A new management for enterprises involved
in social and planet challenges
and for more solidarity in the chains case

By Rémi Guillet

Abstract **-** After what has been Western development since the industrial era and especially since the extension of global exchanges, more and more reasons demand a radical change in our vision of what must be now considered as a good economy [*]

Nowadays, a recommendable economy must be able to produce balanced employment and consumption capacities, able to contribute efficiently to a macro economical challenge as it is required at State level. And doing that, respecting earth patrimony and environment because we are aware now that humanity and its survival conditions are threatened.

Twenty years ago, we conducted a study on the conditions for strengthening links between workers and shareholders in the company, conditions which were founded on fair remunerations for each kind of company partners.

These measures are shortly presented in this chapter which also shows a way to fairly pay our planet for what we consume from its patrimony and for the environment degradation produced: a new manner to describe a new economy management, more engaged and responsible of what will be our future conditions of life.

Key words - growth, new model, future, human life, planet, protection

1. INTRODUCTION

Sciences and technologies have induced an outstanding development of conditions of life for many people, particularly since the industrial era and even much more after the worldwide exchanges development. But today many dangers are revealed.

Over the world, between countries and between people, the injustice is crying. The planet itself cries its pain and shows us it can't insure the long term future of what is our actual development. The economical challenge of growth, firstly required by our model of consumption based on credit, is in fact unsustainable in a limited space and even threatens already and seriously the life in all its forms.

Twenty years ago, we conducted a study on the conditions for strengthening links between workers and shareholders in the company [1].

Now it is obvious that we must accept a relevant change in our economical challenge with a new assessment of results, taking account seriously of what must be the ultimate goal of what we do.

2. A NEW MODEL TO MANAGE THE ENTERPRISE

Shareholders and wage-earners are the two major partners of the enterprise. They are interested to belong to a successful and durable structure. The first category of partners hoping a maximum of profits or dividends, the second category a maximum of wages .Thus, the sharing of the produced added value is the base of an everlasting (structural) conflict between labour and capital [2,3].

Nowadays the gap between wages and capital incomes is such that the time is come to wonder whether, in enterprise, and in the interest of both categories of partners, a new distribution of the added value has to be considered.

The purpose of the presented model is to lead shareholders to a positive look on the wages and to lead workers to a positive look on the profits. In other words, the purpose is that shareholders and wage-earners switch from distrust relationship to trust relationship, from structural conflict to structural cooperation.

With this new model, the partners accept and have to firstly negotiate the ratio between the remuneration of one category relatively to the other one...

And the model is said "ideal" when, whatever are the results of the considered exercise the dividends (D) and the wage masse (S) are, the negotiated ratio between them is respected.

Practically this kind of remunerations induces a flexibility in workers remuneration and a stable part in the shareholders remuneration. Thus, this flexibility is also a real opportunity to change the employment context in enterprise and a share holders new behaviour to sustain the said enterprise longer.

In its simplest presentation, the new model considers only two kinds of partners: shareholders and wage-earners

Traditionally, the added value (*VA* produced) is the sum of wages mass $S*$ and dividends $D*$, the *ante* fixe charge $F = S*$ while the post benefit $B = D*$, and we can write that $VA=S*+D*=F+B$ (the formula alone able to explain the recurrent conflict between capital owners and workers along the past centuries!).

Now the new model which induces for both partners a new and positive view of *S* and *D* is able to change radically the relationship between them !

With the proposed new model, new wages (S) and new dividends (D) appear : S and D respectively characterizing the "specific" or "own" income of workers and the "specific" or "own" income of shareholders.

The total shareholders remuneration is now the sum of the (new) dividends *D* and of a bonus linked on the (new) wage mass *S*. The pegging coefficient of this bonus being *α* and:

$Ra = D + \alpha S$ (a)

Symmetrically, the wage-earners' total remuneration Rs is built from the (new) wage mass S, to which a participation to the results linked to the (new) dividends mass D. The pegging coefficient being β and:

$$R_s = S + \beta.D \quad \text{(b)}$$

Using matrix presentation, we can write to take the place of (a) and (b) equations,

$$\begin{bmatrix} Ra \\ Rs \end{bmatrix} = \begin{bmatrix} 1 & \alpha \\ \beta & 1 \end{bmatrix} \cdot \begin{bmatrix} D \\ S \end{bmatrix}$$

And the "ideal" model is got when the value of the negotiated ratio $Ra/Rs = k_m$ whatever are the D and S values [2,3].

