—Manifesto—

Shareholder Duacy and Efficient Governance for the XXIst-Century Firm

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Shareholder Duacy and Efficient Governance for the XXIst-Century Firm

Bruno Deffains,
Professor
Université Panthéon-Assas, Paris II
Institut Universitaire de France

Rodolphe Durand,
Professor
Founder and Director, Society & Organizations Institute
HEC Paris

&

Daniel Hurstel
Corporate Lawyer, Willkie Farr & Gallagher
Chairman of the Legal Committee of the French Institute of Board Members
Member of the Royal Academy of Belgium

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Shareholder Duacy and Efficient Governance for the XXIst-Century Firm

At the heart of every firm's creation, life, and dissolution resides the nature of its governance. Modern capitalism faces new challenges as we can no longer ignore the evident limitations of exploiting planetary resources and the environmental and social consequences of our economic activities to cater to the needs of 10 billion human beings. We must address how firms can prepare to face an upended environment, which we exploit beyond its known capacities. Confronted with these mounting concerns, more individuals strive to give meaning to their personal and professional life, which impacts society, politics, and the inner working of firms.

In reality, we observe a new world emerging that requires adaptation in both corporate governance and the competition game. It is not simply that a new pendulum once again is swinging in the history of shareholder–management relationships, which has been the case since the 1930s, but rather an epistemic rupture.

As believers in the union of law, economics, and management disciplines to think anew firm governance, we have united to compose a *manifesto* to determine the legitimate party to set the principles and purpose pursuant to which firms will operate and to what extent, if any, they want to impact society, how firms can best arbitrate between multiple interests, how firms will fast increase and send report their performance, and in which regulatory competition environment firms will compete. Purpose elicits the *raison d'être* of the firm that reaches beyond profit maximization. Purpose is a set of common beliefs that guide organizational members' actions toward long-term achievements.

Hence, we aim to define governance principles that enable firms to effectively tackle these environmental, social, and technological issues while preserving the intrinsic merits of economic liberalism, and thus advocate for three main pillars:

1/ Ownership comprises both property and propriety capabilities, what we call a duacy. As such, shareholders are not only the owners of shares [i.e., property] of a productive legal entity (i.e., the incorporated company) but also the constitutive stakeholders that establish, protect, and amend the firm's purpose [i.e., propriety]. Shareholder duacy is thus the bedrock on which to regulate firm governance.

2/ Any firm abides by governance rules, which aim at positioning the firm at an advantage in terms of competition and in relation to demand for its products or services, its market, and its buyers. Its success depends on the appropriate allocation of capabilities, assets, and liabilities. A firm's purpose guides such allocation and influences how the firm defines and maximizes its value generation.

3/Those who act and speak on behalf of a firm must set how the total value generated by the firm's activities is fairly shared among active and passive contributors, as per the firm's purpose. Fair sharing will nurture trust among the parties which is a condition to any firm's success.

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The manifesto's three pillars

1] From Shareholder Primacy to Shareholder Duacy

The contemporary view of the firm (namely the shareholder primacy approach) assimilates the shareholders of a firm with the *owners* of a firm. However, this approach is based on a simple but erroneous conflation: that shares in a firm represent property titles in the firm *and* that individuals owning shares (i.e., shareholders) can thus be assimilated with individuals owning the objects of these property titles – the firm itself. The inaccuracy of this approach can no longer be ignored.

In order to address today's environmental, technological, and social challenges, mounting voices expect firms to accept additional responsibilities. Public and private actors (regulators, courts, non-governmental organizations, watchdog associations, activists…) exert pressure on firms. Soft and hard laws push the social responsibility agenda by encouraging firms to better account for their stakeholders' needs and to set up instances (CSR [corporate social responsibility], committees to the board, certifications, labels, extrafinancial performance raters) not only to assess a firm's environmental and societal impacts but also to connect those impacts to the firm's financial performance.

These *de jure* or *de facto* amendments to the shareholder-value-maximization objective fall short of reformulating governance principles that would tie any firm to the broader society, both efficiently and coherently. Without a profound reform of those principles, constraining regulations will continue to accumulate. Not adapted to the specific firm activities, transferring to them responsibilities traditionally borne by the States, regardless of firms own capabilities and profitability requirements, they will discourage entrepreneurs. What is needed is a governance structure which embeds this extended responsibility to the strategy and operations of the firm. This can be made without prejudice to profitability and on the contrary strengthen its sustainability.

