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About this report.

The economic activities of business play a huge role in shaping the environment in which we all live.

We cannot ignore the future implications of how business conducts itself today. This report explores how business goals, and the way they are pursued, are framed by the underlying legal format. The most influential businesses, multinational corporations, share common features with their roots in the early history of corporate governance; we consider whether the purpose of those features remains relevant, and whether the mechanisms through which they are implemented are still doing the job they were designed for.

Business stakeholders, whether providing resources, receiving value (in whatever form) or both, between them have an interest in all the impacts of the business on society. If there is a tension between management's legal obligations and those business stakeholder interests how should we address that? Can additional checks and balances like reporting requirements meet this challenge, or might more fundamental reform be needed?

Contents.

About this report	2
Introduction	4
Background to how the limited liability company rose to prominence	6
The interaction with accountancy	12
Where are we now?	14
Where do we go from here?	16
References	18
ACCA's global policy priorities	19





Introduction.

Why do good businesses make bad decisions? The answer, of course, is that businesses don't make decisions, humans do. But why do humans make the decisions that they do – and in particular, why do people do things which on any objective analysis make the world as a whole a worse environment for everyone?

Society is built on economic activity, and economic activity depends upon business. Aligning the objectives of private enterprise with those of society should offer the most efficient path to meeting the objectives of society.

'I thought what was good for our country was good for General Motors, and vice versa.'

Charles Erwin Wilson, CEO of General Motors (1953).

But the impact of business on society is not the aggregate of the recognised 'results' of each individual business – because the way we measure business is not the way we measure society. But if we might need to change the way we measure business, we need to understand not just what we measure but also why we do that – both the theory and the practice, whether the practical reasons are driven by technology, politics or other factors.

Imagine two small light industrial units, sitting side by side next to a river...

From the outside they look similar but inside tells a different story. Unit 1 hosts a small business manufacturing organic water filter kits for distribution to charities working in war zones, disaster relief and the like. The business makes a point of employing those who might otherwise find it difficult to get work – the unit is entirely wheelchair accessible and optimised for employees with impaired vision. Several are former convicts. Many work part-time, either because they cannot manage a full-time role or to fit around caring obligations at home. The business prides itself on paying above a living wage (pro rata) and offering employee support as well as giving back to the local community. As a result it pays next to no tax as it makes little or no profit in a typical year, and the preponderance of individuals earning at or below income tax and social security contribution levels means it pays relatively little there. Much of what might otherwise be profit is donated to local charities, and the business is a significant local employer.

Unit 2 is the home of a disposable vape manufacturer. Its small, highly trained workforce of skilled supervisors operate a capital-intensive, highly automated and energy-hungry production process which creates significant quantities of polluting byproducts; the unit draws water from the river for cooling and has several convictions for pollution offences (all paid off swiftly from its handsome financial profits). The small team of highly paid workers account for significant income tax and social security contributions, although most of them live some distance from the site, and while the parent business ensures that its affairs are efficiently managed it nevertheless makes a healthy profit margin on which corporation taxes are paid.

Viewed objectively, the only measure on which the second unit looks like the better business to have in your community might be the taxes – but even those are mostly collected and distributed centrally, so it would not really matter where it was located. The business we would want to encourage is the first one – both its outputs and the way they produce them are better for people than those of the second.

And yet much of the global economy is driven by the concept of ‘investment’ – shareholders expect a return on their capital. And any conventional financial adviser would prefer the second business. If commercial pressures drove rents up, even though the physical inputs and outputs of both businesses might remain the same, their financial position would change – and under the company laws of most countries, it would be the first business that would be the most likely to become insolvent and be forced to cease trading.

‘If economic activity is supposed to benefit society, how have we ended up with an economic model which seems to do the opposite?’

Answering that involves defining who the stakeholders are, and what “value” means to them. From a human perspective, a safe place to live with reliable supplies of healthy food, clean water and physical and social infrastructure (such as roads, healthcare and education) will be more important than monetary wealth – but the activity which delivers those priorities depends absolutely on flows of finance and monetary value. Getting the balance right in a global economy where the connection between stakeholders and decision makers can stretch across continents may mean rethinking the parameters within which decisions are taken.





Background to how the limited liability company rose to prominence.

Early adventures: pooling of risk and capital

Human economic activity has always benefited from cooperation and collaboration. From the earliest hunters working together to bring down larger prey to the construction of buildings or boats, joint enterprise delivers disproportionate marginal returns. With the development of currency and more complex economic systems, the concept of aggregation of capital led to the development of various different arrangements for pooling resources.

