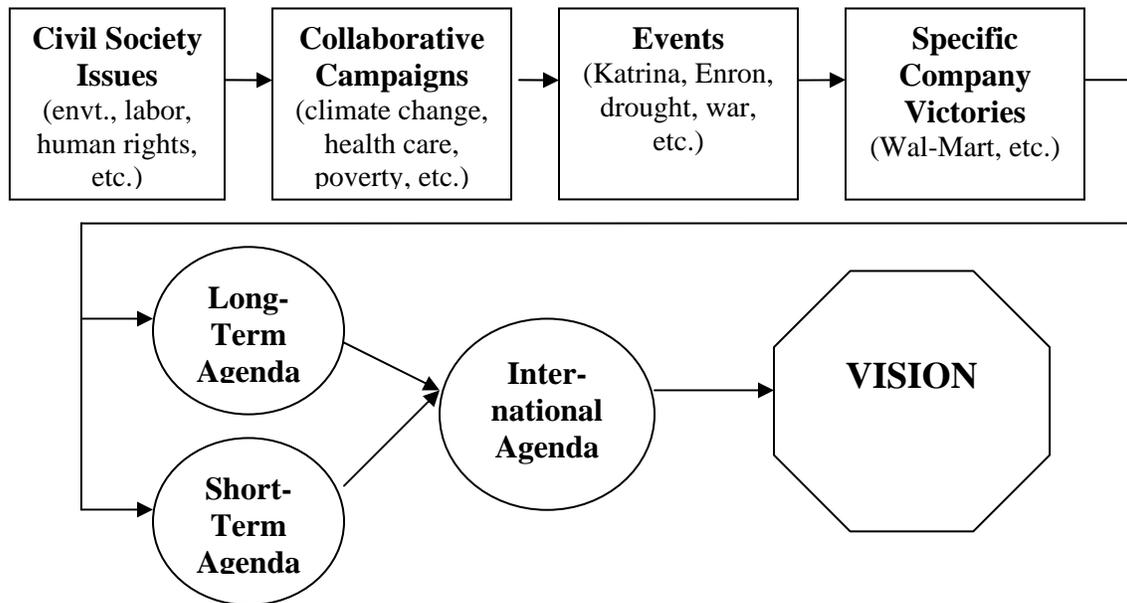
extraordinary, and the breadth of accomplishment over the last six meetings is outstanding and motivating.

### Civil Society Perspective

Michael Marx and Jennifer Krill led the discussion on the civil society perspective and approach to corporate reform. Michael Marx introduced the discussion by noting that perceptions of CEOs have never been lower and that NGOs are the society’s most trusted institutions. How then can the movement of NGOs evolve, and what role can civil society play in corporate redesign?

As disparate groups attempt to define their own goals and visions of the corporation of the future, we need to be asking some key questions as we devise a collaborative strategy for change: What is the overarching vision? What are the key levers of change that will help deliver the desired vision? How do we then frame our work geared towards tapping these levers? What is the roadmap we should follow?

Michael described a linear progression of steps to move towards advancing both long-term and short-term corporate reform agendas. He depicted this progression in a diagram (replicated and condensed below):



Jennifer Krill elaborated on Michael’s comments and diagram, reinforcing the idea that activists are motivated by a sense of urgency. A vision and framework is essential, but we really need to focus on where the Principles have legs—what specifically we can do

to turn corporations around in short time horizons. In addition, the scope of the campaign needs to match the scale of the problem.

One participant reiterated the need to frame issues positively so that corporations want to engage in them. Consumers should play a role in this process through purchasing to enhance the efforts of activists. Another added that while consumers can voice their opinions through purchasing, we also need to regulate demand to convey to consumers that certain products are particularly environmentally destructive and irresponsible to consume.

An inspiring lesson from civil society is that once companies begin to tackle many of the issues they are attacked for, they often see that the solutions are beneficial for them. Perhaps Corporation 20/20 should provide a vision and ideas for companies who want to understand what they should do differently after curtailing destructive practices. Businesses do not often have a framework, standards or ideas about how to change—they want to be told what to do from start to finish in order to meet societal expectations. Thus ideally, when an NGO has the attention of a company, it can point to good structures and tested examples of laudable company practices and governance forms. One way to facilitate this from the company side is to have CSR people in all divisions of the companies operations.

One participant posed the question, to what extent are various civil society groups undermining each other? How do you create a shared platform that everyone is behind?

An example of what we should strive for can be found in the actions of the political right. They successfully pulled together libertarians and many strands of conservatives behind a shared agenda. Similarly, we must devise a progressive agenda that resonates with a wide variety of groups and media sources both nationally and internationally. In addition, we need to find common language with which to discuss our goals for the long-term. One participant mentioned George Lakoff's work as a backdrop for looking at the framing issue. According to Lakoff, we are currently in the hypothesis-generating phase. One hypothesis for a frame is that corporations have become de facto governments, a situation clearly antithetical to democratic process.

Another issue that has come up in the framing discussion is that to date, we have centered this conversation around corporations. As we delve deeper, we see that corporations are contextualized inside the economy and inside democracy. As such, how do we frame this in a way that accounts for the larger implications of corporate power on democracy? Lakoff speaks of a "common wealth" (e.g., education system, highways, etc.), assets upon which corporations draw to support their productive activities. Companies derive wealth from these resources but try to privatize and focus this wealth in the hands a small number of people. So, we must figure out how to marshal private interests to enhance and support common wealth—which is essentially Corporation 20/20 Principle 1.

The conversation then shifted to the relationship between Corporation 20/20 and civil society groups. The relationship is analogous to that between Corporation 20/20 and

other constituencies such as business, finance, labor, etc. There are mutual benefits for both groups—a shared vision and objectives, for example—and the relationship is synergistic. Corporation 20/20 can help corral the seemingly disparate viewpoints of various civil society organizations into a coherent movement. Corporation 20/20 is useful in its ability to create space for cross-sectoral institutions to find common ground. Yet, civil society is highly complex and often tenuous with regard to how people participate in civil society groups and the resources available to such groups to achieve their mission.

NGOs cannot be viewed as a proxy for constituents that they do not explicitly represent as part of a membership base or other formal basis of affiliation. Because NGOs do not constitute a democracy, in our corporate redesign work we need to consider the fundamental power structures and not simply use NGOs as a proxy for democratic processes. Thus, we must strive to make corporations responsible and sustainable, but this cannot be a substitute for the question of how to restructure our society and decisions on how we allocate resources and create power structures. In facilitating space for a conversation about corporations, the hope is that we are also getting at how to reinvigorate democracy.

## **Capital Markets**

John Katovich and Elizabeth Ü led a discussion on capital markets and how they might be restructured and aligned with emerging corporate forms to optimize synergies between the two.

