

ECSTATIC ECONOMICS

# Owning the Work

*Employee Ownership, Profit Sharing and What the Evidence Shows*

Ammanuel Santa Anna

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Owning the Work
*Employee Ownership, Profit Sharing and What the Evidence Shows*

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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

An owner at a desk with last year's accounts, a worker holding units he cannot value, a leader told that ownership culture is the answer: this book is for all three. Where the idea came from, what the best evidence says, where it goes wrong, and how a firm or a household can begin. Employee ownership, profit sharing and what the evidence shows: thirteen chapters, a tool in each, and a workbook.

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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.

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.

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.

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]

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.

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.*

CHAPTER THREE

# Every Egg, One Basket

## A November in the Basque hills

In November 2013 Fagor Electrodomésticos, the appliance maker that had helped found the Mondragón cooperative group in the Basque Country, declared bankruptcy. It had begun as Talleres Ulgor, whose first stone was laid in April 1956 and whose first bylaws were approved in 1959; by the time it failed it was a multinational with subsidiaries in France and Poland, competing in a global market for washing machines and refrigerators.[18] For a movement that had used Mondragón as its proof for half a century, the failure was a hard morning.

Ammanuel Santa Anna does not leave it out of his book. Writing about Mondragón's strengths, he stops himself in four words: "Mondragon is not utopia."[19] He goes on to describe the bankruptcy as a failure "that tested the cooperative model severely and produced real suffering for the worker-owners involved," and then gives his reading of the response: "The crisis was metabolized by the community rather than externalized onto individuals."[19]

That is a claim about how the wider group absorbed the shock, and the scholarship complicates it. Errasti, Bretos and Etxezarreta, studying the same collapse, describe "radical job restructuring processes" in the Basque plants and in the foreign subsidiaries before the bankruptcy, and they treat the case as a question about whether the cooperative model can survive becoming a multinational at all.[20] A writer in this lineage owes the reader both accounts. Santa Anna's account, that the group moved displaced members into sister cooperatives, names a real strength of the federation, and the record bears it out in part: by May 2014 the group reported that it had found places for about 980 members of Fagor and its subsidiary Edesa in other cooperatives, out of roughly two thousand people affected, with a further 255 taking early retirement or other settlements.[29] That is a large share and it is not everyone; the subsidiaries' workers, who were never members, did not share in that protection, which is the weakness the scholars name. Both are true, and the space between them is where this chapter works.

Chapter 2 set out the evidence that shared capitalism tends to help when it is joined to voice and fair treatment. This one is the fair critique. Santa Anna's book gives the license for it in a sentence that serves as the standard for the whole lineage: "Honesty requires acknowledging that vitality-centered economic experiments fail — sometimes spectacularly."[21]

There are six serious objections. Each is real. Each has a way through.

## The first objection: one basket

The most practical objection is about households, not firms. A worker whose wages, bonus and retirement savings all depend on one employer has concentrated risk in the one place where a bad year arrives all at once. If the firm fails, the job goes, the profit share goes, and the shares lose value in the same quarter. Financial advisers have warned about this for as long as there have been employee stock plans, and the collapse of large American firms whose retirement plans were heavy in their own stock made the warning concrete for a generation.

The objection is sound, and it is about design, not about ownership as such. Three moves answer it.

Ownership on top of a wage, never instead of one. The research distinguishes plans that add to pay from plans that replace it. E. Han Kim and Paige Ouimet, studying broad-based ESOPs in public companies, found that some large plans were "implemented for nonincentive purposes such as conserving cash by substituting wages with employee shares."[22] A plan that replaces wages with shares transfers risk to the people least able to carry it. A plan that adds shares to a market wage does not.

Diversification rights. Many ESOPs let older participants move part of their balance into other investments as retirement approaches. A plan without such a path should get one.

For the household: name the concentration and set a ceiling. The ownership inventory from Chapter 2 asked what share of household savings sits in one employer. A household can choose its own ceiling and hold to it. No book can set that number; it belongs to the family and its adviser.