The Roman *societates* models, often cited as the basis for early European trading models, allowed for pooling of risk and capital, although there was no limitation of liability, so members were fully exposed personally to any losses from the business ([Hirst 2011](#)). These forms were a popular way of trading, and were used not only for trading goods, such as oil, wine and grain, but also for financial services and maritime adventuring. Although the 'private' form would dissolve on the death of one of the partners, the larger, more specialised *societas publicanorum*, used for state activities such as large physical infrastructure, mining of precious metals and

tax farming, has been argued to have shared many of the features of the modern corporation ([Malmendier 2008](#)). Individuals were able to represent the business, entering into binding contracts on its behalf, and to buy a ‘share’ in the undertaking which could be sold on. The entity would continue to exist on a change in partnership, and there is evidence that it was able to hold communal property in its own right.

The Indian *sreni* model shared even more features with modern corporations ([Khanna 2005](#)). Separate legal entities with centralised management, *sreni* had complex internal rules with an element of insulation from liability for the members. Individuals could enter and exit the structure, and there is some evidence for transferability of interest along the lines of modern share capital. Formation was relatively simple and state sanctioned, with established internal governance models that recognised many of the same issues as modern corporate models that can arise from the failure of incentives for management to align with the goals of capital owners, and solutions that share many common features. The main conceptual difference was the lack of formal limits on the liability of capital owners to the liabilities of the business, a feature which we will consider in more detail below.

‘*sreni* had complex internal rules with an element of insulation from liability for the members. Individuals could enter and exit the structure’

Table 1 ‘Comparing US and ancient India organisational forms’.

(adapted from [Khanna, V.S. \(2005\), ‘The Economic History of the Corporate Form in Ancient India’](#)).



ORGANISATIONAL FORM		
Characteristics	Modern US Corporation	Ancient Indian Sreni
Separate entity	Yes	Yes
Centralized management	Yes	Yes
Transferability of interest	Yes	Probably Yes
Limited liability	Yes (though recently)	Probably Not ¹
Agent has power to bind entity?	Yes	Yes ²
Management elected?	Yes	Yes (though at times appears hereditary)
Can management be removed?	Yes	Yes
Duty of loyalty	Yes	Probably Yes
Duty of care	Yes	Yes
Liability insulation	Yes	Yes (less detailed than US)
Internal rules have binding effect	Yes	Yes
Formation is easy	Yes	Yes
Register with state	Yes	Yes
State approval needed	Yes (though weak)	Yes
Use of incentive payments	Yes	Yes (less detailed than US)
Entry is easy	Yes	Some conditions, but no caste bars ³
Sharing of assets and liabilities	Terms of agreement	Terms of agreement and additional rules
Exit is easy	Yes	Yes, but with obligations, potentially
Board/Committee Independence	Yes	Probably Yes
Voting Regulation	Yes	Yes (less detailed than US)
Transparency is valuable and disclosure is encouraged	Yes Probably	Yes (less detailed than US)

1 There is little reason to believe that the *sreni* members bore joint and several liability for all *sreni* obligations yet each member’s liability was not limited to the initial investment amount. Perhaps a kind of pro rata liability may have been more likely.
 2 The headman and officers of the *sreni* could bind the *sreni* in contractual matters. Sometimes other members could bind the *sreni*, but only with the approval of the *sreni*.
 3 Upon entry some payment of capital could be expected.



As technology advanced, the magnitude of investment required to support the physical infrastructure and machinery, whether roads, bridges, mills or ships, drove the development of dedicated legal investment structures that allowed for the aggregation of risk and the efficient allocation of capital to managers able to maximise use of that capital. The distinction between state operations and private enterprise had yet to emerge clearly, with direct and specific authorisation of economic operations from the head of state or equivalent being common. During the 19th century this model began to change, as populations grew and technology allowed for and even encouraged greater specialisation at increasing scale.

The importance of raising external capital

The majority of modern large businesses, and many smaller ones, operate through joint stock corporations with limited liability. While each country (or, in some cases, trade bloc) has its own specific variant, there are certain common key features.

That's no great surprise – today's corporate form was initially developed in western Europe: the basic features were highly attractive while colonial expansion ensured widespread adoption and retention of the legal specifics. As business and technology drove each other forward to create the concept of the multinational, economic activity came to be dominated by the legal forms of the largest industrialised nations.