And we have also shown that that happens when $\beta.\alpha = 1$. Thus,

$$\begin{bmatrix} Ra \\ Rs \end{bmatrix} = \begin{bmatrix} 1 & k_m \\ 1/k_m & 1 \end{bmatrix} \cdot \begin{bmatrix} D \\ S \end{bmatrix}$$

For example, imagining that the negotiations have led before the financial exercise in that the ratio of remuneration Ra / Rb = 0,25 (or Rb / Ra = 4), ideal equity induces that :

$Ra = D + 0.25.S$
$Rb = 4.D + S$

It is also very simple to check that Ra / Rb will always be equal to 0,25 whatever the values taken by Ras and Rbs. (Example Ras = 1, Rbs = 5 and Ra / Rb = 2,25 / 9 = 0,25 etc.). This, even in case of changes in Rbs (wages) during the exercise or losses (negative Ras) at its end !

Compared to the traditional payment model, the "new model" induces new calculations, "new dividends D" (since they are no longer representing the total of benefits B of the enterprise, a "new wages mass S" (because it is no more representing the total of the *ante* charges F of the enterprise).

With the new model, we can write :

$F = (1 + \alpha) . S$
$B = (1 + \beta). D$

We must also note that $VA = F+B = (1 + \alpha) . S + (1 + \beta). D$

The accounter knows that in all cases the sum of the remunerations of all the partners checks the added value VA achieved during the financial exercise. So for our example VA will necessarily verify the sum $1 + 0,25 \times 5 + 4 + 5 = 11,25$.

And here necessarily, we found D = 0,0899.VA and S = 0,4444.VA.

Thus, by changing the traditional model of remuneration for the new one, thanks to the choice

of α (or β) value, possibilities are offered to "adjust" the "new" charges for enterprise [$F = (1+\alpha).S$] if the current added value VA is announcing risks of bankruptcy

Using the ideal model, we have also shown that, whatever is the indicator retained for growth (Va/F, Ra/F…), the observed growth has the same value for shareholders, workers, who have the same view of what is the growth [2].

3. EXTENSION Of THE IDEAL MODEL WHEN "n" KINDS OF PARTNERS…

After two kinds of partners, we can easily identify other (categories of) partners and a "*n*" *dimensions*" ideal [T] matrix appears to get the global incomes "[R]" got from the matrix "[Rs]") which represents each spcific partner income, matrix relation being written as follow [4]:

[R]=[T].[Rs] with,

$$[T]= \begin{bmatrix} 1 & a_1^2 & a_1^3 & ... & a_1^n \\ a_2^1 & 1 & a_2^2 & ... & a_2^n \\ a_3^1 & a_3^2 & 1 & ... & a_3^n \\ ... & ... & ... & 1 & ... \\ a_n^1 & a_n^2 & a_n^3 & ... & 1 \end{bmatrix}$$

While the added value VA (added value), always checks,

$VA = F+B= R_1 +…+ R_n.$

If each negotiated value of the ratio R_i / R_j is called $k_{m,i/j}$ then [T] matrix is always said ideal when all the R_i / R_j ratio calculated from [T] and [Rs] are not depending of the [Rs] values and is equal to the negociated $k_{m,i/j}$.

To help us to built the ideal matrix [T], we note that by definition :

$k_{m,1/2} ./\cdots/ . k_{m,(n-1)/n} . k_{m,n/1} = 1$ (then the negotiation concerns only "*n-1*" values of k_m)
For any "*i*" and "*j*", $k_{m,j/i} = 1/ k_{m,i/j}$

And as for 2 partners, it can be shown (1) that [T] is ideal when $a_i^j = k_{m,i/j}$

Thus $a_i^j . a_j^i = 1$ and $a_1^2.a_2^3....a_{n-1}^n a_n^1 = 1$
And mathematically, whatever w is,
$k_{m,i/j} = k_{m,i/w} \, k_{m,w/j}$

Practically, when n kinds of partners the negociations involve *n-1* pairs of partners.

Among the "*n*" partners, we can find the State remuneration, the Planet remuneration (or funds for the planet protection) etc.

For example, imagining that we have identified *n= 4* types of partners (called A, B, C, D) with their specific income we will write, like what we did for two kinds of partners, the remunerations of A, B, C, D in the form of a "mixed" between what we let us call the specific share of the partner considered and the additional shares indexed to te specific share of each of the other partners.

