

OVERVIEW

Setting the Stage

Debates surrounding the future of the corporation typically are defined as stark choices between government regulation and free markets. Corporation 20/20 posits a third path: *system redesign*. It is a path that recognizes the historical and legitimate public role in corporate design; the necessity of respecting universal values while recognizing the drawbacks of overly intrusive government; and the creative potential but inherent limitations of voluntarism and unfettered markets. Reaching beyond mainstream corporate social responsibility (CSR), Corporation 20/20 will chart a path that embeds social purpose in the organizational “genetics” of corporate structure while helping to build high-performing organizations.

Failures in accountability and governance during the last few years have severely undermined public trust in business. A disenchanted investor class has given rise to an unprecedented activism by institutional shareholders. At the same time, the clamor for reform of corporate governance has been growing in many nations. Several promising new voluntary and quasi-binding international agreements regarding human rights, transparency and governance have emerged alongside a number of company- and sector-specific efforts to strengthen accountability. Meanwhile, groups in California, Minnesota and the UK are advancing legislation to reconstitute corporate purpose via changes in directors’ duties. The making of a movement is palpable.

As pressures for reform intensify, many observers view incremental change as insufficient to achieve needed transformations in the character and purpose of the corporation. Ironically, the failures in corporate conduct have occurred simultaneously with rapid expansion of the CSR movement. From its roots in the 1970s, CSR has grown into a substantial force in many industrial nations, while emerging economies such as Brazil, South Africa and India are becoming increasingly engaged through their adaptation of emerging CSR concepts and practices. Codes of conduct are nearly universal at major companies, and the scrutiny of labor, governance, and environmental and reporting practices is accelerating.

Yet for all apparent progress, it is clear that formidable barriers persist to embedding social purpose in corporations. For companies that are publicly traded, one reality overwhelms all others: relentless pressure to deliver short-term shareholder gains. For privately owned companies, access and cost of capital are no less formidable obstacles to the pursuit of long-term wealth creation.

Former Medtronic CEO Bill George, who led his company to a global position in medical technology, describes the problem of capital pressure succinctly; “It starts with the New York Stock Exchange...with security analysts. They call and ask, ‘Are you going to make the numbers? We’ve got you down for 34 cents – you going to make it?’ And you ask yourself, do I want to go on CNBC and be made fun of because I only made 32 cents? Your stock gets inordinately punished...If your earnings are up 15 percent but they expected 20 percent, then your stock will go down – not 5 percent, but 25 percent. Then you’re vulnerable to a takeover.”

As those inside and outside of business rethink the nature and purpose of corporations, three conditions have impeded progress in translating unease into a broad-based

movement for fundamental change. One is the limited awareness of how received wisdoms embedded in economic and management theory – amoral individuals, unwavering economic rationality, productivity and competitiveness above all other values – shape both management theory and corporate conduct. A second is the lack of an overarching framework – visions of how the future corporation must be designed – to provide a shared platform for various reform streams. Third is the absence of a cohesive movement built on common values and progressive principles that transcend size, sector and location of individual corporations.

Amidst unprecedented growth in the scale, reach and footprint of corporations, sufficient evidence exists to support the possibility of a latent but powerful movement to reshape the purpose of corporations in a form that aligns with 21st century imperatives.

Goals

The goal of Corporation 20/20 is to create a **forum** of leading thinkers, practitioners and advocates; construct positive and plausible **visions** of the future corporate form, and translate such visions into broad-based **advocacy**.

Toward those ends, the initiative aims to create international benchmarks to inspire and guide governments, multilateral organizations, civil society and corporations themselves toward transformative change in corporate design. The initiative is rooted in the premise that societal expectations of business in the 21st century demand a major elevation in corporate contributions to urgent global problems—economic, environmental, and social. In the face of both the peril and promise of globalization, it is no longer enough to ask, “What is the business case for social responsibility?” The question, instead, must be: “How do we design corporations such that their core purpose is to harness the resources of private interests in service to the public interest?”

Precedents

Corporation 20/20 is unique in its focus on redesign. It seeks to integrate disparate streams of corporate change and create compelling, coherent visions of the future corporation. Examples of such streams that constitute components of the redesign landscape include:

Corporate definition. A growing number of legal scholars are revisiting the traditional definitions of the corporation, opening up opportunities to reconstitute its purpose in light of 21st century economic and social realities. As Boston College legal scholar Kent Greenfield observed at the May 2004 inaugural meeting of Corporation 20/20, “Corporate law professors today don’t agree about anything – what the corporation is, who owns it, what directors should do, how companies should operate.”

International norms. The UN, OECD and ILO exemplify intergovernmental and tripartite government, labor and business organizations whose various codes offer essential ingredients to corporate redesign. The UN Subcommission’s *Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises* (2004) exemplifies a recent initiative with implications for corporate design and purpose, regardless of the size, type or location of the organization.