But what were the foundations of the corporate form, and how has the alignment of those foundations influenced behaviour and decision making ever since? Development continued to follow parallel courses in many countries but by focusing on a single jurisdiction we can better make out the web of interacting factors

'...early corporate governance still had many flaws and investment was by no means without risk.'

which affect the complex relationship between business regulation and society. The UK is an ideal model being heavily researched and hugely influential on the development of business regulation.

In the 17th and 18th centuries the majority of newly formed joint stock companies in the seafaring trading nations of northern Europe had a simple function; they allowed merchants to pool their capital and risks for trading voyages. The legal form developed to manage that process was designed to give the investors (shareholders) a degree of comfort that their managers would account properly to them for the profits. Such companies had no other real stakeholders as they had few recurring customers or creditors, and no separate corporate responsibility to wider society. Maximising the shareholder return on each individual voyage was the obvious aim.

While the economic model was in many ways similar to later business forms, these early companies were formed for specific purposes and were conducted, in the Dutch and English markets that fostered the most successful ventures, with state approval and, initially, for the primary benefit of the exchequer. The British East India Company (1600–1874) and the Dutch Vereenigde Oostindische Compagnie (1602–1799) (commonly known as the Dutch East India Company or the VOC) were both granted state monopolies over trade with the 'East Indies', and operated for

centuries, exercising increasing levels of economic and political control over the territories within their spheres of influence.

But for all the financial successes of these two models, early corporate governance still had many flaws and investment was by no means without risk. The South Sea Company, founded in 1711, became a byword for market failure in the UK when its stocks crashed on poor results in 1720, while the ill-fated 'Mississippi Company' (Compagnie D'Occident from 1717–1719, and Compagnie Des Indes from 1719) collapsed in 1720, causing huge damage to the French economy (Frentrop 2003).

The impact of technological change and its interaction with legal mechanisms regulating business behaviour

Various forms of transport benefited from these developing mechanisms for financing large-scale economic activity: first canals and then, more importantly, railways. The concentration of manufacturing in factories brought economies of scale for manufacturers and, in theory, lower prices for consumers. But road transport was slow and unpredictable, and, for heavy and bulky cargoes such as coal or clay, very expensive. British business had already reaped the benefits of sea transport for shipping coals from Newcastle to London and, as the industrial revolution gathered pace, thoughts turned to optimising transport on inland waterways. Canals were an ideal solution for the early industrial economy. Their advantage lay in moving heavy and fragile goods over long distances for relatively little energy input and at far less risk of breakage, crucial for eg the potteries of the English midlands shipping products to markets. Their routes were fixed, however, and the construction of canals was not only massively



labour intensive but also relied on the goodwill of the landowners through whose estates they passed – and in the case of pre-industrial England it was the landowners who stood to benefit from collaborating with the factory owners to finance the new infrastructure. With their easy access to Parliament to benefit from the delegated authority of the crown to operate their joint stock ventures, investors in the canal mania of the 1790s helped to link the industrial centres of the UK while making significant financial profits for themselves, at the cost of permanently altering the landscape.

As the industrial revolution gathered pace, the shift in steam technology from stationary to locomotive engines drove another leap in both the physical and legal character of economic activity. While early railways were little better than road transport at caring for delicate cargoes, they had one massive advantage over both road and canal transport: speed. The first postal services were carried by train in 1830 ([Gibbs 2025](#)) and had completely displaced the old road-bound mail coaches by 1846 ([Postal Heritage Trust 2005](#)). Dairy products could be transported, fresh, to city centres while people could now travel reliably from one city to another at set times and far more swiftly than had ever been the case.

Where earlier ventures had tended to bring together merchants and traders with a direct interest in the subject matter of the activities, subscriptions to the joint stock railway companies drew investments from a far wider range of stakeholders. The wide variety of goods that could be carried, and services that could be facilitated, by rail expanded the direct appeal of investing in rail transport. At the height of the Rail Mania in 1845–1847 over 1,000 routes were contemplated and 330 railway Acts passed - in 1846 alone more than 700 railway Bills (proposals for Acts) were

introduced to Parliament ([Shaw Taylor et al, 2018](#), [UK Parliament 2026 1](#)). Yet many of these were never built, or were consolidated with other companies as the rail bubble burst in the later years of the decade.

