

OWNING THE WORK · CHAPTER TWELVE

# The Roots Under the Stand

*Chapter Twelve of Owning the Work*

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*Chapter Twelve of Owning the Work*

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## 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

A single tree in a field is easy to describe. It has a trunk, a crown, a root system that spreads about as wide as its branches. A stand of the same species is harder, because some of what holds it up cannot be seen. Underground, the roots of neighbouring trees can fuse, and what one tree draws up can reach another. The chapters before this one described, for the most part, a single tree. They traced employee ownership and profit sharing to their origins (Chapter 2), set out where they go wrong (Chapter 3), read them through the house's lens (Chapter 4) and worked a composite bakery through line by line (Chapter 5). This chapter looks at the stand: the other ideas in this lineage that share roots with ownership, and what changes when they are read together.

CHAPTER TWELVE

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## One tree, or a stand

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Ammanuel Santa Anna's notes on finance supply the image the chapter is built on. Ownership, he writes, can be treated "as a fence" or "as a root graft," and when it is treated as the second, "finance stops being a zero-sum game and becomes a photosynthetic one."[51] A fence is a property of one tree. A root graft only exists between two.

The claim of this chapter is that employee ownership, read alone, is a modest and well-evidenced improvement to how firms pay people. Read alongside the commons, voice, gift and patient capital, it is one of several ways a firm can become a place that people care for, and the leader's real decision is how to combine them.

## Where the commons meets the cap table

Elinor Ostrom spent her career studying communities that manage shared resources without either privatising them or handing them to the state: fisheries, irrigation systems, forests and grazing land. Her design principles, the subject of this lineage's commons series (*The Pasture Was Never Empty*), describe what the lasting ones had in common, among them clear boundaries, rules made by those affected, and monitoring by the users themselves.

An employee-owned firm is not a commons in Ostrom's sense, because its shares belong to individuals. But the profit pool behaves like one. Everyone draws from it; anyone can deplete it by working carelessly; and

the research in this book found that it holds best under conditions Ostrom would recognise. Freeman, Kruse and Blasi found that workers were most likely to act against shirking in smaller firms with good relations and group incentives.[52] Kim and Ouimet found the productivity effects of ESOPs weaker where there were too many employees to limit free-riding.[53] Those are Ostrom's principles of monitoring and of bounded membership, arriving by a different road.

The practical consequence for a leader is direct. When designing a profit share, ask Ostrom's questions as well as the accountant's. Who is inside the boundary of the pool? Who made the rules for dividing it? Who watches whether it is being cared for, and what happens when someone is not pulling their weight? A plan that answers the accountant's questions and not Ostrom's is a pay scheme. A plan that answers both is a small commons.

## Where voice meets the vote

Chapter 3 showed that ownership without voice does little. Albert Hirschman gave economists the clearest vocabulary for why, in *Exit, Voice, and Loyalty*, which this lineage reads in its series on markets embedded in society (*The Embedded Market*). When an organisation declines, members can leave or speak up; loyalty, in Hirschman's account, is what makes speaking up worth the cost.

Employee ownership changes the price of both. It makes exit more costly, because leaving can mean forfeiting unvested shares or a profit share. That is precisely the condition under which, on Hirschman's reasoning, voice becomes more important, not less. A firm that raises the cost of leaving without opening a way to speak has made its people captive rather than loyal.

There is a subtle finding in the research that bears on this. Doucouliagos's meta-analysis found worker participation in decision making positively associated with productivity, and mandated codetermination laws negatively associated with it.[54] The study cannot say why, and readers should not stretch it. One reading consistent with Hirschman is that voice works when it grows from the relationship and less well when it is imposed from outside. Santa Anna's book describes the kind of distribution he means as "not ideological" but "structural," built from "specific governance mechanisms that ensure broad participation in economic decision-making."[55] Specific mechanisms, designed by the people who will use them, are the opposite of a mandate.

His notes on finance put the principle in one line: "Decisions are made where information and impact intersect."[51] That sentence is as good a test of a voice mechanism as any. Does it put the decision where the people who know and the people affected meet?

## Where the gift meets the share

The lineage's series on gift and reciprocity (*The Channel Keeps It*) takes up George Akerlof's argument that employment can work partly as a gift exchange: a firm that pays more than it must receives more effort than it could compel. Profit sharing sits in an interesting place on that map. It is not quite a gift, because it is promised in advance and calculated by formula. It is not quite a wage, because it moves with the year and no one is entitled to a fixed amount.

The composite bakery in Chapter 5 made a choice that bears on this. Its profit share was split half equally and half by pay. The equal half carries something of the gift: the same first share for the night baker and the sales manager, given because both are members of the enterprise rather than because of what either is worth on the market. Santa Anna's book names what such a share is for in a sentence about purpose: "The purpose doesn't have to be grand — it has to be felt."[56] An equal floor is one way of making membership felt.

