

**A Corporate Governance  
Alternative to Shareholder Value?  
Worker Participation and the  
Sustainable Company**

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# Shareholder Value Model of CG

- Core assumption: Share price best measure of company value
- Three main elements:
  - Competitive market for investors
  - Top managers' pay tied to share price
  - Gatekeepers: auditors, regulators, independent directors

# What does Share Price Measure?



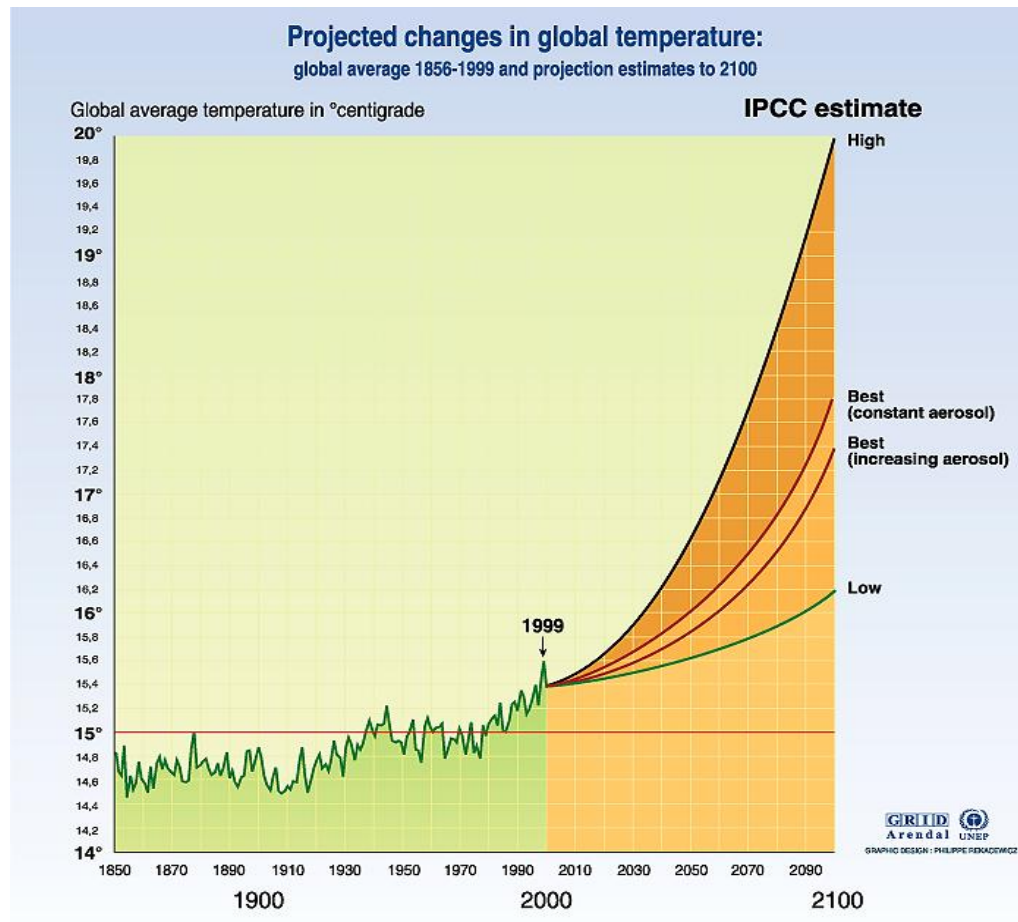
## Company Data

Company Name: Dow Jones Industrial Average

# Other Failures of Shareholder Value

- Externalities – share price doesn't measure social costs
- Sacrifice LT investment for ST performance
- Incentives for fraud by managers
- Conflict of interest of gatekeepers