## The second objection: the free rider

The classic economic objection is arithmetic. If a profit pool is shared among a thousand people, any one person's extra effort earns them a thousandth of its value. Economists call this the *1/N problem*. On paper, everyone should coast and let the others carry the load.

Richard Freeman, Douglas Kruse and Joseph Blasi took the objection seriously enough to measure it. Most workers they surveyed said they could detect colleagues who shirked; many said they would talk to the shirker or report it; and the share who acted was greatest "among workers paid under group incentive systems, in smaller companies, and in companies with good employee-management relations."[23] Group incentives worked best alongside involvement teams, training, varied tasks, light supervision and good fixed wages.

The evidence is self-reported, from surveys, and so it shows what workers say rather than what a camera would record. It still answers the objection where it is weakest: the arithmetic assumes people are isolated,

and in a workplace they are not. Kim and Ouimet's finance data adds a limit worth keeping. The productivity effects of ESOPs in their sample "are weaker when there are too many employees to mitigate free-riding."[22] Size matters. The way through is to keep the unit of sharing small enough that people can see each other's work: a plant, a team, a store.

## The third objection: ownership without voice

The third objection comes from inside the movement. An employee who owns shares but has no information and no say is an investor with an unusually concentrated portfolio. Nothing in that arrangement changes how the working day feels.

Chapter 2 showed that the research supports the objection. Kruse and Blasi found in 1995 that perceived participation "is not in itself automatically increased through employee ownership."[24] Andrew Pendleton and Andrew Robinson found in 2010 that stock plans "seem to need other forms of employee involvement and 'voice' in the firm to be effective."[25]

Santa Anna's book draws the same line in its own terms. Describing the features shared by every arrangement he counts as working, he writes of distributed agency:

> *This distribution is not ideological ("power to the people" as slogan) but structural (specific governance mechanisms that ensure broad participation in economic decision-making).*[26]

The way through is structural, exactly as he says. Open the books on a schedule. Give employee-owners a seat, or several, where decisions about the shares are made. Teach the plan, because an owner who does not understand what they own cannot act like one. These are not perks added to ownership. On the evidence, they are the part that makes it work.

## The fourth objection: the plan as a shield

The fourth objection is the cynic's, and it is partly right. Some employee ownership plans are adopted to protect incumbent managers, not to share wealth.

Kim and Ouimet's finding is the clearest statement of it. Alongside wage substitution, they name "forming a worker-management alliance to thwart takeover bids" as a nonincentive purpose behind some large ESOPs, and they find that the average effects of such large plans are small for that reason.[22] The small plans in their sample, holding under five percent of shares in firms of moderate size, increased "the economic pie, benefiting both employees and shareholders."[22]

The house's book sees the same structural fact from the other side. Santa Anna praises ownership structures precisely because they resist capture, and names the feeling they relieve: "the fear that the structures you depend on will be captured by interests that don't care about you."[27] Protection against an outside

raider can be a good thing for workers and communities. It becomes a bad thing when the people it protects are only the managers.

The way through is to ask who the protection serves. A plan whose trustees answer to management, whose shares cannot be voted by participants on major questions, and which was adopted in the same quarter as a takeover approach deserves a hard look. A plan with independent trustees, pass-through voting on sale and merger, and a record of sharing results is a different animal.

## The fifth objection: the drift

The last objection is the slowest and the most important. Organisations built on shared ownership can drift back toward the patterns they were meant to replace: a cooperative that hires non-member workers at lower pay, a firm that keeps its ESOP but quietly stops sharing information, an enterprise that grows until no member can see the whole.

