

# A durable climate

*Robert A.G. Monks considers his activism agenda for the future.*

BY HILARY ROSENBERG

**T**HE NEXT FRONTIER for the team of Robert Monks and Nell Minow is addressing the conflict of interest that keeps major financial institutions, including corporate pension funds, from being involved owners of companies for fear they will lose business.

"We will not have a really durable activist investor climate until the mainstream firms are fully and competitively involved," he says. "Even the best people running conventional institutions do not dare associate themselves with activism for fear of customer backlash." Monks had hoped to take this issue on as a U.S. senator — hold hearings, write legislation. This was not going to be.

Monks' ultimate solution for the conflict of interest problem is the establishment of special purpose companies devoted to voting. This is the conclusion he reaches in his fourth, and first sole-authored, book, *The Emperor's Nightingale*, published in 1998. The book describes Monks' vision of shareholder activism as the best reconciler of a corporation's two contrasting qualities: the mechanistic and the human. This time, Monks take a new approach to the whole subject of corporate governance.

In 1996, his friend Dean LeBaron took him to the Santa Fe Institute, a think tank in the emerging field of complexity. In essence, complexity is the notion that you cannot take things apart to study them; you have to study them as a whole. Monks took to it at once, for to him complexity seemed to be a wonderfully fresh way of looking at the modern corporation.

**Hilary Rosenberg** is the author of *A Traitor to His Class: Robert A.G. Monks and the Battle to Change Corporate America*, published by John Wiley & Sons Inc., from which this excerpt is adapted. Copyright ©1999 by Hilary Rosenberg. See page 13 for a review of the book.



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"I've spent so much time trying to understand corporations, from a lawyer's point of view, a manager's point of view, an economist's point of view, an ethics point of view, and none of these languages work," Monks says. "What you need is a dynamic language. A corporation is a dynamic thing. This is a way I can tell the story that is more accessible."

As a literary analogy for his message, Monks uses the myth of the Emperor's Nightingale, in which a mechanical bird's song cannot replace that of the

live bird, but both are shown to have their place. He goes on to explain the mechanistic and "living" qualities of the corporation: although it is artificial, it is also a lifelike creature. The corporation is neither a machine of production as it is often perceived to be nor a living being with such qualities as emotion, compassion, or imagination. Rather, it is a "system" with potential for both.

Left to its own devices, as Adam Smith noted, a corporation would follow four dangerous mechanistic tendencies; "unlimited life, size, power and license." Monks concludes that the four tendencies must somehow be watched and controlled by a human element, or corporations will exact harm on society. Government regulation does not offer a good enough solution, since corporations have shown that they can elude it. The best solution, as he has argued in his other books, is accountability to institutional shareholders. If a corporation has shareholders who are actively involved as owners, it can have the human traits necessary to guide the corporation so that it operates in the interest of society, Monks says.

In considering his agenda for the future, Monks reflects briefly on his own restless energy, which both drives and torments him. "It haunts me to think that in my sixty-fifth year, I am spending time doing what I did last year. I ought to be able to figure out a higher priority and to allocate my energy more appropriately. I do not want to get dragged into the conventional agenda; I do not want to spend my time on commissions that are reviewing what is past — even those that are concerned with restating the present. I need to take advantage of my time, experience, and energy and be sure that the really important issues are being raised." There should be much more to come from Robert A.G. Monks. ■

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