John kicked off the discussion by describing the history of dramatic change in the flow of debt and equity in markets and the management of risk relating to this flow over the last 200 years. Historically, financial institutions and stock exchanges operated primarily to manage risk, whereas now they are giant engines of capitalism. While some examples of alternative/green stock exchanges exist—for example in Brazil—such initiatives have made very little progress in U.S. exchanges. In addition, our investment mechanisms and patterns have also changed significantly with regard to private companies. Investing in local private businesses, once a common practice, is now difficult from an investor perspective. To do so, the company has to be listed, have audited financial statements, adhere to reporting requirements, etc. It is far easier to lose one's entire net worth in a casino overnight than it is to make a simple investment in a local business. This highlights the serious gaps in our equity markets. Furthermore, companies that have access to capital are limited in their choices, many of which are often unappealing to them—e.g., private equity, selling out to a competitor, etc.

John described his efforts with the Business Alliance for Local Living Economies (BALLE) to fill this void. They are working to create a local stock exchange, whereby the companies on the exchange would be filtered with regard to social and environmental performance. They would like to provide the best available systems for clearing and information transfer, clear mechanisms for reporting on the triple bottom line, and ways

for private companies to have good reporting and accountability at an appropriate scale so that this does not constitute a financial burden for them.

They have designed three possible paths with which to approach the creation of a local exchange: 1) talk to existing exchanges about adopting a new exchange for a limited period of time with the understanding that it is not a money-making endeavor, but rather a socially-beneficial pursuit; 2) file to become an exchange. However, this is difficult because people are reluctant to simply increase competition from existing exchanges; 3) fashion existing exemptions to start operating now.

John and his partners plan to reach out first to the food/agriculture sector in recruiting companies for a local exchange. The rationale is that these companies are highly connected to local markets, local land use and conservation laws and other region-specific economic and environmental conditions. Other aspects of the exchange include: room for individual stocks to become listed companies and space for exchange traded funds so that investors can diversify their portfolios. John and his colleagues feel that many like-minded people will be on board with the idea, and a shift like this in the capital markets is in line with a move to restore democracy.

Part of the rationale for a local exchange is that it is embedded in a larger theory of change—it is connected to the idea of revamping democracy in the longer-term by opening up opportunities to match small investors and small enterprises to advance the public interest at a regional scale. Essentially, it represents middle ground between mission-related investments and traditional investments. In addition, their initiative may hold lessons for future restructuring on the banking and debt side in order to cover the whole spectrum of interactions between corporations and capital markets. These ideas are all possible under existing law. Exchanges have enormous latitude in how they structure listings. They currently tend to minimize restrictions simply to maximize activity and the number of deals.

Elizabeth Ü followed with comments from her experience at Investors' Circle with the Slow Money project. The name "Slow Money" refers not only to patient capital, but also to the Slow Food movement that emphasizes place-based values, sustainable labor and production systems, artisan products, etc. Slow Money seeks to nurture like-minded early stage food companies. The project fills a void in the capital markets whereby it is often difficult for new, values-based businesses to procure capital. However, recent trends show that creative relationships between non-profit and for-profit entities may open up new opportunities for businesses to tap into philanthropic dollars and grants through program and mission related investing.

In discussing prospects for a local exchange, some participants questioned what a patient exit would look like or how potentially capping returns would allow for scalability of a business. One participant mentioned the possibility of also creating a new asset class, which might be particularly appealing to those who want to diversify their portfolios. As Corporation 20/20 progresses over the next year, ideas about how to reconstitute capital

markets should parallel ideas for new types of corporations. And, in doing so, we should gather lessons from both micro-loans and ESOPs.

## **UK Company Law Reform**

Corporation 20/20 participant Deborah Doane from the UK described to the group via teleconference the recent changes in UK Company Law that have been seven years in the making. One week prior to the Corporation 20/20 Workshop, the new bill received royal assent. While the bill represents modest change, it serves as a stepping stone towards further change in the future.

The bill applies to all companies registered in Britain, as well as those registered in Britain and listed on the New York Stock Exchange. Key components of the bill are as follows: mandatory social and environmental reporting (to the extent that it enables investors to understand the development, performance or position of the company's business)—including reporting on supply chains; a codification of directors' duties whereby directors are legally obliged to minimize damage to local communities and the environment; and standing in a UK court for people in other countries who are harmed by the actions of a UK company to take action against them. While a reporting standard was not implemented, the government has committed to reviewing this topic in the future.

The CORE campaign, which was heavily involved in driving the bill forward, received extensive media coverage in the process. The Financial Times wrote that “business has been comprehensively outmaneuvered by environmental and corporate responsibility campaigners, in a stunning lobbying victory.”

Participants applauded the fact that the bill was a strong victory for civil society. Deborah noted that there is an emerging consensus from civil society in the UK to support changes in corporate law. In addition, UK law tends to be replicated in other countries, particularly across Europe. As such, the bill is valuable in setting precedent.

## ANNEX A: AGENDA

### Wednesday, November 15

6:00 Dinner

7:00 Introductions and workshop overview

### Thursday, November 16

7:45 Breakfast  
*12th floor dining room—all participants welcome*

8:30 Welcome and Corporation 20/20 Status Report

9:00 What spurs internal transformation?  
Conversation starters: Ken Larson, Steve Voigt  
*Selected companies, including some active in Corporation 20/20, have achieved significant leadership and cultural transformation that aligns with Corporation 20/20 Principles. But to dramatically scale up the number of cases of such transformation from the extraordinary few companies to thousands more requires a deep understanding of the forces that drive organizational change. What are the preconditions and catalysts of such change? What are the roles of boards, CEOs and managers? How can change become a dynamic, continuing and learning process?*

10:30 Break

11:00 Government's role in corporate transformation  
Conversation starters: Charlie Cray, Rich Rosen  
*Governments can foster transformational change via incentives and mandates. Corporate charters and regulatory controls can have deep impacts on corporate social performance. More often than not, however, such impacts occur not by intention but as byproducts of other policy objectives. How can the charter, regulatory processes and other mechanisms be deployed to drive change that aligns with Corporation 20/20 Principles?*

12:30 Lunch

1:30 Stakeholder governance  
Conversation starters: Chuck O'Kelley,  
*Transformation of corporate governance is viewed by most as the pillar of corporate redesign. Such governance transformation may occur through changes in board duties, composition and structure; stakeholder panels; and new forms of public reporting. In all cases, the goal is to reconstruct shareholder-centered accountability such that all legitimate stakeholder interests are embedded in key decisions of the corporation.*

3:00 Break

3:30 New corporate forms

Conversation starters: Jay Coen Gilbert, Ken Temple

*The B-Corporation exemplifies a model of a new generation of enterprises that are “purpose-driven” from the outset and on a sustainable basis. What are the characteristics of the B-Corporation? Can it grow into a new asset class? What other purpose-driven corporate forms might evolve to attract socially-driven entrepreneurs and capital?*

5:00 Summit on the Future of the Corporation

*Goals, timing, venue, sponsorships and needs/opportunities for Corporation 20/20 participants to become involved in this milestone event scheduled for late 2007.*

6:00 Wrap up

6:15 Adjourn

8:00 Dinner E&O Trading, 314 Sutter St.