Fagor's subsidiaries are one example of that drift: the cooperative grew by acquiring firms whose workers were employees, not members.[20] Santa Anna names the mechanism in his book's list of common pitfalls, and his diagnosis is precise. Purpose-driven organisations, he writes, must build in structural rest, "or they will reproduce the extractive pattern in alternative clothing."[21] On measurement, he is just as direct: "If a cooperative measures its success only in financial terms, it will gradually drift toward extractive behavior."[21]

He also names a way through scale itself, and it agrees with the free-rider evidence above: "Perhaps the goal is not one giant cooperative but a network of small ones."[21]

> *Honesty requires acknowledging that vitality-centered economic experiments fail — sometimes spectacularly.*

The drift is answered by three habits. Measure more than money, on purpose, every year. Keep the unit of ownership small enough to be seen, and federate rather than swell. And write down, when the plan begins, who is a member and who is not, so that the line can be checked rather than forgotten.

## The sixth objection: who is left out

There is one more objection, and it is the one most often raised by people who support the idea. Ownership arrangements can reproduce the very exclusions they were meant to repair. A plan that allocates shares by salary gives the most to those who already have the most. A plan with a long vesting period gives nothing to the seasonal worker, the contractor or the person who leaves after two years to care for a parent. A cooperative whose membership fee is a year's savings is open in principle and closed in practice.

Santa Anna's book takes this seriously under a name of its own, the exclusivity shadow. Alternative economic structures, he writes, can create communities "accessible primarily to the privileged," and the rem-

edy he proposes is not a slogan but a practice: "a willingness to redesign practices that reproduce existing patterns of exclusion."[21] The phrase is plain, and it is the right one. Exclusion in an ownership plan is rarely intended. It is written into the allocation formula, the eligibility rule and the vesting schedule, and it can be written out of them.

The way through has three parts. Allocate on more than pay. Many plans allocate by salary because it is simple. A formula that blends salary with tenure, or gives an equal floor to everyone before any pay-weighted share, changes who ends up owning the firm without changing what the firm costs. Shorten the wait. Vesting periods exist to reward staying, and they also penalise the people whose lives make staying hard. A shorter schedule, or partial vesting from the first year, spreads the stake. Count the people outside the line. Contractors, temporary staff and the workers of subsidiaries are part of the living system whether or not they appear on the plan register. The tool at the end of this chapter asks for their number, because a number nobody writes down is a number nobody changes.

There is also a defence of ownership in hard years that belongs here, because it answers the fear behind the whole list. Fidan Ana Kurtulus and Douglas Kruse studied how American firms with broad-based employee ownership came through the recessions between 1999 and 2011; their book's own chapter heading asks "Why Do Employee Ownership Firms Have Greater Stability and Survival?"[28] The study cannot say that ownership causes survival, and it covers only the firms it could observe. It does mean that the objections above are objections to bad design, made against an arrangement whose average record in a downturn is not weak.

## The way through, in one place

Read together, the six objections share a shape. None of them is an argument that ownership fails. Each is an argument that ownership without a particular piece of design fails in a particular way. Concentrated risk needs ownership on top of wages and a path to diversify. Free riding needs small units and good relations. Ownership without voice needs open books and seats at the table. The shield needs independent trustees and pass-through votes. The drift needs broad measures and a clear membership line. Exclusion needs an allocation formula that someone has read with the people it leaves out in mind.

That is the same conclusion Chapter 2 drew from the positive evidence, reached from the opposite direction. Chapter 4 asks why: what it is about a living system that makes these particular pieces of design matter. Readers who want the history of the incentive side of the same question will find it in the lineage's series on gainsharing (*The Gain Was Always Shared*), and readers interested in why some shared resources hold and others collapse will find Elinor Ostrom's design principles a close cousin to the six design answers above (*The Pasture Was Never Empty*). Where the risk question leads into a firm's whole competitive position, the Alpha Papers' reading of SWOT is a sound place to set it down.

## When ownership is the wrong move

A fair critique owes the reader one more thing: an honest account of the cases in which employee ownership, however well designed, is not the right next step. There are at least four, and naming them is part of taking the idea seriously.

When the firm cannot carry the debt. A leveraged ESOP borrows to buy the owner's shares and repays the loan from future earnings. A business whose earnings are thin, volatile or about to be disrupted may not carry that loan without starving the investment it needs to survive. The structure that protects workers from an outside buyer can then become the weight that sinks them. This is a question for valuers and lenders, and the honest answer is sometimes *not yet*.