Much of the rationalisation of the UK rail network was driven by one man, George Hudson, 'The Railway King', whose legacy helped underpin the explosive growth (for better or worse) of the British economy in the latter half of the 19th century. But Hudson's successes were enabled by the developing economic landscape, as financing models moved from the traditional 'insider control' model of business, controlling the extraction and exploitation of surplus through direct authorisation, to the industrial capitalists' 'outside control' method of joint stock companies employing professional management to crystallise productive surpluses in the form of financial profit ([Bryer 2025](#)). Many of Hudson's practices exploited the lax regulation of the time, and accusations that he had implemented an early proto-Ponzi scheme, paying dividends out of capital rather than income, led not just to his own ruin but to the reform of corporate oversight rules, as the consequences to society as a whole of misbehaviour by controlling interests became more severe.

The development of the modern corporate form reflected the concerns of society (or at least, those parts of it able to influence such matters). While it is easy, with the benefit of hindsight, to look back and see the wider global impacts of industrialisation, facilitated by the corporate form, immediate concerns were far more local.

Crucially, the early attempts to address the impact of these new businesses targeted individual undertakings, dealing with individual

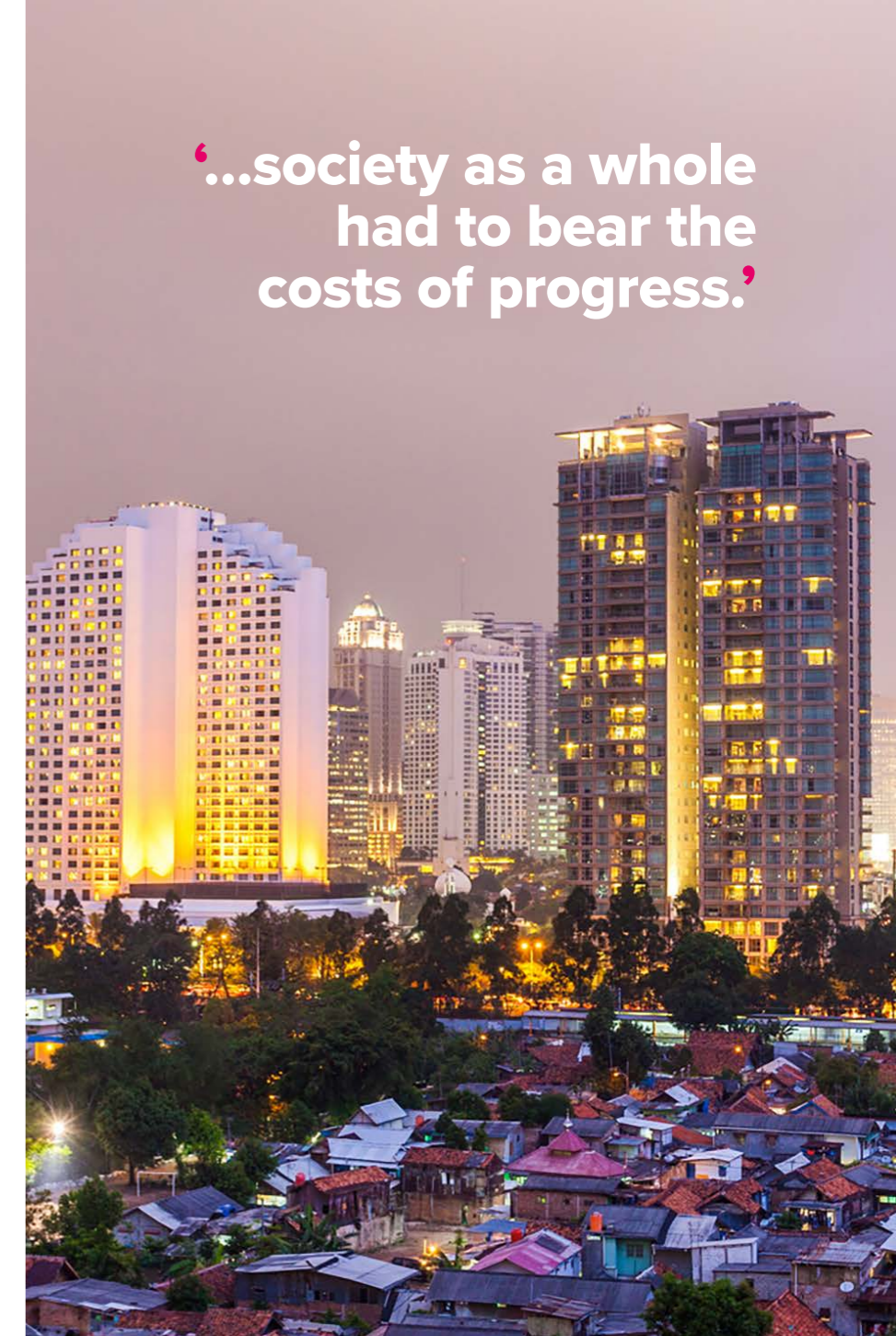
incidents as they arose. The law of nuisance developed rapidly, and by the end of the century saw the mill and factory owners' freedom to pollute reined in to some extent. But the early tone was set by a case involving the first commercial steam railway. The Court held that statutory authority (the power under which those early companies operated) could override claims of nuisance; or to put it another way, society as a whole had to bear the costs of progress.

