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# VALUE SHARING MECHANISMS

## FROM OPTIONAL TO INDISPENSABLE?



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The **HEC Paris Inclusive Economy Center** is dedicated to providing new ideas and insights to help businesses contribute to building an inclusive society with a positive and responsible impact. In a changing world facing a variety of multi-faceted crises, the Center recognizes the continued importance of social cohesion and justice for navigating these crises successfully and robustly. Part of the HEC Sustainability & Organizations Institute, and a pioneer in this space at HEC Paris since 2008, the Center federates expertise on a range of topics, with a focus on two challenges that are particularly relevant today: designing organizational eco-systems that resiliently support the social good, and understanding and enhancing the social cohesion essential for collective and individual well-being. Through its research, teaching, and engagement with businesses and policymakers, it aims to drive meaningful change, equipping organizations with the tools to lead in an increasingly complex world.

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# 1. INTRODUCTION

Recently there has been a strong growth of interest in **profit sharing mechanisms**. Many reasons undoubtedly exist for this heightened attention. The primary motive probably has to do with the fact that workers in most OECD countries are receiving an increasingly smaller share of national income ('workers are taking home a smaller slice of the pie'). Labor is losing to capital. Employers increasingly have wide latitude to set wages. They exercise **monopsony power**, loosing those who have better outside options but making profits off those who do not (1). To explain why, some point to the role of technological change and sectoral and intra-sectoral developments (with the emergence of superstar firms), others stress the issues of competition and their impact on the evolution of corporate profit margins. Institutions also matter in affecting the distribution of value (via minimum wage legislation, taxation, etc.)

Another motive for why the topic of profit-sharing mechanisms is back in the public debate is that **income (and even worse wealth) inequalities in OECD countries have been widening**. Labor compensation of top income earners, both in private companies and government-controlled enterprises and organizations, has dramatically increased, while the position of people at the bottom-end of the distribution has been worsening. There is a risk that this tendency, coupled with diverging trends between the average labor share and the average capital share becomes **a threat to social cohesion**.

Finally, **inflation (exacerbated by the outbreak of the war in Ukraine in February 2022) has reached levels not seen in the last four decades in most OECD countries**, leading to a rapid increase in the cost of living and particularly affecting low-income individuals. To help workers in time of high inflation, the most direct measure is increasing their wages.

**Against this backdrop, more and more demands emanate from workers, investors, government, and society at large for firms to revisit the way they distribute value and to strive for more socially just outcomes.**

In the following sections, we will explore the concept of value sharing in greater detail. First, we delve into the mechanisms specifically designed for employee value sharing, including profit-sharing, stock ownership, and skill development programs. Later, we broaden the scope to consider value-sharing mechanisms for other key stakeholders, such as suppliers, local communities, and customers, analyzing how firms can adopt equitable practices across the board. By providing practical examples from industry leaders, we aim to present a holistic view of value sharing across various stakeholders.

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(1) There is robust evidence to suggest that labor market concentration is negatively correlated with wages and that mergers of large employers lower wages. There is a decline in bargaining power for large groups of workers. <https://www.imf.org/en/Publications/fandd/issues/2024/03/Labor-market-models-show-an-incomplete-picture-Suresh-Naidu>

## 2. THE RISKS OF IGNORING EMPLOYEE VALUE SHARING

Firms that neglect employee value sharing face significant risks, as the examples below illustrate.

