

OWNING THE WORK · CHAPTER TWO

A Share in the Place

Chapter Two of Owning the Work

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Santa Anna, A. (2026). A Share in the Place. In Owning the Work (ch. 2). Luminous Prosperity Inc. https://doi.org/10.5281/zenodo.23989566
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Published by Luminous Prosperity Inc. for Haute Lumière. Author ORCID 0009-0008-3244-0306.

DOI 10.5281/zenodo.23989566 · this record's page: business.hautelumiere.life/library/owning-the-work/02-a-share-in-the-place/

Please cite as: Santa Anna, A. (2026). A Share in the Place. In Owning the Work (ch. 2). Luminous Prosperity Inc. https://doi.org/10.5281/zenodo.23989566

Chapter Two 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

In 1956 a San Francisco lawyer named Louis Kelso was asked to solve a small problem. The two founders of Peninsula Newspapers, a closely held group of papers south of San Francisco, were in their eighties and wanted to retire, and the people who could best keep the papers running were the people already putting them out. Those employees had no capital. Kelso's answer was a trust that borrowed the money, bought the shares on the employees' behalf, and repaid the loan from the company's earnings. The arrangement became the employee stock ownership plan, and when Kelso died in 1991 the New York Times remembered him as the advocate of what it called worker-capitalism. That is the story usually told, and it is true as far as it goes. It is also too short. Kelso built a financial device. The idea the device carried is much older, and it is worth getting the order right, because the order changes what a leader thinks they are adopting.

CHAPTER TWO

A Share in the Place

A newspaper in 1956

In 1956 a San Francisco lawyer named Louis Kelso was asked to solve a small problem. The two founders of Peninsula Newspapers, a closely held group of papers south of San Francisco, were in their eighties and wanted to retire, and the people who could best keep the papers running were the people already putting them out. Those employees had no capital. Kelso's answer was a trust that borrowed the money, bought the shares on the employees' behalf, and repaid the loan from the company's earnings. The arrangement became the employee stock ownership plan, and when Kelso died in 1991 the New York Times remembered him as the advocate of what it called worker-capitalism.[1]

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Joseph Blasi, Richard Freeman and Douglas Kruse spent a decade on that question. In *The Citizen's Share* they trace the idea not to a trust deed but to the founding argument of the American republic: that citizens should hold some stake in the productive capital of the country, which at the time meant land.[2] When business capital replaced land as the place where wealth is made, the question did not go away. It changed address.

Ammanuel Santa Anna's book *Ecstatic Economics* comes to the same question from the other side, through the body of the person who works. In a passage on how Mondragón's cooperatives hold their members, he names what ownership adds that a salary cannot:

> *And the shared ownership structure makes purpose tangible: when you own the enterprise, your contribution matters to a community you can see.*[3]

This book reads employee ownership and profit sharing the way this lineage reads any economic arrangement: as an organism in an ecosystem, with a specific anatomy, specific appetites, and specific ways of failing. This chapter sets out where the idea comes from and what the best evidence actually says. Chapter 3 is the fair critique. Chapter 4 is the house's own reading. Chapter 5 works one case through, number by number. Chapter 12 joins this idea to others in the lineage and ends on Monday morning.

The claim of this chapter is simple, and it is the one the rest depend on: ownership is not a motivator that switches on when shares change hands. It is a relationship, and the evidence says it works when the rest of the workplace treats it as one.

Four organisms, not one

The phrase *employee ownership* covers at least four different arrangements, and most confusion in boardrooms comes from treating them as one.

Profit sharing pays employees a portion of profits, in cash or into a retirement account, without giving them any shares at all. It is the oldest and the simplest. A firm can stop it in a bad year without anyone owning less.

Employee stock ownership plans, Kelso's device, hold company shares in a trust for employees, usually allocated by pay or tenure. In the United States they sit inside pension law, which is why the Department of Labor counts them.

Broad-based stock options and purchase plans give employees the right to buy shares, sometimes at a discount. They are common in technology companies and rare elsewhere.

Worker cooperatives are owned and governed by their members, usually one member, one vote. Mondragón is the famous one. The American sector is real but small.

These are different animals. A profit-sharing plan changes how pay moves with the year. An ESOP changes who holds the equity. A cooperative changes who holds the vote. Kruse, Blasi and Freeman gathered them under one name, *shared capitalism*, for a specific reason: each links some part of a worker's income to the performance of the enterprise, and the question they wanted to answer was whether that link, in any of its forms, changes anything.[4]

The size of the population matters to any reader deciding whether this is fringe. The National Center for Employee Ownership, working from the Department of Labor's Form 5500 filings, counted 6,609 ESOP plans in 2023 across 6,411 companies, of which 5,993 were private and 418 publicly traded. Those plans covered 15,105,304 participants, 10,999,997 of them active employees.[5] The figure has a lag of up to two years, which the NCEO states plainly, and it counts only ESOPs: profit sharing, stock purchase plans and cooperatives sit outside it. Blasi and Kruse, writing for the Oxford handbook, put the cooperative sector at about 300 firms with about 6,000 members, and estimate that close to a fifth of the American population owns stock in the company where it works.[6] Those two sources count different things in different years, and neither is wrong. They are two windows on one landscape.

