




*CCLFI Philippines*

# Exploration of Variants of Consumer and Employee Ownership Schemes

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# Governance Gaps in the Global Knowledge Economy



# Intangible Assets: Main Creators of Value

NYU-Brookings Institute Intangibles Research Project

Findings:

In 1978, tangibles: intangibles ratio = 80:20

In 1988, tangibles: intangibles ratio = 45:55

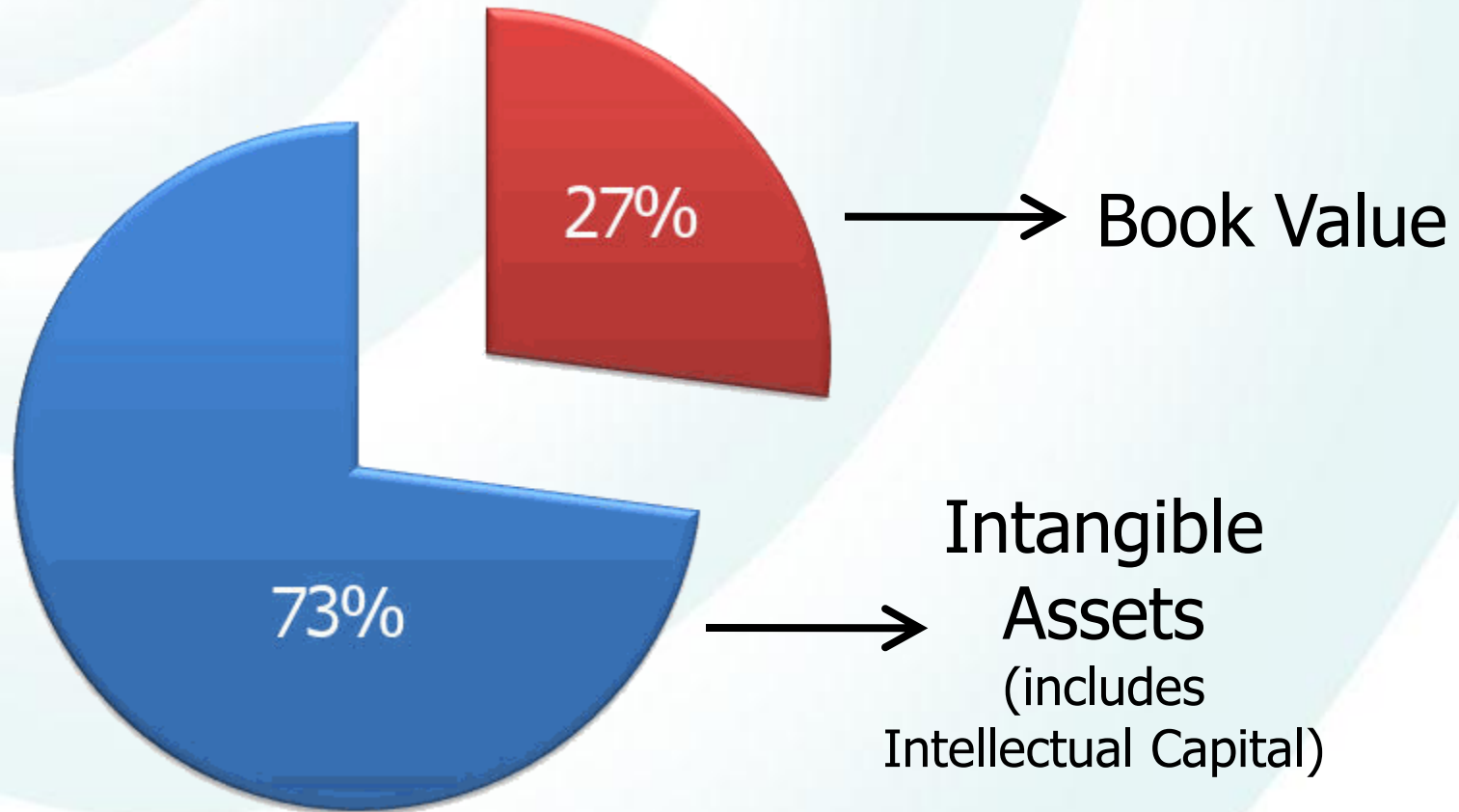
In 1998, tangibles: intangibles ratio = 30:70