**Amazon: Risks from Neglecting Warehouse Worker Welfare** Amazon's history of controversies surrounding warehouse working conditions and inadequate pay underscores the risks of ignoring employee welfare. The company has faced global scrutiny for its practices, which could harm its reputation and provoke employee unrest. Despite significant profitability, the lack of sufficient value-sharing mechanisms has led to widespread dissatisfaction, particularly during periods of financial success like the COVID-19 pandemic. Firms that neglect such issues risk becoming targets of public and regulatory backlash, potentially resulting in the loss of trust and increased pressure for reform. ([The Guardian](#))

**Walmart: Vulnerability Due to Low Wages and Limited Benefits** Walmart, as the world's largest retailer, has been criticized for paying low wages and offering limited employee benefits, leaving many workers reliant on public assistance. This has sparked public debates about the company's responsibility to its employees, highlighting the potential for reputational damage and increased regulatory scrutiny. Companies that fail to adequately share value with their workforce may face similar risks, including negative publicity and challenges to their business models. ([Forbes](#))

**McDonald's: Backlash from Wage Disparities and Opposition to Wage Increases** McDonald's has faced significant criticism for wage disparities, particularly in the context of the "Fight for \$15" movement ([The Guardian](#)). The company's resistance to increasing wages has positioned it as a central figure in debates over fair pay, which has attracted negative attention and employee dissatisfaction. Firms that resist sharing value through fair compensation may find themselves at the center of similar controversies, risking both reputational harm and potential legal challenges.

**Uber: The Cost of Undercompensating and Misclassifying Workers** Uber's classification of drivers as independent contractors rather than employees has allowed the company to avoid providing traditional social benefits, leading to widespread criticism. This has not only sparked protests but also placed Uber under intense scrutiny as it went public, highlighting the risks associated with failing to adequately compensate workers. Firms that adopt similar practices risk facing legal battles, public protests, and damage to their brand image. ([Brown White & Osborn LLP](#))

**Tesla: Risks from Compromising Worker Safety and Compensation** Tesla's Fremont factory has been criticized for safety concerns and relatively low wages, with reports of high injury rates and pressured working conditions. These issues have raised questions about Tesla's commitment to employee welfare, potentially threatening its reputation and inviting regulatory intervention. Companies that fail to ensure fair and safe working conditions may face significant risks, including employee dissatisfaction, public outrage, and costly penalties. ([Reveal News](#))

Neglecting employee welfare, fair compensation, and safe working conditions can lead to significant risks, including reputational damage, legal challenges, employee unrest, and public backlash. Companies can mitigate these risks by implementing value-sharing mechanisms like fair wages, benefits, and profit-sharing. According to stakeholder theory, addressing employee needs enhances loyalty and reduces turnover, which can cost companies up to 150% of an employee's annual salary (Freeman et al., 2010). By proactively managing these relationships, firms not only safeguard their reputation but also boost long-term performance and avoid regulatory action.

# 3. ON VALUE CREATION, VALUE CAPTURE AND VALUE SHARING: BASIC VOCABULARY

In the strategic management literature, the concepts of value creation and value capture are fundamental yet involve distinct processes. Understanding these processes is crucial for firms aiming to optimize their strategic outcomes. This report explores the theoretical underpinnings of value creation and value capture, discusses the emerging concept of value sharing, and addresses the practical implications for firms in competitive environments.

## 3.1 Value Creation vs. Value Capture

### 3.1.1 Distinction Between Value Creation and Value Capture

Value creation and value capture are often conflated, but they represent different stages of a firm's strategic process. According to Brandenburger and Stuart (1996), value creation is the difference between a customer's willingness to pay and the supplier's opportunity cost, involving cooperation among suppliers, firms, and buyers.

While value creation is a cooperative process that involves various stakeholders working together to generate additional value, value capture represents a more competitive phase. It depends on how much of the created value a firm can appropriate, which is determined by the bargaining power of the stakeholders. In this phase, firms leverage their relative bargaining power to capture as much of the value as possible, aligning with the principles of competitive strategy. This mirrors the zero-sum game theory of neo-classical economics, where each player acts in self-interest to maximize their share of the value.

### 3.1.2 Strategic Implications of Value Capture

Gans and Ryall (2016) provide a strategic framework rooted in cooperative game theory to understand how firms capture value. They emphasize the role of firm-specific resources and market positioning, but they also introduce the importance of the network of transactions within which a firm operates. Rather than solely focusing on competitive dynamics, they argue that firms capture value by leveraging both competitive advantages and persuasive resources, and the extent to which a firm captures value depends on the interplay of its contributions within these networks.

