

No Need for Asia to be Woke: Contextualizing Anglo–America’s ‘Discovery’ of Corporate Purpose

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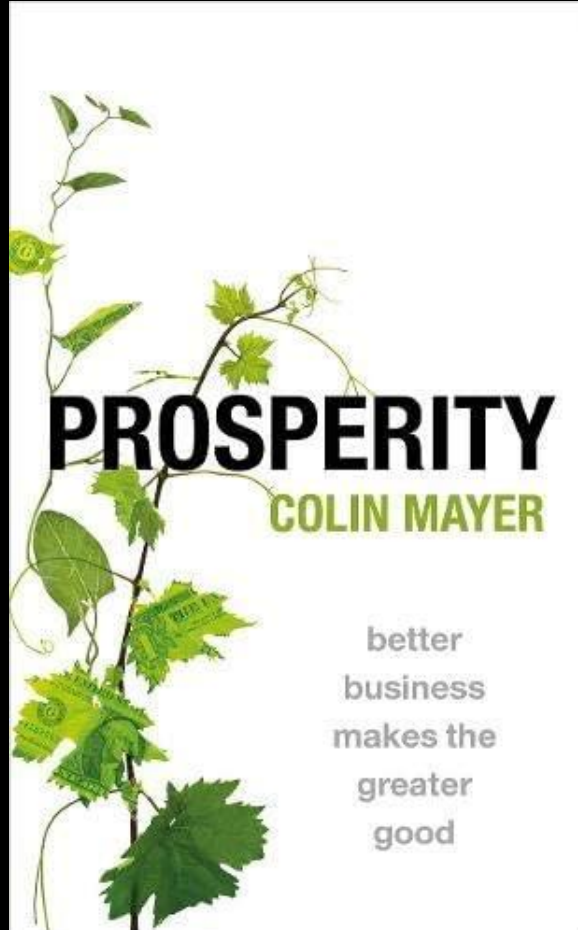
The 2023 ECGI Working Paper Law Prize
Copenhagen Business School
22 September 2023



The World Was Ostensibly Woke

**“THE ‘BIBLE’ OF
CORPORATE
GOVERNANCE
THAT ‘IS
DESTINED TO
CHANGE THE
WORLD’”**

MARTIN LIPTON, 2018



**CORPORATIONS
SHOULD NO
LONGER BE
GOVERNED FOR
THE SOLE
PURPOSE OF
MAXIMIZING
SHAREHOLDER
VALUE**

IN 2019 BRT MADE HEADLINES AROUND THE WORLD BY RELEASING ITS NEW STATEMENT ON CORPORATE PURPOSE

“corporations no longer exist principally to serve shareholders but for the benefit of all stakeholders—customers, employees, suppliers, communities and shareholders”



**IN 2020, BLACKROCK
ISSUED A LETTER TO CEOs
AROUND THE WORLD
IMPLORING THEM TO
GOVERN CORPORATIONS
TO:**

**EMBRACE PURPOSE
AND SERVE ALL
STAKEHOLDERS**

**OSTENSIBLY SPELLING AN
END TO THE GLOBAL
SHAREHOLDER PRIMACY
OBSESSION**



WORLD ECONOMIC FORUM

**IN 2020, THE WEF ISSUED A MANIFESTO URGING COMPANIES TO ABANDON
THE TRADITIONAL MODEL OF 'SHAREHOLDER CAPITALISM'**

THE SESSION WAS SEEN AS 'THE FUNERAL OF SHAREHOLDER CAPITALISM'



“THE “DISCOVERY” THAT CORPORATIONS HAVE STAKEHOLDERS (OTHER THAN SHAREHOLDERS) AND PURPOSES (OTHER THAN MAXIMIZING SHAREHOLDER VALUE) PROMISES TO DELIVER GLOBAL CORPORATE GOVERNANCE FROM TARTARUS TO ELYSIUM — OR AS MAYER DESCRIBES IT, PERHAPS DRAWING ON HINDUISM FOR GLOBAL EFFECT, CORPORATE “NIRVANA”.”