### **Friday, November 17**

8:00 Breakfast

*12th floor dining room—all participants welcome*

9:00 Reflections on prior day

9:30 A civil society perspective on corporate transformation

Conversation starters: Michael Marx, Jennifer Krill

*Civil society plays a pivotal role in catalyzing change. The challenge in the coming years is to complement the company-specific, product-specific and issue-specific foci of civil society groups with a longer-term, integrated and systemic change strategy. What are the prospects and pathways for collaborative civil society-business initiatives to achieve such change?*

10:30 Break

11:00 Capital markets and corporate redesign

Conversation starters: John Katovich, Elizabeth U

*Capitalizing the socially purposeful corporation requires innovations in both the organization of capital markets and in the financial instruments that deliver capital to the firm. Regional stock exchanges, innovative holding companies, incentives for long-term/long-only investing will strengthen the prospects of shifting capital markets from a gaming and speculative mode to one focused on long-term wealth creation.*

12:00 Miscellaneous

- *UK Company Law*  
Deborah Doane

12:45 Wrap Up

1:00 Adjourn and lunch

## **ANNEX B: PRINCIPLES OF CORPORATE REDESIGN**

### ***PRINCIPLES OF CORPORATE REDESIGN***

#### **A Brief Explanation**

These Principles are the distillation of two years' deliberation among participants in Corporation 20/20, a project to create the vision and chart the course for the future corporation. The initiative aims to design corporations that seamlessly integrate both social and financial goals. In this process, Corporation 20/20 includes leaders from business, civil society, finance, government, law, and labor. Beyond contributions from these participants, the Principles strive to embody the collective spirit of generations of work in defining the progressive corporate agenda.

Distilling the core aims of diverse efforts, Corporation 20/20 views them through a single lens: that of “corporate redesign.” We ask: If we were to design future corporations with social purpose at their core, consistent with the financial needs of business, what would such corporations look like? These principles provide a foundation for meeting this critical 21<sup>st</sup> century challenge.

Corporation 20/20 begins with the premise that corporations have extraordinary potential to serve the public good, but are prevented from fully doing so by a design that leaves them tethered to demands for short-term returns. This mandate is built into all aspects of corporate design – from directors' duties to supply chain management to how CEOs are hired, fired, and compensated. Pressure to deliver short-term returns drives decisions that create high social costs to employees, suppliers, communities, and the environment. Many of the most pressing business issues – ethics crises, diminishing real wages, CEO pay, and environmental damage – trace their roots to this design. Such problems are systemic. They are rooted in the nature and purpose of the corporation. Tackling problems individually treats symptoms rather than causes, and is destined to fall short.

The challenge of corporate redesign calls upon us to critically assess the received wisdoms that currently define corporate purpose. By assessing the strengths and shortcomings of prevailing norms – and asserting a set of new norms – we hope to catalyze a broad movement for constructive change.

In this spirit, the principles that follow offer an overarching framework for guiding all parties – business, investors, government, labor, and civil society — toward actions that will direct the creativity and resources of business toward addressing the great challenge of building a sustainable future.

Please send comments to: [afleder@tellus.org](mailto:afleder@tellus.org)

## ***Preamble***

*In the course of human events, seminal moments arise when it becomes imperative to redesign major social institutions. We face such a moment in the case of the corporation. Conceived in the era of kings, refashioned in the industrial era, corporations now wield dominant power over the lives of people and the quality of the environment. We face a moment of both urgency and opportunity to begin a transformation of this powerful institution, redesigning it to stand on a foundation of service to the public interest*

***Principle 1. The purpose of the corporation is to harness private interests to serve the public interest.***

Why does society create laws that allow corporations to exist? To serve the general welfare, which should be the purpose of all democratic law. Corporations have a unique role as private organizations, created by those motivated to create wealth and rewarding livelihoods for themselves through the production of goods and services. We must retain private interests as a major engine of economic prosperity. At the same time, we must insist that corporations concurrently serve society and protect the biosphere, which are the foundation of all future wealth creation. Thus, all corporate actions must be consistent with the public interest, and where private and public interests conflict, the public interest must prevail. Thus, Principle 1 positions the corporation in relation to the broader aims of society, to which it must contribute.

***Principle 2. Corporations shall accrue fair returns for shareholders, but not at the expense of the legitimate interests of other stakeholders.***

Principles 2 through 6 help explain the public interest. Principle 2 begins by acknowledging that profit and investment are vital to a well-managed company. Yet corporations may not pursue profit for shareholders by undermining the legitimate interests of other stakeholders. The word “legitimate” is critical, because companies cannot avoid all harms. Corporations must, however, incorporate legitimate stakeholder claims in their decision-making. The legitimacy of stakeholders’ claims derives from their role as providers of human, natural, social, and financial capital to the corporation. Issues linked to this principle include, for example, how each corporation deals with consumer safety, workplace conditions, wage standards, pollution regulations, and community social impacts.

***Principle 3. Corporations shall operate sustainably, meeting the needs of the present generation without compromising the ability of future generations to meet their needs.***

Vital to the public interest – vital to all life – is the stewardship of the biosphere through preservation of natural resources and protection of common assets such as clean air, water, and the earth’s climate. As stewards, corporations must not abdicate their long-term public responsibility in pursuit of short-term private gain, as they have in the past.

Climate change is the most compelling example. The existence of most corporations has depended, directly or indirectly, on selling products and services that are unsustainable from a climate change perspective. Thus, operating sustainably in the future, consistent with Principle 3, implies for many corporations dramatic change in the nature of products and services, so as not to compromise future generations. Issues linked to this principle include, for example, concerns about privatizing the world's gene pool, decreasing fossil-energy use, reducing pollution, and designing sustainable products.

***Principle 4. Corporations shall distribute their wealth equitably among those who contribute to the creation of that wealth.***

Prevailing norms of corporate governance and fiduciary duty make shareholder wealth paramount. Gains to other stakeholders – wages for employees, payments to suppliers, and taxes to local and national governments – are perceived as costs to be minimized. In contrast, a corporation designed consistent with Principle 4 recognizes its obligation to distribute wealth equitably among parties who helped create that wealth. Issues linked to this principle include, for example, living wages, employee ownership, profit sharing, fair trade and procurement policies, tax payments based on consumption of public resources, and fair returns to shareholders.