## 3.2 The Emerging Concept of Value Sharing

### 3.2.1 Defining Value Sharing

The concept of value sharing, or "partage de la valeur," introduces a different perspective on how value is distributed among stakeholders. Unlike value capture, which is competitive, value sharing implies that a firm may choose to distribute part of the value it creates to certain stakeholders, even when it has the bargaining power to retain it all.

## 4. CONCEPTUAL AND PRACTICAL QUESTIONS

The decision to engage in value sharing rather than exclusively focusing on value capture raises several critical conceptual and practical questions that firms must consider.

**Why would a firm choose to share value?** Traditional economic theory, grounded in profit maximization, suggests that firms should retain as much value as possible to enhance shareholder returns. However, contemporary strategic management perspectives recognize that firms might choose to distribute value for several reasons beyond mere financial gain. Strategic value sharing can enhance employee motivation, foster customer loyalty, and contribute to a positive public image, leading to increased firm-specific investments (FSI) and, ultimately, higher profits. This represents an instrumental motivation for value sharing, where the primary goal is to enhance the firm's financial performance by leveraging socially responsible practices. However, firms may also engage in value sharing based on normative motivations, where the decision to share value is driven by ethical or altruistic considerations rather than profit maximization. In such cases, firms might willingly sacrifice part of their profits in order to generate social value, prioritizing the well-being of stakeholders over immediate financial returns. Differentiating these two approaches—instrumental and normative—helps clarify that value sharing can be motivated either by strategic gains or by a genuine commitment to social responsibility.

Additionally, ethical considerations may compel firms to engage in value sharing as part of their corporate social responsibility (CSR) efforts. Research by Porter and Kramer (2011) on creating shared value (CSV) emphasizes that businesses can increase their competitiveness by addressing societal challenges, not by redistributing value but by expanding the total pool of economic and social value. However, firms must navigate the inherent tension between short-term profitability and long-term sustainability when deciding to share value. As highlighted by Hart & Milstein (2003), the challenge of balancing today's business performance with creating tomorrow's opportunities is central to managing sustainable value. Firms must not only focus on short-term results, such as cost and risk reduction, but also invest in future technologies, capabilities, and market opportunities. This multidimensional approach ensures that companies can pursue long-term sustainability while simultaneously delivering economic, social, and environmental benefits, aligning both shareholder value and sustainability goals.

**Moral and ethical obligations of firms.** The decision to share value transcends mere strategy, embedding itself within the ethical framework of business conduct. Firms may engage in value sharing to build long-term, trust-based relationships with stakeholders, thereby enhancing their overall reputation and fulfilling their CSR objectives. These decisions are complex, as they often involve balancing the immediate financial interests of shareholders with broader ethical responsibilities to other stakeholders, including employees, customers, and the communities in which they operate. Freeman (1984) emphasizes that stakeholder theory rejects the notion of maximizing a single objective, like shareholder wealth, as the sole focus of business strategy. Instead, it advocates for a continuous process of balancing and integrating multiple relationships and objectives across all stakeholder groups.

**Which stakeholders should receive value?** Determining which stakeholders should benefit from value sharing is a complex and context-dependent decision. Garcia-Castro and Aguilera (2015) develop a conceptual framework based on value creation and appropriation, arguing that while multiple stakeholders contribute to value creation, their ability to appropriate value depends on factors such as bargaining power and the resources they bring to the firm.

Stakeholder theory with value creation and appropriation argues that since multiple stakeholders contribute to the value creation process, it is only fair that they also share in the value generated. Furthermore, Klein, Mahoney, McGahan, & Pitelis (2012) highlight the role of governance structures in determining how value is distributed. Their property rights perspective emphasizes that the allocation of residual control and claimancy rights among stakeholders plays a critical role in the firm's governance. This approach underscores the importance of co-investment by stakeholders and the mutual dependency between shareholders and other contributors to value creation, suggesting that governance decisions are integral to equitable value sharing.