Source: Patrick H. Sullivan "Value-Driven Intellectual Capital", 2000

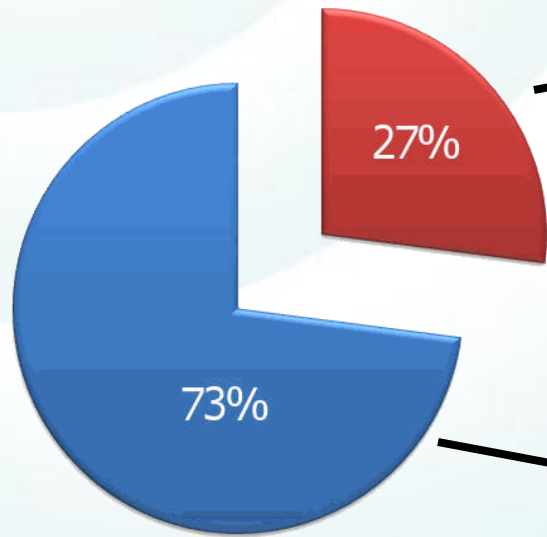


# Components of Market Value

Source: Yahoo Finance, December 2009 (214 industry sectors)



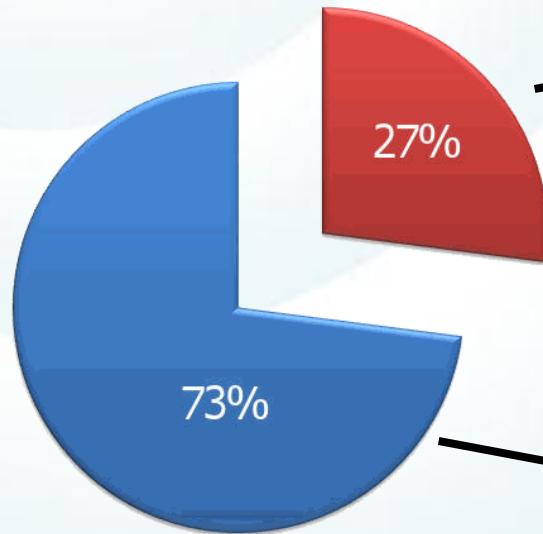
# Sources/Creators of Value



From Stockholders +  
Previous earnings of  
corporation

- 1- *Human capital* from current employees
- 2- *Structural capital* from current and past employees
- 3- *Stakeholder capital* from current and past employees + Customers/suppliers/partners

# A Gap in Governance



**OWNERSHIP and CONTROL**  
are mainly by

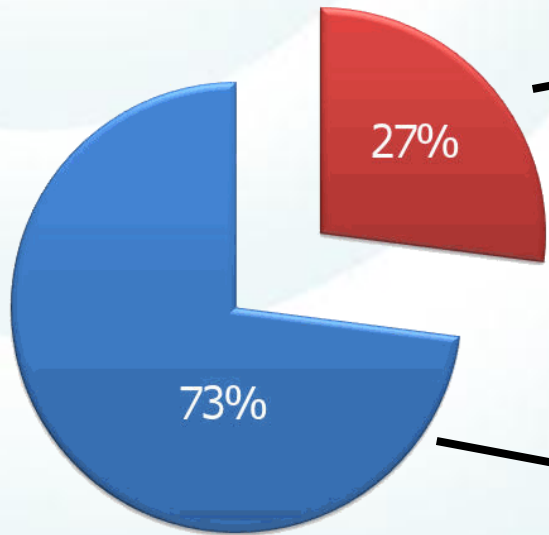
Stockholders + Top-level executives

...BUT

**WEALTH CREATION** is mainly by

- 1- *Human capital* from current employees
- 2- *Structural capital* from current and past employees
- 3- *Stakeholder capital* from current and past employees + Customers/suppliers/partners

