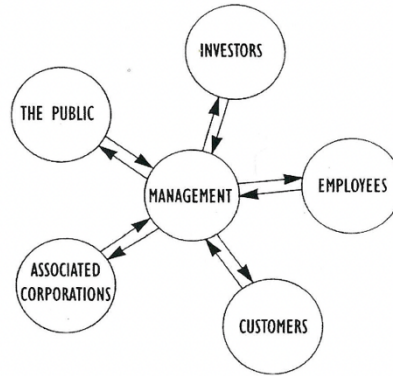


Call for Proposals to produce ...

An Online Model of Democratic Enterprise: Promoting the Socio-Economic Organization as a “Star”

William Halal, PhD
The TechCast Project, George Washington University



The “Star” Model of Socio-Economic Organization

Opportunity for a Creative Tech Entrepreneur

This is a rare opportunity to lead the development of a “socio-economic model” of business that could transform corporations and help save the world. We hope to instill a more viable form of economic consciousness that addresses today’s global challenges. Funds are available to provide an attractive salary and cover costs.

The Coming Democratic Enterprise

Business is moving beyond profit to include the interests of all stakeholders. Ninety percent of corporations practice some form of stakeholder involvement as an initial step toward what my article in Fortune calls the [“Democratic Enterprise.”](#) This is a historic revolution in economic thought, and it requires bold steps to help CEOs and the public understand how the Democratic Enterprise would work. For background on this issue, see [A Return on Resources Model of Corporate Performance](#), [The Collaborative Enterprise](#), and [Beyond the Profit Motive](#)

The Online Model

This “Star” model would build on the above research defining the investments, costs, and benefits that define the relationship of various stakeholders in this system. Following the concepts noted below in the Appendix, relationships among stakeholders would be defined based on data in the literature, and “policy” variables that could be chosen to operate the model. The model would operate on a website, and it should be capable of being managed to explore the result of various strategies. For instance, changing wages would be a strategic variable set by the user and the resulting corporate performance displayed. These relationships will be defined using some

“normalized” or “standard” basis, such as 100%, or the average amount of corporate gross income per year, or a prominent number like \$100 million annual revenue.

The model would allow anyone to explore how organizations function and to optimize the system. People might do this out of curiosity or the challenge to make the organization work better. Ideally, the model would be so inviting that users would feel as if they were playing an online game. For instance, the user could take "test" of managing the business for a year facing a series of crises and opportunities. An AI powered intelligent interface would talk to users and guide them to what they want, gather data and upload results, etc. In addition to the basic functions, the website might also invite business leaders to subscribe to a more sophisticated system that allows them to test corporate strategies for their effectiveness and arrive at more optimal plans.

The platform should invite users to add their contributions, such as enhancing the model and providing additional data from reliable sources. Ideally, we would like the star model to catch on and form a community of interested people who promote the idea and help it improve and grow. In other words, the project should increase in scale.

The Project Leader

The leader of this project should be a competent scholar able to help define the socio-economic investments, costs and benefits for all 5 stakeholders in sound terms that can be operationalized. He/she should be able to work with web designers and others to build the model, including all normal functions of a good website. Being a digital native is crucial as well as the ability to promote the project effectively. Promotion might include enlisting sponsors who support the project with annual payments of \$10 -20K. The project leader will work closely with Prof. Halal to make important decisions on the model and the project, but will otherwise be responsible for all facets of the work.

Remuneration

The project leader would receive agreed on payments at the completion of defined tasks as the work proceeds. Building the model and the website should take about one year, and deliverables should be defined at roughly one-month intervals when milestone tasks are completed. The project leader would be expected to devote about 2 days, or 15 hours, each week. In addition to salary, the leader could receive a substantial ownership of the entire project and the opportunity to lead the project when completed at a substantial salary. The project leader and TechCast remain free to end this relationship at any time.

Proposals

Proposals should summarize qualifications of the project leader and associates, a timetable with monthly milestones and deliverables, possible web designs and designers, and budget. Beyond these basics, strong outlines of the following “**key tasks**” are of crucial importance:

1. How to define the **"standard" model** available for free? Stakeholder relationships, costs, benefits, etc.? Later variations for paying subscribers?
2. How would you **display the "workings" of the model** and policy choices set by users, and performance outputs? Full transparency.
3. How would we **involve the public** to improve the model, its use, etc? Interactive, AI interface.
4. **Enlist corporations, funding agencies** as paying sponsors and advisors?
5. **Form a team headed by the Project Leader** and including other contributors as team members. I have some candidates.
6. Promotion campaign to launch the Star Model.

7. The Model

Stakeholder	Resources (R)	Benefits (B)	Costs (C)	Return-On-Resources (B-C/R)
Investors	Equity/debt	Dividends/ Capital gains	Capital Losses	Return-On-Investment
Employees	Education, Training, Knowledge	Wages & Benefits, Job Satisfaction	Disabilities, Meals & Travel	Return-On-Human Resources
Customers	Search costs, Purchase Price	Utility (consumer surplus)	Damages, Depreciation, Maintenance	Return-On-Purchase
Public	Public Assets	Taxes, Contributions	Public Services Pollution	Return-On-Public Assets
Associated Firms	Assets of Firms	Sales of Firms	Expenses of Firms	Return-On-Associated Assets
Total Corporation	Total Resources	Total Benefits	Total Costs	Return-On-Resources

Simulated Results

Stakeholder	Resources (R)	Benefit s (B)	Costs (C)	Net Return (B-C)	Return-On-Resources (B-C/R)
Investors	\$ 9,993	\$ 583	\$ 234	\$ 349	3.5%
Employees	36,520	1,691	57	1,634	4.5
Customers	10,533	4,066	2,249	1,817	17.3
Public	2,536	338	375	-37	-1.5
Assoc. Firms	507	314	312	2	.4
Total Corp.	\$60,089	\$6,992	\$3,227	\$3,735	6.3%