Assuming that the negotiations between The 4 partners taken by pairs, meaning 6 combinations, have resulted in the effective remuneration ratios at the end of the financial exercise such as Ra / Rb = 0.25, Ra / Rc = 1.25, Ra / Rd = 2.5 (which involve the agreement for Rb/Rc=5, Rb/Rd=10 and Rc/Rd=2), the construction of partners' remuneration will be ideal when the ratios actually observed between them at the end of the exercise is not depending on the exercise results, but always check the negotiated ratios wishes!

Ras, Rbs, Rcs, Rds, representing the specific remuneration of each of them, their final remunation at the end of the exercice being respectively Ra, Rb, Rc, Rd must be written following the general model considerations to finally obtain the ideal equity claimed. For our numerical example it means that the matrix [T] is:

$$[T]=\begin{bmatrix} 1 & 0.25 & 1.25 & 2.5 \\ 4 & 1 & 5 & 10 \\ 0.8 & 0.2 & 1 & 2 \\ 0.4 & 0.1 & 0.5 & 1 \end{bmatrix}$$

It means following an other writting that,

Ra = Ras + 0.25.Rbs + 1.25.Rcs + 2.5.Rds
Rb = 4.Ras + Rbs + 5.Rcs + 10.Rds
Rc = 0.8.Ras + 0.2.Rbs + Rcs + 2.Rds
Rd = 0.4.Ras + 0.1.Rbs + 0.5.Rcs + Rds

Finally, we underline that the negotiated ratios are always verified, only depending on the indexation coefficients presented in the matrix [T] and not depending on the exercise results (the VA value) !

In other words what has been negotiated before is always checked after !

And such results are observed regardless of the number of partners from 2 to n infinite !

We will then also underline that the planet, which has always to meet our performance requirements (unframed growth, etc.), has to be considered by each enterprise, as a full partner taking account as close as possible of what the last one does.

And the proposed model offers a new way to consider the planet contribution to our human activities aiming to pay it for its contribution.

Advantages of the new ideal model [2,3]

- Negotiation strategy installed in enterprise

- Negociated ratios verified in any cases whatever are the exercise results
- Other sharing of risks and profits between insiders and outsiders partners
- Unique analysis of productivity of work and growth
- Perspectives of new management of jobs with an employment more secured
- Flexibility of enterprise management facing bankruptcy perspectives
- Better contribution towards a balanced macro economy
- Introduction of a structural planet protection funding

4. THE CHAINS CASE [4]

As part of our works for a fair economy (Cf. the title "Proposals for a fair economy" ed. L'Harmattan 2012) the following model so that all the actors of a same chain have a fair share of the value added by the whole partners and particularly the producer is presented and illustrated by the case of the milk producer:

Equity and solidarity are now omnipresent leitmotifs in the speeches of most of those who, in various capacities, have access to public "speech". So, ultimately, any prospect of improvement involves incantations of growth (From whom? From what? For how long? Since our planet is a finite environment, there will inevitably be a stoppage! For our part, and for a very long time, we have been thinking about how to give form to these pious wishes which in reality still have as much difficulty replacing our individual challenges which are much more often marked by egocentrism and selfishness… But if we have published a lot (1) on our vision of fairness and solidarity in and with the company, including on our blog RémiG DPP (see in particular the article "Ideal remuneration model in business"), the news of the meat and milk sectors leads us to return to our approach to fair distribution in the food sectors. What follows is therefore inspired by the treatment proposed in the book "Propositions for a fair economy" (2).

The case of the food sectors… The inequity is particularly flagrant in the case of producer-consumer sectors for which producers confront each other subject to borderless competition and the giants of distribution, where pot of clay fights against pot of iron, via intermediaries who do not want to give up or lose anything, via dictates from elsewhere. And the news regularly shows the reality of our allegations…

Our suggestion seen through the eyes of the milk producer farmer… The first of the food sector "milk" and derived products (and who does not have the "weight" to negotiate the price of his own raw materials: fertilizers, hydrocarbons, etc.) must receive, in all circumstances, that is to say brought "structurally", in a legislative way, the guarantee of a minimum profit $B1$ due to his work in relation to the totality of the profit made by "his downstream".

