

# On Ceres, the GRI and Corporation 20/20: Sandra Waddock talks to Allen White

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## Interview

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# On Ceres, the GRI and Corporation 20/20

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Sandra Waddock talks to **Allen White**



THIS ARTICLE IS BASED ON AN INTERVIEW with Dr Allen White, Vice President of Tellus Institute, co-founder and former CEO of the Global Reporting Initiative, and co-founder and director of Corporation 20/20, an initiative to vision and advocate for new corporate forms that ingrain social purpose into the core of the organisation. At Tellus, Dr White directs the Corporation 20/20 Initiative and the Corporate Redesign Program. Trained as a geographer, he has worked for more than 25 years in diverse areas of corporate responsibility. He has advised numerous multilateral organisations, companies and non-governmental organisations (NGOs), after beginning his career as a faculty member and researcher at the University of Connecticut, Clark University and Battelle Laboratories. He is a former Fulbright Scholar in Peru and Peace Corps volunteer in Nicaragua. Much of his work has focused on strategic issues associated with corporate responsibility, including governance, accountability and the integration of ecological issues into corporate strategies. Dr White has served on advisory groups for the Nordic Partnership, ISO and Civic Capital, a social investment fund, and serves on the board of directors

of GAN-NET, a non-profit dedicated to innovative global governance. He is on the Steering Committee of the Institute for Responsible Investment at Boston College and Senior Advisor to Business for Social Responsibility.

*SW: Can you describe the emergence of Ceres and the Global Reporting Initiative?*

AW: The first phase was work in reporting that started in the early 1990s. At that time, reporting on non-financial [performance] was essentially unheard of; it was not an idea whose time had come—it had no currency. There was no understanding of its scope, content or metrics on my part and, I would say, on the part of others who were beginning to explore the field. But I did have the sense that there was something very important taking shape, still nascent but potentially powerful. The world was changing fast. Environmentalism was two decades old. But the notion that companies ought to be accountable through some kind of mechanism, some kind of high-quality credible disclosure framework, seemed like an idea ready to emerge. The triggering event for my involvement was the *Exxon Valdez* accident, which gave birth to Ceres<sup>1</sup> and to the

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<sup>1</sup> Ceres is a national network of investment funds, environmental organisations and other public-interest groups working to advance environmental stewardship on the part of businesses. For more information, go to [www.ceres.org](http://www.ceres.org) (accessed 9 November 2006).

Valdez Principles for corporate environmental conduct, soon to be renamed the Ceres Principles.

*And how did you get involved with Ceres?*

I basically was called one day by the director and founder, Joan Bavaria. She said, 'Someone told me you understand measurement.' And I said, 'Well, I can tell you my belt size if that helps.' She said, 'Well, I had something a little different in mind.' She said, 'You see, we're in this conundrum. We've now put forward these principles but we understand they'll be meaningless unless there's an accountability mechanism behind them. We have to develop this accountability framework, but nobody has a clue how to do it. Do you think you can help us out?' I said, 'Well, I'll be happy to try.'

That was the fateful call that led to about five years of essentially *pro bono* work for Ceres, leading to the pioneering work [of GRI] and environmental reporting. We were learning by doing. There was no precedent. A few companies had dabbled in environmental reporting, but there was nothing standardised, nothing robust, nothing credible. The few reports in the market were as much public relations as substance. So Ceres was out there on a limb, watching other initiatives, particularly business-led initiatives, challenge the work it was doing. In the business community, considerable anxiety was directed at the possibility that the Valdez Principles and a future Ceres reporting framework would morph into a generally accepted standard. For many companies that would be a most unwelcome development. Others, however, could see the future and said, 'You know, this actually is not a bad idea if we can get it right and get it reasonable.' A level playing field in a newly emerging field would be the positive thing, in eyes of those companies who chose to keep an open mind.

So there were different views within the corporate community. Meanwhile, Ceres plodded ahead. I played the role of architect of the very early versions of the Ceres reporting framework which went through

*multiple* generations in the early to mid '90s.

*Then that morphed into GRI?*

The Ceres reporting work was the seedling for GRI. By 1996, Ceres had secured full-time leadership in the person of Bob Massie. By 1997, the Ceres reporting work was at a crossroads. It wasn't clear that an environmental-only, North America-only framework would achieve the objective of creating a generally accepted framework. The number of adopting companies was increasing, but very slowly, numbering perhaps two or three dozen. We had the feeling there was something bigger on the horizon, but what was it? It took an unsuccessful meeting in Chicago with a couple of companies to gain clarity on what this big prize was. With the help of a few beers, we [Allen White, Bob Massie and Judy Kuszewski, now of SustainAbility] realised we didn't want to spend the next ten years pursuing the unsatisfactory trajectory of the previous six to seven years.