***Principle 5. Corporations shall be governed in a manner that is participatory, transparent, ethical, and accountable.***

Participatory governance must empower stakeholders at all levels of corporate decision making in ways that seldom have occurred in the past. Through decision-making that is transparent, ethical, and accountable, affected parties can be informed, heard, and respected. Appropriate governance is a key mechanism for implementing all other principles. Issues linked to this principle include, for example, corporate board and committee composition, election and removal of board members, stakeholder councils, public reporting, management of ethics, and checks and balances on management power.

***Principle 6. Corporations shall not infringe on the right of natural persons to govern themselves, nor infringe on other universal human rights.***

While Principles 2 – 5 primarily concern the functioning of the corporation in relation to its internal and external stakeholders, Principle 6 speaks to how the corporation intersects with the broader political rights of citizens. It sets a limit that corporations must not transgress: the rights of natural persons to govern themselves. Corporations must not exceed their proper role in democratic political processes, and must respect norms that limit their influence in lawmaking. Issues linked to this principle include, for example, corporate constitutional rights, lobbying, ownership of the media, and campaign finance.

## ANNEX C: PARTICIPANTS

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## ANNEX D: BIOGRAPHIES

**Charlie Cray** is Director of the Center for Corporate Policy in Washington, DC. The Center researches and advocates for policies that hold corporations fundamentally accountable. Much of his work has involved educating members of Congress, the media and activists. He was formerly director of Citizen Works' campaign for corporate reform, associate editor of *Multinational Monitor* magazine and Greenpeace campaigner (toxic chemicals). Charlie co-authored a book released in November 2004, entitled "The People's Business: Controlling Corporations and Restoring Democracy." He graduated from Amherst College.

**Anna Fleder** is a Research Analyst at Tellus. She provides research, organizational, and analytical support for projects in the Sustainable Communities, Corporate Redesign, and Human Well-Being program areas. She is currently contributing to several projects including: Corporation 2020, an initiative focused on designing future corporations to sustain social purpose; and the Boston Scenarios Project, which uses a scenario approach to assess alternative long-term futures for the Boston region with an emphasis on sustainability and global responsibility. Prior to coming to Tellus, Ms. Fleder was a Research Associate in the Institute of Arctic Studies at Dartmouth College, conducting research on the impact of climate change on northern communities. She has also had experience as a soil researcher at McMurdo Station, Antarctica as part of the National Science Foundation Long Term Ecological Research Team, and as a community advocate and researcher on environmental hazards at the Boston-based Toxics Action Center. She received her B.A. in Environmental Studies from Dartmouth College in 2004.

**Jonathan Frieman** has a law degree and a Master's in Public Administration. For 10 years he ran a private practice in the hands-on bodywork disciplines of Aston-Patterning and Cranio-Sacral Therapy. Graced with a hearing loss and immune system afflictions, he spent time in the disability rights movement before and after the passage of the ADA. He engages in what he calls deep philanthropy, which asks for immersion in some of the nonprofit efforts to which one contributes. One of those efforts entailed purposely going homeless in Los Angeles in 1998. In the last 5 years he co- founded four nonprofit corporations, among them a family foundation; an effort to proliferate complementary currencies that stay local; and The Center for Corporate Policy. Among other efforts, the Center works with several different groups to reform and transform the corporation. This effort addresses what corporations are, as opposed to the many successful market campaigns dealing with what corporations are doing.

**Gil Friend** is President and Chief Executive Officer of Natural Logic, Inc., a strategy and systems development company that helps companies and communities prosper by embedding the laws of nature at the heart of enterprise. A systems ecologist and business strategist with 35 years experience in business, communications and environmental innovation, Friend combines broad business experience with unique content experience spanning strategy, systems ecology, economic development, management cybernetics, and public policy. "Nature's ecosystems have spent 3.85 billion years building efficient, complex, adaptive, resilient systems," he observes. "Why should companies reinvent the wheel, when the R&D

has already been done?" He was a founding board member of internet pioneer Institute for Global Communications, and played key or founding roles in such seminal environmental enterprises as EcoNet, GreenLine, the California Office of Appropriate Technology, Turner Broadcasting's Planet Live, University of California's AgroEcology Program, and Buckminster Fuller's "World Game." He was co-founder and Co-Director of the Institute for Local Self-Reliance, one of the nation's leading urban ecology and economic development "think-and-do tanks," pioneering the "green roof" trend 30 years ago. Friend writes *The New Bottom Line*, a monthly column on business strategy, the *Ask the Experts* column at GreenBiz.com, a *Sustainability Sundays* column for WorldChanging.com, and an irregular weblog on strategic sustainability and other matters of interest. He holds an MS in Systems Ecology from Antioch University, a black belt in Aikido, and is a seasoned practitioner of "The Natural Step" environmental management system.

**Jay Coen Gilbert**, despite having no game, co-founded and sold AND 1, a \$250M basketball footwear and apparel company based outside Philadelphia. He is Acting Chairman of Investor's Circle, a national network dedicated to "Patient Capital for a Sustainable Future." In 2002, the Circle established the IC Foundation, dedicated to research, education and advocacy regarding social return on investment, mission-related investing and for-profit social entrepreneurship. Jay is currently co-creating two related organizations: B Holdings and B Lab. B Holdings is the Berkshire Hathaway for purpose-driven investors; B Lab is a for-benefit™ holding company focused on consumer products. B Lab is a non-profit organization whose mission is to build the For-Benefit™ sector. The For-Benefit™ sector is a new sector of the economy, which sits between the for-profit and non-profit sectors, which harnesses the power of private enterprise to create public benefit. The For-Benefit™ sector is comprised of a new type of corporation—the B corporation™—which exists for the benefit of all stakeholders, not just shareholders. Jay is a Henry Crown Fellow of the Aspen Institute and a Board member of the Philadelphia chapters of KIPP, a national public charter middle school; City Year, a leading Americorps youth service program; and Monteverde Friends, U.S. He grew up in New York City before heading west to Stanford University, graduating with a degree in East Asian Studies in 1989. Prior to AND 1, Jay worked for McKinsey & Co and several organizations in NYC's public and non-profit world. He recently returned from family sabbatical Down Under and in Monteverde, Costa Rica with his yogini wife Randi and their two children, Dex, 8, and Ria, 6. They live in Berwyn, PA.