# 公司治理的一个缺陷



所有权和控制权主要是由  
股东+高级管理人员

...但是  
创造财富主要是由

- 1- 当前雇员的人力资本
- 2- 当前和过去员工的结构资本
- 3- 当前和过去的员工+客户，供应商和合作伙伴的利益相关者的资金



# Related Issues

- Financial capital: no longer the prime creators of value  
→ Some 20 competing IC accounting systems have been developed to supplement financial reporting
- Attracting and keeping talented knowledge workers remain problematic despite HR incentive systems
- KM works better if accompanied by Change Management
- Pressure on corporations towards CSR and “triple bottom line”

# When Customers/Users are the Prime Creators of Value

Sold for \$30M  
to Yahoo

**flickr** GAMMA™

Sold for  
\$1.65B  
to  
Google

**You Tube**  
Broadcast Yourself™

Sold to AOL  
for \$287

 **icq**  
everybody, everywhere™

 **myspace.com**  
a place for friends

Sold for \$580M to  
News Corp.

Increments in users and contributed content create positive network externalities  
→ Consequence: customers/users “feel cheated” when the network creator makes money from selling the network.



# Variants of Consumer and Employee Ownership Schemes



# Variants in Consumer/User Ownership Schemes

## (in the Philippines)

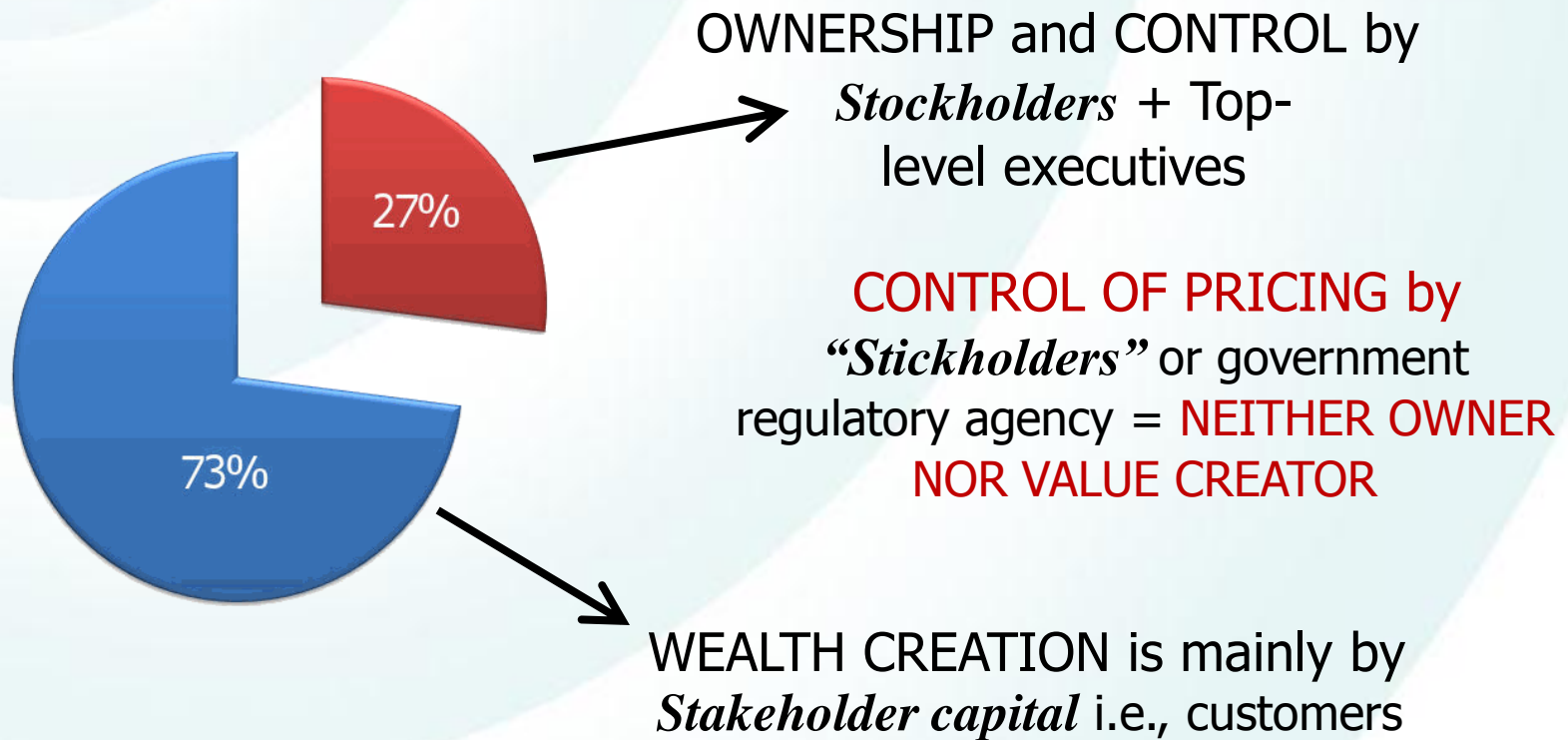
### ENTERPRISE MODEL

- Loyalty rebates and discounts
- Consumer-participation in R&D
- Concessionaire arrangement
- Communal/local irrigation organizations
- Contract growing for food chains
- Bulk purchase by a group
- Equity-participation in major supplier
- Consumer stock ownership plan
- Consumer cooperative

### CONSUMERS' or USERS'

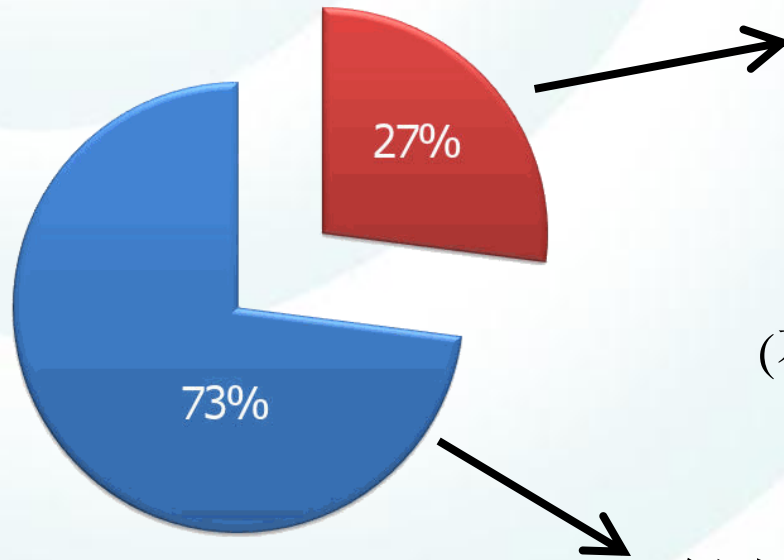
	Benefit-sharing	Control	Ownership
Loyalty rebates and discounts	✓		
Consumer-participation in R&D		✓	
Concessionaire arrangement		✓	
Communal/local irrigation organizations		✓	
Contract growing for food chains	✓	✓	
Bulk purchase by a group	✓	✓	
Equity-participation in major supplier			✓
Consumer stock ownership plan		✓	✓
Consumer cooperative	✓	✓✓	✓✓