What the programme measured

The research behind this book has a centre of gravity, and it is the Shared Capitalism Project run through the National Bureau of Economic Research and published as *Shared Capitalism at Work* in 2010.[4] Its method is worth knowing, because it is the reason its findings are more careful than most.

The researchers used two sources. The first was the General Social Survey, a national sample that shows how widespread these arrangements are. The second was a set of surveys of workers at over 300 worksites in 14 companies that use shared capitalism extensively.[7] The first gives breadth; the second gives the inside of the building.

What they found, in the summary of Kruse, Freeman and Blasi, is that "greater involvement in the programs is generally linked to greater participation in decisions, higher quality supervision and treatment of employees, more training, higher pay and benefits, greater job security, and higher job satisfaction."[8] Then comes the sentence that matters most, and it is the one that gets left off conference slides: the results "support the idea that workers can gain by sharing, but whether this happens is contingent on other workplace policies."[8]

That contingency is the centre of this whole subject. It shows up again and again. In 1995, reviewing 25 studies of employee attitudes and 27 of productivity and profitability, Kruse and Blasi found higher commitment among employee-owners but mixed results on satisfaction and motivation, and they wrote that "perceived participation in decisions is not in itself automatically increased through employee ownership."[9] Fifteen years later, using British workplace data, Andrew Pendleton and Andrew Robinson found that stock plans "seem to need other forms of employee involvement and 'voice' in the firm to be effective," with the exception that majority participation in a plan had an independent effect of its own.[10]

So the honest summary of three decades of work is not *ownership raises performance*. It is *ownership, joined to voice, information and decent treatment, tends to raise performance and the quality of working life together; ownership alone does much less.*

The myth worth correcting

Two myths travel with this subject, and they point in opposite directions.

The first, held by enthusiasts, is that giving people shares makes them behave like owners. It does not, on its own, and the research above is clear about it. A share certificate in a drawer is a financial asset. It becomes a relationship only when the holder can see what the firm is doing, has some say in it, and is treated as someone whose judgement counts. Santa Anna's book describes the felt difference with care: "Not belonging in the sentimental, team-building-exercise sense, but belonging in the proprietary sense."[11] The proprietary sense has to be built. It does not arrive with the paperwork.

The second myth, held by sceptics, is that employee ownership is a curiosity that weakens firms: workers will vote themselves raises, avoid hard decisions, and leave the company fragile. The longest-run evidence points the other way. Margaret Blair, Douglas Kruse and Joseph Blasi followed 27 publicly traded firms in which roughly 20 percent or more of the stock was held by or for employees in 1983, compared them with 45 similar firms through 1997, and found that substantial employee ownership "appears to be a relatively stable arrangement," one that may stabilise the firm itself by making it less likely to be acquired or taken private.[12] Seventy-two firms is a small sample, and the study cannot say whether ownership caused the stability or whether stable firms chose ownership. It can say that the fragility story does not show up in the record it examined.

The house's own book names the larger frame in one hard sentence. Writing about conventional ownership, in which shareholder interests prevail when they conflict with those of employees and communities, Santa Anna writes: "This is not a corruption of the system. It is the system working exactly as designed."[13] That is the reason ownership is worth studying at all. If outcomes follow structure, then changing the structure is a serious act, and it deserves serious evidence rather than either myth.

The ghost in the boardroom

Economics has a name for the problem ownership is supposed to solve. In the textbook account, owners (principals) hire managers and workers (agents) whose interests differ from theirs, and the firm spends a great deal of money watching, measuring and bonusing people to close the gap. Santa Anna's notes on finance treat the textbook story with open scepticism: "The principal-agent problem is corporate finance's favorite ghost story."[14]

The phrase is pointed, and the research gives it partial support. If workers share in the result, some of the monitoring can move from supervisors to colleagues. Richard Freeman, Douglas Kruse and Joseph Blasi tested exactly this. Most workers in their surveys said they could tell when a colleague was shirking; many said they would speak to that colleague or report it; and the share who acted was highest where pay included group incentives, where companies were smaller, and where relations between employees and managers were good.[15] Shared reward did not abolish the ghost. It gave the people nearest the work a reason to deal with it themselves, under the right conditions.

Chapter 3 takes up where that reasoning fails, because it does fail, and the failures are instructive. For now the point is narrower. The case for shared capitalism is not that people are good. It is that structure shapes what people pay attention to, and a structure that gives the people closest to the work a share of the outcome changes what they notice.

What a leader and a household can do first

Every chapter from this one to Chapter 12 ends in a tool, and the first is the most basic. Before anyone designs a plan, it is worth writing down what already exists. Most organisations have more shared capitalism than they think, scattered across a 401(k) match in company stock, a bonus pool nobody understands, and a handful of founders' options. Most households have never asked the question at all.

The finer points come first.

Write down form, not intention. "We believe in ownership culture" is an intention. "Eleven percent of employees hold options that vest over four years" is a form. The inventory records forms.

Count people, not plans. A plan that covers the top forty people in a firm of four hundred is a management incentive, not shared capitalism. Kruse, Blasi and Freeman's research is about *broad-based* arrangements, and the breadth is part of what they measured.