# Climate Crisis



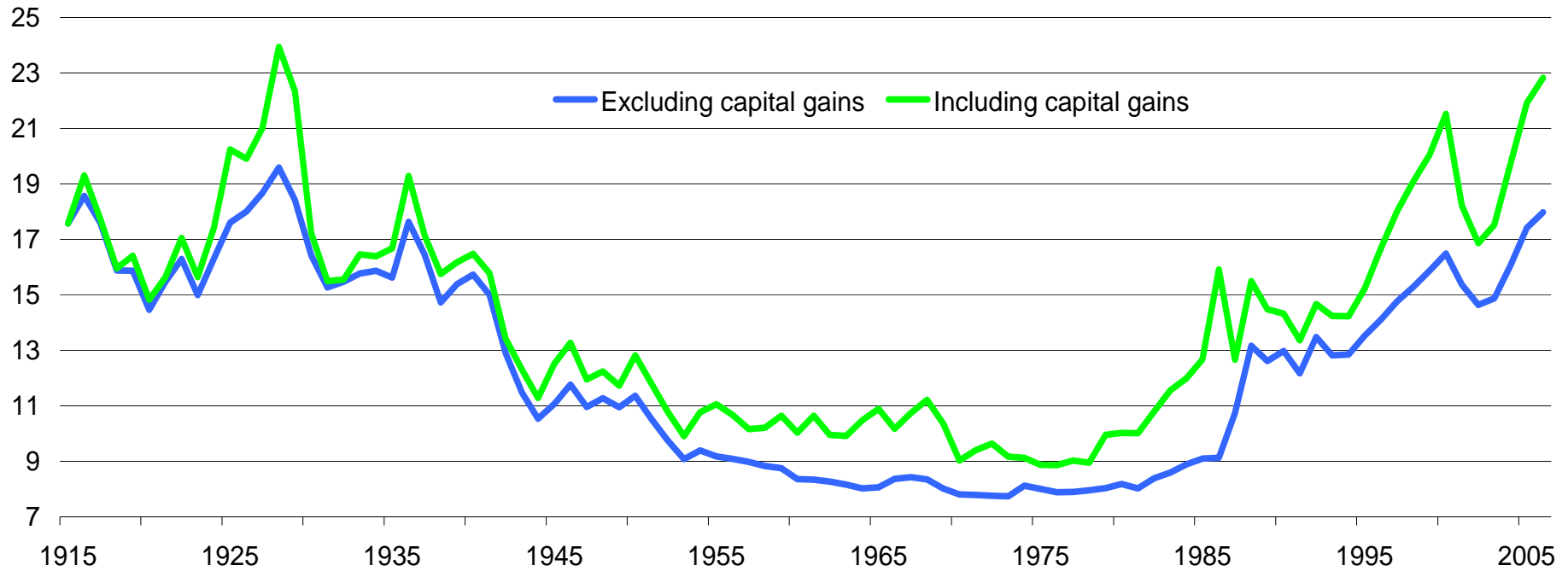
Source : Temperature 1856 - 1999: Climatic Research Unit, University at East Anglia, Norwich UK. Projections: IPCC report 95.