Corporate interests didn't have things all their own way. Many vocal critics tried to restrict the impact of rapidly expanding economic activity, citing a range of different concerns. The public health impact of the new concentration of people and activity in the cities included effects on air and water quality.

The coal smoke from factories was so dense that some parts of Manchester and London had to light the streets at noon. Buildings turned black from the soot within just a few years of exposure, while a whole region of England became known as the Black Country. In under a century, the peppered moth evolved darker wings, camouflaging it against smoke-blackened trees and stonework. The impact on human health was severe, reducing average age at death for lower-class factory workers in Manchester to just 17 years, half that of equivalent rural labourers ([BBC Bitesize 2026](#)).

Meanwhile, the concentration of so many people in cities whose infrastructure had changed little in hundreds of years challenged sewage systems beyond breaking point. In 1858 the waters of the river Thames became so foul that The Great Stink drove the Members of Parliament from the chamber of the House of Commons. They commissioned a new system of sewers, pumping stations and treatment works to deal with the problem.

**'...society as a whole
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costs of progress.'**





‘Improved sanitation would reduce the number of people seeking poor relief, so money spent on improving public health would pay for itself over time.’

But the response of government was largely to bear the burden of responding to these changes itself. In 1848 the first Public Health Act had been passed, legislating for clean drinking water, the appointment of a medical officer for every town and the removal of all refuse from houses and roads, as well as improved drainage and the provision of sewers – though the driving force behind the Act, Edwin Chadwick, advocated it on economic grounds: improved sanitation would reduce the number of people seeking poor relief, so money spent on improving public health would pay for itself over time ([UK Parliament 2026 2](#)).

In 1875, Parliament passed a second Public Health Act, making the previously voluntary elements of the 1848 Act compulsory and including the first rudimentary air pollution provisions, while other laws tackled pollution of rivers and contamination of food and drugs ([Alfred 2011](#)).

These later, institutional, responses to the impact of the new corporations addressed the phenomenon generally, but the measures were very much reactive and dealt with the symptoms rather than the root cause of the issues. Although industry was

damaging the environment, its impact on society generally was also massive and highly varied. By the end of the century, the combination of steam power, the telegraph and refrigeration saw the population of Britain’s industrial centres feeding on ‘fresh’ beef from Argentina, while manufactured goods had massively enhanced the purchasing power of much of the population. Cheaper mass-produced clothing, combined with improved housing and sewerage services, complemented the availability of soap and other cleaning products.

Greater wealth across society saw higher levels of childhood education and, for many, increased leisure time. Combined with ease of communication and availability of printed materials, whether newspapers or libraries, this encouraged the growth of clubs and societies along with the spread of new ideas. Reactions to industrialisation such as the Arts and Crafts Movement, in many ways a precursor to circular economy models ([V&A, 2026](#)) and the foundation of the National Trust in 1895 ([Historical Association, 2026](#)) played an increasingly important role in the non-regulatory pressures acting on policy makers and business decision makers.

Rate-payers and businesses resisted the social and environmental measures on cost grounds. The corporations had to be profitable if they were to be productive. Indeed, one of the primary goals of the developing corporate law was to ensure accountability of management to the shareholders for those profits, laying the foundations of directors’ fiduciary duty to their shareholders, which developed into the ‘shareholder primacy’ doctrine: companies exist to generate a financial return on the shareholders’ investment, and creating financial profits has precedence over other considerations.



The interaction with accountancy.

To fully understand why financial profits are so fundamental to the legal form of the corporation, we need to look back again to the birth of modern business forms.

Keeping records is a basic requirement of any business activity, and there's strong evidence that writing, numbers and money developed alongside accounting for the surplus production that drove the economic activity underpinning modern civilisation.

