

1. Corporation 20/20 Introduction

Allen White, *Corporation 20/20, Tellus Institute*

- 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 based on the six Principles of Corporate Design (see appendix). Founded in 2004, Corporation 20/20 began its first phase by building a network of participants from many disciplines. From 2004-2006, Corporation 20/20 held workshops, organized electronic dialogues and prepared various research papers.
- The second phase centered on the November 2007 *Summit on the Future of the Corporation*. This event brought together over 200 leaders from business, labor, finance, law, and civil society to address the question: What would corporations look like if they were designed to seamlessly integrate social purpose into the core of the organization? The *Summit*, Corporation 20/20's first large-scale, in-person event published a series of 10 papers exploring key components of corporate design (<http://www.summit2020.org/SummitPaperSeries.pdf>).
- Corporation 20/20 is currently in its third stage, which will focus on:
 - Enhancing and developing working groups: EEWG, Ratings, and the Chrysalis Initiative on internal transformation of companies.
 - Laboratories: Partnerships to test Corporation 20/20 concepts in businesses, civil society and government.
 - Public Communication: goal is to make corporate redesign an issue in public discourse and public policy, like global security, health, education, climate, etc.

2. Mission and Scope of Emerging Economies Working Group (EEWG)

Angela Joo-Hyun Kang, *Asia Program Fellow, John F. Kennedy School of Government*

- Corporations in Emerging Economies are rapidly emerging as global players, extending their influence throughout the North and the South. Their structure and conduct will shape the global economy for years to come. In this workshop, we will be examining the emerging economies of China, Japan and Korea. We will also observe current CSR practices in these countries and explore ways to increase CSR-related activities. It is important to note that not all of the countries we will hear about today are "emerging" economies—the Japanese economy has already emerged. Still, these countries all have national, regional and cultural ties. We feel these ties and the influence that these countries have on each other makes a regional approach to the EEWG a valuable perspective. There have been few attempts to compare and cross-fertilize CSR practices in Asia.
- We can determine the similarities, differences, and breadth of CSR in emerging economies through the lens of our six Principles of Corporate Design, which we believe are universally applicable.
- Our goals for EEWG are ambitious, but we will attempt to be as clear as possible as to the scope and modest in our expectations so that we have tangible products to show for our work in 3-, 6- and 12-month increments.
- In order to narrow our focus, we should be asking these questions:
 - What types of CSR practices are currently underway in these countries?
 - What are the ownership, control, governance, capital structures of their corporations?
 - What are the award and incentive structures that encourage or discourage CSR practices?

- We will answer these questions through research papers that assess “truly” national (e.g. Chinese, Japanese and Korean) companies. These 10-15 page white papers will be distributed to the EEWG via the Corp2020 website, and to other working groups and business partners.
- We will include case studies on companies that demonstrate especially innovative structures and practices, and perhaps combine certain aspects of multiple companies to build prototypes that adhere to the six Principles.
- Our research will help us determine the best ways we can alter the DNA of corporations to affect change from within.

3. China Presentation

Dr. Jin Xu, *Asia Program Fellow, Center for Business and Government, John F. Kennedy School of Government*

- CSR, originally a Western concept, is now spreading globally as a business imperative. The multinationals have led this globalisation of CSR, but the basic principles are now being adopted in most regions. As China is an emerging economy, CSR practices should be seen as not only a responsibility, but also as a tool to gain greater market share.
- While the perception of Chinese business is one of exclusive state enterprise, in fact a mix exists, comprising of state-owned companies, joint ventures, privately-owned and foreign-invested entities.
- In China, western multinationals have increasingly pressured suppliers to comply with codes of conduct relating to factory working conditions, workers rights, health and safety, business ethics, etc.
- CSR policies must be implemented differently in China, as the state-owned structure can obstruct new policies and practices. On the other hand, state-owned companies control hospitals and schools, so CSR practices implemented in these companies can have a broader reach in society.
- There are differences between law and policy in China. Law can only be made by the state (Chinese Congress). These are often deeply-ingrained laws based on Confucian traditions. However, policies depend on whoever is in power in the government, and these are easily changed. This affects the framework with which we should focus on implementing CSR practices.
- Many executives of state-owned companies have shares in private enterprises; this can cause many to shift their investments/priorities to those enterprises in which hold stock
- Chinese business leaders often come from government positions, leading to continuous entrenchment of public sector influence on private enterprise.

4. Japan Presentation

Jun Kurihara, *Senior Fellow, Center for Business and Government, John F. Kennedy School of Government*

- Today’s CSR in Japan, though having had attracted public attention since 2003, needs to be reexamined from its historical and global perspectives.
- In 2007, Japan witnessed a plethora of fraud cases in corporate activity, which led to plummeting public confidence in Japanese corporations. In addition, companies are expecting diminished profits this year after six consecutive years of growth, which is leading to belt-tightening strategies and less aggressive globalizing activities.
- We are now at a pivotal point to reform this social/corporate contract. How can we begin to re-engage trust in corporations?—developing and elaborating CSR practices will help.
- Japanese people are gauging confidence in companies by day to day corporate activity. Instead, evaluation should be based on a “business-concentric” approach. There is currently no consensus as to what CSR is.
- Japan has a long history of CSR-related business practices, dating back to pre-Meiji Japan.
- Japanese culture believes that virtues should not be exhibited and publicized. Instead it is better to be humble and modest about a company’s strategies and achievements. As a result, there is a delicate balance in the corporate world between company’s “hidden” virtues and successful CR activities.