Therefore, we aim with this manifesto to contribute a new path that is neither revolutionary nor conservative. We propose a path whereby firm governance serves the firm, which is understood as an entity that implements, defends, and defines its interests while both serving fairly those that make its existence possible and contributing (to the extent decided by the shareholders) to the preservation of the common good.

In this manifesto, we advocate for *shareholder duacy.* Law, economics, and management have, over the years, unduly conflated shareholders' dual roles. We use *shareholder duacy* to refer to the dual capacity of shareholders: first, to receive a fair share of the extra value generated by the firm's operations commensurate to their share of ownership (i.e., *property* capacity) and second, their responsibility for preserving the firm as a legal and moral entity endowed with its own purpose and interest (i.e., *propriety* capacity). It is the eminent capacity of shareholders to position the slider for a firm's purpose between two positions: a focus on maximizing the total return on capital and maximizing the total value generated by all its pursuits (e.g., including environmental and social purposes) under the constraint of generating sufficient profit to ensure the firm's development. Each firm may have its own view and should strike its own balance between shareholders' requests and its responsibilities vis-à-vis the communities its activities impact. And the governance will have to be adjusted to such balance.

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The shareholders with the help of the board, have both the fundamental right and the obligation to orient the firm and pilot its conduct and achievement, notably through the firm's purpose definition. That *propriety* capacity has been ignored because shareholders' power has been exclusively and unduly justified through their property rights. The *propriety* capacity fulfills a necessary role for any firm, the need for shareholders to define the firm's purpose and orient its actions. This first pillar, in articulating the distinction between shareholders' two obligations, enables both a more efficient exercise and a better acceptability of shareholders' prerogatives.

2] Governance and Firm Success

Grounded on the general principles of free contract and market competition, each firm defines its purpose as the specific contribution it strives for in a particular market. In essence, a firm's success depends on its capacity to perpetuate itself by generating value and sharing it among the multiple parties that contribute to its profit generation.

Most notably, at the center of any firm's existence, and hence its success, lie buyers and demand. In this respect, it is worth remembering that, in a market economy, the firm's fundamental objective has always been to provide profitable solutions to buyers' needs. Let's think about what has always been at the heart of the dynamics of the capitalist system as Schumpeter masterfully described it: innovation made accessible to the many, from the steam engine, the train, the airplane, and the car to the personal computer, the mobile phone, and the AI-powered robot. At the level of an economy, these technological advances respond to people's basic needs (e.g., to move around, trade, educate, or be entertained). In order to design, produce, and diffuse these innovations, an economic organization has flourished and contributed to lift billions of people out of extreme poverty. Central to this development are firms and central to firms are entrepreneurs. As demand grew and markets opened, firms became gigantic and more powerful each day since they needed to resist, innovate, and overcome fiercer competition—and thus also needed to increase their responsibilities.

Firms have often been compared to trees that produce fruits. Fruits (i.e., products) wait for clients on retailers' shelves. However, comparing fruits, apples here, oranges there, provides little understanding of how these fruits were created. Competition takes place, of course, when rival products concurrently appear in the stall, on the shelf, or in the virtual showroom. Yet, more importantly, competition first occurs at the root of the tree, through the nutrients absorbed by the roots and in the atomic structure of tree itself; some terrains and certain climates are more conducive to growing trees than others.

A firm's governance guides which terrain to settle in, which tree to be, which organization to nurture in order to offer the best fruits possible. As such, a firm's capacity to select and use the resources that it owns or controls in a faster, smarter, or more productive way than that of its rivals constitutes an advantage. The source of a firm's unique advantages may be fortuitous or accidental: a higher-valued property, a ground-breaking raw material, or a serendipitous invention. But the process of establishing, maintaining, and renewing competitive advantage does not happen by chance; it instead results from a series of strategic choices in which a firm constantly re-evaluates its operations in an effort to better cater to its actual and future buyers.