Just as the Romans developed early corporate bodies, so Pliny the Elder describes the *Tabulae Rationem* ledger books that were used to record their transactions in an early form of double-entry bookkeeping. And just as the Indian *sreni* shares more features with its modern Western equivalents than the early Roman *societates*, so the principles of accounting developed in parallel paths around the world. The Korean Koryo Dynasty (918–1392 CE) *Sagae-Chibubop* four-element bookkeeping system is believed to have shared many features of full modern double-entry bookkeeping ([Ma 1997](#); [Previts et al. 2011](#)).

The key moment in modern accountancy came in 1494, when Luca Pacioli published his *Summa de Arithmetica, Geometria, Proportioni et Proportionalita*, which documented the system of double-entry bookkeeping used by Venetian merchants.

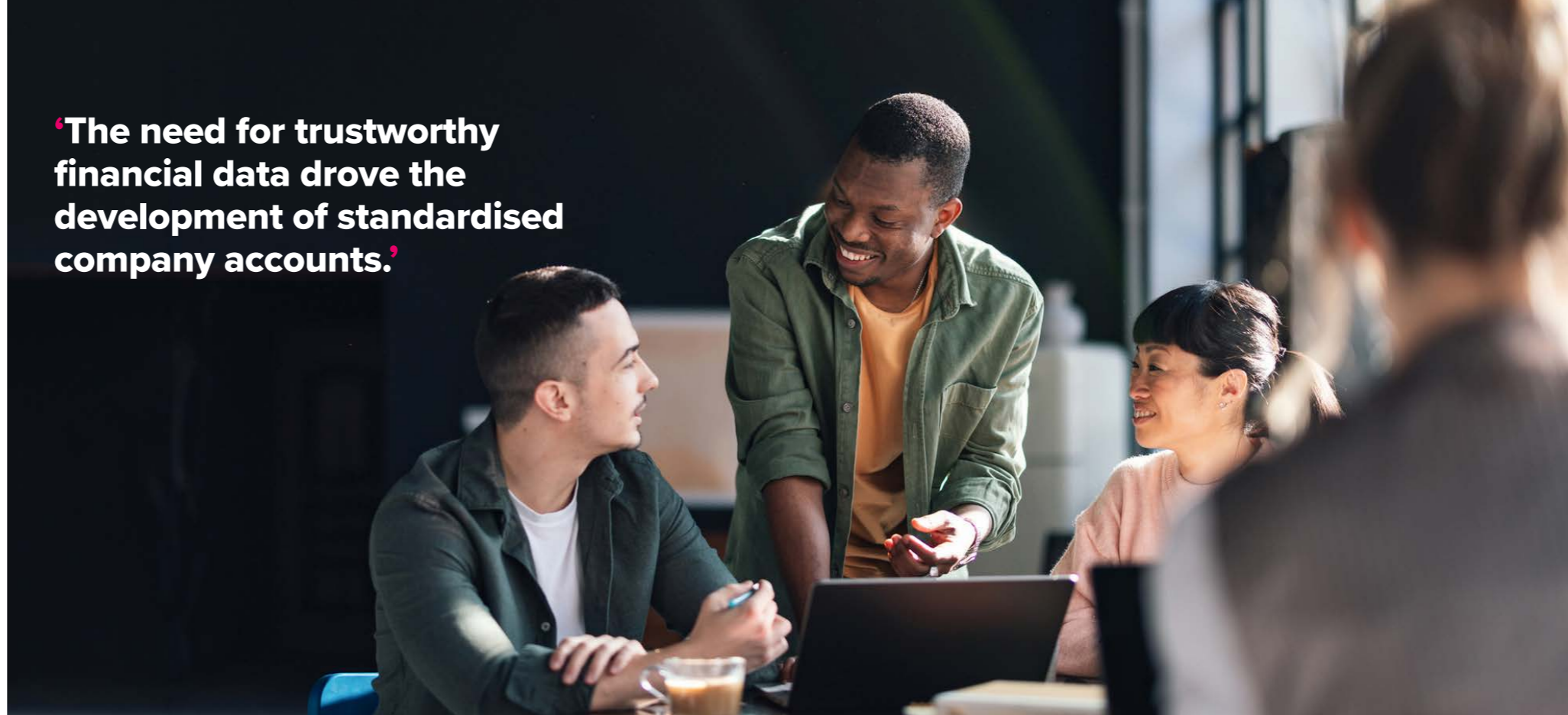
This first detailed explanation of the double-entry system codified the principles, allowing for uniform adoption and enabling users to understand, and trust, the books of account ([ACCA n.d.](#)).