Results from a computer simulation reported in Halal, "A Return-On-Resources Model of Corporate Performance," California Management Review (Summer 1977) Vol. XIX, No. 4;

Principles Derived from the Socio-Economic Model

- **No Essential Difference** All stakeholders invest resources, incur costs and expect gains, much like investors. Choice of goals is inherently political.
- **Suboptimization** Total resources are an order of magnitude greater than financial resources. Profit alone is a major suboptimization of the system.
- **Social Measures** Social measures of stakeholder impacts are needed to provide equity. The goal is to optimize benefits of the entire system.
- **Collaboration a Competitive Advantage** Active stakeholder collaboration can add value by solving strategic problems. It can be a competitive advantage.
- **Self-Regulation and Less Risk** Including social interests should make business self-regulating, allowing for less government and reducing risk for the firm.
- **Business Heroes** Managers become servant leaders for all constituents.

Exemplars of Democratic Enterprise

- GM Saturn
- Jack Mackey, Former CEO, Whole Foods
- Johnson & Johnson
- SAIC
- Nucor Steel
- Unilever
- Best Buy
- Starbucks
- Nortel
- Black Rock
- IKEA, Netherlands
- Tata Group, India
- Japanese, Germans, Nordic Nations, Mondragon/Spain, etc.

Concepts for Defining Relationships

(scanned from "Beyond the Profit Motive")

Appendix: Methodology

The following sections describe briefly the methods employed in estimating social accounts for the various constituencies of the corporation.

INVESTORS

As a constituency of the corporation, the group of investors is comprised of stockholders who own various equity securities issued by the firm and bondholders owning various debt securities. The evaluation of corporate performance vis-a-vis investors is, of course, the most straightforward and well-established portion of the ROR model. The value of the capital resources invested in the firm was determined by calculating an average of the present market values of various securities during the year. The benefits received were directly measured by the annual amount of dividends paid to stockholders and the interest payments made to bondholders, as well as the potential capital gains which could be

ing a small additional cost for maintenance, etc. Costs are also summed over the past years of product sales to estimate the total costs being borne by all customers now using the firm's products. Using these estimates, an aggregate measure of annual corporate performance regarding customers is thereby obtained, which is called "return-on-purchases" (ROP). It should be noted that the audit of an actual firm could employ present market values, rather than depreciation schedules, to obtain more accurate estimates.

PUBLIC

Public groups affected by the firm's activities consist of metropolitan communities, states, and nations in which the firm operates. Governments at these various levels provide the economic infrastructure consisting of roads, utilities, schools and other public assets which are essential for corporate operations. The portion of such public assets invested in the firm's use was estimated by allocating the value of public assets in proportion to the revenue generated by various firms. The annual public benefits the firm provides include taxes it pays as well as voluntary contributions of funds and services. A wide variety of public costs may possibly be attributed to the firm, such as operating expenses associated with governmental administration of public services, costs resulting from environmental and socio-cultural impacts, and the like. As with other constituent groups, all these factors may then be combined to obtain an aggregate measure of performance which may be described as the "return-on-public assets" (ROPA). Because of the very complex and uncertain nature of this aspect of corporate involvement, very rough estimates were necessary for the above factors. Thus, the resulting figures should be regarded more as illustrative examples rather than true estimates.

OTHER FIRMS

Suppliers, distributors, and various other firms conducting business with the "client" corporation may be grouped together. These other firms may be considered to invest resources in the client firm since they devote some portion of their assets to providing the client products and services. To estimate the value of such investments, we merely assumed that the assets of such firms were allocated in proportion to the sales conducted with their various clients. Benefits received by these other firms are precisely equivalent to the sales revenue obtained from the client, and costs incurred are also directly measured as actual operating expenses allocated to various clients. The difference between these latter two figures is, of course, the financial profit realized by these other firms, which results in the "return-on-assets" (ROA) employed in conducting business with the client corporation.

...and an annual wage premium to represent the value employees attach to a highly satisfying job. Costs incurred by employees were estimated by assuming conservatively small figures for job incurred disabilities, an annual wage "discount" to represent the cost associated with a highly dissatisfying job, and miscellaneous costs of employment such as meals, travel, and so forth. Using these estimates, an aggregate measure of annual performance—"return-on-human resources" (ROHR)—is obtained in the same manner employed to calculate ROI for investors.

CUSTOMERS

The firm's customers make a capital investment if they purchase products or services with appreciably long life spans, such as automobiles, appliances, and medical services. We estimated this investment by capitalizing the product price over an expected useful product life of ten years. This investment depreciates over the product life until it finally reaches salvage value. Thus, the total capital resources invested by customers was calculated by summing the firm's sales revenues, less accumulated depreciation, for past years in which products retain useful life. This information is readily obtained from corporate sales records and represents the depreciated value of the firm's products presently in use. We conceptualized the benefits received by customers as the "utility" they derive from the product. This may be estimated using the economic concept of "consumer surplus," defined as the highest price various purchasers would pay for the product in excess of the established price, which is represented by a triangular area lying under the product's price-demand curve. A price elasticity of 1.0 was assumed to calculate consumer surplus and added to the sales revenue to estimate the total customer utility, which was then evenly distributed over the product life. Summing these calculations over the past years of the firm's sales then results in an estimate of the total annual benefits being provided by the firm's products now in use. The costs incurred by customers was obtained by calculating the straight-line depreciation of product costs over the useful product life, and estimat-