However, the identification of relevant stakeholders and the determination of how much value they should receive depends on the firm's strategic goals, ethical considerations, and the nature of its business. Anita McGahan (2021) explores the emerging New Stakeholder Theory (NST), which integrates insights from the resource-based view of the firm, emphasizing how stakeholders co-create value through joint resource development and contractual relationships. McGahan highlights the importance of addressing how firms engage stakeholders in value creation while considering their control over valuable resources.

**How should the value be allocated?** Allocating shared value requires a thorough understanding of the contributions and needs of each stakeholder group. This process involves not only economic calculations but also ethical deliberations about fairness and justice in distribution. The work of Sen (1999) emphasizes that development should be seen as expanding human freedoms, rather than narrowly focusing on economic growth or individual income. In this view, fairness in distribution involves not only material wealth but also the enhancement of freedoms, including social, economic, and political opportunities. Firms need to consider both tangible contributions, such as labor and capital, and intangible contributions, such as trust and brand loyalty, when deciding how to allocate value.

1. **Employees:** Employees are one of the primary stakeholders in any firm, contributing both labor and innovation to the company's success. Value-sharing mechanisms for employees include profit-sharing schemes, employee stock ownership plans (ESOPs), and skill development programs (further examples will be discussed in the next chapter).
  - **Profit-sharing** allows employees to receive a portion of the company's profits, directly linking their performance to the firm's success. An example is the **John Lewis Partnership** in the UK, where employees (partners) receive bonuses tied to the company's profits ([TheGuardian](#)).

- **ESOPs** provide employees with ownership stakes in the company, enhancing their motivation and aligning their interests with those of shareholders. For instance, **Microsoft** has long used stock options to reward employees, strengthening their loyalty to the company ([Microsoft](#)).
- **Skill development programs** invest in employees' personal and professional growth, creating value for both employees and the firm. For example, **IBM** has implemented extensive employee training programs to foster innovation and improve employee retention ([IBM](#)).

2. **Suppliers:** Equitable partnerships with suppliers are key to a sustainable and ethical supply chain. Companies can share value with suppliers through fair pricing, long-term contracts, and incentives for sustainability.

- **Fair trade pricing** ensures suppliers are compensated fairly, allowing them to maintain sustainable operations. An example is **Starbucks**, which sources its coffee beans directly from farmers and offers them fair prices while investing in their communities through its **C.A.F.E. Practices** ([Starbucks](#)).
- **Long-term contracts** build trust with suppliers and create stability in supply chains. For example, **Unilever** offers multi-year contracts to suppliers that meet its sustainability standards, enhancing supply chain resilience and reducing costs ([ProcurementMagazine](#)).
- **Sustainability incentives** encourage suppliers to adopt eco-friendly practices, reducing environmental impact and enhancing competitiveness. **Patagonia** collaborates with its suppliers to reduce the environmental footprint of its supply chain, offering technical assistance and resources to support improvements ([Patagonia](#)).

3. **Local Communities:** Companies often rely on local communities for resources, talent, and infrastructure. Sharing value with these communities involves local employment, sourcing, and community development initiatives.

- **Local employment** prioritizes hiring from the community, providing economic opportunities and reducing social inequality. **IKEA** has invested in hiring local artisans in places like India and Thailand, helping to preserve traditional crafts while supporting local economies ([IKEA](#)).
- **Local sourcing** reduces supply chain costs and supports local businesses. **Walmart**, for instance, has committed to sourcing more products locally in markets such as the U.S. and Mexico, boosting local economies while shortening supply chains ([SupplyChainDive](#)).
- **Community development programs** involve supporting education, healthcare, or infrastructure projects in the communities where the business operates. **Coca-Cola** has implemented water conservation and replenishment projects in local communities, particularly in water-scarce regions ([Coca-Cola](#)).

