Corporate Redesign at a Tipping Point?
Forum contribution: Corporations in the Crosshairs: From Reform to Redesign

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Corporate social responsibility (CSR) emerged in the 1990s, driven by diverse factors including a professionalizing and globalized civil society and digitally driven fishbowl effects of globalization on large companies that made their increasingly important intangible assets (reputation, etc.) vulnerable to attack. Although CSR fell well short of any more dramatic shift at a higher level of purpose (let alone regulatory transformation), it did make a difference (albeit not as much as we would want). An overly cynical view towards it misses direct impacts, new instruments and pathways (e.g., disclosure and partnerships), and the new doors that CSR opened up in our complex, path-dependent world. Trade-union-negotiated labor codes of conduct along value chains and acceptance of responsibilities for human rights, for example, are not trivial matters.

We can see a second generation beyond CSR that has emerged with some additional features. Notable is that for a growing number of leading companies in key sectors, aspects of sustainable development have become embedded strategic issues. This new phase is focused on deeper risk issues (not just reputational) and related market opportunities, and is notably linked to technological development in sectors such as energy, health, and increasingly finance itself. This shift is happening in (fairly small) parts of the financial community, on very selected issues such as liability-related climate risk, and to a weaker degree across the broader landscape of the UN’s Sustainable Development Goals. As always, there are absurdly naive and deceptive versions of this phase, but there are also some more substantive developments, albeit in specific sectors and jurisdictions. For example, clean energy deployment has made major advances, with cascading effects across many other sectors.
Fainter but relevant evidence exists of a third phase, which provides still weak signals of a further shift towards “redesign.” Here we see tangible discussion about purpose and corporate governance but with diverse manifestations. Values-aligned initiatives such as B Corporations have been accompanied by a resurgent interest in state-owned enterprises in many parts of the world, a growing strength of policy banks and sovereign wealth funds, the mainstreaming of discussions and new practices regarding fiduciary responsibilities and disclosure, and very tricky discussions emerging about ways to design governance models for this and the next generation of digital corporate developments including global digital currencies, such as Facebook’s Libra. They are not all positive developments but nonetheless mark an important pivot away from the dominance of the classical Anglo-Saxon corporate governance model that privileges financial stakeholders. Shareholder actions and liability cases have become more prevalent, notably driven by the climate agenda, again with some cascading effects on other aspects and issues of business performance.

It is hard to predict the longer-term implications of the developments described above, and similarly hard to figure out which are the pressure points on which we can push to achieve the desired low-friction network effects. One moment we can push on the G7 (writing off the burdensome debt of the world’s poorest countries) or the G20 (green finance during China’s presidency), and another moment we rely more on joint action by pension funds (such as Climate Action 100+, a coalition of more than 370 investors with over $35 trillion in assets) or technologically driven enterprise innovation (such as pay-go systems enabled by new financial technologies supporting distributed solar). Social movements are fragmented, distracted, and effective for brief moments, reinforcing the lack of any singular pathway, from the post-financial crisis movements through to climate action and the surging revolts in Hong Kong and elsewhere.

My observations above suggest a positive if insufficient and unstable trajectory at the nexus of corporatism and sustainable development. But I or someone else could have offered an alternative narrative that sees these developments as the last gasp of a broken system, or an attempt to retain the main pillars of corporate power in the face of growing evidence of disturbing outcomes. In practice, it is not one or the other narrative, but both. Going forward, we are more likely to remain at this uneasy tipping point that could move us forward or sink into a dangerous inertia. An era of global value chains in goods is coming to an end, enabling us to grasp greater autonomy in some
ways but with the prospects of the upsides of the last period of globalization not being continued. Climate change is likely to displace upwards of a billion people, leaving them with no prospect of any future Westphalian citizenship. Corporations will seek to weave a continued profitability despite and because of such developments, and will remain important actors to change—but they are not the sole drivers of change, or the only focus on what needs to be changed.
About the Author

Simon Zadek is a Co-Director of the UNEP Inquiry into Design Options for a Sustainable Financial System, a Visiting Scholar at Tsinghua School of Economics and Management, and Senior Fellow at the Global Green Growth Institute and the International Institute for Sustainable Development. He was founder and Chief Executive of AccountAbility, Development Director of the New Economics Foundation, and founding Chair of the Ethical Trading Initiative. He has consulted widely for business, civil society, and public-private partnerships and has spent much of his time in recent years working with the Chinese Government on sustainability aspects of economic policy. He publishes extensively, including the award-winning book, *The Civil Corporation*. He has a doctorate in economics and political science that was published as *The Economics of Utopia: the Democratization of Scarcity*.

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