

The Coming Collapse of the Corporation (and what comes next)

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EGOS
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Why we are here

- “The 2014 EGOS Colloquium will provide an opportunity for organizational scholars to **reimagine, rethink, and reshape our scholarship** in light of the **deeply invasive period of stagnation and decline** we currently face:
 - How can we ensure that the ways in which organizations generate profits and benefits contributing to human development today do not compromise or jeopardize the well-being of other societies or future generations?
 - What are the implications of the current economic and social challenges for the way we live, design our organizations, and support our society?
 - How can we change our ways as organizational scholars to stimulate organizational and societal reflexivity on these pressing themes more effectively?”

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How did we get from here...



1889-2012*

...to here...



~2007-2011

...and where do we go next?

The golden era of corporate society, 1950-1990

- “The big enterprise is the true symbol of our social order...**In the industrial enterprise the structure which actually underlies all our society can be seen...**” (Drucker, 1950)
- “The whole labor force of the modern corporation is, insofar as possible, turned into a corps of lifetime employees, with great emphasis on stability of employment” and thus “Increasingly, **membership in the modern corporation becomes the single strongest social force shaping its career members...**” (Kaysen, 1957)
- “Organizations are the key to society because **large organizations have absorbed society**. They have vacuumed up a good part of what we have always thought of as society, and made organizations, once a part of society, into a surrogate of society” (Perrow, 1991)

Some premises of the corporate-centered society

1. The typical corporation makes tangible products
2. Corporate *ownership* is broadly dispersed
3. Corporate *control* is concentrated
4. Corporations aim to grow bigger in assets and number of employees
5. Corporations live a long time

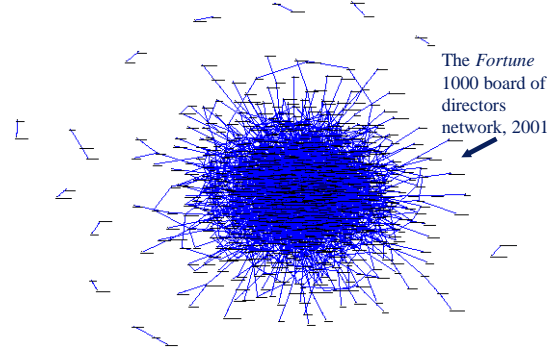
1. The typical corporation makes tangible products

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From 1905 to ~ 2001, corporate elites formed a well-connected old boys' network via shared directors...

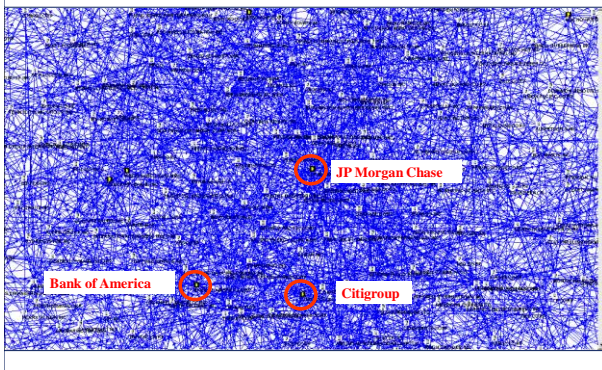
3. Corporate control is concentrated



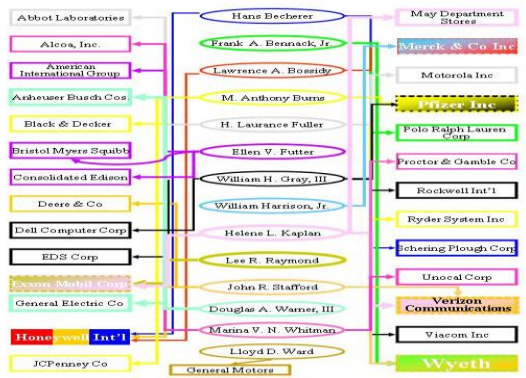
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...with banks sitting somewhere in the middle