Thus, calling Pc is the price for the final consumer of milk, Pf the selling price of the farmer-producer, C its cost price including wages, $B1$ its profit ($Pf=C+B1$) and $Bn-1$ the totality of the downstream profit, setting λ the value reported to the downstream added value, i.e. $\lambda = B(n-1) / (Pc-Pf)$, then the minimum profit $B1$ guaranteed for the farmer-producer would verify according to our proposition $B1/(C+B1) = \lambda$, i.e.: $B1 = B1/(C+B1) = C/(1-\lambda)$ (And, calling Bn the totality of the sector's profits, in this case $B1/(C+B1) = B(n-1) / (Pc-Pf) = Bn / Pc = \lambda$)

A numerical example: If C= 0.5; Pf = 1; Pc = 2, B (n-1) = 0.25 Then λ = 0.25 / (2-1) = 0.25 And B1 = 0.25 x 0.5 / 1 - 0.25) = 0.166 (Bn =0.5) We then observe that, according to the suggestion, the value of B1 increases with the cost price C and with the value of the "downstream" profits. The system allows the farmer-producer to encourage the quality challenge, avoids abuses of the "downstream" margin made to the detriment of the first supplier in the chain, while leaving the latter the freedom of its optimization strategies for its production cost C (playing the qualitative against the quantitative etc.). At the same time, the system lends itself to formal administrative control (a posteriori).

4. CONCLUSION

We have presented in this chapter a new path towards a greater equity between workers and funds owners concerned by a same enterprise, offering thus a new future for the micro and consequently macro economy, without forgetting to propose a structural planet protection funding.

Thus, and after being aware since long time of the danger induced by strategies of growth, without limits, strategy of the "always more" profits induced by the liberal economy challenge, all that led in a limited earth context, with a worldwide exchanges, where competition is always rougher, due to the no limits low cost challenge came from our human instincts, we hope that this new model can help us to make our future less dangerous, for both all humanity and planet !

The chains case proposal must be red as a good complement aiming a same target for a better present and future sharing.

REFERENCES

[*]Braudel, (1988) « La dynamique du capitalisme » Champ/Flammarion edition
And,
Stieglitz (2002) « Globalization and Its Discontents » (La Grande Désillusion)

[1] Rémi Guillet "Conditions du resserrement des liens entre actionnaires et salaries dans les sociétés anonymes" DEA Université Paris XIII, 2001
[2] Rémi Guillet " Pour plus de solidarité entre le capital et le travail " L'Harmattan ed.2004 and 2009 ; 160 p.
[3] Rémi Guillet " Propositions pour une économie équitable" L'Harmattan ed 2012 and 2015; 120 p.
[4] Rémi Guillet "Towards a greater consideration of the human life and planet redevance in (micro) economics" by R. Guillet "SCIREA journal of economics" novembre 2019 (SCIERA Journals 2019)

Author's short biography
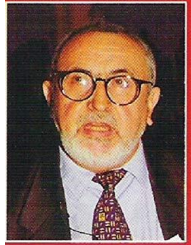
Rémi Guillet in 2002 at an energy conference hold in Paris

Rémi Guillet was born in 1943. He is graduated from Ecole Centrale de Nantes - France- and Doctor in mechanics (PhD of the University of Lorraine-France-). He is also holder of a degree in (micro) economics (master at Paris 13 University-France-).

His more recent publications:
In clean combustion:
"The Water Vapour Pump Cycle to get the best of a humid combustion" (2015 International , Conf. on Energy and Environmental Systems / May 17-18,2015, Beijing
-"Beijing's burning issue: reducing boiler NO_x" *CIBSE Journal,* June 2017 (by Zdaniuk G., Moreau J., and Lui Lu)
-"Wet combustion and water vapour pump efficiency" (ed. of Cambridge University, oct. 2019)
In enterprise management:
-"Suggestion for equity and solidarity in sectors" which is the english translation of the french title "Suggestion pour plus d'équité et de solidarité dans les filières" (L'Harmattan ed 2012).
-"To reinforce solidarity in and with enterprise" (International Conference on Social Science Management and Economics (SSME 2015)
-"Towards a greater consideration of the human life and planet redevance in (micro) economics" by R. Guillet "SCIREA journal of economics" novembre 2019 (SCIERA Journals 2019)
In poetry (in French):
"My first 100 poems" (Mers du Sud ed. 2020)
My way towards the agnosticism" (in French "Mon chemin vers l'agnosticisme" les impliqués éditions)
See more by consulting "Rémi Guillet biography" / L'Harmattan editions