# Financial Crisis

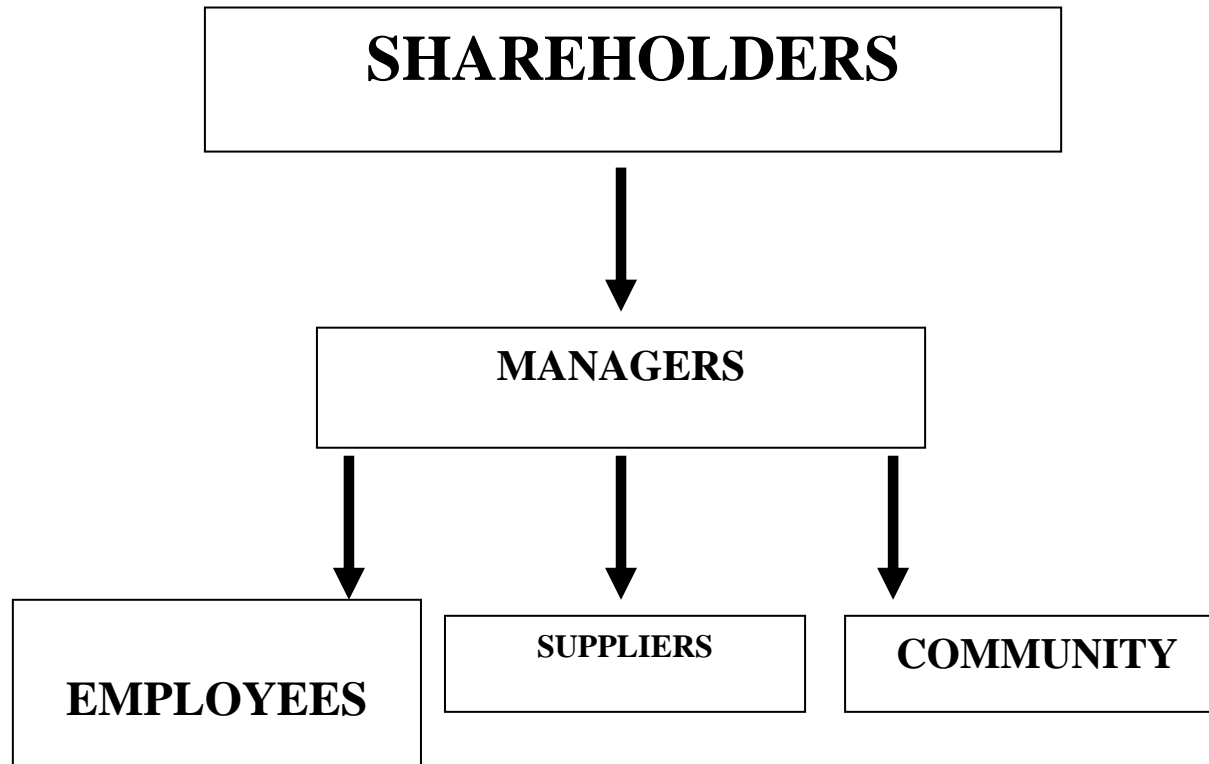


# Social Crisis

Share of top 1% in US national income, 1915-2006 (%)

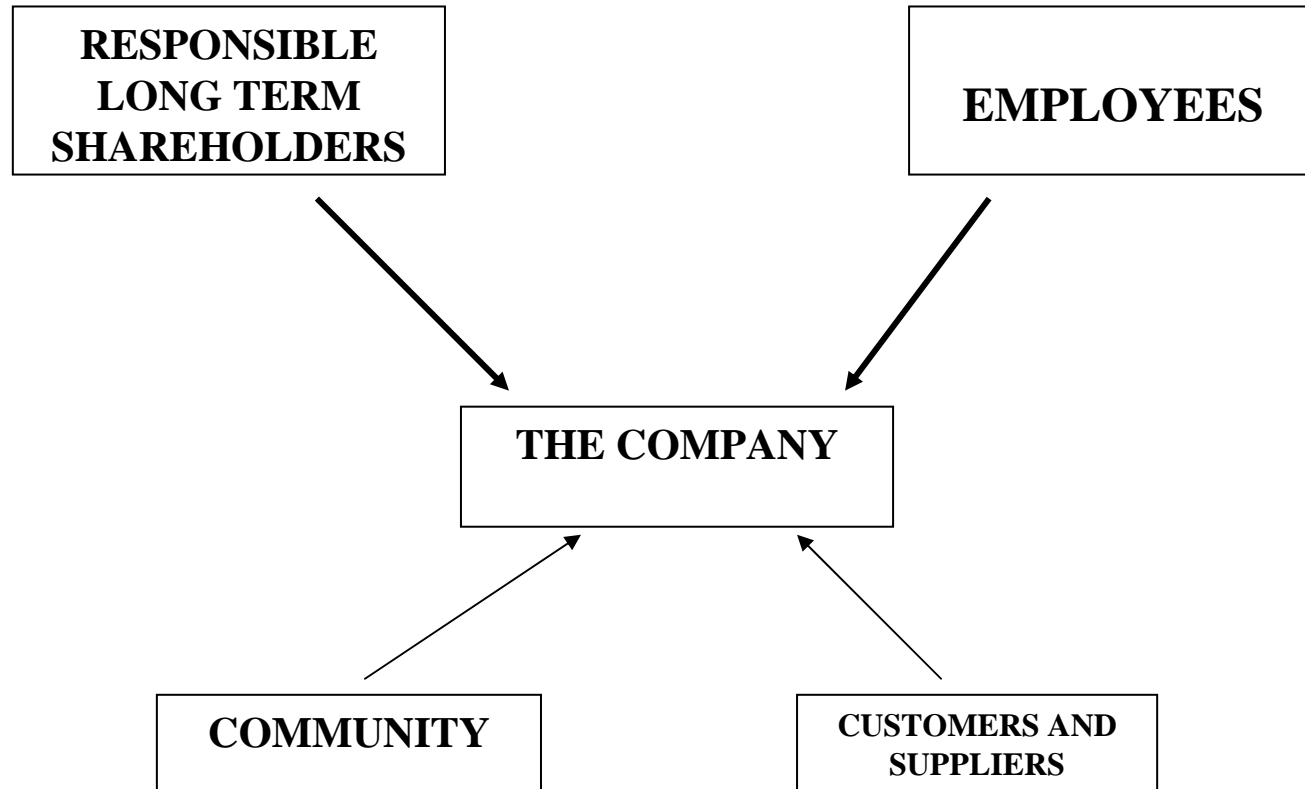


# Part of the Problem: The Shareholder Value Model





# The Sustainable Company



# The Sustainable Company

- Company orientation to **environmental, social + financial sustainability**, not ST share price
- **Employee participation** as a correction for short term investment horizons
- Company reporting on sustainability involving **recognized standards, external verification and Stakeholder participation**
- **Negotiations** on sustainability goals and strategy between stakeholders + management
- **Management remuneration** tied to achievement of sustainability goals
- Long-term **sustainability-oriented investors**