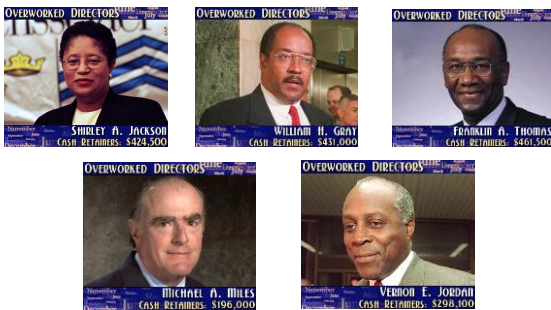


JP Morgan Chase board, 2001



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Who were the top 5 inner circle directors in 2001?



Source: Forbes (2002)

By 2011, only one director served on 5+ boards in the S&P 500, and the "inner circle" was now called "overworked directors"

FORBES
America's Most Overworked Directors
LISA GARDNER, 10/18/11 12:00 PM ET

In the mid-1990s, about 100 executives accounted for the top 100 companies in the S&P 500. For some time, it seemed as if they were the only ones to be in the top 100. One expert doubts that people with multiple directorships will ever be as common as they are today. "It is physically impossible to be on more than 10 boards," says Michael O'Shea, president of the National Association of Corporate Directors. "It is physically impossible to be on more than 10 boards," says Michael O'Shea, president of the National Association of Corporate Directors. "It is physically impossible to be on more than 10 boards," says Michael O'Shea, president of the National Association of Corporate Directors.

SHIRLEY A. JACKSON
CASH RETAINERS: \$424,500

RELATED CONTENT:
• Overworked Directors: A New Breed of Executive
• How to Stay on Top of the Game
• The Corporate Scandal That Shook the World

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4. Corporations aim to grow bigger in assets and number of employees

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Shareholder value and corporate strategy

- Orientation toward share price leads companies to adopt strategies and structures valued by financial markets
- Market-approved strategies include:
 - Pervasive outsourcing (“Nike-fication”)
 - Employment minimization
 - Domain-shopping for tax havens
 - Stock buybacks
- Widespread orientation toward share price, as in the US, creates pathologies for the wider economy

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A case study

- In 1996, Sara Lee was #50 on the *Fortune* 500 list of the largest American corporations
- Its brands included:
 - Hanes
 - Coach
 - Champion
 - Wonderbra
 - Jimmy Dean
 - Ball Park
 - Douwe Egberts
 - ...and dozens of others



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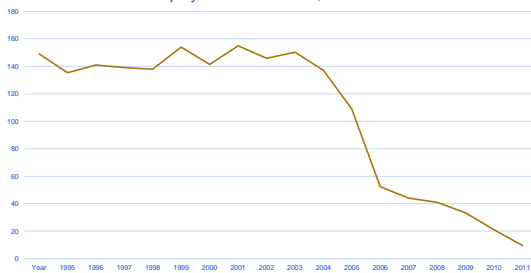
The move toward shareholder value

- “Sara Lee Corporation’s mission is to build leadership brands in consumer packaged goods markets around the world. Our primary purpose is to create long-term stockholder value.”
- “Wall Street can wipe you out. They are the rule-setters. They do have their fads, but to a large extent there is an evolution in how they judge companies, and they have decided to give premiums to companies that harbor the most profits for the least assets.”
John Bryan, CEO, explaining Sara Lee’s “de-verticalization” program
- 2012: after 15 years of shareholder-oriented restructurings and spinoffs, what was left of Sara Lee split into *Hillshire Brands* (US) and *Douwe Egberts Master Blenders* (Europe)

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The employment consequences of Sara Lee’s pursuit of shareholder value

Employment at Sara Lee, 1995-2012



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THE WALL STREET JOURNAL

BUSINESS

Tyson Wins Battle to Buy Hillshire

All-Cash Offer of \$63 a Share Values Firm Around \$7.7 Billion and Would Best Bid by Pilgrim's Pride

By GUYA BETHFIELD, LUC ROFFMAN and JACOB BURGHE
WRITTEN FOR WSJ.COM



WSJ's photo illustrates (from the lower right) former Tyson CEO John Bryan, a bid between Tyson and Hillshire that has captured that firm's attention. Photo: GUYA BETHFIELD

Tyson Foods Inc. emerged as the winner in a battle to acquire Hillshire Brands Co., offering almost a billion dollars more than rival Pilgrim's Pride Corp.'s bid last week for the maker of Jimmy Dean sausages.