IN MAYER'S WORDS, THE FRIEDMAN DOCTRINE

**“HAS BEEN A POWERFUL CONCEPT THAT HAS DEFINED
BUSINESS PRACTICE AND GOVERNMENT POLICIES AROUND
THE WORLD FOR HALF A CENTURY”**

NOT

SO

FAST

The Friedman doctrine's central role in shaping Anglo-American corporate governance

**“DESPITE THEIR MYRIAD DIFFERENCES, UNTIL RECENTLY,
MODERN CORPORATE LAW AND GOVERNANCE IN THE UNITED
KINGDOM AND UNITED STATES HAS, IN THEORY AND PRACTICE,
BEEN DEFINED BY SHAREHOLDER PRIMACY”**

ESSAY

The End of History for Corporate Law

HENRY HANSMANN* AND REINIER KRAAKMAN**



The Surprising Origins of the Fortune Cookie

They didn't come from China.

MICHAEL LEE • FEB 11, 2021

“WHAT SEEMS TO HAVE BEEN FORGOTTEN IS THAT THE FRIEDMAN DOCTRINE IS AS AUTOCHTHONOUS TO ASIA AS THE FORTUNE COOKIE.”

For better or worse purpose and stakeholderism
has dominated Asia

**A POSITIVE OBSERVATION WITH NORMATIVE
IMPLICATIONS**



(FORGOTTEN) STAKEHOLDERISM/PURPOSE WITH CHINESE (COMMUNIST PARTY) CHARACTERISTICS



2002 Chinese Corporate Governance Code encouraged listed companies to:

“BE CONCERNED WITH THE WELFARE, ENVIRONMENTAL PROTECTION, AND PUBLIC INTERESTS OF THE COMMUNITY” AND TO “PAY ATTENTION TO THE COMPANY’S SOCIAL RESPONSIBILITIES”



2018 CCGC goes even further by encouraging listed companies to:

“ACTIVELY IMPLEMENT THE CONCEPT OF GREEN DEVELOPMENT, INTEGRATE ECOLOGICAL AND ENVIRONMENTAL PROTECTION REQUIREMENTS INTO THE DEVELOPMENT STRATEGY AND CORPORATE GOVERNANCE PROCESS, ACTIVELY PARTICIPATE IN THE CONSTRUCTION OF ECOLOGICAL CIVILIZATION, AND PLAY AN EXEMPLARY ROLE IN POLLUTION PREVENTION, RESOURCE CONSERVATION, AND ECOLOGICAL PROTECTION”. AS IF THAT WERE NOT PURPOSEFUL ENOUGH, IT ENCOURAGES LISTED COMPANIES TO ASSIST “POVERTY-STRICKEN COUNTIES OR VILLAGES, AND ACTIVELY CONNECT WITH AND EARNESTLY SUPPORT POVERTY-STRICKEN AREAS TO DEVELOP LOCAL INDUSTRIES, TRAIN TALENTS, AND PROMOTE EMPLOYMENT”



CAN CHINESE COMPANIES STAY ON THEIR WORLD CHANGING TRAJECTORY IN AN ECONOMY WHERE THE CHINESE COMMUNIST PARTY (CCP) APPEARS TO BE RATCHETING-UP ITS CONTROL OVER WHICH PURPOSES COMPANIES MAY SERVE?

**“COMPANY COMMUNITY”
DEFINES CORPORATE PURPOSE IN POST-WAR JAPAN**



JAPAN'S PUSH TO SHAREHOLDER PRIMACY

OLD MODELS DIE HARD

10

The Japanese Stewardship Code

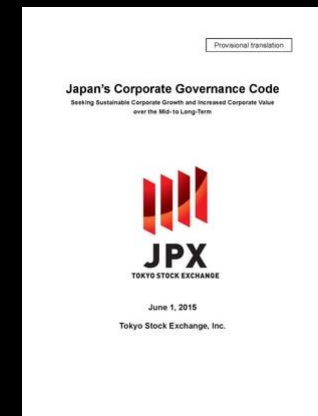
Its Resemblance and Non-resemblance to the UK Code

Gen Goto*

10.1 INTRODUCTION

In February 2014, the Council of Experts Concerning the Japanese Version of the Stewardship Code (Council of Experts), which had been established by the Financial Services Agency (FSA) of Japan the previous August, adopted the Japanese Stewardship Code,¹ making Japan one of the earliest followers of the UK. Since then, Japan has revised its Stewardship Code in 2017² and again in 2020.³ This swiftness in adoption and keenness on revision suggest Japan's emphasis on, and high expectations of, stewardship codes.