We were distressed by the sluggishness of the pace of uptake by companies, even as the quality of reporting was gradually increasing. We were operating in a market, namely the US, which simply was not receptive to non-financial reporting. For every reporting enthusiast, there were hundreds of sceptics. The US environment was very defensive, and very litigious. And, in many sectors, the appetite for collaboration between companies and a small NGO like Ceres in developing a reporting framework was extremely limited or outright absent. Our conclusion: the US is and always will be a critical market. But it is a big, globalising world, and it was time to look beyond the borders of the US for markets that were more receptive to the idea of a generally accepted framework. In short, it was time for a 'global reporting initiative'.

Thus began a journey that accelerated and expanded at a rate we never dreamed possible. We began outreach to key stakeholders. Reactions ranged from instant enthusiasm to profound doubts that we—or anybody else—could put in motion a

process that would lead to a global reporting framework acceptable to a broad spectrum of stakeholders. We talked to some Ceres companies that we thought would be receptive. These were global companies that, we believed, would be drawn to a standard framework, thereby avoiding the real threat of dozens of competing frameworks across countries and business sectors. And we talked to some NGOs with international reach, like WWF [the World Wildlife Fund], Greenpeace, Transparency International and Oxfam. Further, we engaged with some trade unions including the international office of the AFL-CIO and the International Federation of Free Trade Unions (IFCTU) in Brussels. We talked to accountants, business schools and every other group that we believed might be interested in participating in a global initiative.

Our intensive outreach, stressing inclusiveness and diversity of participation, paid off. To be sure, scepticism that we could succeed with such a bold idea was heard even among those inclined to join the process. But the idea of building a process and product that would be the environmental equivalent of a financial reporting framework was exciting enough to overcome all but the most resistant disbelievers. Our confidence increased. We came around to the view that, if not now, then when? And, if not us, then who? A vacuum existed, and we believed we were as capable as any party in filling it.

That was the situation in late 1997. And the rest is history. Upon reflection, it is clear that the experience in conceiving and catalysing GRI was not an act of genius. It was about timing, seeing a need and an opportunity, and aggressively reaching out to individuals and organisations essential to the success of the venture. We knew if we were going to succeed, however, significant financial resources would be required, at least a few million dollars. We also knew that we needed a world-class process—credible, legitimate, transparent—to create a world-class reporting framework. Without such a process, even the best technical products would not be

widely accepted. By 1997, the numbers of reporting initiatives were proliferating, led by business, by government and civil-society groups. But still missing was a high-credibility global process in which all stakeholders were welcome and engaged. This commitment to process, to what amounts to a 'stakeholder governance' process, would become the signature of GRI in the ensuing years. We formed a steering committee, began identifying the first working groups, and did so always with an eye toward multi-stakeholder engagement.

Two other critical moments occurred in early 1998. The first, in April, was when we received one of the most critical pieces of advice that ever reached GRI, in this case from John Elkington, who was a steering committee member. In his usual understated delivery, John observed: 'If this initiative remains environmental only, you will be history before you get the first guidelines completed. Time will have passed you by. You've got to do more than the environment.' He would be proven absolutely right in the years ahead. From that moment on, GRI became a sustainability reporting framework, retaining its environmental content, of course, but expanding its purview to include issues such as labour standards, governance and anti-corruption policies. The future would be more complex—more stakeholders, more metrics and more differences to resolve. We knew the technical challenges were formidable, but we firmly believed that if we created and maintained a process with high integrity and inclusiveness, we could overcome any obstacles that would emerge.

The second critical moment related to resource requirements. We were running on a shoestring at the same time that the initiative showed every sign of moving into rapid take-off. Interest intensified each month owing to a combination of our outreach plus individuals and organisations on their own proactively seeking to participate in the process. There were times when my email box received 200–300 GRI-related messages per day. And

each and every one deserved a response. This avalanche of interest confirmed our premise that a need and opportunity were present, and that we were filling a leadership vacuum that was even more pressing than we originally thought. How, then, would we address the resource need? This was the moment where Bob Massie's extraordinary powers of intellect and persuasion were deployed. Through his contact with a long-time friend, he visited a family foundation in Florida. Meeting with the former businessman-turned-philanthropist, Bob explained the grand idea we had developed. We believed, at this early stage, only foundation money would protect the neutrality that would enable GRI to attract a broad spectrum of stakeholders. Corporate money at this juncture would jeopardise credibility among civil society and labour, and government money might colour the process with the appearance of a new regulatory programme. Bob explained the rationale behind GRI, and the great contribution it would make to corporate accountability and sustainable development. The sale was not easy because the idea, by any measure, was grandiose and its prospects for success highly uncertain. Building a global framework equivalent to an international financial reporting framework was a high mountain to climb. But the combination of Bob's enthusiasm and intelligence, mixed with the irresistible quality of a big idea and a compelling story, carried the day. Soon afterwards, the first ever cheque arrived, paving the way for several million more that would follow in the next four years.