Tyson offered \$63 in cash per share, according to people familiar with the matter, a bid that valued Hillshire at around \$7.7 billion. The bid is nearly \$1 billion more than Pilgrim's Pride, a unit of Brazilian meatpacker giant JBS SA, offered for the company last week. Pilgrim's set off the bidding war late last month by making an unsolicited offer for the company. Tyson's new offer represents a roughly 70% premium to the price of Chicago-based Hillshire before the bidding began.

Winning Hillshire would vault Springfield, Ark.-based Tyson ahead in the company's long-running effort to build a business in branded meat products. Tyson is the biggest U.S. chicken processor and a major processor of beef and pork.

Such packaged meats generally carry higher profit margins than the meat Tyson sells to restaurants and food-service operations, which accounts for a big portion of the company's sales.

Hillshire's Jimmy Dean brand dominates refrigerated breakfast sausage sales with nearly one-third of the market, according to data from market research firm IRI, and its Ball Park brand leads hot dog

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Whose management has created more value?



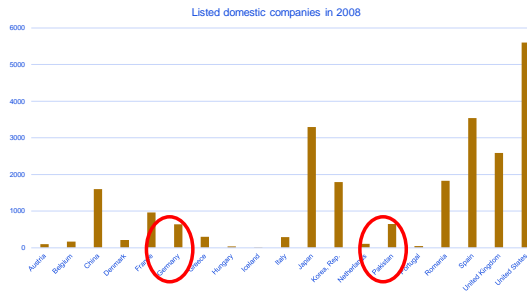
- Revenues in 2013: \$98B
- Employees: 375,000
- Net income: \$1.5B
- Market capitalization: \$23B



- Revenues in 2013: \$0.665B
- Employees: 2,712
- Net income: \$-0.645B
- Market capitalization: \$23B

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Countries vary enormously in the prevalence of exchange-listed companies



Source: World Bank World Development Indicators 2013

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The US economy is at an advanced stage of Nike-fication

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Corporation ≠ organization: no fixed boundaries

THE WALL STREET JOURNAL

LEADER (U.S.) | APRIL 15, 2008

PICTURE SHIFT

U.S. Upstart Takes On TV Giants in Price War

By CHRISTOPHER LAWTON in San Francisco, YUKARI IWATANI KANE in Tokyo and JASON DEAN in Beijing

But one upstart, Irvine, Calif.-based Vizio Inc., has largely surged past the industry's woes. Its single focus: churning out low-priced flat-panel TVs.



Vizio is a fraction the size of Sony and Samsung Electronics Co., both leading brands in the U.S. flat-panel market. Yet Vizio shipped 12.4% of North America's liquid-crystal display, or LCD, TVs in the last quarter of 2007. That's just behind Sony's 12.5% share and Samsung's 14.2%, according to research firm iSuppli Corp. Overall, Vizio's sales have multiplied to just under \$2 billion last year, up from \$700 million in 2006 and \$142 million in 2005, according to the closely held company.

The California company's success illustrates the rise of a new business model in the fast-changing TV industry. Big Korean and Japanese consumer-electronics makers spend huge sums developing and marketing their own technology, creating a high barrier to entry for newcomers. They also built many key components in-house, including the all-important LCD and plasma display panels.

But panel technology is becoming ever more commoditized, meaning big brands aren't the only ones controlling the field. The shift has allowed nimble players like Vizio, which handles the design and marketing, to hook up with contract manufacturers and produce their own cheap TVs. At the same time, discount retailers such as Wal-Mart Stores Inc. are increasing their sales in the electronics category, slashing prices in the process.