When the owners do not mean it. A plan adopted to look generous, to defend against a bid or to reduce a tax bill, without any intention of sharing information or voice, will produce the outcomes Chapter 2 described for ownership alone: a financial asset held at a distance, and a workforce that learns to distrust the next announcement. Santa Anna's book names the counterfeit in a phrase that fits: such a plan is "the extractive pattern in alternative clothing."[21] It is better not to adopt a plan than to adopt one whose purpose the people inside it can see through.

When the people do not want it. Ownership is a relationship, and a relationship cannot be imposed. Some workforces have good reasons to prefer a higher wage now over a stake later: young families, high local costs, a history of broken promises. The answer is not to persuade them out of their reasons. It is to start with the smaller, closer forms, a visible profit share and open numbers, and let the case for more be made by experience.

When the household is already exposed. For an individual worker, a plan that asks them to buy shares with savings they cannot afford to lose is the wrong move however good the firm. The first objection in this chapter applies with full force, and no account of the firm's merits should be allowed to answer it.

None of the four is an argument against the idea. Each is a reason to sequence it. Santa Anna's book describes the people who make these arrangements work as "pragmatically idealistic — clear about their values and flexible about their strategies,"[21] and the sequencing is where the flexibility lives. Chapter 8, the field manual, sets out an order that begins with what costs least and risks least, and lets each step earn the next.

Read this way, the critique is not a brake on the book. It is the part that keeps a good idea from being spent on the wrong occasion. The firms that come to grief with ownership rarely do so because the idea was wrong. They come to grief because one of these objections was visible from the beginning and nobody wrote it down.

## The Tool: The Risk and Voice Check

*Use the Ownership Inventory from Chapter 2 as your starting point. Answer each question with a fact, not a belief. Where the honest answer is "we do not know," write that; it is the most useful answer on the sheet.*

1 · One basket (households and plan designers)

- Is any employee's ownership given in place of a market wage? yes · no · in part: _____
- Do participants have a right to diversify part of their holding? at what age or tenure? _____
- Household: share of savings in the employer __ % · ceiling we have chosen _ % · *date we will next check* ___

2 · Free riders

- Size of the smallest unit whose results drive a profit share or ownership allocation: _____ people
- Can members of that unit see one another's work day to day? yes · no
- Fixed wages in this unit compared with the local market: below · at · above

3 · Voice

- How often are financial results shared with all owners? _____
- Number of employee-owners on the board, trust committee or equivalent: _____
- Do participants vote their shares on sale, merger or closure? yes · no
- Hours of plan education offered per year: _____

4 · The shield

- Who appoints the trustees? _____ · Are they independent of management? yes · no
- Was the plan adopted within a year of a takeover approach? yes · no · unknown
- Has the plan ever been used to block a sale that a majority of participants favoured? yes · no · unknown

5 · Drift

- Measures other than profit reported to owners each year (list): _____
- Share of the workforce that is eligible for ownership or membership: __ % · five years ago: ____ %
- Units or subsidiaries whose workers are not owners: __ · plan to include them: ____

6 · Who is left out

- Allocation formula (salary · tenure · equal floor · blend): _____
- Vesting period: __ · share of leavers in the last three years who left with nothing vested: ____ %
- Contractors, temporary staff and subsidiary workers outside the plan: _____ people

The reading

- The one objection that applies most strongly here: _____
- The single design change that would answer it: _____
- Who owns that change, and by when: _____

CHAPTER FOUR

# Threats From, Threats To



*Threats From, Threats To*

HAUTE LUMIÈRE · OWNING THE WORK · CHAPTER FOUR

## Two people at one loading dock

Consider a composite, built for teaching and not a real person: two warehouse supervisors at the same loading dock on a wet Tuesday in March. A pallet of glass has been stacked badly by the night shift. Both of them see it at seven in the morning.