The finer point is that gift and formula do different work and a plan can carry both. The formula provides fairness that can be checked. The gift provides belonging that cannot be computed. Plans that are all formula tend to feel like accounting; plans that are all discretion tend to feel like favour. The equal floor inside a written formula is a modest way to hold the two together.

## Where ownership meets permanence

The last join is the deepest, and it concerns time. Every arrangement in this book can be undone. A profit share can be cancelled. An ESOP can sell the company. A founder's goodwill ends with the founder. Colin Mayer's work on corporate purpose, the subject of the lineage's series on patient capital (*The Long Clock*), asks what it would take for a firm's commitments to outlast the people who made them.

Santa Anna's book answers with steward ownership, a family of 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. The book names Bosch, Zeiss and the John Lewis Partnership as long-standing examples, and Patagonia's transfer of ownership to a trust and a nonprofit in 2022 as the most visible recent one.[57] Their histories, checked against the companies' own records for this book, bear the outline out. Ernst Abbe established the Carl Zeiss Foundation in 1889 and made it sole owner of the Zeiss works in 1891. Spedan Lewis signed the first trust settlement of the John Lewis Partnership in 1929 and the second, which passed his remaining shares to trustees elected by the Partners, in 1950. About ninety-four percent of the share capital of Robert Bosch GmbH is held by a charitable foundation, while about ninety-three percent of the voting rights sit with a separate trust company. Patagonia's voting stock, about two percent of the whole, went to a purpose trust in September 2022, and the non-voting ninety-eight percent to a nonprofit. Chapter 6 tells these four stories in full. Its argument is about the felt sense of permanence: "Steward ownership removes this anxiety at the structural level."[57] The anxiety in question is the one Chapter 4 de-

scribed, the scan for threats from the organisation that begins whenever a firm could be sold out from under the people who work in it.

Here the house's reading and the research meet a limit. The studies in this book measure ownership by employees; they do not measure steward ownership, and the claims made for it rest more on cases than on large samples. What can be said is that it answers the one question every other form of ownership leaves open: what happens when the owners want to sell. Blair, Kruse and Blasi, following seventy-two public firms, found that substantial employee ownership may make a firm less likely to be acquired or taken private; their sample cannot say whether ownership caused that.[58] Steward ownership makes that outcome a matter of law rather than tendency.

## Combining them without confusion

Four joins make a richer picture, and they also make a harder design problem. A leader who tries to add a commons, a voice mechanism, a gift and a permanent structure in the same quarter will produce a set of announcements and very little change. The finer points of combining them are worth setting down, because they are where most good intentions stall.

One at a time, in the order the relationship can carry. Chapter 4 argued for information first, voice second, the share third and scale last. The joins in this chapter fit the same order. Ostrom's questions belong with the first profit share, because that is when the pool first exists. Hirschman's questions belong with the first increase in the cost of leaving, such as a vesting schedule. The gift belongs in the split formula from the start. Permanence belongs last, because a structure meant to last should encode a relationship that already works rather than one that is hoped for.

Name the instrument, and the job it does. Each idea answers a different question. The profit share answers *how do we divide what we make together*. The voice mechanism answers *how do people who cannot easily leave change what happens*. The equal floor answers *who counts as one of us*. Steward ownership answers *what survives us*. When a leader is unsure whether a proposed change is worth making, the test is whether it answers one of those questions better than what exists now.

Write down what each arrangement does not do. Chapter 3's objections apply to every combination. A profit share does not give anyone a vote. A board seat does not give anyone a share of profit. A foundation that holds the shares does not, by itself, give employees information. Each arrangement looks complete from the inside, and a written note of what it leaves out is the cheapest protection against the drift Santa Anna's book describes.

Expect the evidence to thin as ambition grows. The research on profit sharing is broad and consistent. The research on ESOPs is broad and somewhat mixed. The research on cooperatives is narrower, and the evid-

ence on steward ownership rests largely on cases. That is not a reason to stop at profit sharing. It is a reason to hold each later step more lightly, measure it more carefully, and say plainly what is not yet known.

For a household, the combination is simpler and just as real. A household's version of the commons is the shared budget; its version of voice is who decides what happens to a bonus; its version of permanence is what the family intends its savings to do after the people who earned them. The question of ownership at work is one thread in a larger fabric of decisions a household makes about where its effort and its money go. Read alongside the others, it becomes clearer how much of a family's future should sit with one employer, and how much should not.