**Dana Gold** is the Director of the Center on Corporations, Law & Society at Seattle University School of Law, which was formed in 2003 to conduct and promote interdisciplinary scholarship and dialogue on issues related to the roles and obligations of corporations in an increasingly privatized and interdependent global society. Prior to her work with the Center, Ms. Gold worked from 1995-2002 as attorney and Director of Operations of the Government Accountability Project (GAP), a national non-profit organization founded in 1977 that promotes government and corporate accountability through advancing occupational free speech and ethical conduct and providing legal and advocacy assistance to whistleblowers. Ms. Gold's former legal practice focused primarily on litigation within GAP's Environmental and Nuclear Oversight Programs, representing whistleblowers who suffered retaliation for disclosing fraud and serious

threats to public health, safety, and the environment on the Trans-Alaskan pipeline, at several Superfund sites, and at contractor-operated nuclear weapons facilities. In addition to her role as Director of the Center on Corporations, Law & Society, Ms. Gold also teaches as an adjunct professor at Seattle University School of Law in the areas of whistleblower law and corporate governance.

**Bart Houlahan** is Co-Founder, B Holdings, B Lab and President, AND 1. He is currently working with his partner, Jay Coen Gilbert, to co-create two related organizations: B Lab and B Holdings. B Lab is a non-profit organization whose mission is to build the For-Benefit sector. The For-Benefit sector is a new sector of the economy, sitting between the for-profit and non-profit sectors, which harnesses the power of private enterprise to create public benefit. The For-Benefit sector is comprised of a new type of corporation—the B corporation™—which exists for the benefit of all stakeholders, not just shareholders. B Holdings is a For-Benefit holding company whose mission is to provide purpose-driven capital for purpose-driven companies. Partnering with talented entrepreneurs, B Holdings will buy and build sustainable, scalable, diverse, B corporations. B Holdings will be the Berkshire Hathaway for purpose-driven investors. Prior to B Lab and B Holdings, Bart was CFO, COO and President of AND 1, a \$250 MM basketball footwear, apparel and entertainment company. As the principal operator of the business, Bart joined AND 1 in its second year, when revenues totaled just \$4 MM. Over the course of the next 11 years, Bart helped to finance, operate and scale the business to \$250 MM in brand revenues with distribution in 35 countries world wide. Before AND 1, Mr. Houlahan was an investment banker with Stonebridge Associates, BNY Associates, and Prudential-Bache Securities, specifically focused on providing corporate finance and merger and acquisition services to small-cap businesses ranging in size from \$20 MM to \$300 MM. Bart, a graduate of Stanford University, now resides in Devon, PA with his wife Chrissy and daughters Molly, 14 and Carly, 12.

**Firehawk Hulin** was born and raised in England and brings a diverse background to the design and implementation of balanced processes and initiatives for change in organizations of all kinds. Self-employed since college, he also loves business and believes that business is one of the key institutions on this planet that can make a positive future possible for all of us. A natural communicator, Firehawk ran his own communication business in Chicago for twenty-six years, creating and implementing large-scale media programs for clients in the US and Europe. An avid learner, Firehawk studied indigenous earth wisdom for 10 years as an apprentice to a mixed-blood Native American couple. His teaching experience in the US and Europe prepared him to take a deeper look at systemic change from an ancient and whole perspective. Some initiatives include: Honeywell—designing a ceremonial visioning process for the next generation of corporate leaders; Lucent Technologies—holding a gathering of all Latin American managers to set a new course forward for the company; National Image Steering Committee for the Construction Industry—creating a compelling film that seeds a new vision for the transformation of the US construction industry to better attract and retain the very best talent to create an enduring legacy for future generations of builders; Heartland Institute—co-creating a series of retreats for Bay area leaders to reflect on their evolving leadership and discover how to radically improve it.

**R. Todd Johnson** practices in the area of corporate finance, corporate counseling, and mergers and acquisitions and founded Jones Day's Northern California practice in 2000 by opening its office in Silicon Valley, where he served as Partner-in-Charge until January 1, 2004. Todd now heads the Firm's corporate practice in Northern California. During his 18 years at Jones Day, Todd has represented public and private corporations in a variety of major negotiated transactions (including mergers and acquisitions, private and public offerings of debt and equity securities, and special structured financing transactions designed to leverage intangible assets that are most often transnational and are sometimes structured to gain additional tax or accounting benefits), venture capital funds and private companies in venture capital investments, and directors or special committees of large public companies. In the past year, Todd has represented Goldman Sachs in Solectron's sale of Klavico, Houlihan Lokey as investment advisor in Ashland, Inc.'s \$2.9 billion sale of certain businesses to Marathon Oil, IBM in its acquisition of CrossAccess, Bank of America in \$1.2 billion of financings, Isuzu Motors of America in its North American restructuring with General Motors, SunPlus in its acquisition of the optical storage division of Oak Technology, and Metering Technology in its sale to Echelon. Mr. Johnson received his J.D. from The Catholic University of America.

**John Katovich** has been in-house and external counsel to companies in the Bay Area and East Coast for the last 20 years and, before that, practiced law in his home town of Chicago. In the mid-80's, he became the General Counsel for the Pacific Stock Exchange after several years as both a trader and regulator, and in the late 90's, left to become EVP and General Counsel for two software-trading companies, OptiMark Technologies and ePIT Systems. In 2001, John started Katovich & Associates, which provides general, licensing and regulatory counsel to technology, software and trading companies in the Bay Area. John also consults with emerging markets on market and regulatory practices, is a member of Business Alliance for Local Living Economies and is a director on several boards. John graduated from the University of Illinois in 1976 and Southern Illinois Law School in 1979, and has extensive teaching experience as an Adjunct Professor in business law, capital markets, trading and market regulation at the Presidio School of Management MBA Program, Alliant International University, UC Berkeley, and as an Instructor for INSEAD, Fontainebleau, France. He is a licensed attorney in California and Illinois, and serves as an arbitrator for NASD. He also attended the Harvard Business School Executive Negotiation Program. John lives in Oakland, CA with his wife and two children.

**Marjorie Kelly** is a Senior Associate at Tellus and co-founder of Corporation 20/20, a project to create the vision and chart the course for the future corporation. Kelly is also co-founder and editor of Business Ethics, a national magazine on corporate social responsibility she launched in 1987, read by opinion leaders in business, academia, and social investing. It is known for its annual listing of the "100 Best Corporate Citizens," a ranking of Russell 1000 firms on how well they serve a variety of stakeholders. She is author of the book *The Divine Right of Capital*, published by Berrett-Koehler in 2001, which offers an analysis of the design of the corporate form, and explores ideas for a

creating a more democratically responsible corporate design. *Library Journal* named it one of the best business books of the year. Kelly's writings have appeared in publications like the *Harvard Business Review*, *Utne Reader*, *Chief Executive*, *Tikkun*, *E Magazine*, *San Francisco Chronicle*, and *St. Louis Post-Dispatch*. In 1995-96 she was a weekly business ethics columnist for the *Minneapolis Star-Tribune*. Kelly is a member of the Advisory Board for Citizens for Corporate Responsibility in Minnesota, which is working on reform of directors' duties. She has also been on advisory boards for the International Institute for Corporate Governance and Accountability at George Washington University Law School, the Capital Ownership Group, and the Citizen Works Corporate Reform Commission. Kelly is interviewed frequently by the press about ethics and CSR. She speaks often to business groups, business schools, and civil society organizations on the issues of corporate responsibility, business ethics, and corporate redesign. Kelly holds a Master's in Magazine Journalism from the University of Missouri.