The rigour and formality of the system set out by Pacioli became indispensable as the rise of the joint stock company saw the separation of owners and managers. The owners' primary concern was the performance of their financial investment; with double-entry bookkeeping, accurate records and objective standards by which they could be judged created the trust mechanism that replaced direct constant supervision.

As businesses grew in size and started to look for capital investment from strangers, the need for trustworthy financial data drove the development of standardised company accounts. As the disclosures became more detailed to match the increasing complexity of financing structures, the role of the auditor grew in importance. The constant focus was on the sums of money in play, and the returns that investors would see.

The Limited Liability Act of 1855 and the Joint Stock Companies Act 1856 initiated perhaps the most compelling driver of standardised, audited accounts: the simple setting up of a corporate entity with limited liability. It was this model which the railway pioneers adopted, and which George Hudson exploited so effectively. Even with the safeguard of audited accounts, limitation of the members' liability was not without its controversies, and the 1855 Act extended the privilege only to companies with 25 or more members. By 1862 this had fallen to seven members, but although in 1892 Germany introduced legislation allowing a single member company to enjoy limited liability, the UK did not abandon its requirement for two

‘The need for trustworthy financial data drove the development of standardised company accounts.’



shareholders until the Companies (Single Member Private Limited Companies) Regulations 1992.

Nonetheless, the 1862 Act, which made it possible for anyone to found a company (without the need for Royal or parliamentary assent) and anyone to invest in it, is probably the key defining moment that characterised the modern company as the financial expression of the legal agreements between investors and managers.

Limiting the amounts for which a company could be held liable to its creditors reinforced the primacy of financial results as the measure of a company's performance. Even as businesses have grown in size and complexity, these fundamental underpinnings of the legal structure inform the basic drivers of decision making for business. Despite all the negative externalities that the limited liability company model has created, the positives have arguably outweighed many of the downsides. Without the entrepreneurship enabled by the artificial legal personality of the corporation it's vanishingly unlikely that the device on which you are reading this would even exist.



Where are we now?

But as we fast forward 150 years, the consequences of those negative externalities are becoming too great to ignore.

Many people, and the businesses and governments they control, have recognised this and developments from the B-Corp to the UN SDGs (United Nations Sustainable Development Goals) reflect their concerns.

Recent decades have seen the expansion of management accounting tools that embrace the concept of integrated reporting, which looks beyond the single measure of financial capital to six interconnected and complementary capitals that form a holistic model to drive long-term sustainable value.

The **six interconnected and complementary capitals** are:



Human capital

the skills, experience and motivations of employees



Social and relationship capital

the trust, shared values and brand reputation built with communities and stakeholders



Natural capital

the environmental resources (eg air, water, minerals) a business uses or affects



Intellectual capital

intangibles such as patents, software and 'organisational capital'



Manufactured capital

physical infrastructure and equipment



Financial capital

funds available for operations, including debt, equity or generated profits

By measuring and reporting on this wider range of factors, business decision makers will form a broader picture of ‘success’, positioning financial results as part of an interconnected web of factors. The financial accounts of business performance have real-world impacts driven by how those accounts are used and interpreted. Seeing them as a tool in a wider context rather than the end in themselves will be part of this success, and for many business decision makers that may mean thinking very differently. Some of the work has already been done here for them, as consumers (and in some cases regulators) are already starting to think differently.

Conventional models of accounting too often visualise the business as a pipeline. Activities are reduced to inputs and outputs with the opening balance and closing balance seen as being the beginning and end of the process through which goods, time, people, effort and energy flow, passing from ‘before the business’ to ‘after the business’. But, in a world with a finite supply of interconnected resources, this one-dimensional model of consumption, in which each business is isolated from its neighbour and focuses on the abstract interpretation of proxies for real-world impacts, cannot fully capture the business cycle. While the abstract record has moved on with the closing of one period’s financial ledger, out in the real world the effects of what was recorded linger.

Integrated reports, building on the principle of integrated thinking, aim to tell a ‘value-creation story’ rather than just providing a financial snapshot. Unlike traditional retrospective financial reports, integrated reporting focuses on the future outlook and how the business model can remain sustainable over time. The model looks across all the capitals to identify and prioritise issues that represent a material impact on the business’s ability to create value. So, for example, water scarcity in a manufacturing region

would be recognised as a core financial risk rather than simply an environmental footnote.

To truly embrace the UN’s definition of sustainability – ‘Meeting the needs of the present without compromising the ability of future generations to meet their own needs’ – businesses will need to consider circular, or regenerative, economic models.

