

OWNING THE WORK · CHAPTER ONE

Who Holds a Share

Chapter One of Owning the Work

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Chapter One of Owning the Work. The whole book, with every chapter, is at business.hautelumiere.life/library/owning-the-work (DOI https://doi.org/10.5281/zenodo.23988988).

A NOTE BEFORE YOU READ

This work is offered for education and leadership development. It is not legal, financial, accounting, investment, medical or psychological advice; take the advice of a qualified professional who knows your circumstances. Companies and events are described from the public record as the author understands it; characterisations are the author's analysis. Examples are illustrative, and no particular outcome is promised to any reader.

ABSTRACT

Somewhere this week an owner is sitting at a desk with last year's accounts and a question she has been circling for longer than she would admit. The business is sound. She is ready to stop, or nearly. There are offers from larger firms, and there is a building full of people who know the work better than any buyer will. She wants to know whether those people could own it, and whether, if they did, it would go well. Somewhere else a worker is reading a plan document he was handed at induction and never opened. It says he holds units in an employee trust. He does not know what they are worth, who decides what happens to them, or whether his retirement, his bonus and his wage all now depend on the same company. He suspects they do.

CHAPTER ONE

Who Holds a Share

A question asked at a desk

Somewhere this week an owner is sitting at a desk with last year's accounts and a question she has been circling for longer than she would admit. The business is sound. She is ready to stop, or nearly. There are offers from larger firms, and there is a building full of people who know the work better than any buyer will. She wants to know whether those people could own it, and whether, if they did, it would go well.

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And somewhere a leader of a mid-sized firm is being told, by a consultant or a board member or her own instinct, that "ownership culture" is the answer to a problem of engagement she cannot quite name. She wants to know whether that is true, and if it is, what it would take.

This book is for all three of them. It is about employee ownership and profit sharing: the arrangements by which the people who do the work of an enterprise come to hold some part of its gains, its equity or its governance. It asks where the idea came from, what the best evidence says about it, where it goes wrong, how the house of Luminous Prosperity reads it, and what a leader or a household can do about it on an ordinary Monday.

It is not a sales document for any form of ownership. The evidence does not support one, and a reader deserves better than enthusiasm. It is also not a debunking. The evidence does not support that either. What the evidence supports is narrower and more useful than both, and the whole of this book is an attempt to set it out plainly enough to act on.

Why this, and why now

Three things make this a good moment to take the subject seriously.

The first is succession. A generation of owners who built private firms is reaching the age at which the founders of Peninsula Newspapers found themselves in 1956, when a San Francisco lawyer named Louis Kelso designed the first leveraged employee stock ownership plan so that the people putting out the papers could buy them. Every such sale is a fork in the road. One path sells to the highest outside bidder. Another sells to the people who already do the work. Many lie between. The decision is usually made under time pressure, with advisers whose fees depend on the transaction, and with little evidence on the table. This book puts the evidence on the table.

The second is the record. For most of the twentieth century the case for employee ownership was argued from conviction and anecdote. Since the 1990s it has been argued from data. Douglas Kruse, Joseph Blasi and Richard Freeman, working with colleagues through the National Bureau of Economic Research, surveyed workers at more than three hundred worksites in fourteen companies and joined those surveys to national data. Meta-analyses have combined dozens of studies: forty-three in Chris Doucouliagos's work of 1995, one hundred and two samples covering 56,984 firms in the meta-analysis by Ernest O'Boyle, Pankaj Patel and Erik Gonzalez-Mulé in 2016. A leader can now ask what the evidence shows and receive an answer with a denominator. Chapter 2 sets out that answer, and Chapter 5 works it through one firm's accounts.

The third is the felt cost of the alternative. Ammanuel Santa Anna's *Ecstatic Economics*, the book from which this one grows, describes what happens to the people inside a firm when its ownership can change hands overnight. "The ground beneath their economic life has shifted from a relationship to a transaction," he writes of a sale to distant shareholders, and the sentence names something most working people have felt and few economists measure. Ownership arrangements are, among other things, answers to that feeling. Whether they are good answers is what this book examines.

What the evidence says, in one paragraph

A reader who wants the conclusion before the argument can have it here, and every later chapter is a qualification, an illustration or an application of it.