- There needs to be a greater focus on leadership and systematic approaches to communicate these “hidden values” into action. Japanese companies should enhance public awareness of their CSR practices.
- Since capital markets and short-term pressures are less severe than in the US or Europe, corporations are comfortable investing in long-term activities that enhance trust among consumers that may, in the short term, reduce earnings. Accountability/transparency TO WHOM is most important among Japanese companies.

5. Korea Presentation

Angela Joo-Hyun Kang and Joo-Sueb Lee (with contribution regarding government perspective without presence),
Asia Program Fellows, John F. Kennedy School of Government

- During and after the Korean War, policies often ignored human rights and encouraged companies to employ business practices that focused on attaining high profits, sometimes at the expense of their employees. The concept of CSR was not ingrained in business practices.
- As a result, the chaebol structure (large holding companies with interlocking ownership and control) emerged in the 1960s. These are large, family-controlled, government-assisted corporate groups (conglomerates) which play a major role in the economy today. The focus on business through the chaebol led to “Korea’s economic miracle” in the 60s, a huge economic step forward but one that came at the cost of worker’s rights and democracy.
- The chaebol structure has led to an intensely interconnected society in Korea. For example, 1 out of 8 people are connected to Samsung in some form, and Samsung is only one of the many companies like this. This leads to a society where most of Koreans have a personal stake in the economic stability and prosperity of the chaebols, which, in turn, is inseparable from the stability and prosperity of Korea as a whole.
- This social structure has led to a strong capitalization of insider knowledge. We need to figure out how best to spread this knowledge.
- There needs to be reform among the chaebol to increase transparency, to pressure them to share the wealth they create, and to impose legal and ethical responsibilities and expectations to which they are held accountable.
- A few key steps in economic reform in Korea in past Korean government administrations :
 - Prevent chaebol influence in the financial sector through their subsidiary financial companies
 - Block circulating loans and improper insider trading and irregular means of inheritance.
 - Strengthen small and medium-sized companies, venture firms, and cultural and tourism enterprises.
- The current Korean government will deregulate Chaebol reform policies. NGO community and general public have criticized it as a pro-Chaebol direction. It will be worthwhile to watch how this situation will evolve.

6. Next Steps

EEWG Discussion

- We need to discuss what it is we want to do in the next 3 months (near term), then within the next 6 and 12 months. We should have specific “deliverables” and “achievable.”
- We have had many working groups in Corporation20/20, and we’ve learned, sometimes the hard way, that they function best when there are specific products (such as a paper, a meeting, extensive dialogue on the website). It will be important to identify roles and responsibilities: who can accept a task, leadership? What are our resources?

- Papers should be prepared in a somewhat standard format, e.g.: “We would like the following 5 questions addressed in the paper. Please speak to: ownership structures, role of government, informed by the WG discussion, etc.” Then we can start making comparisons to each country. We can use the participants’ space on www.Corporation2020.org to discuss the papers for one about a month to activate EEWG members.
- Then in October, we can focus on synthesis: e.g., varieties of ownership—positives and negative implications of each type for advancing CSR in the region. These can be the basis for future EEWG workshops—in Asia, here, etc.
- We should also focus on outreach. For example: “by mid-August, please recruit two new members that you think would be interested in participating.”
- Laboratories: these would consist of assembling a team to work with, for example, a specific Korean company on how to improve governance, ownership, rewards and incentives, etc using the six Principles as a starting point. So our job is to think of companies/professionals in each country who might be receptive to a partnership—new ideas that emerge as we go along that cover governance, innovation, board structure... whatever it happens to be. Then we can partner with them to experiment how we can be helpful/learn from a company such both Corporation 20/20 and the partner benefit from mutual learning
- Next step: meeting summary is distributed to workshop participants for comments within one week, then transmitted to the entire EEWG. Based on discussion at the workshop, Angela prepares a draft workplan covering the next 12 months with deliverables, responsible people, and resources needs. Angela circulates to EEWG for comments.

Appendix: Six Principles of Corporate Design

Corporation 20/20

1. The purpose of the corporation is to harness private interests to serve the public interest.
2. Corporations shall accrue fair returns for shareholders, but not at the expense of the legitimate interests of other stakeholders.
3. Corporations shall operate sustainably, meeting the needs of the present generation without compromising the ability of future generations to meet their needs.
4. Corporations shall distribute their wealth equitably among those who contribute to wealth creation.
5. Corporations shall be governed in a manner that is participatory, transparent, ethical, and accountable.
6. Corporations shall not infringe on the right of natural persons to govern themselves, nor infringe on other universal human rights.