To determine the factors that lead one firm to outperform another is to understand how that firm better manages its supply, more quickly adapts and accelerates the production process,

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better protects its innovations, and more selectively recruits those members most suited to the available resources and most likely to subsequently develop superior skills. To restructure its offering of solutions while still maintaining a competitive advantage, a firm must continuously adjust its organization and capabilities to meet changing demands, with the knowledge that what once benefited the firm in a given location or period might hamper its deployment in a different area or at a different time. A sustainable advantage emerges when members of a firm combine the sources for competitive advantage in such a way to create a set of capabilities and operating rules that can be neither completely imitated piecemeal or together, nor substituted within a short amount of time.

Hence, depending on where shareholders position the slider for a firm's purpose, its success can lead a firm away from maximizing the profit that reverts only to shareholders, to instead maximizing the total value generated by its activities (which can include environmental and social objectives) under the constraint of a pertinent profit. Therefore, in accordance with its governance's decisions, a firm's success does not depend so much on distributing the maximal residual value to shareholders once any involved party has been paid the least possible contractually. Instead, it depends on maximizing the total value generated while sharing it among various parties in a way that does not compromise the firm's future—whether or not these parties have an explicit contract with the firm.

3] Fair sharing

Corporate governance determines the sharing of the value generated through the firm's activities in terms of its relationships to shareholders and other stakeholders, i.e., all those who contribute to the firm's success. Fair sharing aims for the organization to succeed while also maximizing the participants' satisfaction in return for their participation and with respect to their contributions. Fair sharing must be conceived of as a tool for economic and social efficiency. Fair sharing is not a goal; it is a principle and a means.

Wealth (re)distribution consists of changing ownership, whereas sharing consists of allocating what is due to someone. In the case of a firm, we need to clearly distinguish between profit distribution and the sharing of created value. Fair sharing is a standard return for individuals' participation in a business project, which results from an implicit or explicit calculation associating individual and collective inputs with an outcome. Determining the fair level of sharing is a collective challenge that must be solved according to each participant's efforts and responsibilities while respecting the principle of transparency that conditions trust and acceptance of such collective decisions.

More generally, at the macroeconomic level, a sharing society can be deemed successful when (i) all individual and collective needs are adequately met and (ii) responses to needs do not deteriorate the economic, social, and ecological conditions. In a market economy, we insist on the necessity of achieving economic and social efficiency.

The firm is a place for sharing not only monetary value (profit sharing after payment of all the various stakeholders' contributions: salaries, dividends, interest, rents, etc.) but also non-monetary values, such as participation in a business project, empowerment, pride, access to knowledge... Through non-monetary values, a business organization offers to all stakeholders a sense of participating in a collective project. By doing so, the firm avoids isolation and inappropriate decision-making.

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Aiming for fair sharing, third parties' interests are no longer considered as being opposed to shareholders' interest but constitute a set of legitimate interests, which a firm's governing bodies need to take into account to ensure the best organization and decision-making possible. Purpose guides this decision process, under the conditions of common knowledge of each party's interests and actual deliberation within and among all governing bodies. A firm's governing bodies must arbitrate among different interests and strike a balance for each project, giving predominance to specific parties in each case as it would be naïve to consider that all interests can be satisfied equally or that no outside constraint (increase of raw material prices of transport, shortage of supply, state sanctions, etc.) can in specific circumstances weight heavily on profitability and therefore on the capacity to fairly share value. The arbitration will also take into consideration the increasing regulatory discrepancies triggered by competition between States. The guiding principle of fair sharing consists of each stakeholder "taking the risk of the [governing bodies'] freedom" so as to be able to generate inter-individual trust, i.e. accepting that each participant in a business project assumes that the other participants will effectively fulfill their role. Trust is a precondition for fair sharing, as much as fair sharing nurtures trust and the collective ambition to maximize total value generated.

5 Principles for a New Governance

A firm's governance is effective when it enables a firm to fulfill its business projects according to its purpose. However, the current governance practices have been taught under the model of shareholder primacy. Thus, we take stock of the existing governance framework to benefit from its important legal heritage, and rethink it by building on our three pillars. Our first pillar, shareholder duacy, separates *property* rights from *propriety* obligations and points at newly defined shareholders' responsibilities. Our second pillar links governance, total value generation, and competitive advantage. Our third pillar lays bare the fair sharing of value and emphasizes trust among stakeholders and those who represent and defend the firm's interests.