Vizio now has the largest market share of LCD televisions in the US (22%)—with 196 employees

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Corporation ≠ organization: no fixed identity



May 9, 2007

ADVERTISING

101 Brand Names, 1 Manufacturer

The Mass Pet-Food Recall Reveals a Widespread Practice: Many Competing Products Come From the Same Factory

By ELLEN BYRON
May 9, 2007

(See Corrections & Amplifications item below.)

Pet owners have been reeling ever since tainted pet food led to the confirmed deaths of more than a dozen dogs and cats and likely sickened many more.

Some owners were also startled to learn that dozens of competing brands, from discount to premium, are all made by the same company, Menum Foods Inc. of Ontario.

Menum has recalled more than 60 million cans of pet food under more than 100 brand names ranging from Procter & Gamble Co.'s Iams and Eukanuba brands to Hill's Pet Nutrition Science Diet, owned by Colgate-Palmolive Co., to O'Roy pet food by Wal-Mart Stores Inc. Each was apparently affected by wheat gluten contaminated with melamine, a chemical substance with no approved use in food.

Poisonous pet chow containing melamine from China was made by an Ontario-based manufacturer but sold under dozens of different US brand names.

The global OEM model is not just for Nike anymore.

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Corporation ≠ organization: no fixed nationality



May 27, 2008

Accenture to Move Base To Ireland From Bermuda

By KATHY SHWIFF

Accenture Ltd. said its board has voted to change the consulting company's place of incorporation to Ireland from Bermuda.

Accenture incorporated in Bermuda in 2001 after the company did an initial public offering.

Several large companies have recently announced plans to reincorporate from Bermuda, helping them avoid what are expected to be significant changes in how the U.S. taxes multinational corporations. Earlier this month, drug maker Warner Chilcott Ltd. said its board approved a plan to relocate to Ireland from Bermuda.

Accenture shareholders will be asked to vote on the proposed move at meetings in the next three to four months.

"We believe that incorporating in Ireland will provide Accenture with economic benefits and help ensure our continued global competitiveness," said Chairman and Chief Executive William D. Green, adding that the company will benefit from Ireland's well-developed corporate, legal and regulatory environment.

The technology outsourcing and management consulting company doesn't expect any material change in its operations, financial results or tax treatment as a result of the change.

The company will continue to be registered with the Securities and Exchange Commission and its shares will continue to trade on the New York Stock Exchange.

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The mashup approach to enterprise



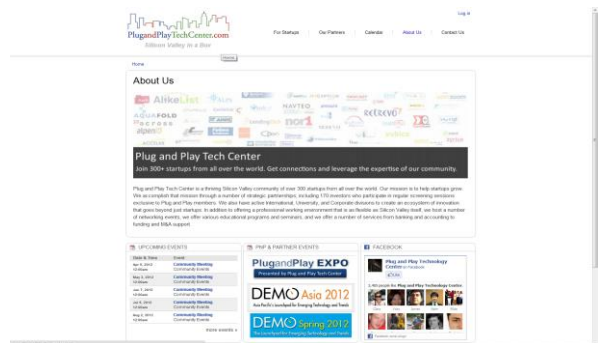
- “The building blocks for organizations come to be littered around the societal landscape; it takes only a little entrepreneurial energy to assemble them into a structure” (Meyer and Rowan)
- What’s different now: the tools for “organizing without organizations” are readily available

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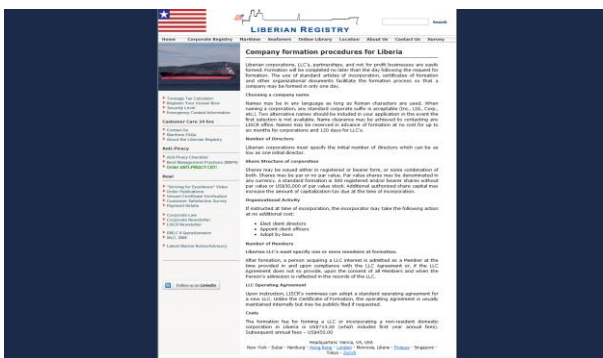
How-to guide for an instant startup, ca. 2014