4. **Customers:** Value-sharing mechanisms can also extend to customers, particularly those from underserved or disenfranchised communities. By offering inclusive pricing models and empowering customers, firms can create long-term value while promoting equity.

- **Inclusive pricing models** offer discounted or flexible payment options for low-income customers. **T-Mobile** provides affordable access to mobile services through programs like its **Lifeline Assistance** for low-income customers in the U.S. ([fcc.gov](http://fcc.gov)).
- **Empowering customers** can involve co-creating products or services with them. For instance, **LEGO** has developed an open-source platform where customers can suggest and vote on new product ideas, creating a more engaged and empowered customer base ([MIT Sloan](#)).

**How Should Governance Structures Be Adapted to Include Key Stakeholders in Value-Sharing Decisions?** One of the central challenges in value sharing is determining how governance structures should evolve to include key stakeholders in the decision-making process. Traditional corporate governance models prioritize shareholder interests, but as firms move toward more inclusive value-sharing mechanisms, there is a need to rethink how stakeholders, especially employees, can be integrated into these governance bodies. Employees, as primary contributors to value creation, should play a key role in deciding how value is distributed. Formal employee representation on boards, as seen in models, offers a pathway for employees to participate in decisions regarding value allocation.

Moreover, the concept of stakeholder representation could be broadened to include other important contributors, such as NGOs representing environmental interests. Nature, often an overlooked stakeholder, plays an essential role in the long-term sustainability of business operations. NGOs or environmental advocates could serve as board representatives, ensuring that decisions about value sharing reflect ecological sustainability and the interests of future generations. Such governance models would not only distribute value more equitably but would also enhance corporate accountability to a broader range of stakeholders.

**Who decides the distributional arrangements?** The legitimacy of firm executives in making value-sharing decisions has been a subject of debate, particularly in light of Milton Friedman's (1970) assertion that the primary responsibility of executives is to maximize shareholder wealth. Friedman argued that a corporate executive's direct responsibility is to act in the best interests of the owners or shareholders by maximizing profits while adhering to the legal and ethical rules of society. This perspective has been challenged by advocates of broader stakeholder engagement, who argue that executives should also consider the interests of other stakeholders in their decision-making processes. The role of executives in balancing these competing interests is critical, as their decisions can have far-reaching implications for the firm's reputation, stakeholder relationships, and long-term success. This debate highlights the need for clear governance structures and transparent decision-making processes within firms.

# 5. OVERVIEW OF MOST POPULAR EMPLOYEE VALUE SHARING MECHANISMS

## 5.1 Profit-Sharing Plans

- **Definition:**

Profit-sharing plans are mechanisms designed to ensure that employees receive a portion of the company's profits. These profits can be distributed in various forms, such as cash bonuses or contributions to retirement plans, thereby directly linking employee compensation to the financial success of the company.

- **Academic Insights:**

Douglas Kruse, in his comprehensive study on profit-sharing in U.S. companies, underscores how such plans can drive notable improvements in both productivity and employment stability. According to his research, profit-sharing adoption is linked to a 3.5 to 5 percent increase in productivity, with even stronger effects observed in smaller companies. By tying employee compensation to company performance, profit-sharing fosters a more collaborative and engaged workforce, where employees are incentivized to contribute to both the financial and operational success of the firm.

- **Example of Implementation: John Lewis Partnership**

The John Lewis Partnership, a major UK retailer, operates under an employee ownership model where all employees, known as partners, share in the company's profits. Each year, a portion of the company's profits is distributed as bonuses to all partners, fostering a sense of ownership and shared responsibility ([TheGuardian](#)).

## 5.2 Employee Stock Ownership Plans (ESOPs)

- **Definition:**

Employee Stock Ownership Plans (ESOPs) are programs that allow employees to acquire ownership stakes in the company they work for. These plans typically provide employees with shares of the company's stock, often at no upfront cost, giving them a vested interest in the company's financial performance.