# Policy measures supporting sustainable companies

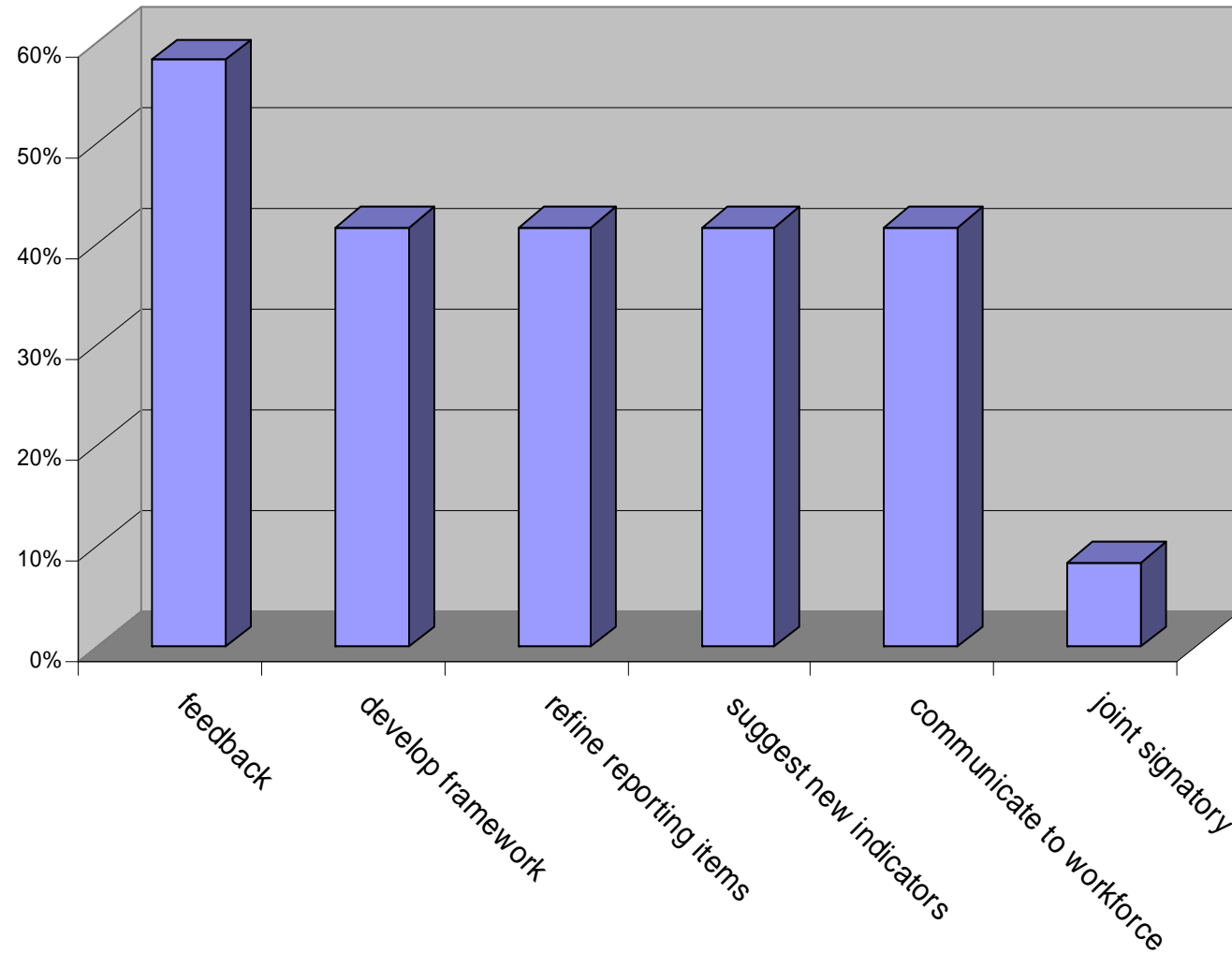
- Mandatory sustainability reporting
- Independent monitoring + rating
- Incentives for LT investment (transaction tax, differentiated dividends + tax rates....)
- Limits on variable pay, stock options + total pay
- Extension of employee participation rights in reporting systems, goal setting + strategies