Record information and voice beside ownership. Given what the research says about contingency, an ownership inventory without a column for voice is half a document. Who sees the numbers? Who is asked before decisions that affect the shares?

For a household, include the concentration. If a worker's job, bonus and retirement savings all depend on one employer, that is a risk as well as a stake. Chapter 3 deals with it in full; the inventory simply makes it visible.

Leave out the valuation for now. The point of this first pass is shape, not price. A valuation belongs later, with advisers.

Where a firm wants to see how ownership sits among everyone affected by the enterprise, the Alpha Papers' reading of stakeholder mapping is a useful companion. The Luminous 100, the house's catalogue of strategy tools carried into living-systems terms, rewrites that same tool so it asks "Who are the living beings and systems affected by this decision? What is the quality of our current relationship with each?"[16] The ownership inventory below is one narrow answer to that question.

The idea is older than Kelso and smaller in its claims than its champions say. What it asks of a leader first is not a decision. It is an honest description of who already holds a share in the place, and who does not.

Three questions to carry through the book

Before the inventory, it helps to name the three questions every later chapter returns to, because they are the questions a reader will meet in their own building whatever form of ownership they choose.

The first is the question of breadth. Who is inside the arrangement, and who is outside it? The research in this chapter concerns broad-based plans, and the word *broad* is doing real work. A plan that reaches every

baker and driver is a different organism from one that reaches the leadership team and the people they hired first. Breadth is also where the most quiet harm is done, because eligibility rules, vesting schedules and allocation formulas decide it, and few people read them. Chapter 3 takes the question of who is left out in full.

The second is the question of voice. Does holding a stake come with any way to see, ask and influence? The finding that keeps returning, from Kruse and Blasi in 1995 to Pendleton and Robinson in 2010, is that ownership without voice does much less than ownership with it. A reader who remembers only one sentence from this book could do worse than that one. Chapter 4 offers the house's reading of why, and Chapter 9 sets out how to measure whether voice is real or only announced.

The third is the question of time. How long does the arrangement last, and who can end it? A profit share can be cancelled in a bad year. An ESOP can sell the company. A cooperative can convert. A foundation can hold shares for a century. Each of these is a different answer to the question of what survives the people who made it, and Chapter 6 tells the stories of four firms that answered it in law.

Santa Anna's book frames these questions as matters of structure rather than sentiment. In its list of reflection questions it asks the reader to imagine changing "an actual *structural* element (ownership, governance, decision-making authority, measurement systems)," and the parenthesis is a fair map of this book.[17] Ownership is the first word in it, and the others are what make ownership mean something.

There is a reason to ask these questions now and not later. The generation that founded many of the private firms in the United States and Britain is reaching the age at which the owners of Peninsula Newspapers found themselves in 1956: ready to stop, and holding a business whose best successors may already be on the payroll. Every such sale is a fork in the road. One path sells to the highest outside bidder; another sells to the people who do the work; others lie between. The research in this chapter cannot say which is right for any firm. It can say that the path toward the people who do the work is well trodden, that its record is steadier than its critics expect, and that its success depends on things a leader can build before the sale is ever discussed.

That is also why the inventory comes first. A firm that does not know who holds what cannot have an honest conversation about succession, and a household that does not know what share of its savings sits with one employer cannot decide whether it wants more. The inventory is dull work. It is the dull work every later chapter stands on.

The Tool: The Ownership Inventory

For a leader, complete one row per arrangement. For a household, complete Part C. Write in pencil; it will change.

Part A · The arrangements that exist today

FORM (PROFIT SHARE · ESOP/ TRUST · OPTIONS/PURCHASE · COOPERATIVE MEMBERSHIP · OTHER)	WHO IS ELIGIBLE	HOW MANY PEOPLE HOLD IT NOW	SHARE OF ALL EMPLOYEES (%)	WHAT IT IS WORTH TO A TYPICAL HOLDER THIS YEAR	CAN IT BE WITHDRAWN BY THE FIRM? (YES · NO · IN PART)

Part B · The relationship around the arrangements

- Who sees the firm's financial results, and how often: _____
- Who is consulted before decisions that change the value of the shares or the pool: _____
- Is there any forum where holders can ask questions of leadership and get answers on the record? yes · no · describe: _____
- The last time an employee-owner's suggestion changed a decision: _____ (if you cannot name one, write "none recorded")
- Training offered on how the plan works: _____

Part C · For a household

- Employer: _____
- Income from that employer this year: _____
- Value of employer shares held (directly, in a retirement plan, or in options): _____
- Share of total household savings in that employer: _____ %
- Bonus or profit share tied to that employer's results: _____
- If the employer had a bad year, which of these would fall at once? _____

Part D · The one-sentence reading

- In this organisation, ownership is currently (a management incentive · a broad financial stake without voice · a broad stake with voice · member-owned and governed): _____
- The single gap the next chapter should help us with: _____

Keep the completed sheet. Chapter 3 uses Part B and Part C; Chapter 5 works a full case from Part A; the workbook at the end of the book gathers it with every other Tool.

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