Corporate law and charters. All nations, whether advanced or developing, have laws and charters that enable the corporation to exist under prescribed terms and conditions that constitute a formal license to operate. Efforts to reform such laws are at various stages in the US, UK and Australia, and related initiatives pertaining to corporate governance have emerged in nations such as South Africa and Brazil.

Corporate personhood. Embodied in most legal regimes, but so fundamental as to merit separate mention, is the status of corporations as “natural persons,” with many of the same rights such as due process, free speech and other protections accorded human beings. Some reformers – such as the Program on Corporations, Law and Democracy (POCLAD) – believe that personhood is the most pivotal of all aspects of corporate redesign.

Shareholder primacy. Gradually evolved over years of legal precedent and management theory, shareholder primacy is enshrined either *de jure* or *de facto* in management theory and corporate operations. Its roots and implications are now under scrutiny, including by Corporation 20/20 co-founder Marjorie Kelly in her book *The Divine Right of Capital*. Alternative models of the corporation that elevate non-shareholders’ interests, e.g. stakeholder governance and a team production framework, provide the conceptual underpinnings of a new corporate purpose.

Internal activism. Fundamental changes from within corporations occur when individuals are empowered to challenge conventional wisdom and question mainstream definitions of the corporation. Social purpose may be advanced by internal advocates ranging from CEOs to mid-level managers. Noteworthy examples are found in firms as diverse as Toyota and Nike, alongside medium and small companies such as Antioch Company and South Mountain Company. To date, risk-taking and leadership of this nature have yielded impressive results where they have occurred, but overall internal activism will continue to face major hurdles to scaling up its impact without changes to the external environment in which business operates.

Voluntary CSR initiatives. Companies themselves, motivated by reputation advantage, stakeholder pressure and/or enlightened leadership, have undertaken a wide range of CSR initiatives. While the magnitude of impact on corporate purpose is difficult to ascertain, the vast majority of voluntary initiatives circumvent rather than confront systemic barriers to fundamentally altering corporate behavior beyond the voluntary, piecemeal and reactive approaches characteristic of the last decade.

Launch

In May 2004, a diverse and distinguished group of 25 participants convened in Boston to explore many key aspects of corporate redesign and begin to build a core set of participants in the Corporation 20/20 process. Individuals from legal, labor, business, civil society, government, journalism, governance and investor communities participated. Lively debates focused on design principles, international norms, national and state law, and internally-driven change on the part of a few pioneering corporations. A second event in San Francisco on November 29-December 1, 2004 comprised in-depth discussion of key design issues such as the role of directors, capital and ownership. The most recent workshop (#5) in New York City took place June 8-9, 2006.

Strategies

Informed by the results of the workshops, electronic discussion and writings by participants, Corporation 20/20 has identified a set of activities for 2006-2007, including:

Recruitment. To attract new participants from diverse backgrounds including business, civil society, finance, law, labor and media.

Dialogue. To facilitate convergence around new visions of the future corporations. Electronic dialogues on a wide range of topics are ongoing and archived on www.Corporation2020.org.

Laboratories. To apply emerging 20/20 concepts to companies, business sectors, government, labor and civil society for the purposes of testing interim ideas and for mutual learning between Corporation 20/20 and its collaborators.

Working Groups. To advance both concepts and tasks. WGs will focus on design principles and prototype designs across a range of organizations, e.g., large publicly listed corporations, large privately/family-controlled corporations, and small/medium size corporations.

Paper Series. A series of papers that explores key issues in corporate redesign, e.g., evolution of the corporation, internal transformation, law reform, new models of capitalization, rethinking charters and stakeholder governance, and archetypes of the future corporation.

Summit. A November 2007 “Summit on the Future of the Corporation.” The event will be a major milestone in bringing corporate redesign to the public agenda, profiling Corporation 20/20 design concepts and charting a pathway forward.

Communications. On-line database of research papers and articles, an electronic newsletter, op-ed pieces, press releases, interviews, and an enhanced website are part of Corporation 20/20’s communications plan.

Resources. Standardized Corporation 20/20 presentations, information packages, speakers' lists and reading lists will equip participants and other interested parties to disseminate 20/20’s vision and products.

People

Corporation 20/20 was co-founded by:

Allen White, Vice President and Senior Fellow, Tellus Institute; and Co-founder and former CEO, Global Reporting Initiative. His work with corporations, governments, multilaterals and NGOs on a broad range of corporate responsibility issues spans more than 20 years.

Marjorie Kelly, Co-Founder and former Editor of *Business Ethics*, and author of *The Divine Right of Capital*. She is a regular speaker and media commentator on radio, TV and newspapers on business ethics, economic democracy and social investing.

Participants in Corporation 20/20 comprise an expanding group of leading thinkers, practitioners and advocates from business, law, labor, advocacy, government, and journalism.

Tellus Institute, a Boston-based non-profit organization, hosts Corporation 20/20 and serves as its fiscal agent.

Contact:

info@Corporation2020.org

www.Corporation2020.org