The Japanese Stewardship Code, both in its original 2014 version (Japanese Code 2014) and in the 2017 revised version (Japanese Code 2017), consists of seven principles, each supplemented by more detailed guidance.⁴ The structure of the Japanese Code strongly resembles that of the UK Stewardship Code in its original 2010 version (UK Code 2010) and the 2012 revised version (UK Code 2012).⁵ Not only the structure but also the wording of the Japanese Codes, in their English



[Ratio of 1st Section Companies with 1/3 or more Independent Directors]



(note)

*Figures for each year are based on the Corporate Governance Reports of listed companies as of August 31, 2020.

What is an "Independent Director"?

An outside director that is designated by each listed company as an independent director under the TSE listing rules. To protect the interests of general shareholders, TSE requires listed companies to designate fairly independent outside directors/ auditors as independent directors/ auditors.

PRIME MINISTER KISHIDA'S “NEW CAPITALISM”

WOKE CAPITALISM WHEN ALREADY AWAKE FOR HALF A CENTURY?



A LONG HISTORY OF STAKEHOLDERISM IN INDIA BUT STILL A WORK IN PROGRESS

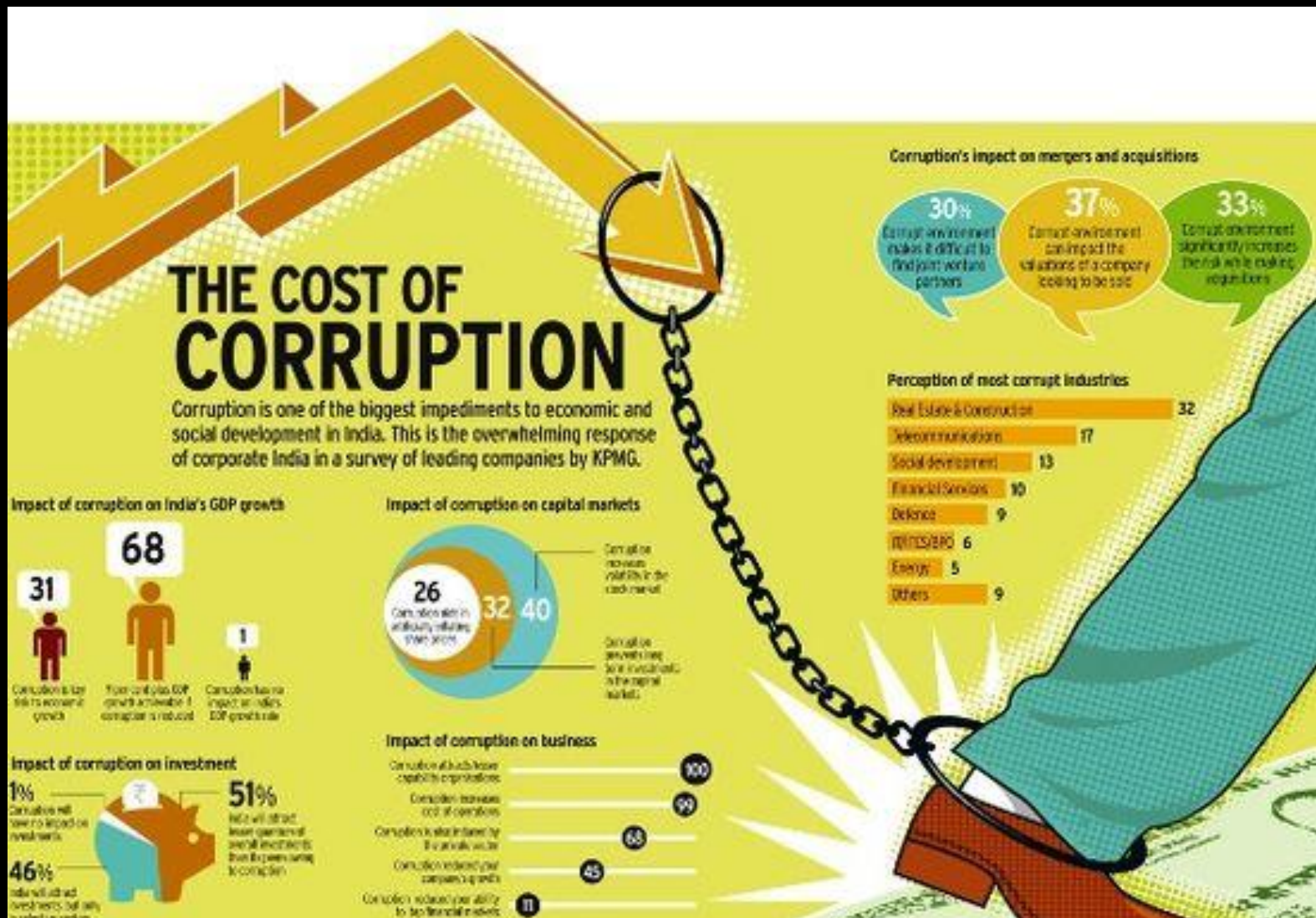


**“SEVERAL AGE-OLD BUSINESS GROUPS HAVE LONG INCULCATED
BROADER CORPORATE RESPONSIBILITY AS PART OF THEIR BUSINESS
MOTTO OVER MORE THAN A CENTURY. ”**

**“IN THE 1980s, THE SUPREME COURT OF INDIA ENUNCIATED THAT “A
COMPANY IS NOW LOOKED UPON AS A SOCIO-ECONOMIC INSTITUTION
WIELDING ECONOMIC POWER AND INFLUENCE ON THE LIFE OF THE
PEOPLE”**

**“COMPANIES ACT IN 2013.
SECTION 166(2) IMPOSES DUTIES ON DIRECTORS OF A COMPANY TO ACT “IN
THE BEST INTERESTS OF THE COMPANY, ITS EMPLOYEES, THE
SHAREHOLDERS, THE COMMUNITY AND FOR THE PROTECTION OF THE
ENVIRONMENT”**

IS ANGLO-AMERICAN-CUM “GLOBAL” CORPORATE PURPOSE BAD MEDICINE FOR INDIA?



SINGAPORE'S AMAZING SUCCESS STORY

GDP per capita, PPP (current international \$) - United States, China, Singapore

International Comparison Program, World Bank | World Development Indicators database, World Bank | Eurostat-OECD PPP Programme.

