

One of the reasons that high road companies like Saturn and others often don't get carried on is that once the founders leave, the next generation of leaders don't carry on the same practices, and so the culture goes back to more traditional organizations. But there are ways to address this issue by building commitments to multiple stakeholders right into the bylaws of the corporation. Let's look at some examples. We'll consider three different models.

First, let's talk about what we call benefit corporations. Benefit corporations build right into their charter three different objectives.

First, they say they are going to commit to producing results that are good for their shareholders, for their employees, and for the economy. Secondly, there are going to consider financial and non-financial considerations when making key decisions that allow them to keep the benefits flowing to all of these stakeholders. Third, they agree to be transparent. They provide annual reports on their performance and their progress in addressing the interests of these multiple organizations.

One of the best known companies that is a benefit corporation is Patagonia. Patagonia is this very famous clothing maker. And its CEO and founder, Yvon Chouinard, says, Patagonia is trying to build a company that could last 100 years. Benefit corporation legislation creates the legal framework to enable mission driven companies like Patagonia to stay mission driven through succession, through raising capital, through changes in ownership. In doing so it institutionalizes the value, the culture, the processes, and the high standards that are put in place by these founders.

So by doing this we get some continuity. In fact, 22 states now allow companies to incorporate as benefit corporations within their boundaries. And we have, at this point, about 786 such companies.

Another option is employee ownership. You've probably heard the term ESOP, employee stock ownership programs. Well, employee ownership companies build a commitment to being successful financially both for traditional investors and for employee owners right into the structure and governance of the firm.

Employees often have representatives on the corporate boards of directors, but the key to success of these companies is to make employees feel like owners by building a culture of engagement, of ownership, of encouraging employees to make suggestions for improving the operations in the performance of the organization, and therefore aligning the incentives through compensation and through the culture of the organization.

So employee ownership companies have spread across the country. There are about 10,000 of them. And you can find them almost any industry that you can think of.

The key to employee ownership, though, is to make sure employees are involved, and to also worry a bit that they don't put all of their financial resources for retirement into the same company. You also want to spread your investment a bit so that you don't come up short if the company happens not to be as successful as you would like.

There are other kinds of companies call cooperatives. A cooperative is a company that has lots of owners that pool their resources to get some job they all need done done together. So if you happened to grow up on a farm, you may have been part of a milk cooperative where farmers pool their resources and create a dairy to take the milk from their dairy cows. There are sawmills in Oregon. Here in Cambridge we have the MIT coop and the Harvard cooperative society, bookstores that sell books and reference material and clothing to our students and to our faculty.

And then there's my favorite cooperative, as my tie suggests, it's the Green Bay Packers. Green Bay Packers are a community own football team started in the 1920s. And how else could you have a city, Green Bay, Wisconsin, with only about 100,000 residents sustain a very successful, highly competitive, and often championship football team for all of these years? It's because they are owned by the community and they can't be sold to some higher bidder who might make a profit off of it.

You'll also see some cooperatives in other countries. Probably the most famous one is the Mondragon set of industries, headquartered in the Basque region of Spain, with companies that range from manufacturing, to retail, to high tech, to financial institutions. They have over 81 different companies at the moment.

So we can build organizations in different kinds of ways. And so the takeaway lesson that I hope you will have here from this conversation is that it's possible. If you are imaginative, perhaps you can invent the new forms of organizations for the future that will meet the needs of all of their stakeholders, and will be built to last for multiple generations. And in doing so, not only might you build organizations that work for investors, customers, and employees, but maybe ones that help to sustain our planet.