**Jennifer Krill** is Program Director at Rainforest Action Network (RAN). Joining RAN in 1999, Jennifer served as an organizer on the group's campaign to eliminate products from old-growth forests in the US. Jennifer organized external pressure campaigns and boardroom negotiations that resulted in commitments from several companies—including Home Depot, Lowe's, Menards, Lanoga and Boise Cascade. She was elevated to director of RAN's Old Growth campaign in 2002, serving in that position until taking the reins of the organization's Zero Emissions campaign in 2004. Jennifer's expertise includes developing media and public relations strategies, grassroots organizing, outreach strategies, and formulating successful policies. Before joining RAN, she worked at Earth Island Institute's Sea Turtle Restoration Project and for Greenpeace. Jennifer received bachelor's degrees in Landscape Architecture and History from Ball State University in 1995.

**Ken Larson** works with companies, organizations and public entities to make their commitments to CSR clear, their strategy compelling, their programs effective and their reporting credible. He also works to ensure that these organizations' stakeholders are an integral and effective part of these efforts. Larson worked for Hewlett Packard Company for over 25 years in a variety of roles including Director of Corporate Social Responsibility, California Region Government and Public Affairs Manager, Sacramento Area Public Affairs Manager and various roles in Human Resources including Human Resources Manager for several of HP's businesses. In these roles he was responsible for ensuring that HP's business practices added to shareowner value as well as to appropriate, desired social value and environmental sustainability for customers, employees, partners and communities around the world. He worked with external stakeholders, including Socially Responsible Investors, NGOs and other interested parties to understand the emerging standards and expectations of corporations in the area of global citizenship and engaged with groups, public/ private/ industry based, to communicate HP's positions and contribute to the discussion of the roles and responsibilities of corporations and others in this arena. He managed HP's Citizenship reporting processes for several years, including 2004 and 2005 when the HP Global Citizenship Report received the top honor for reporting from CERES. Larson has a Master's of Public Administration from UCLA and a Bachelor of Arts in Urban Affairs

from Occidental College. He completed a year of graduate study in social welfare at the University of Stockholm, Sweden. In addition he lived in Japan and traveled extensively through Southeast Asia.

**Michael Marx** has a doctorate from the University of Wisconsin-Madison, where he taught organizational behavior in the business school. He was the president of Selection Sciences, Inc., a San Francisco-based management consulting firm, for 10 years. His clients included Hewlett-Packard, Memorex, Fireman's Fund, Transamerica, Pacific Bell, American Express, Riggs Bank, and other Fortune 1000 companies. He was formerly a consultant to and later on the Board of Directors for the Rainforest Action Network. He designed and directed the International Boycott Mitsubishi Campaign for the Rainforest Action Network for four years. He then became the executive director of the Coastal Rainforest Coalition (CRC), which at the time had two staff and a budget of \$200,000 to coordinate campaign efforts of five organizations (Greenpeace, Rainforest Action Network, American Lands Alliance, Natural Resources Defense Council, and Sierra Club) engaged in the Great Bear Rainforest Campaign. At the successful conclusion of the campaign, the coalition dissolved and he transformed CRC into ForestEthics, which led successful campaigns to green Staples' paper procurement policies and the logging practices of the two largest forest products companies in Chile. At the time of his departure, ForestEthics had grown to a staff of 18 and annual budget of \$1.4 million within three years. For the past year Michael has been involved in developing a network of marketplace campaign organizations with the goal of improving their corporate campaign skills and collaboration.

**Stephanie McGillivray, CFA** is President of Complexity Management, LLC and Partner in a related joint venture, SOAR Collaboration, LLC as well as in an equity fund management company, SOAR Growth Capital, LLC. Complexity Management, LLC is a consulting firm focused on bringing a business and investment point of view to economic development in emerging economies, business improvement, and capital access. One specialty is social business and multiple bottom line investment, as well as making a business case for socially-good businesses. The SOAR joint ventures serve Native American tribes and tribal businesses nationwide. Prior experience includes assisting major corporations in learning to manage to create shareholder value in strategic, tactical, and operational decision-making. This included being a Director, Shareholder Value Management, at PricewaterhouseCoopers, LLP and before that Vice President, Economic Value Added Implementation at Stern Stewart & Company, both in New York. Other previous experience includes President, Veritas Valuation Specialists, Inc., an independent business valuation firm which Ms. McGillivray founded; Valuation Consultant at HLHZ, the nation's largest independent business valuation firm; Research Associate at Greenwich Associates a financial services consulting firm; and Exploration Geologist at Texaco, Inc. Ms. McGillivray also has background in health care management, reform, and alternative health care. She has an MBA in Finance from Columbia University and a B.A. in economics and geology from Wellesley College.

**Jason Morrison** is director of the Pacific Institute's Economic Globalization and the Environment Program, where he is currently studying private sector environmental

initiatives, performance-based regulatory innovation, and voluntary international standards. Since 1997, Mr. Morrison has focused on the international environmental management standards - ISO 14000. He is a member of the US Technical Advisory Group to ISO Technical Committee 207 (the body that develops the ISO 14000 standards), as well as a U.S. delegate to TC 207 on standards pertaining to ecolabeling and environmental communications. He currently serves as Chair of the ISO/TC 207 NGO Task Group. Mr. Morrison has also been investigating the emerging use of Environmental Management Systems (EMSs) in public policy. He is a board member of the Multi-State Working Group on EMSs (MSWG), a coalition of state and federal agencies investigating the role of EMSs in performance-based regulatory innovation. He sits on the EMS Advisory Council for NSF International Strategic Registrations, Ltd. and is an Advisory Committee member of the National Biosolids Partnership EMS Initiative. Mr. Morrison holds a Master's Degree from Boston University's Center for Energy and Environmental Studies and a B.A. in Philosophy from the University of California, San Diego. In 1994, Mr. Morrison was a fellow with the Americans and World Affairs Fellowship Program in Berkeley, California. In addition to working on issues relating to international environmental standards and regulatory innovation, Mr. Morrison has conducted research on the sustainable management of freshwater resources and water planning in the southwestern U.S. His past research includes work on restoration of the Salton Sea in California and binational water management in the Colorado River border region.