The first supervisor is paid a wage. He notices the pallet, and the first thing he thinks about is who will be blamed if it falls. He photographs it, sends the photograph to his manager with a time stamp, and moves on to the next bay.

The second supervisor works in an employee-owned firm, and she sees in the quarterly results what breakage costs. She notices the same pallet, and the first thing she thinks about is the glass. She restacks it with a colleague, then walks to the night-shift lead's locker and leaves a note about the strapping.

Neither of them is a better person. They are standing in different structures, and the structure has turned their attention in different directions. That is the claim at the centre of this chapter, and it is the house's own. Ammanuel Santa Anna puts it in *Ecstatic Economics* in two sentences that are the clearest statement of the living-systems reading of ownership in his 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.*[30]

*Neuroception* is the psychiatrist Stephen Porges's word for the nervous system's unconscious scanning for safety and danger. Santa Anna uses it to name something any manager has seen and few have explained: that the same person brings different attention to the same pallet depending on whether the organisation is a source of threat or a thing in their care.

The two chapters before this one found that the research keeps arriving at one condition. Ownership helps when it comes with information, voice and decent treatment; ownership alone does much less. This chapter offers a reason, from the house's lens, for why that condition holds.

## The direction of attention

The living-systems reading starts from a simple observation about organisms. Every living thing allocates attention between defence and growth. A plant under drought closes its stomata and stops building leaves. An animal that hears a predator stops eating. The allocation is not a moral choice; it is how living things survive.

Santa Anna's book applies that observation to the firm. In a structure where the organisation is a source of threat, people allocate their attention to defence: documenting, protecting, avoiding blame. In a structure where the organisation is theirs, more of that attention can go to the work itself. He describes the change in orientation as a move "from defensive to generative," and he is careful about the kind of belonging he means: "Not belonging in the sentimental, team-building-exercise sense, but belonging in the proprietary sense."[30]

This reading explains something the research found but could not fully account for. Kruse and Blasi observed in 1995 that ownership alone did not automatically raise perceived participation.[31] Pendleton and Robinson observed in 2010 that stock plans seemed to need voice to be effective.[32] The living-systems reading says why. A share certificate does not tell a nervous system that it is safe. What tells it is evidence: numbers it can see, decisions it can influence, a record of being treated fairly. Without those signals, the scan for threats from the organisation carries on, and the shares are an asset held at a distance.

The evidence for this reading should be graded honestly. Porges's polyvagal theory is contested among physiologists, and no study has measured the neuroception of employee-owners. What the research does show is the behavioural pattern the reading predicts: in Freeman, Kruse and Blasi's surveys, workers under group incentives in firms with good employee relations were the most likely to act when they saw a colleague shirking.[33] That is attention facing inward, toward the work, in exactly the conditions the reading would expect.

## The loop, sutured

The second idea in the house's reading is about feedback. In Santa Anna's account, the extractive pattern in economic life is marked by a severed link between action and consequence. The person who makes a decision does not feel its effects, and the person who feels the effects did not make the decision.

He describes every arrangement he counts as working in the same terms. "Every ecstatic alternative restores that connection," he writes, and he lists the cases: the member of a community-supported farm who knows the farmer, the community currency user who can trace where value goes, and, among them, "The worker-owner who shares in the consequences of business decisions." In each case, he concludes, "the feedback loop that extractive economics severed has been sutured back together."[34]

The surgical word is chosen with care. A suture is not a reconnection by decree. It is a stitch that holds two edges together long enough for the tissue to grow across. Ownership is the stitch. The tissue that grows across it is information and voice: the quarterly results shared on the dock, the trustee who is a forklift driver, the profit share that moves with the year so that the year can be felt.

This is also why profit sharing, the most modest form of shared capitalism, can do more than its size suggests. Douglas Kruse found in 1991 that manufacturing firms where all employees took part in profit-sharing pension plans cut employment less in downturns than firms without them; outside manufacturing he found no significant difference.[35] Chapter 5 works through those figures. Here the point is the mechanism. When pay moves with results, the firm has a second way to absorb a bad year besides laying people off. The feedback loop runs through wages, gently, instead of through jobs, abruptly.