# A Gap in Governance of Utilities





# 公用事业的公司治理缺陷： 水，电，电话，电视电缆，垃圾收集等

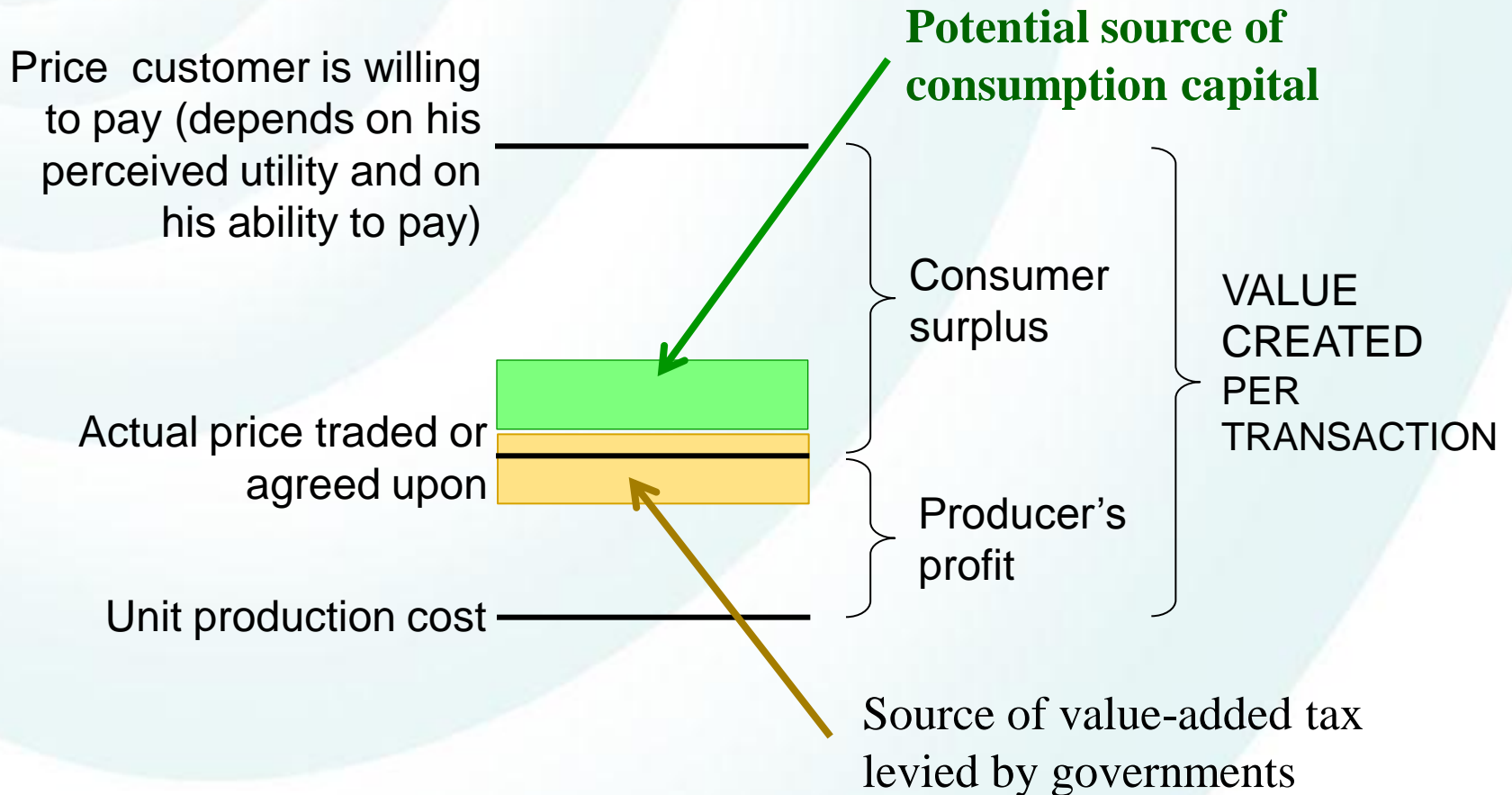


所有权和控制权主要是  
股东+高级管理人员

**定价由政府控制的监管机构**  
(不是所有者，也不是价值创造者)

创造财富主要是由利益相关者  
(客户)

# Source of Consumption Capital





# Initial Candidate for Creation of Consumption Capital: **UTILITIES**

## Reasons:

- Resolve the governance gap by transferring ownership and pricing control to consumers
- Remove risk of “regulatory capture” (=collusion between utility owner and regulatory agency in setting prices at the expense of consumers)
- Relationship of producer with consumers is relatively fixed and predictable: consumers will be more likely to agree to capitalize part of their consumer surplus into equity that they specifically own