Under current governance practices, governing bodies too often use their prerogatives to impose decisions rather than build consensus, which, absent reinstating an efficient dialogue between these bodies, can lead to fewer opportunities to reach the best decisions possible. Our approach aims to favor the exercise of governance along the lines of deliberating that both nurtures the firm's development, maximizes the interest of the various parties contributing to value creation in the shadow of the purpose defined by shareholders and protect firms against the danger of blindness towards external challenges. This requires, first, acquiring sufficient knowledge of the stakeholders' interests and, second, practically arbitrating among those interests, while accepting also that priority orders can change over time and across projects.

Drawing on our three pillars, we aim to achieve a fruitful deliberation process among the three governing bodies by deducing five principles for a renewed corporate governance of the XXIst-century firm:

1] Shareholders set a purpose-based course and the directors monitor its implementation;
2] A trustful relationship links the board of directors and management;
3] Total value generation and performance are redefined;
4] A new workable approach is implemented to address competition; and
5] New sharing rules govern the relationship between a firm and its stakeholders.

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1] Shareholders set a purpose-based course and the directors monitor its implementation

In a shareholder primacy model, shareholders, in exercising their *property* rights, set a course of profit maximization within the constraints of contracts, wages, and further obligations. Yet in terms of shareholder duacy, shareholders, in exercising their *propriety* capacity, must spell out a firm's purpose and the framework within which the board of directors and management make their decisions. The board of directors thus has a set course to follow that includes financial and non-financial objectives, the discretion to make appropriate decisions, and the legitimacy to answer (or not) calls and claims to the firm from the broader society.

The board's actions will be guided by the course set by the founders and the shareholders who succeed them. Shareholders should specify a firm's purpose and the principles for achieving it in the by-laws that define the rationale and objectives of the shareholders' association. These by-laws may be subject to subsequent changes as per the shareholders' will and intentions and the board and possibly the management advice. In writing them, shareholders provide information on the extent of the firm's contribution, to the general interest. Will the by-laws address the pace of profit accumulation? Will the by-laws mention conducting business activity prudently, so as not to damage common goods? Or making a positive and active contributions to preserve or regenerate depleting resources? This framework addresses the degree of attention the board of directors extends to stakeholders' needs and demands, financial performance objectives, rules for sharing economic surplus, and so forth.

Purposes should not be vague statements, positive and innocuous or messianic goals. Such statements are inefficient because they lack specific guidance for the board of directors; besides as a means of communication, they fuel the risk of decoupling the firm's purpose from its true capacity, thereby generating incomprehension, resentment, and bad repute.

With a definition of purpose made explicit in by-laws, the board is responsible for making strategic choices that follow the set course. It reports to the shareholders' meeting on the achievement of the firm's purpose. Shareholders evaluate the board's success and revoke board members when the course has not been followed or when their performance has been insufficient. We expect shareholders' meetings to elaborate on how their votes respect the framework they have set by defining a purpose and building trust with non-shareholding stakeholders. This fundamental point of progress can restore coherence to the organization and the practice of powers within companies. Protecting the board from discretionary shareholders' decisions can only strengthen its members' obligation for accountability.

Such a system avoids both the risk of governance by management (which in the past led shareholders to act to regain command of a firm's development) and the disadvantages of shareholder primacy (which negates a firm's proper interest and assumes that shareholder value maximization leads to a pareto equilibrium). Finally by being made public, the purpose enables the investors whether or not to invest with a better knowledge of the option taken by a given firm.

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2] A trustful relationship links the board of directors and management

It is ominously important to restore a board of directors' full role. Boards need to be composed of competent people who understand the expectations of their function and the responsibilities that the firm entrusts them to fulfill. Board members should be invited to dialogue on an equal footing with management, which is often, and fortunately so, composed of strong personalities who benefit from a deeper grasp of the companies' issues than the directors.

Reciprocally, management should trust that the board is acting in the interest of firm. Hence, boards of directors must be able to conduct their own investigations, solicit outside expertise, and manage their own budget. Conducting their own analyses on important decisions is not a sign of board's defiance of management, nor does it show their intention to substitute for management, but rather a willingness to adopt responsible behavior in the sole interest of the company. The mounting pressures on firm responsibilities pose new issues to directors' liabilities, which should be handled with much care.