What the chapters so far have tried to show is that none of these instruments needs to be adopted whole to be useful. The bakery in Chapter 5 changed four numbers on a wall before it changed anything else, and the first useful thing it learned was about a flour delivery. Most firms will find their own version of that delivery within a month of asking.

## The stand inside a single firm

The joins in this chapter can sound like a tour of other books. They are also, more plainly, a description of what an ordinary firm already contains, and it may help to see them in one building.

Every firm has a pool that behaves like a commons, whether or not it shares profit: the goodwill of its customers, the reliability of its equipment, the reputation of its name. Anyone can deplete it; few are asked to watch it. Ostrom's questions apply to it now.

Every firm has a cost of leaving. For some people it is a pension that vests; for others it is a commute, a set of friendships, a skill that the local market does not pay for. Where that cost is high, Hirschman's argument says voice matters more. A leader who has never asked what it costs their people to leave has not yet understood how much their silence is worth listening to.

Every firm gives and receives gifts that no contract names: the hour stayed late, the shift covered, the early finish granted for a sick child. Akerlof's insight is that these exchanges are part of how a firm works, not a sentimental extra. A profit share with an equal floor is one way of saying, in a formula, that the gifts have been noticed.

And every firm will, one day, change hands. The question of permanence is not reserved for founders with foundations. It is the question every owner answers, by default or by design, when they stop.

Santa Anna's book draws the four together in the sentence that frames its case for the alternatives: "Every ecstatic alternative restores that connection."[60] The connection is between action and consequence. The commons restores it by letting users watch what they use; voice restores it by letting those who stay change what happens; the gift restores it by letting care be seen; permanence restores it by keeping the people who

built something in relation to what it becomes. Ownership is one thread among four, and a firm that pulls on it alone will find the other three come with it.

## Monday morning

Santa Anna's book describes the people who make these arrangements work as "pragmatically idealistic — clear about their values and flexible about their strategies."[59] That is a fair description of what Monday asks. None of what follows requires a lawyer or a vote.

For a leader. Post four numbers where everyone can see them, and answer questions about them once a month, on the record. Complete the Ownership Inventory from Chapter 2. Ask Ostrom's questions of whatever bonus or share already exists: who is inside the boundary, who made the rules, who watches. If the honest answer to the last is *only us*, that is the first thing to change.

For a household. Find out what you own of the place you work and what share of your savings it represents. Ask, once, for the information that would let you judge it. If your job, your bonus and your retirement all depend on one employer, decide on a ceiling with someone you trust. If your employer offers a plan you do not understand, ask for the plan document and an hour with whoever administers it. Understanding what you hold is the first form of voice available to anyone, and it costs nothing but the asking.

For both. Choose the structural question, not the perk. Chapter 5 borrowed one from Santa Anna's book: if you could redesign one structural feature of your working life, what would it be? Write the answer down and leave it somewhere you will see it in a month. A question kept in view tends to find its occasion; a question kept in a drawer rarely does.

The Alpha Papers' reading of stakeholder mapping is the natural instrument for the leader who wants to see, on one page, everyone whose working life the firm's ownership touches, including the contractors and suppliers who sit outside every plan. The lineage's gainsharing series (*The Gain Was Always Shared*) takes up the related history of plans tied to measured improvement.

Go back to the stand. From above, it looks like many trees. Below the soil, some of their roots have joined, and in a dry summer the stand holds water that no single tree could. Ownership, read this way, is less a matter of who holds the deed to one trunk than of what can move between the roots.

## The Tool: The Monday Page

*One page, completed in under an hour, kept where you will see it. Revisit it in ninety days.*

1 · What exists (from the Ownership Inventory)

- Arrangements in place today: _____
- Share of people who hold any stake: _____ %

- One sentence: ownership here is currently _____

2 · The commons questions (Ostrom)

- Who is inside the boundary of our profit pool or plan? __ · who is outside it? ____
- Who made the rules for dividing it? _____
- Who watches whether it is cared for? _____

3 · The voice questions (Hirschman)

- What does it cost someone to leave (unvested shares, forfeited pool)? _____
- Where can they speak instead, and who answers? _____
- One decision this quarter that will be taken where information and impact meet: _____

4 · The gift question (Akerlof)

- Is any part of what we share given equally, as a mark of membership? yes · no
- If not, would an equal floor change who feels like a member? _____

5 · The permanence question (Mayer, and Santa Anna's steward ownership)

- What happens to this firm, and to the people in it, if the owners sell? _____
- What, if anything, protects the purpose beyond the current leadership? _____

6 · Monday

- The four numbers we will post: _____
- The date of the first monthly question session: _____
- The structural question, in one sentence: _____
- Household: our ceiling on savings held in one employer __ % · current figure ____ %

7 · Ninety days on

- What we learned that we did not know: _____
- What we will change next: _____

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