Broad-based employee ownership and profit sharing are, on average, associated with modestly higher productivity, steadier employment in downturns and greater survival, and with better treatment of employees on a range of measures. The associations are positive, consistent across studies, and small. They are larger where ownership comes with information, voice and fair treatment, and much smaller where it does not. Ownership alone, a share certificate in a drawer, does little. Ownership joined to a workplace that treats people as owners does more. Kruse, Freeman and Blasi put the conclusion in a sentence that this book returns to often: the results "support the idea that workers can gain by sharing, but whether this happens is contingent on other workplace policies."

That word, *contingent*, is the hinge of the subject. It is also the reason this book is longer than the paragraph above.

The house's reading

The house of Luminous Prosperity reads economic arrangements as living systems: organisms with an anatomy, appetites and characteristic ways of failing, living in ecosystems that shape them and are shaped by them. This is a lens, not a finding, and the book is careful to say which is which.

Applied to ownership, the lens makes one claim that the research does not make on its own, and it is the claim of Chapter 4. Santa Anna puts it in two sentences about how people pay attention at work:

> *The wage employee's neuroception is scanning for threats from the organization — layoffs, pay cuts, arbitrary management decisions. The worker-owner's neuroception is scanning for threats to the organization — and mobilizing creative energy to address them.*

The house's reading is that ownership works when it turns attention from defending against the organisation to caring for it, and that what turns attention is not the share itself but the evidence that comes with it: numbers a person can see, decisions a person can influence, a record of being treated fairly. That reading explains why the research keeps finding that ownership needs voice. It also suggests an order of operations that runs against the order most firms follow, and that order is the backbone of the field manual in Chapter 8.

The lens comes with limits, and the book names them as it goes. *Neuroception* is the psychiatrist Stephen Porges's term, and his polyvagal theory is debated among physiologists. No study has measured the nervous systems of employee-owners. What the research shows is behaviour that fits the reading. The difference matters, and Chapter 4 keeps it in view.

Who this book is for

For owners considering succession, the book offers the evidence on what happens to firms that pass to their employees, four case histories of firms that made the passage in law (Chapter 6), a composite bakery whose owner works the question through line by line (Chapter 5), and a sequence for building the relationship before the sale is ever discussed (Chapter 8). It does not offer legal, tax or valuation advice. Those belong with advisers, and the book says where.

For leaders inside firms that already have a plan, it offers a diagnosis. Many firms have more shared capitalism than they realise, scattered across a retirement match in company stock, a bonus pool nobody understands and a handful of founders' options. Many have a plan that is not doing what it was meant to.

Chapter 3 sets out the six ways ownership goes wrong, Chapter 9 sets out how to tell whether it is working, and Chapter 10 offers language for the conversations the diagnosis will start.

For leaders without authority over ownership, the managers two levels below the cap table, it offers the observation that the most important ingredients of a working plan are open to them now. A team that sees its own numbers and has a record of being heard will receive any later plan differently from one that has not. Chapter 4 shows what that looks like for a team of eleven.

For workers and households, it offers a plain account of what it means to hold a stake in the place you work: the benefits the evidence supports, the risks it names, and the questions worth asking. Chapter 11 is written for one person and their family. It is not investment advice, and it does not tell anyone what to buy or hold. It offers a way to see what one already holds and to decide, with someone one trusts, how much more of one's life one wants tied to a single employer.

For boards, trustees, union representatives and advisers, it offers a fair account of the objections, the evidence that answers some of them and leaves others standing, and a set of questions that separate a plan built to share from a plan built to shield.

What this book will not do

Three boundaries are worth setting at the start, because they shape everything inside them.

It will not give investment, legal or tax advice. Employee ownership sits inside pension law in the United States, inside tax law in the United Kingdom, and inside cooperative law in many places. Those rules change, and they are specific to jurisdictions and to firms. When the book reaches them, it names the instrument and points to the adviser.

It will not promise outcomes. The research reports averages and associations. It cannot say what will happen to any single firm, and the book does not pretend it can. Where Chapter 5 multiplies published averages by a composite firm's numbers, it does so once, carefully, to show why the result must be held loosely.

It will not invent cases or figures. Every public case in the book is cited. Every composite is labelled as one, in the paragraph where it appears. Every figure describing the research comes from a source named in the notes, with what that source cannot show.