- **Academic Insights:**

Many proponents of employee ownership models, such as those explored by Ronald J. Gilbert and Corey Rosen, view ESOPs as a powerful mechanism to enhance employee wealth and improve job security. U.S. research demonstrates that ESOP participants aged 60-64 have on average ten times greater wealth than their peers in non-ESOP companies, and ESOP firms are three to five times less likely to lay off employees during economic downturns. Additionally, during the Great Recession, ESOP companies saw a 1.9% increase in employment, while non-ESOP companies experienced a nearly 3% decline. By enabling employees to become partial owners of their companies, ESOPs create an environment where workers are more invested in their firms' success, contributing to both individual financial growth and broader economic stability.

- **Example of Implementation: Starbucks: Stock Options through the Bean Stock Program**

Starbucks offers its employees, referred to as partners, the opportunity to own a part of the company through its Bean Stock program. This initiative grants stock options to employees, allowing them to benefit directly from the company's financial success and fostering long-term loyalty ([Starbucks](#)).

### 5.3 Skill Development and Training Programs

- **Definition:**

Skill development and training programs are initiatives that companies implement to invest in their employees' professional growth. These programs can include a wide range of activities, such as workshops, certifications, mentoring, and continuous education opportunities, aimed at enhancing employees' skills, knowledge, and career prospects. Unlike monetary compensation, these programs represent a form of non-monetary value sharing that contributes to the long-term success of both employees and the company.

- **Academic Insights:**

In *Development as Freedom* (1999), Amartya Sen emphasizes the role of expanding human capabilities as both the means and ends of development. He argues that investing in education, skills, and health is crucial for individual empowerment and societal progress. This development of capabilities not only enhances personal freedom but also drives economic growth. In a corporate context, fostering employee development through learning and skill-building can lead to increased productivity and innovation, contributing to broader economic success.

- **Example of Implementation: Deloitte: Deloitte University**

Deloitte has implemented a comprehensive training program known as "Deloitte University" where employees receive ongoing education in areas such as leadership, industry-specific skills, and technical knowledge. This investment in professional growth has not only improved employee retention but has also enabled Deloitte to build a highly skilled and adaptable workforce, crucial for the firm's success in a dynamic consulting environment ([Deloitte](#)).

### 5.4 Wellness Programs and Benefits:

- **Definition:**

Implementing comprehensive wellness initiatives—covering physical, mental, and financial well-being—can be another way to share value by investing in the overall health and happiness of employees. These programs may include health insurance, mental health support, fitness programs, financial wellness education, and more, contributing to the long-term well-being and productivity of the workforce.

- **Academic Insights:**

Economist Richard Layard, in *Happiness: Lessons from a New Science* (2005), highlights how well-being directly influences productivity and economic success. Layard presents evidence that happier individuals, through improved mental and physical health, are more productive and socially engaged. He argues that economic growth does not equate to happiness but that enhancing well-being, particularly through social policies and workplace environments, increases both individual fulfillment and organizational performance. Corporate wellness programs, therefore, become strategic investments in employee happiness, leading to greater creativity and productivity.

- **Example of Implementation: Google: Equity Compensation and Wellness Benefits**

Google provides its employees with equity compensation in the form of stock grants and options, enabling them to share in the company's financial success. Additionally, Google invests heavily in wellness programs and benefits, offering services like on-site healthcare, mental health support, and fitness facilities. These programs enhance the overall value shared with employees and contribute to a positive work environment and high employee satisfaction ([IncentFit](#)).

## 5.5 Recognition and Reward Programs

- **Definition:**

Non-monetary recognition, such as awards, additional time off, or special events, can also serve as a means of sharing value with employees. These programs enhance employees' sense of belonging and appreciation, contributing to a positive work culture and fostering employee engagement.