**Charles (Chuck) R.T. O'Kelley**, the first holder of the M.E. Kilpatrick Chair in Corporate Finance and Securities Law, joined the University of Georgia School of Law faculty in 1997. He is an expert in corporate governance and the author (with Robert B. Thompson) of one of the most widely used casebooks in the field of corporation law. Prior to joining Georgia Law, O'Kelley practiced law in Atlanta for five years and then, sequentially, taught law at Tulane University, the University of Alabama and the University of Oregon, with an intervening stint at the University of Virginia. While at Oregon, O'Kelley founded and served as the first director of the Law and Entrepreneurship Center. He completed his years at Oregon by serving as Associate Dean from 1993 to 1994 and Dean from 1994 to 1997. O'Kelley is a member of the American Law Institute and the state bars of Georgia and Oregon.

**Betsy Power** is the director of both the SRI research house Highwater Research and WisierBusiness, a project of the Natural Capital Institute, dedicated to guide socially and environmentally responsible business. She is trained as an architect with a focus in green design and community-based development, and has worked with communities in Eastern Washington and Ecuador helping guide self-determined development. She is also the cofounder and CEO of Power-Selles Imports, a specialty food importer that works with small, all-natural gourmet food producers from Spain.

**Richard Rosen** is Executive Vice-President and a founding member of Tellus Institute. He has thirty years of experience in energy sector resource planning and management and environmental compliance. In recent years, Dr. Rosen's research has focused on the economics and feasibility of restructuring the electricity utility industry. In a variety of

regulatory and public planning settings, he has presented detailed analyses of alternative supply options, renewable resources, environmental impacts, conservation, and integrated power plans in both market and regulated contexts. Dr. Rosen's current research focus is on alternative economic visions and models for the global economy, including new approaches to capital markets, regulation, and design of the production unit. He is also active on these issues through the Great Transition Initiative and Corporation 20/20 networks of Tellus. Dr. Rosen received a Ph.D. in Physics from Columbia University in 1974.

**Beth Sirull** is a Senior Fellow at Pacific Community Ventures, a community development venture capital organization. She is responsible for developing and managing consulting relationships, providing social return on investment research and analytical services to external institutional investors. Prior to joining PCV, Beth spent over 15 years consulting in market research and strategy, working with such clients as AT&T, Morgan Stanley/Dean Witter, and Deloitte and Touche. In the past several years, her work has focused increasingly on corporate social responsibility and socially responsible investing. Beth is the author of *Creating Your Life Collage: Strategies for Solving the Work/Life Dilemma* (©Three Rivers Press, Random House 2000) and has written and spoken extensively on work/life issues. She has held academic appointments in marketing and management at DePaul University and Dominican University (Chicago). Over the past 10 years, Beth has also been involved as a volunteer in a number of nonprofit organizations. Currently, she is the President of the Board of the Jewish Community Center of the East Bay. Beth earned a B.A in political science at Brandeis University, an MBA at Boston University and a Masters of Public Policy at the University of California, Berkeley.

**Ken Temple** has been in the John Lewis Partnership since 1982, the UK's largest and oldest employee-owned business. For 11 years until April this year he was responsible for those aspects of the business that flow from employee-ownership, in particular the Partnership's written Constitution and its democratic systems and structures. He is now working part-time before retirement, on various 'special projects', one of which is developing the Partnership's contacts with other employee ownership bodies.

**Michael Thomas** is the father of five children, ages 8-41, and is heavily involved with children's music, sports and is Chairman of the Board for his daughter's school. Also, as Chairman of the Pajaro Valley Performing Arts Association and member of multiple local state and national boards, Michael is concerned with all aspects of life's quality and "true wealth." He has worked in Brazil, the Far East and the Middle East, as well as in the Pentagon as Executive Officer for the Assistant Secretary of Defense and on Wall Street as Vice President of Human Resources for the Bank of New York. He worked at the Kennedy Space Center during the Apollo Program and was the DOD Project Officer in charge of the repatriation of all POWs from Vietnam. Until recently, Mike was Vice President of HR and Director of Corporate Social Responsibility for Granite Construction Inc., one of the nation's largest heavy/highway contractors. In addition, Mike is Chairman of a construction industry-wide committee that is attempting to raise the bar for the entire construction industry with multiple initiatives designed to improve both

awareness and behavior regarding the environment, social responsibility, ethical behavior, quality, safety, treatment of employees, diversity and innovation. Mike's passion is finding ways to build increasing social consciousness into our corporations.

**Elizabeth Ü** is a Program Officer of Investors' Circle (IC), a leading social venture capital intermediary whose mission is to support early stage, private companies that drive the transition to a sustainable economy. Its members and active affiliates are high net worth individuals, professional venture capitalists, family offices, and foundations looking for both financial and social returns. Since 1992, its members have invested more than \$100 million into 163 companies and small funds. The IC Foundation provides the framework for IC's marketplace of social mission entrepreneurs and investors, fostering a unique culture of deal-making, stewardship and learning. The Foundation's B. Lab project focuses on "B. Corps," which dedicate between 10 and 100% of their profits to charity, and generate those profits responsibly. The process of developing and disseminating the concept of B. Corps has attracted participation from a number of investors, entrepreneurs, and foundations. IC has hosted two workshops for B. Corps investors and entrepreneurs to date. The IC Foundation also incubates the DBL Media project in collaboration with the Ford Foundation, and Slow Money, a project which has received multi-year support from the W.K. Kellogg Foundation. Elizabeth is the Program Officer of Slow Money, which aims to steer patient capital to early stage companies that promote healthy food systems, enhancing biodiversity, heirloom varieties, artisanal production, direct connections between producers and consumers, and healthy communities.

**Steven Voigt** is President and CEO of The King Arthur® Flour Company of Norwich, Vermont. Founded in 1790, King Arthur Flour is a premier resource to bakers worldwide, offering flour, ingredients and other products, education and inspiration to experience the pure joy of baking. Voigt joined the company in 1992 as Vice President of Finance, becoming COO in 1998 and President and CEO in 1999. Voigt led the process of becoming 100% employee owned, starting in 1995. King Arthur Flour's team of employee owners are excited about, and honored to be growing a company with such a long history of quality. Proof of his commitment to employee ownership, Voigt also serves as Chair of The ESOP Association, the national, non-profit organization that represents companies with ESOPs. He has been an officer of the Board since 2002. Voigt is a graduate of the Amos Tuck School of Business Administration at Dartmouth College, and Colgate University and serves on several for profit and non-profit boards. Steve married his high school sweetheart, Robin, in 1987 and they have two sons, William and George.