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Line

Bar

Map

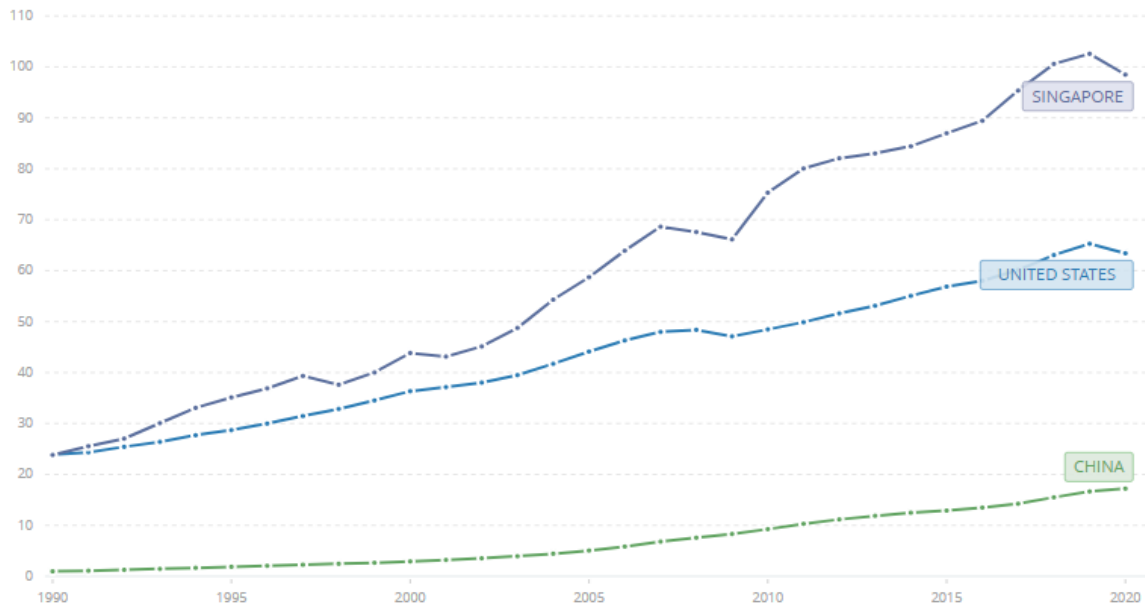
⋮ Also Show

↵ Share

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Thousand

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1990 - 2020

III

III



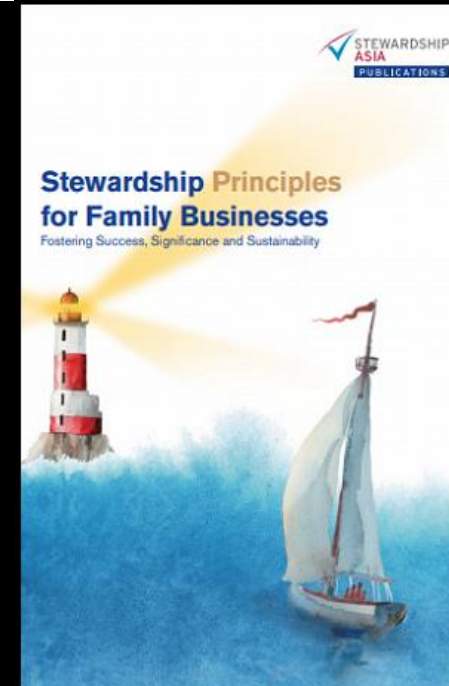
SHOULD BE THE MOST ANGLO-AMERICAN IN ASIA



PROFIT MAKING STATE OWNED ENTERPRISES AND FAMILY FIRMS AS MODELS FOR PURPOSE



- World's best economy
- World's top corporate regulatory environment
- World's highest percentage of millionaires
- World's most competitive and dynamic economy
- Higher GDP per capita than any G7 country
- World's second most free economy
- Top corporate governance in Asia
- World's healthiest country



Normative Implications of Anglo-American-Cum Global Corporate Purpose Movement

PROVIDES COVER FOR RENT-SEEKERS



**OBSCURES THE POSITIVE/NEGATIVE LESSONS OF
ASIA'S MIRACLES**

A Contextual Approach to the Shareholder/Stakeholder Purpose Continuum



WHAT IS ALSO CERTAIN IS THAT THE EXISTENTIAL THREAT OF CLIMATE CHANGE CAN ONLY BE SUCCESSFULLY ADDRESSED THROUGH INTERVENTION ON A GLOBAL SCALE. GLOBAL ACTION WILL REQUIRE ACCEPTING DIVERSITY IN APPROACHES, ALLOWING EACH SYSTEM TO ACHIEVE CLIMATE CHANGE GOALS IN THEIR OWN WAY. AS SUCH, OUTCOMES SHOULD BE THE FOCUS OF GOOD CORPORATE GOVERNANCE AND THE PURPOSE CORPORATIONS SERVE, NOT PRESCRIBED METHODS OF ACHIEVING THOSE OUTCOMES.

The image shows the front cover of the book 'Prosperity Requires Diversity' by Colin Mayer. The cover has a dark, textured background with a faint, light-colored illustration of a vine with leaves and small flowers on the left side. The title 'PROSPERITY REQUIRES DIVERSITY' is printed in large, bold, white, sans-serif capital letters, centered on the cover. Below the title, the author's name 'COLIN MAYER' is printed in a smaller, bold, white, sans-serif font. At the bottom of the cover, the subtitle 'better business makes the greater good' is printed in a smaller, white, sans-serif font, with each word on a new line.

PROSPERITY REQUIRES DIVERSITY

COLIN MAYER

better
business
makes the
greater
good

Thank You