By contrast, experience shows that, too often, in an effort to validate their own preferences, management instrumentalizes a weak board of directors. Some shareholders, and more often management, present transparency and the presence of independent board members as sufficient to qualify a firm's governance as being efficient. Board members' ability to establish a fruitful deliberation process with other governance bodies and the firm's stakeholders is core, both to embracing the multiple interests affected by a firm's activities and to making efficient decisions. Independence improves governance only if it complements other competences and the capacity to endorse and represent a firm's interest.

Furthermore, individuals having an interest, which preconditions but does not equate to a conflict of interest, are more and more often excluded from important decision-making. In recent years, interest has often been conflated with conflict of interest. However, when an interest exists, it is not necessarily a conflict requiring that the "interested" director be excluded from decision-making. An interest can be the reason for a strong and competent contribution from a board member. Thus, we advocate for a transparent recognition of interests but as long as no conflict precludes a board member from partaking in a thoughtful decision, they should be allowed to fulfill their duties.

Any company functions by delegating decision-making to a small group of people, which is impossible without trust. Enron and Wirecard were once apparent champions of independent and transparent governance; however, the scandals that led to their fall demonstrate the result of management's defiance toward incompetent boards or boards unable to develop any critical thinking. Trust imposes transparency as a means, but transparency should not monopolize attention to the detriment of competence.

It is the well thought and mature dialogue between the various governing bodies that will enable firms to maximize the allocation of their capabilities, enable them to compete efficiently and acquire the flexibility necessary to adapt in an always faster changing environment. An efficient governance will also lead to definition of a sharing of value that is fairer, more legitimate, and more acceptable than what is currently observed.

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3] Total value generation and performance are redefined

Drawing on the preceding principles, new measures of value creation and sharing are defined in an effort to assist board members and executives in making decisions that respect a firm's purpose and ensure its success. As promoted by pillars 2 (governance and firm success) and 3 (fair sharing), new indicators of performance must account for the total value generated by the firm, which equates to neither the current accounting profit nor the total shareholder value.

The new economics is one of impact. Impact refers to the consequences of a firm's actions, compared with the situation had the firm not acted. Impact can be negative: all other things considered, had the firm not acted, biodiversity would have been preserved, a river would not have been drained or polluted, and air would not have been contaminated. Impact can be positive: all other things considered, had the firm not intervened, unemployment would have plagued a city, taxes would not have been collected. These additional (positive or negative) values resulting from a firm's activity are often called externalities because they lie outside of what traditional economics and accounting capture through their definitions and measurements.

However, comparative accounting is too rarely conducted, as typically, only direct costs are counted when determining a firm's profit. For instance, salaries and expenses for employees' training and well-being are counted as costs, whereas they constitute intangible assets that can also be perceived as investments. As the soft economics of impact is promoted through ratings and labels (e.g., sustainability indices and ESG labels), firms, creditors, debtors, and insurers are both developing competencies and tools to assess a firm's activity impacts and striving to associate these impacts with future value.

Taking stock of these multiples initiatives that we support, we advocate further for an amplification of this movement that, instead of capturing only a firm's total shareholder value (TSV), considers its total value generated (TVG). We endorse any effort to integrate the measurement of impacts when estimating a firm's contribution to our entire economic system, in recognition of our planet's finitude.

TSV and TVG are correlated, but with a high variance. Some firms may reach a very high level of TSV because the total value calculated does not include the negative externalities generated by their operations. Other firms, due to their definition of purpose, may present a lower level of TSV because they deliberately left on the table some value that internal or external parties appropriated: for instance, labor rent for high-paid employees or higher contractual prices for inputs which benefit the suppliers and nature. In these latter cases, the TVG is possibly as high as if not higher than in the former cases. However, TSV may look more favorable than TVG when negative externalities (i.e., impacts) are not accounted for or when positive externalities do not count.

Therefore, firm performance needs to be assessed along multiple dimensions. Alongside a financial indicator, which has been used for decades, additional indicators must become standard. Environmental and social indicators have to capture the extra value that augments or detracts from contributive parties as a result of a firm's contractual and non-contractual activities. Firms could then use these performance indicators to define the appropriate compensation for board members, managers, employees, and other active contributors. As much as investors strive to capture the multiple dimensions of performance when evaluating a firm's market value, these multiple indicators can help evaluate firms' fiscal and tax-related contributions.