There is a fourth boundary, and it is a matter of honesty about scope. This book is about sharing ownership and profit with the people who work in an enterprise. It is not about the design of incentive plans tied to measured operational improvement. That history, from Joseph Scanlon's plans of the 1930s onward, is told in the lineage's companion volume on gainsharing (*The Gain Was Always Shared*). The two subjects touch, and the book points across where they do.

How the book is built

The book has thirteen chapters and a workbook.

Chapters 2 to 5 are the core. Chapter 2 traces the idea to its origins and sets out the research programme of Kruse, Blasi and Freeman. Chapter 3 is the fair critique: six objections, the evidence behind each and the design move that answers it. Chapter 4 is the house's reading. Chapter 5 works a composite firm, a regional bakery of one hundred and forty people, through the published figures and its own accounts.

Chapters 6 and 7 are the cases. Chapter 6 tells the stories of four firms that gave themselves to a purpose in law: Zeiss, John Lewis, Bosch and Patagonia. Chapter 7 tells two stories that began in the same year, 1956, on opposite sides of the Atlantic: Kelso's newspaper plan in California and the first industrial cooperative in the Basque town of Mondragón, which grew into the Fagor group and whose appliance maker failed in 2013.

Chapters 8 to 11 are the practice. Chapter 8 is the field manual: a sequence, week by week across a year, with roles and decisions, written so that a leader can run it. Chapter 9 is about measurement: how to know whether any of it worked, and how to read the answer honestly. Chapter 10 is about the hard conversations, with boards, unions, partners, families and sceptics, and offers language for each. Chapter 11 is for one person and their household.

Chapter 12 joins ownership to the neighbouring ideas that this lineage reads in other volumes: Elinor Ostrom's commons (*The Pasture Was Never Empty*), Albert Hirschman's voice (*The Embedded Market*), the gift exchange (*The Channel Keeps It*) and patient capital (*The Long Clock*). Chapter 13 closes with the living-systems reading of the whole.

The workbook gathers every Tool in the book in one place, with a ninety-day plan.

Every chapter from Chapter 2 to Chapter 12 ends in a Tool, written out in full: a worksheet, an audit, a script or a page a leader or a household can complete with their own facts. The Tools build on one another. The Ownership Inventory in Chapter 2 is the starting point for the Risk and Voice Check in Chapter 3, the Readiness Sheet in Chapter 5 and most of what follows. A reader who completes only one should complete the Inventory.

A note on words

Four terms recur and are worth fixing now.

Profit sharing pays employees a portion of profits, in cash or into a retirement account, without any shares changing hands.

An employee stock ownership plan, or ESOP, holds company shares in a trust on behalf of employees. In the United States it is a retirement plan under federal pension law.

An employee ownership trust is the British instrument created by the Finance Act 2014, which holds a controlling stake for the benefit of all employees and offers tax relief to the seller.

A worker cooperative is owned and governed by its members, usually on the rule of one member, one vote.

Kruse, Blasi and Freeman gather these and broad-based stock options under one name, *shared capitalism*, because each links some part of a worker's income to the performance of the enterprise. The book uses *employee ownership* loosely for the whole family and the specific names where the difference matters, which is often.

Steward ownership, which appears in Chapters 6 and 12, is a different family again: legal structures in which a company's voting control is held by people inside it or by a foundation, and its profits cannot be extracted by outside shareholders. It is not employee ownership in the strict sense, and some of its best-known examples give employees no shares at all. It answers a question the other forms leave open, which is what happens when the owners want to sell.

The tone of what follows

Santa Anna's book has a sentence about its own subject that serves as the standard for this one: "Building vitality-based economic structures within an extractive system is genuinely hard work. Anyone who tells you otherwise is selling something."

The book takes both halves seriously. The work is hard: the plans are complex, the conversations are uncomfortable, the evidence is modest and the failures are real. And the work is possible: thousands of firms have done it, the research describes what the successful ones have in common, and most of the first steps cost almost nothing.

It may help to say what the first of those steps is, so that a reader who goes no further than this chapter can still act on it. It is not a plan. It is an honest description of who already holds a share in the place, and who does not. The next chapter begins there.

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