- **Academic Insights:**

In a 2024 study published by the *European Journal of Humanities and Social Sciences*, non-monetary factors such as recognition programs, professional growth opportunities, and supportive work environments were shown to enhance employee engagement and retention. Surveys conducted with 285 employees reveal that these initiatives increase employee morale, job satisfaction, and retention, while also improving productivity and reducing turnover. The study highlights the importance of a positive work environment and open communication in fostering stronger emotional ties between employees and the organization.

- **Example of Implementation: E.on: Recognition Programs**

E.On (Germany): E.On emphasizes peer and managerial recognition through personalized thank-you notes, both digital and physical. This simple approach significantly increased employee motivation and understanding of business processes. Staff surveys showed a 33% increase in employees feeling valued, and staff motivation rose by 8 points, reaching 69%. Additionally, employees' understanding of business decisions grew from 57% to 75%, contributing to a more engaged workforce ([piggy](#)).

## 5.6 Collaborative Decision-Making

- **Definition:**

Beyond board representation, engaging employees in strategic decision-making through regular consultations or innovation committees can foster a stronger sense of ownership and alignment with the company's goals. By involving employees in key decisions, companies can tap into diverse perspectives and encourage a more inclusive, transparent approach to governance.

- **Academic Insights:**

Chema González-Garilletei, Rafael Mira, and Leticia Sóberon, in 'Leaders can make better decisions by tapping into the collaborative intelligence of their organizations' (2019), advocate for fair and inclusive decision-making in institutions. Applied to the corporate world, their principles suggest that involving employees in digital deliberations strengthens organizational cohesion and aligns decisions with societal values. In one case, 8,000 employees contributed over 15,000 insights through 200 deliberations, leading to improved efficiency and broader acceptance of decisions. This participatory model taps into collective knowledge, promoting a more just and effective workplace.

- **Example of Implementation: Volkswagen: Employee Representation in Decision-Making**

Volkswagen has long embraced collaborative decision-making through its co-determination model, where employees are represented on the company's supervisory board. This allows workers to participate in key strategic decisions, helping align employee and company goals while fostering a sense of ownership and shared responsibility ([Volkswagen Group](#)).

## 5.7 Employee Cooperatives

- **Definition:**

In certain cases, structuring the firm as a cooperative, where employees have significant control over business decisions and share in profits, can be an alternative approach to value sharing. In these cooperatives, employees are both owners and decision-makers, allowing for a more democratic and equitable distribution of profits and influence.

- **Academic Insights:**

In *Ownership of the Firm* (1988), Henry Hansmann discusses the benefits of employee cooperatives, where workers hold both ownership and decision-making authority. This structure allows for a more equitable distribution of profits and responsibilities, encouraging workers to be more engaged and aligned with the firm's goals. By integrating shared control and financial participation, cooperatives foster long-term stability and reduce conflicts that are common in traditional investor-owned firms. The shared governance model not only promotes productivity but also creates a more resilient and efficient organization.

- **Example of Implementation: Mondragon Corporation: Employee Cooperative Model**

Mondragon Corporation, based in Spain, operates as a leading employee cooperative where a large portion of its workforce holds ownership stakes and actively participates in decision-making. This cooperative model has enabled Mondragon to achieve 2.4% higher annual growth in cooperative-run hypermarkets compared to other models. Additionally, members enjoy job security and a 20% wage premium, though they face increased responsibilities, which can lead to lower job satisfaction (Arando et al., 2011).

## 5.8 Sustainable Compensation Packages

- **Definition:**

Offering long-term benefits such as pensions, profit-sharing retirement plans, and deferred compensation ensures that employees continue to benefit from the firm's success over time. These packages provide financial security for employees beyond their immediate earnings, fostering loyalty and alignment with the company's long-term objectives.