- Product: iPhone “remote drone assassin”
- Target market: neo-mercenary firms

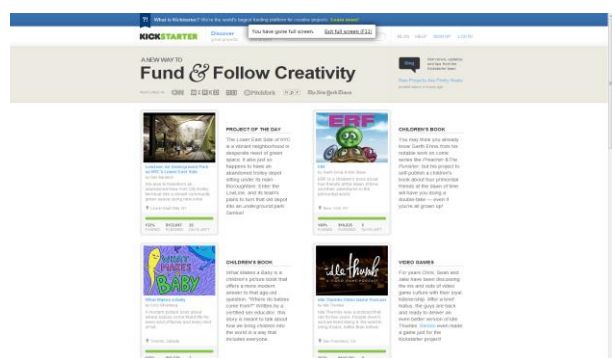
1. Rent a desk in a shared office



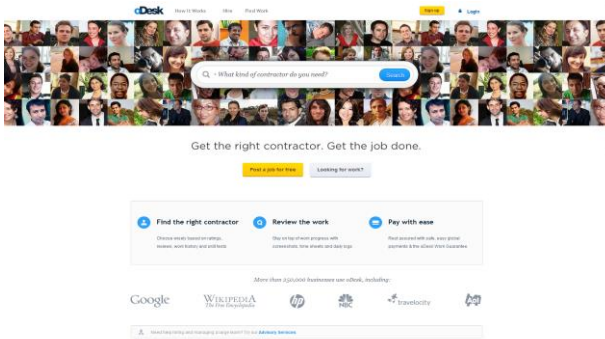
2. Incorporate online in Liberia for \$713.50



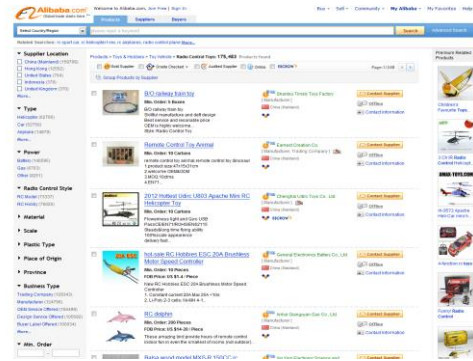
3. Crowdfund the funding at Kickstarter



4. Hire programmers for the app at oDesk



5. Find a Chinese drone vendor at Alibaba.com



6. Set up a payment system at Square



7. Get it shipped from the dock to our customers



The story so far:

The public corporation is now unnecessary for production, unsuited for stable employment and the provision of social welfare services, and incapable of providing a reliable long-term return on investment

NOW WHAT? AN INVENTORY

Dramatically cheaper capital goods enable locavore production. (Take that, Braverman)

...whose designs can be shared and modified globally

The "maker movement" is emerging in surprising places (like Detroit)...

3D printing and the Web enable insta-replication of physical objects...

A local fabrication shop in every neighborhood?

...and in surprising industries (like biotech)

Cooperatives have found a new life...in Cleveland

New legal forms add to the mix of possibilities

Collaborative consumption apps are widespread

Looking backwards and forwards

- “The organizational inventions that can be made at a particular time in history depend on the social technology available at that time. Organizations which have purposes that can be efficiently reached with the socially possible organizational forms tend to be founded during the period in which they become possible”
Art Stinchcombe, 1965
- The turn of the 20th century: the integrated corporation (e.g., General Motors)
- The turn of the 21st century: the iPhone “workplace democracy app” that turns GM into a kibbutz

How about “open source institutional design for economic democracy”?

“How can we change our ways as organizational scholars to stimulate organizational and societal reflexivity on these pressing themes more effectively?”