*And then you raised other money?*

By the time GRI was launched in April 2002 at the United Nations, it was a new global institution with an independent board of directors and a partnership with the UN. GRI became what is known as a collaborating centre of UNEP. To reach this level of profile in such a short time vastly exceeded our expectations and the expectations of most people involved in the process. It would not have been possible without the social venture capital of our

original donor, and the generosity and foresight of the many others—including the United Nations Foundation, GM Foundation, World Bank and dozens of others who shared our vision.

*Can you talk a bit about the process for GRI?*

The challenge of GRI and, I would argue, similar initiatives in innovative global governance, is to mobilise people with seemingly disparate interests around a public good. The key challenge is to adhere to a policy of inclusiveness and to find a place for each and every person who seeks to, or should, contribute. This is the path to both legitimacy as well as innovation. It is the power of the collective mind of diverse individuals that was, and remains, the soul of GRI.

*Reflections now that you have retired as CEO?*

There is no greater reward than to witness the kernel of a grand vision become a working institution, governed according to its original values and principles. GRI brought extraordinary rewards to me as a professional and as a global citizen. It secured a UN imprimatur and built professional and personal connections with business and civil-society leaders, politicians and royalty, labour groups and journalists, all of whom contributed to an immensely satisfying experience. I saw first hand how the power of big idea can galvanise social change in a relatively short period.

On the other hand, in the time since I left the organisation [GRI], I have come to understand the inherent limitations of GRI-type programmes. Here we had a sterling example of a grand idea, the emergence of a critical public good—corporate accountability—*within* the rules of the game. In the end, we had great success in incremental change. But would such change, even multiplied many times over, be enough to direct corporations toward a level of social performance congruent with 21st-century needs and expectations? As the most powerful institution operating in the world today, can such incremental progress be enough to optimise

the corporate contribution to the urgent social and environmental problems facing humanity now and in the coming decades?

My answer to this question, after much contemplation, is a decisive 'no'. I have come to believe that corporations (and capital markets on which they depend) contain certain design flaws that restrict their capacity to serve societal needs at a level commensurate with their unparalleled resources, know-how and capacity to innovate. We, as a society, have both the right and the obligation to rethink the received wisdom and prevailing definition of corporate purpose and obligations in light of 21st-century realities. If we do so, I believe we will come to the conclusion that the corporation as we know it, while possessing many attributes worthy of retention, must be transformed from within and from without if it is going to deliver the level of social value needed in the coming decades.

The joint stock, publicly traded corporation has grown so large, so complex and so influential that traditional policies of containment of harm rather than maximisation of good are no longer capable of meeting societal needs. We see attempts to reform governance structures for organisations with a quarter of a trillion dollars in turnover, operating in 100 countries and employing 300,000 people. But these reforms are simply not up to the task. Our concepts of corporate governance at the company level, national level and international level have not kept pace with the scale of modern global enterprise. No amount of incremental reform in corporate reporting, or any other aspect of corporate management, will correct this growing 'governance deficit'.

It was this view that spawned Corporation 20/20, an initiative that now consumes most of my mental and physical energy. Its goal is to build visions and prototypes of future corporations that have social purpose deeply and irreversibly

embedded in their 'genetic structure'. In the spirit of GRI, it operates in a multi-stakeholder mode, seeking to engage all those with something to contribute to the definition and attainment of new corporate forms. Its method is backcasting: that is, creating normative models of high-performing corporations and then asking, how do we get from the present to the preferred future? Launched in 2004, it is moving steadily toward assuming a leadership role in catalysing and shaping changes in corporate purpose, directors' duties, shareholder primacy, capital structure, internal rewards and incentives and all other core aspects of the corporation.

It is my view that initiatives like Corporation 20/20, ones that focus on transformative change, must be the vanguard during the next decade. This in no way diminishes the need for GRI and like-minded, issue-specific, incremental change initiatives. It does suggest, however, that such initiatives, by themselves or collectively, must be viewed within the broader context of necessary structural and systemic change that stands beyond the reach of mainstream corporate responsibility initiatives.

The major controversies facing business today—fiduciary duties limited to shareholder interests, labour standards and supply chain management, stagnant wages and executive compensation, environmental degradation and payments to host governments, short-termism in capital markets—are symptomatic of deep-seated flaws that share a common source. This source is the purpose and character of the corporation as defined in law, practice and received wisdoms. To bring business–society relations in line with 21st-century needs and expectations, the coming decade must see far more attention to these sources than the corporate responsibility movement has thus far demonstrated.



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