- **Academic Insights:**

The study by Mahoney and Thorne (2005) provides empirical evidence showing that firms offering long-term incentives like stock options are significantly associated with stronger commitment to corporate social responsibility (CSR), particularly in product and environmental dimensions. The data reveal that firms with a higher percentage of long-term compensation in their executive pay structure have stronger CSR scores in these areas. Specifically, long-term compensation was significantly related to reductions in CSR weaknesses, particularly in environmental and product-related risks, demonstrating a link between long-term incentives and sustainable business practices.

- **Example of Implementation: Siemens: Sustainable Compensation and Long-term Benefits**

Siemens offers its employees sustainable compensation packages that include long-term benefits such as pensions, profit-sharing plans, and deferred compensation. These benefits are designed to align employee interests with Siemens' long-term success and sustainability goals, while ensuring financial security beyond immediate earnings. The company's pension plans and stock option programs foster employee loyalty and align their actions with Siemens' long-term objectives, particularly in areas like green energy and digital infrastructure ([Siemens](#)).

## 5.9 Innovative Mechanisms: Shareholder Foundations

- **Definition:**

Shareholder foundations represent an innovative governance model where a portion of a company's shares is held by a foundation rather than individual shareholders. These foundations use dividends from their equity to fund social or environmental initiatives, thus embedding corporate social responsibility into the very structure of the company. The model developed by think tanks redefines the relationship between profit and purpose, allowing companies to align shareholder interests with long-term societal goals.

- **Academic Insights:**

[Prophil](#), a French think tank and strategic consulting firm, has pioneered research into shareholder foundations, exploring how they blend economic and philanthropic goals. Their studies highlight how these foundations offer a stable and long-term governance model by ensuring that part of the company's profits are reinvested into public good initiatives. This approach enables companies to balance financial performance with social responsibility, moving beyond the traditional profit-maximization model to focus on sustainable value creation and reinvestment in societal or environmental causes. The research underscores that shareholder foundations provide firms with resilience and stability, especially during times of economic uncertainty.

- **Example of Implementation: Carlsberg: Denmark's Most Iconic Company**

In Denmark, shareholder foundations have become a prominent governance model, with 20% of the largest Danish firms being owned by foundations. These foundations are responsible for both the growth of the companies and significant philanthropic activities. One notable example is Carlsberg, where the Carlsberg Foundation holds 75.25% of the company's voting rights. The foundation not only guides the company's long-term strategy but also funds scientific research and cultural projects, such as the Ny Carlsberg Glyptotek, a major art museum in Copenhagen. This dual focus on business success and societal contribution exemplifies how shareholder foundations can operate effectively to balance economic and social goals (Prophil, 2015).

## 6. CONCLUSION

In the realm of strategic management, value creation and value capture are well-established concepts that remain crucial for a firm's success. However, the emerging focus on value sharing introduces a new and important dimension to how companies approach the distribution of the value they generate. Unlike value capture, which is driven by competitive dynamics, value sharing requires a broader perspective—one that takes into account the interests of various stakeholders and upholds ethical principles. Navigating this landscape demands careful consideration, as firms must strike a balance between maximizing captured value and embracing the long-term benefits of sharing value with their stakeholders.

Today, when it comes to sustainable business practices, there is a big shift underway. Increasing regulation (including Corporate Sustainable Reporting Directive) is transforming all firms: What used to be differentiating practices have now become a new norm (normal). This raises a serious question: What will drive a firm's competitive advantage in relation to ESG in the future? This report suggests that one important source of differentiation may well be the firm's ability to better share value than its rivals.

More research is needed to rigorously evaluate the cost-effectiveness of different value-sharing mechanisms. This is important as such initiatives can have unintended consequences. For instance, in France, evidence from the evaluation of mandatory profit-sharing schemes suggests they do not substitute for wages or reduce productivity, but other voluntary mechanisms can lead to significant substitution effects, reducing the overall benefit to workers (Guadalupe et al., 2023). This highlights the importance of careful design in ensuring that value-sharing mechanisms benefit workers without imposing unintended costs on businesses and public finance.

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