# Variants in Employee/User Ownership Schemes (in the Philippines)

## ENTERPRISE MODEL

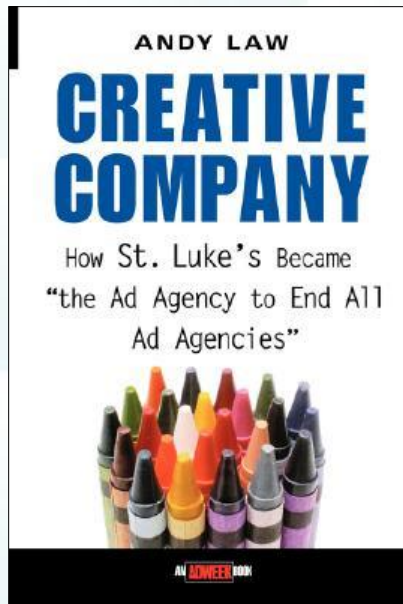
- Community-oriented CSR, e.g. Semirara
- Community-based ecotourism enterprise
- Community-managed marine protected area
- Coastal/lake resources management council, e.g. Lake Buhi
- Community-based social forestry agreement, e.g. KEF
- Employee-managed enterprise, e.g. Olecram
- Incubation of cooperative, e.g. EPAGMA
- Incubation of farmer enterprise, e.g. LBP
- 100% employee-owned corporation, e.g. OPASCOR

## EMPLOYEES' or MEMBERS'

Benefit-sharing	Control	Ownership
✓		
✓	✓	
✓✓	✓	
✓	✓	✓
✓✓	✓	✓
✓	✓✓	✓
✓	✓	✓
✓	✓	✓✓
✓	✓✓	✓✓

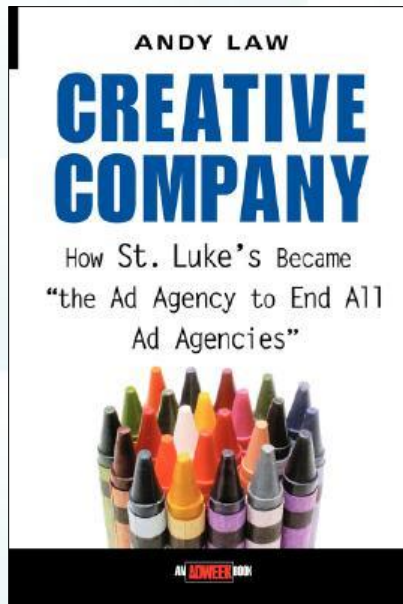
Source: Talisayon, S. (editor). "Innovative Development Processes in the Philippines."  
Quezon City: University of the Philippines, 1992.

# An Example



- Flat organization
- All employees contribute to decision-making
- Employee ownership of the company:
  - increases loyalty
  - increases productivity, creativity and "fascination"
  - increases responsibility
  - "breeds high trust"
  - "releases a trapped spirit"

# 举例



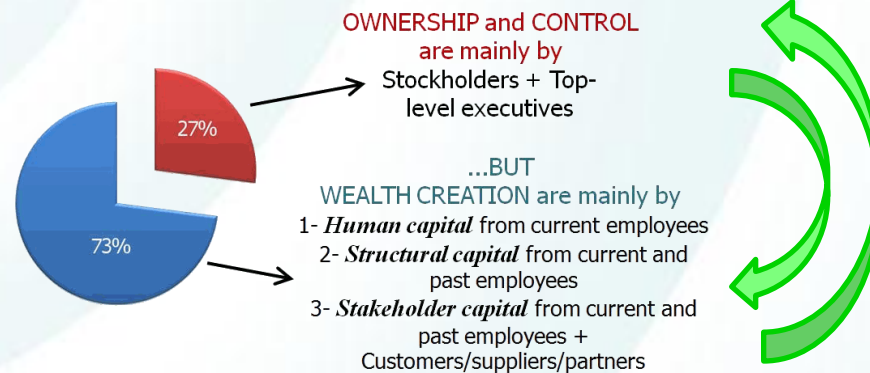
- 平面组织
- 所有员工参与决策
- 公司的持股员工：
  - 增加忠诚度
  - 提高生产力，创造力和“魅力”
  - 增加责任感
  - “生产的高度信任”
  - “释放陷入困境的情绪”

# 10 Case Studies in ESOP (Canada)



- In general, positive impact on profitability, revenue growth and productivity
- Other findings:
  - ESOP: “a decisive factor” for getting companies out of a crisis
  - Employee union was obstacle to ESOP in one case
  - Clear rules are needed to avoid confusion when employees assume the owner role

# Next Tasks: Innovate and Test More Stable Governance Models



- Greater ownership, real and felt, on the part of employees and consumers
- Greater organicity of interests among owners of tangible assets and creators of intangible assets



谢谢您  
Thank you

For further discussions, please contact me:

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or

<http://apintalisayon.wordpress.com>