## The root graft

Santa Anna's notes on finance offer a third image, and it is the most generative of the three. Writing about cooperative ownership, he says:

> *The moment you stop treating ownership as a fence and start treating it as a root graft, finance stops being a zero-sum game and becomes a photosynthetic one.*[36]

A fence divides. It says *this is mine and not yours*, and its whole function is exclusion. A root graft is what happens when the roots of neighbouring trees fuse underground. Foresters have long observed it in stands of the same species: the trees share water and sugars through the joined roots. Ownership as a fence is about who may not touch the asset. Ownership as a root graft is about what flows between the people who share it.

The same notes describe what that flow does to governance. "When capital, labor, and community hold overlapping stakes, the feedback loops become circular rather than extractive," Santa Anna writes, and then: "Governance isn't about voting shares; it's about sensing system health."[36] The second sentence is the practical one. In a firm read as a living system, the purpose of ownership is not chiefly to settle who wins a vote. It is to widen the number of people who are paying attention to whether the organism is well.

The Luminous 100, the house's catalogue of familiar strategy tools carried up into living-systems terms, makes the same move with sociocracy, the governance method in which decisions stand unless someone raises a reasoned objection. Its upgrade describes the circle structure as "an organizational mycelial network where each circle is a sensing organ connected to every other."[37] A firm with broad ownership and real voice has more sensing organs. That is a different argument for employee ownership from the incentive argument, and in the house's reading it is the deeper one. Incentives change what people want. Sensing changes what the organisation can know.

## Working the reading, in order

A lens is only as useful as the order of operations it suggests. Read this way, the sequence for a leader who wants shared ownership to reach the loading dock is fairly clear, and it runs in the opposite order from the one most firms follow.

Information first. Most firms adopt a plan and then, perhaps, open the books. The living-systems reading reverses it. The signal that the organisation is safe to care about arrives through what people can see. A firm that begins by publishing a small set of honest numbers every month, the same numbers to everyone, has started the suture before any shares change hands. Profit, cash, breakage, customer complaints: four numbers people can watch move.

Voice second. Once people can see the numbers, give them a place to say what they see. This need not be a board seat on day one. It can be a monthly half hour in which anyone may ask leadership about the numbers and receive an answer on the record. The record matters. A question answered in a corridor reaches one nervous system; a question answered in writing reaches all of them.

The share third. Only then does the share itself do its full work, because it lands in a structure that has already begun to turn attention inward. A modest profit share, visible every quarter, is often a better first step than a large allocation of stock that vests in five years, because the feedback is closer to the action.

Scale last. Chapter 3 showed that free riding grows with the size of the unit. The living-systems reading agrees for its own reason: sensing works where people can see each other. Federate before you swell.

The Luminous 100's reading of the balanced scorecard gives a sentence that serves as a test for this whole sequence. It recasts each measure as a question, and the first is "What financial patterns reveal our deepest generativity?"[39] A firm that can answer that question about its own ownership plan has understood it as a living arrangement rather than a line on the pension statement.

For a household the order is the same in miniature. Know what you own and what it depends on. Ask, at least once a year, for the information that would let you judge it. Then decide how much more of your life you want tied to it.

## What this reading adds, and what it cannot claim

A lens earns its place by explaining what the evidence already shows and by pointing somewhere new. This one does both, within limits.

It explains the contingency at the heart of the research. Ownership works with voice because voice is how the safety signal arrives. It explains the free-rider finding, because people who are scanning for threats to the organisation notice the colleague who is not pulling, and in a firm with good relations they say something. It explains the drift described in Chapter 3, because an organisation that stops sharing information has cut the stitch while leaving the shares in place.

It points somewhere new in what it asks a leader to measure. If the purpose of ownership is to turn attention inward and widen sensing, then the right questions are not only about productivity and profit. They are about where attention faces. How much of the working week goes to self-protection? How quickly does bad news reach someone who can act? How many people noticed the pallet?