**John Weiser** specializes in helping organizations use business strategies to achieve social goals. John co-founded Brody • Weiser • Burns in 1984 to pursue his vision of business as a force for social change, after two years with the Boston Consulting Group. Since then he has helped businesses, nonprofits, foundations and public sector agencies create, build consensus around, and implement a broad range of partnership strategies. John has written several papers on the business case for corporate involvement. In 2000, he and Simon Zadek co-authored "Conversations with Disbelievers," which examines the

quantitative evidence showing when and how Corporate Community Involvement creates bottom-line business benefits. John co-authored the recently published book, "Untapped: Creating Value in Underserved Markets."

**Allen White** a Vice President of Tellus Institute where he directs the Corporate Redesign Program. He has 30 years of experience in the area of corporate responsibility, advising multilaterals, foundations, corporations, and NGOs.. He co-founded the Global Reporting Initiative and served as its CEO from 1999-2002. He recently co-founded *Corporation 20/20*, an initiative focused on designing future corporations to sustain social purpose. Dr. White has served on advisory groups for the Nordic Partnership, ISO, and Civic Capital, a social investment fund, and is Chairman of the Board of Directors of GAN-NET, a non-profit dedicated to innovative global governance. He is an Associate of the Institute for Responsible Investment at Boston College where he serves on the Steering Committee. Dr. White has published and spoken widely on corporate responsibility, sustainability, and accountability. Earlier in his career, Dr. White held faculty and research positions at the University of Connecticut, Clark University and Battelle Laboratories, and was a Fulbright Scholar in Peru and Peace Corps volunteer in Nicaragua. Dr. White received a Ph.D. in geography from Ohio State University in 1976

**Alan Willis** is an independent consultant in business performance measurement and reporting to meet the information needs of capital markets and other interested parties. This work addresses the evolving responsibilities of boards of directors and management for transparency, sustainability and accountability to shareholders and other stakeholders. He chaired the advisory panel for the 2003 research study by the Canadian Institute of Chartered Accountants (CICA) on the business value created by stakeholder relationships. From 1997 to 2002, he represented the CICA on the Steering Committee and working groups of the Global Reporting Initiative. More recently he has authored papers for Canada's National Round Table on the Environment & the Economy regarding capital markets and sustainability as well as their earlier work on eco-efficiency indicators. He is a member of the Sustainability Experts Advisory Panel of the International Federation of Accountants, the advisory council of Innovest Strategic Value Advisors, and the Non-Financial Business Reporting Committee of the International Corporate Governance Network. He is currently working on CICA projects on risk disclosures in the MD&A, the applicability of cybernetics and systems theory to entity-wide controls, and "20 Questions for Boards of Directors to ask about CSR". He chaired a panel at Globe 2006 on "Realizing the Social Sustainability Dividend", featuring executives from US companies Intel and Interface, and Canada's Encana. Alan is a Chartered Accountant and Canadian citizen; he lives with his wife, Mary, in the Toronto area.

## **ANNEX E: SUMMIT ON THE FUTURE OF THE CORPORATION**

### **SUMMIT ON THE FUTURE OF THE CORPORATION**

**November 13-14, 2007  
Historic Faneuil Hall  
Boston, MA  
[v9 -Not for further distribution]**

The *Summit on the Future of the Corporation* is inspired by the growing tension between the emergence of the corporation as the world's most powerful and innovative social institution and the growing severity of social and environmental problems that plague billions of people. As the tension between these two realities grows, the roles, responsibilities and rights of business are the subject of increasing controversy, as are the relationships of the corporation to government and civil society. This complex landscape is evolving, contested and, to a large measure, unresolved.

The Summit begins with the premise that corporations have extraordinary potential to address a broad range of societal problems. At the same time, they are inhibited from doing so by received wisdoms and enduring attributes regarding their purpose and duties that impede their creation and equitable distribution of long-term wealth. Urgent issues in which corporations are critical actors—e.g. climate change, human rights, income disparities, supply chain impacts, corruption, privacy—are mistakenly viewed as discrete and disconnected. Instead, these issues are structural and systemic, deeply rooted in the design of the corporation itself. It is this perspective that underpins the convening and timing of the Summit.

Corporate redesign offers a fresh perspective on all key building blocks of the corporation, including its governance, directors' duties, ownership, capitalization, liability, and internal structures and incentives. While restructuring the formal architecture of the corporation alone will not ensure systemic change—individuals, too, must share in the process of transformation—it is nonetheless a critical mechanism for achieving progress toward a more equitable and sustainable society. The Summit marks an historical moment for considering how the most influential social institution of our time can serve the broader public interest to the degree it must, and to begin imagining corporate forms that better recognize the reciprocity between private and public interests.

The Summit builds on three years of research, dialogue and visioning among practitioners, scholars and advocates to develop new corporate forms that blend strong social purpose with strong financial vitality for the benefit of all stakeholders. Summit participants will comprise thought and opinion leaders from business, civil society, finance, government, labor, and media. The Summit will provide a setting to rethink contemporary corporate forms so that they represent workable, coherent and inspiring models for the coming decades.

## Goals

The *Summit on the Future of the Corporation* is an invitation-only, multi-stakeholder event that will:

- Present cutting-edge thinking pertaining to the purpose and structure of future corporations and their relationship to government and civil society.
- Explore integrated visions of the future corporation that are feasible, coherent and inspiring.
- Chart the pathways forward to advance a progressive agenda for corporate futures by forging an initial consensus on the roles and responsibilities of key stakeholders in advancing such agenda.

## Format

In the historic setting offered by Faneuil Hall, the two-day Summit will be highly interactive in the spirit of the “town hall” format used for over two centuries. Facilitators will lead speakers, panelists and breakout groups through discussions of the history of the corporation, key components of redesign, and approaches for bringing corporate futures onto the public agenda. The proceedings in Faneuil Hall will be complemented by further interactions during special adjacent venues for meals and a reception. Emphasis throughout will be on dialogue and network building to strengthen post-Summit conversations, visioning and advocacy. Summit participants will identify opportunities for collaboration and constructive action to carry forth redesign objectives.

## Preparatory Papers

A set of preparatory papers will cover cross cutting topics. Provisional examples include: “Why Corporate Redesign?” “Can Transformation Begin Internally?” “The 21<sup>st</sup> Century Corporate Board,” “Beyond Shareholder Primacy,” “Rethinking the Essence of the Corporation—Property, Community, or Organism?” “Bringing Corporate Law into the 21<sup>st</sup> Century” and “Long-Term, Long-Only Investing.” Authors will be drawn from Corporation 20/20 participants as well as practitioners, scholars and activists from business, civil society, finance, labor, law and the media.

## Funding

Invited sponsors from business, foundations and individuals will provide financial support for the event. A tiered registration fee will complement these sponsorships.

### Co-Organizers:

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