The three principles of the circular economy, which complement the capitals of integrated reporting, are:



‘To truly embrace the UN’s definition of sustainability businesses will need to consider circular, or regenerative, economic models.’

And if we look back to the two businesses contrasted at the beginning of this essay, we can see that it’s only on the financial capital measure that the second business comes out ahead, while on circular economy principles the first is better. Yet, under current legal models, however much management and other stakeholders ascribe value to the other five capitals, in the final analysis they are all subservient to financial capital – and inevitably in a competitive environment that means financial results will take priority.

All this leads to the uncomfortable conclusion that the legal basis of the vehicles for so much of our economic activity rests on an underlying existential imperative which considers only financial results. While the other capitals of integrated reporting will inevitably have an impact on those financial results, no matter how poor the results in any of them they will not pose a direct legal threat to the business’s continued existence as a legal entity. Prioritising any of the other capitals is likely to diminish profits, while the pursuit of maximisation of profits will invariably compromise results for one or more of the other capitals. We have managed to create a legal form which subtly and passively encourages decision makers to act against the interests of society and the environment in general, as they prioritise the discrete class of shareholders in the business.



Where do we go from here?

As we look to the future, and how best to build businesses which benefit society as well as their shareholders, are there lessons we can learn from the past?

Drawing on the key points from the history of the corporate form, we can establish **key considerations** which must inform future developments:

1. Who are the key stakeholders?
2. What is “value” to them?
3. What are the expected flows of “value” from economic activity to each group of stakeholders?
4. How does this align with the legal form of the business?
5. What guidance and support exists in the regulatory and legislative ecosystem? Are there gaps?
6. What non-regulatory voices exist to guide potential form?
7. What are the ethical considerations in filling those gaps?
8. How will record keeping/communication/reporting need to operate to fit in with the form?
9. What are the qualitative characteristics needed to ensure trust in the reporting, form etc?
10. What other safeguards are needed to protect the interests of the stakeholders? Eg comparison between businesses to allow stakeholders make judgements say in how they may allocate their resources between options.

We can draw many parallels between the concern about the impacts of economic growth in Victorian Britain and current concerns about the effect of human economic activity on the environment and society. But there are some important differences. Firstly, the scale of activity is now far greater and affects every part of the planet, including the atmosphere and the oceans. Secondly, even if we can learn useful lessons from history about planning for existing business models in the future, we must recognise that business models themselves are changing.

‘Traditional’ business models were built on human labour and material goods, with only a limited number of professional services relying more on skills than materials. But in the digital economy there is far more reliance on energy use and a relatively small number of highly specialised and capital-intensive machines. Data distribution is a very different process to logistics for traditional goods and even services. Online delivery of everything from movies to legislation has changed logistics and supply chains, while the development of electric vehicle technology has implications far beyond the fossil fuels industry as the number of moving parts and resulting value chains for supply, service and repair are significantly reduced.

The existing models are too entrenched in the processes that support human life and society to be simply discarded or replaced wholesale. In any case, they remain immensely powerful and valuable tools, for both holding management to account and enabling management to prepare for the future (Micklethwait and Wooldridge 2003).

At the European Company Law Conference of 2011, exploring the options for new corporate forms, Michel Barnier, then

‘The conflict between the abstract financial imperative and the concrete impacts of business on society and the environment are too great to ignore.’

Commissioner for Internal Market and Services, warned against the dangers of becoming bogged down in academic debate while entrepreneurs go ahead and ‘do their thing’ anyway, regardless of what legal developments might be expected. Over the last 15 years digitalisation has fundamentally transformed how entrepreneurs do business and their ability to raise financial capital. Flows of value are no longer restricted to fiat currencies, and any influence that geographic and legal borders had over where and how financial value was reflected can, in theory, be sidestepped.

As we look to build businesses fit not just for today but also for tomorrow, the conflict between the abstract financial imperative and the concrete impacts of business on society and the environment are too great to ignore. The circular economy principles form a compelling model for sustainable business, and there is nothing to prevent businesses (and their advisers) adopting the appropriate practices and accounting models.

But the legal frameworks which were implemented as a floor of basic protections have instead become for many businesses and their stakeholders a ceiling beyond which they will not go. For the relationship between business and society to be properly reset we need to look again at the fundamental drivers of economic decision making in private enterprise, and explore new forms that can not only reflect the needs of stakeholders but also embrace the potential of the digitalised economy.



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