It also changes what counts as a good result from a plan. On the incentive reading, a plan succeeds if productivity rises. On the living-systems reading, a plan can succeed before productivity moves at all: when the time bad news takes to travel shortens, when fewer hours go to self-protective paperwork, when people outside the leadership team begin to ask sharper questions about the numbers. Those are early signs that the organism is sensing more of itself. Productivity, if it follows, follows from them.

The lens cannot claim what it has not shown. It is an interpretation, built from Santa Anna's book, his notes and the house's catalogue, set beside the research. It is not a finding about anyone's physiology. The fear it names is real, and Santa Anna names it precisely: "the fear that the structures you depend on will be captured by interests that don't care about you."[38] Whether a given ownership plan relieves that fear is a question for the people inside it, and the tool below is a way to ask them.

The lineage's other series carry this reading into neighbouring ground. Elinor Ostrom's work on the commons describes, from field evidence, the rules under which people sharing a resource monitor it themselves (*The Pasture Was Never Empty*). Albert Hirschman's *exit, voice and loyalty* gives the clearest economist's account of why voice matters when leaving is costly (*The Embedded Market*). Where a leader wants to see the flows of value through the firm before deciding where to share them, the Alpha Papers' reading of the value chain is a natural companion.

Return, for a moment, to the dock. The pallet is the same in both versions. What differs is the direction the supervisor faces when she sees it, and that direction was set long before seven o'clock, by a structure she may never have read.

## The reading at the scale of one team

The reading in this chapter is easy to agree with at the scale of a firm and easy to forget at the scale of a Tuesday. It is worth showing how it works for a single team, because that is the scale at which most leaders can act this month.

Take a dispatch team of eleven people, a composite built for teaching. Their manager has no say over the firm's ownership plan, which is set two levels above her. She can still do three things that the living-systems reading predicts will matter.

She can shorten the distance between action and consequence. Every Friday she writes three figures on the whiteboard: deliveries made on time, deliveries returned, and the cost of the returns as the finance team reports it. None of them is secret; all of them were previously read only in the office. Within a month, the conversation at the board changes from *who was late* to *why the Thursday route keeps coming back*. The figures did not change anyone's pay. They changed what people were looking at.

She can make the record of voice visible. She keeps a sheet by the board headed *What you raised, and what happened*. Each line names a concern, the date it was raised, and what was done, including *nothing yet* where that is the truth. The living-systems reading holds that a nervous system learns safety from evidence, and this sheet is evidence. Its most important lines are the ones that say *we could not change this, and here is why*, because they show that a concern was heard even when it could not be met.

She can protect people from the cost of telling the truth. When a driver reports a near miss, the first response is thanks and the second is a question about the conditions. The manager knows the research does

not prove this works; she does it because the alternative, a team that learns silence, is the outward-facing attention this chapter describes.

Santa Anna's book puts the claim at its widest: "Money is not neutral. It is a design system, and the design shapes the behavior."[40] The same is true of a whiteboard. A team's information design shapes where its attention faces, and the shape can be changed by a manager with no authority over the cap table.

When the firm does introduce a profit share or a plan, this team will receive it differently from one that has never seen its own numbers. The share will land in a structure that has already begun, in the language of this chapter, to suture the loop. That is the practical meaning of *information first*, and it is open to anyone who leads anything.

## The Tool: The Two Directions Audit

*A short anonymous survey and a short leadership review, run together. It does not measure anyone's nervous system. It asks people where their attention goes, and it asks leaders whether the stitch is holding. Run it before any change to an ownership plan and again a year after.*

Part A · For everyone (anonymous, five minutes)

Answer each on a scale of 1 (never) to 5 (almost always).