**THE FIRST STEP TOWARD  
IMPROVING A COMPANY IS TO  
*KNOW WHAT IT IS DOING!!!!!!***

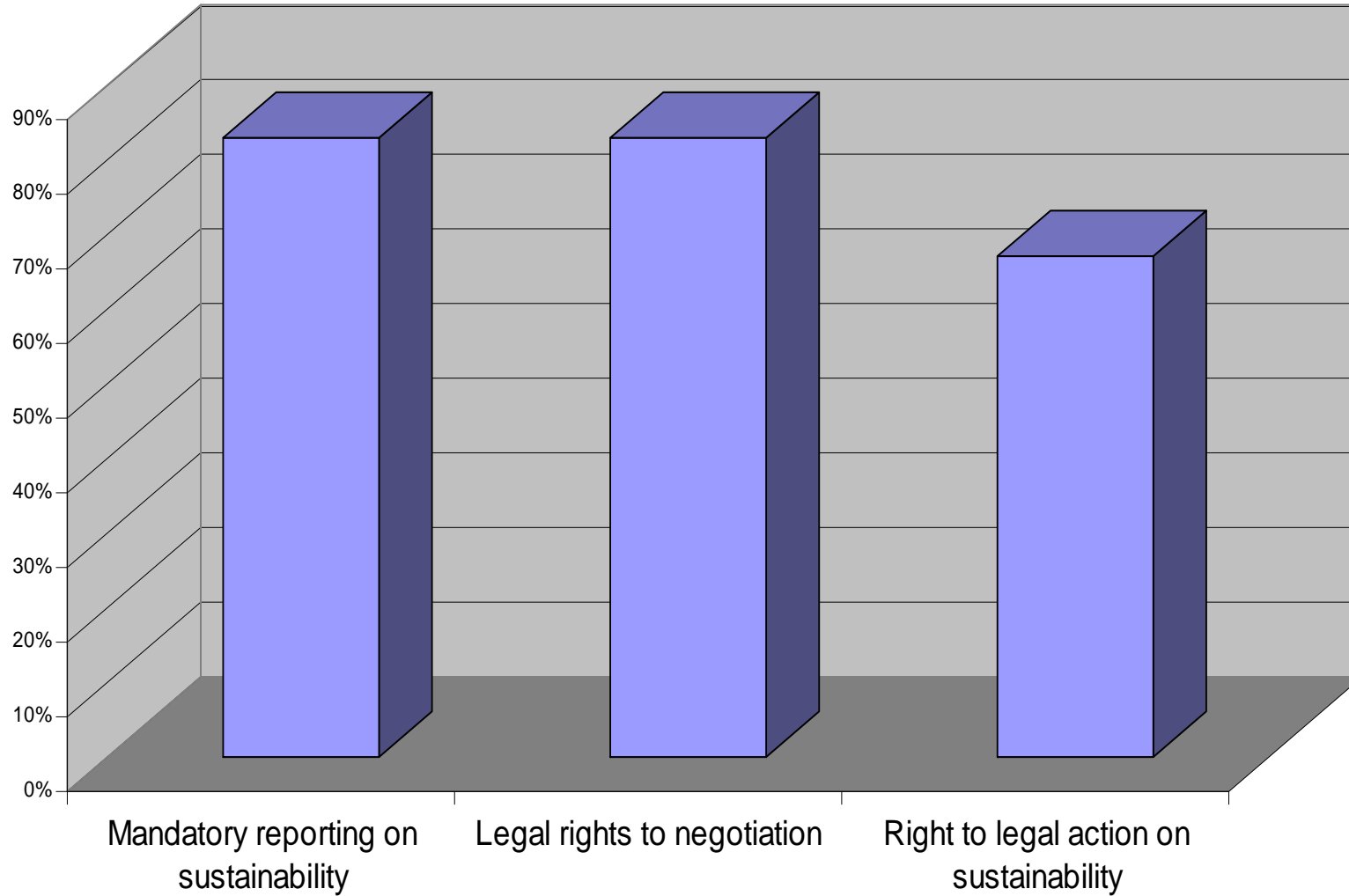
# **Worker Participation and Sustainability – some examples**

- 2/3 of European Works Councils discuss sustainability issues with management
- Companies with EWCs have more disclosure and higher scores on Carbon Disclosure
- Companies with Board Level Employee Representatives have fewer stock options

# Worker Role in Reporting Systems



# Worker Reps Want.....



**A Central Question: How do  
we strengthen worker  
participation in companies,  
given diverse national  
industrial relations systems?**



**THANK YOU FOR YOUR  
ATTENTION!!!!!!!**