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4] A new workable approach is implemented to address competition

Good governance is above all an issue of competitiveness for the company. Firms are subject to increasingly demanding regulations that reflect economic and societal changes. Technology and digital transformation as well as environmental expectations constantly expose them to new risks. Their governance bodies are therefore challenged, not only to continue to provide direction to the management of the company, but also to measure and anticipate current and emerging risks within their entire ecosystem. These factors necessarily lead to strategic questions that are becoming more and more pressing in a context of intensive international competition.

The model of competition that prevailed in the 20th century was based on a vision wherein natural resources were boundless and free. As developed in Principle 4 above, today's technical capacities can better measure firms' non-financial performance. In particular, because the calculations of impacts and externalities progress rapidly, these considerations have become a strategic element for companies seeking competitive advantages. It is therefore important to ensure that the governance of the firm is well articulated in terms of the rules of competition. Moreover, as soon as we adopt a vision based on a fair sharing of the total value generated (TVG), market competition needs to be rethought.

Classically, market power harms both efficiency and social justice. Free competition is imbued with the idea that no one can or should derive benefits from competition distortion, which is at the root of antitrust policies worldwide. In the last decades, the prominent approach among antitrust scholars and policymakers has been that competition enforcement should be guided only by economic considerations such as efficiency and consumer welfare as evaluated by market prices. In recent years, however, a growing body of work has pointed to the limitations of this restrained approach. But what would a new competition system look like? And what potential challenges—or opportunities—will a new competition system lead to?

We suggest adopting a modern view of competition law by better integrating our three pillars into the competitive process. We plead for the promotion of an efficient market economy that integrates the environmental and societal implications of firm decisions. We reason that competition responds to a social and political project based on rivalry as a dynamic and not only a static equilibrium. Competition is a means and not an end. The crux of the challenge is to ensure a better balance between the consumer's interests and the common good from a competition law perspective that up to now has analyzed the consumer's interests only through market prices above any other consideration. Can we support firms' strategies beyond shareholder-value maximization without harming consumers?

In many sectors, boards of directors observe, year after year, that the competition authorities, defenders of the consumer cause, are in fact restricting their field of strategic action to the detriment of productive and commercial competitiveness and success. As such, any competitive analysis should also take into account firms' positive contributions to protecting nature and biodiversity, and to promoting social norms and human rights.

Our manifesto points to the challenges that competition authorities face in their policy decisions. A more encompassing definition of competition and consumer interest will affect the future of production systems, and therefore societies as a whole. We do not dispute that the action of competition authorities has, over the long term, made it possible to fight cartels, limit corporate monopoly power, and reduce prices. But the debate must emancipate itself from a

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narrow economic method that models competition essentially through pricing criteria. Europe, as an integrated economic region, must take the lead in redefining the contours of competition, use the plural definition of firm performance exposed previously, and set its doctrine to include consumer welfare. Without departing from the current sclerotic view, competition law in Europe will be unable to address the 21st century challenges and implement a new governance framework consistent with this manifesto's principles.

Competition is the core dimension that unites the three pillars introduced in our manifesto. Economic efficiency can remain an objective only when freedom of enterprise and consumer sovereignty are also respected. Building confidence in these values of market economy will help to avoid unnecessary state interventions from ruling business governance.

5] New sharing rules govern the relationship between a firm and its stakeholders

Some stakeholders contribute actively to a firm's capability building, project execution, and ultimately its success. The core contributive stakeholders include shareholders by virtue of their property capacity (especially those with a long-term view). They also include employees who represent the face and the ingenuity of a firm. As trend everywhere indicate a decline in long-term full-time jobs, the rapid obsolescence of education and skills, as well as alternatives to employment agreements, firms need to think anew what a fair sharing of value with employees is, beyond remuneration. Some firms already offer complete programs of upskilling, training, and prosocial engagement. A further question concerns increasing employees' involvement in decision-making processes. For instance, firms' governing bodies can opt for broader consultation of employees, their additional membership in executive committees, and their greater presence in boards. Each firm should decide on these important matters according to the content of its purpose.

Other contributive stakeholders include engaged suppliers that dedicate specific resources to a firm to assist in fulfilling its purpose. For example, some suppliers offer commodities or undifferentiated inputs, while suppliers who are more constitutive stakeholders devote specific resources to tailor their assets to meet a firm's needs. By the same token, loyal and significant buyers (that do not abuse their negotiation power) also contribute to a firm's success and can be considered to be contributive stakeholders. They are more likely to co-innovate with the firm, to be the first to try new offerings, and to defend the firm when needed.

In addition to contributive stakeholders, firms also have passive stakeholders who participate less actively in a firm's activities, and include temporary employees, sporadic suppliers, short-term shareholders, and bondholders. These passive stakeholders cannot and do not significantly influence a firm's achievements, but they possess rights and are legally bound to the company. Other passive stakeholders, while beneficial to the firm, lack contractual links or when such links exist, cannot generate respect for those links. For instance, a legal trend in various countries tends to consider natural entities (rivers, forests, biodiversity, air, …) as legal entities which rights firms must respect. Hence it is incumbent on a firm's governance to acknowledge the role and importance of this variety of passive stakeholders in the process of value generation and to determine how and how much to retribute them.

In general, it is insufficient to belong to a stakeholder group to legitimately claim that a firm's representatives should take one's interests into account. A firm has no obligation to cater to every stakeholder's demand or interest but can choose to allocate its generated value among its constitutive and passive stakeholders.

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Therefore, while fair sharing applies to all constitutive stakeholders, it is incumbent on each firm to determine its associations and responsibilities vis-à-vis its passive stakeholders. As commanded by their purpose, some firms will establish specific governance entities or committees around their natural and social ecosystems whereby passive stakeholders' interests will be represented or taken into account. Some firms will require that management acts and reports on constitutive and passive stakeholders, and thereby will create financial incentives linked to stakeholders' satisfaction.

Growing evidence points at the risks of the absence of a sound position regarding why a firm exists, who the firm serves, and by what means it finds legitimacy to fulfill its goals. Activist campaigns which develop quickly sanctions such deficiencies.

Hence, no 'one-size-fits-all' rule governs the relationships between a firm and its stakeholders. According to the three general principles, i) shareholders define a firm's purpose that engages the firm more or less significantly vis-à-vis its contributive and passive stakeholders; ii) the board of directors and management jointly determine how the firm serves its various stakeholders, wholly, and by projects in accordance with the firm's purpose; and iii) for each major business project (a new plant, a new technology, a new product or service…), a firm mobilizes various stakeholders and, as such, specifies the rules of fair sharing.

As such, a legal representation of every stakeholder in a firm's board of directors is unnecessary when those who deal with the firm or have stake in it (but no shares) can trust its shareholders and board members to know those interests and consider them thoroughly when arbitrating. We advocate for a mandatory qualification of board members' skills to represent the firm according to its interest, in relation to both that of shareholders and the other constitutive stakeholders and that of the passive stakeholders the most concerned by the firm's purpose.

Closing thoughts

Many business firms have adopted environmental, social, and political responsibilities. Such an extension of firm responsibility represents a decisive challenge for entrepreneurship and innovation in liberal market economies. This manifesto emphasizes an occulted facet of shareholders' role and calls for reinvigorating the *propriety* facet of shareholder duacy. More than a role, propriety is a mandate that a firm reverberates on its shareholders to define its purpose and design appropriate governance structures to meet demand and lead to success. More than identifying each governing body's prerogatives of shareholders meetings, board of directors, and management, we advocate for an enlightened dialogue between them that includes both core and more passive stakeholders to determine the fair sharing of the total value generated.

Our pillars and governance principles pertain to a philosophy where each firm is free to position the slider between classical shareholder value maximization and a broader and richer purpose, provided it deploys the appropriate governing bodies that respect the various stakeholders' interests, as defined by the firm's own prerogatives. We call for a dialogue that overrides the limits of the currently defined firm boundaries to extend to regulators, states, and regions acting as partner rather than a constraining authority. We endorse and call for a European thrust in establishing the legal setting for the perspective we delineate, at the firm, market, and competition level.

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