1. In the last month, I spent time documenting my work mainly to protect myself if something went wrong. ___
2. When I see a problem outside my own job, I fix it or tell someone who can. ___
3. I understand how the company's results affect my pay or my shares. ___
4. I have seen the company's financial results in the last three months. ___
5. If I raised a concern about how the business is run, it would be heard. ___
6. I can name a decision in the last year that changed because of what employees said. ___
7. I worry that the company could be sold or changed in ways that would hurt people like me. ___
8. When a colleague is not pulling their weight, people here deal with it fairly. ___

*Reading the results.* Items 1 and 7 describe attention facing outward, toward threats from the organisation. Items 2 and 8 describe attention facing inward, toward the work. Items 3 to 6 are the stitch: information and voice. Compare the averages by team. A team with high scores on 1 and 7 and low scores on 3 to 6 is a team where ownership, if it exists, has not yet reached the nervous system.

Part B · For leadership (one page, written)

- How many days does it take bad news from the front line to reach someone who can act on it? Give a recent example: _____

- Number of employee-owners, or employee representatives, who saw last quarter's results before they were published: _____
- Decisions in the last year that affected the value of the shares or the profit pool, and whether employees were consulted on each: _____
- The single piece of information that employees most often ask for and do not receive: _____
- The one change to information or voice we will make before the next audit: _____

Part C · The comparison

- Team with the strongest inward attention: __ · what is different about how it is run: ____
- Team with the strongest outward attention: __ · what it would need: ____

CHAPTER FIVE

# A Bakery's Arithmetic

## Four in the morning

The ovens at a regional bakery are lit at four. By six the first vans are loaded for the cafés and grocers on the morning route, and by nine the owner is at a small desk above the packing floor with a pencil and last year's accounts. She is sixty-one. She has no children who want the business, two offers from larger competitors on the desk, and a question she has been circling for a year: whether the people downstairs could own it.

She is a composite, built for teaching, and so is her bakery. Every figure that describes the firm in this chapter was set by the writer to be plausible and round enough to follow; none describes a real company. Every figure that describes the research comes from a cited, published source, and the notes give each one. The point of putting the two side by side is the one Ammanuel Santa Anna makes about this whole field in his notes on finance: "This isn't naive idealism—it's systems theory with a balance sheet."[41] A balance sheet is what this chapter is for.

Chapters 2 to 4 set out where the idea came from, where it goes wrong and how the house reads it. This one works a case. It begins with the published figures, read with their limits, then turns to the bakery.

## What the strongest figures say

Four bodies of evidence carry most of the weight in this field, and each answers a slightly different question.

Profit sharing and productivity. Douglas Kruse surveyed 500 American public companies and joined the survey to panel data on corporate performance. Controlling for other influences, he found that adopting profit sharing "is found to be associated with average productivity increases of 4-5%, with no subsequent positive or negative trend," and that the increase was larger for small companies and for cash plans.[42] He was candid about the limit: there was "no evidence on the mechanisms" by which profit sharing works. The finding is an average across public companies; it cannot tell any single firm what will happen to it.

Profit sharing and jobs in a downturn. In an earlier study of 2,976 publicly traded companies between 1971 and 1985, Kruse tested an idea of the economist Martin Weitzman: that firms whose pay moves with profit

should keep more people employed when times are hard. In manufacturing, when the unemployment rate rose by one point, firms in which all employees took part in a profit-sharing pension plan saw a 2.0 percent fall in employment, against 3.1 percent for firms without profit sharing. Outside manufacturing, he found no significant difference.[43] The second half of that result matters as much as the first.

Participation of every kind. Chris Doucouliagos combined 43 published studies in a meta-analysis in 1995. He found that profit sharing, worker ownership and worker participation in decision making were all positively associated with productivity, that mandated codetermination laws were negatively associated with it, and that every correlation was stronger in firms owned and controlled by their workers than in conventional firms that had adopted participation schemes.[44]

Employee ownership and firm performance. Ernest O'Boyle, Pankaj Patel and Erik Gonzalez-Mulé combined 102 samples representing 56,984 firms in 2016. They found that employee ownership has "a small, but positive and statistically significant relation to firm performance," with an average corrected correlation of 0.04 (a very small effect in the conventions of the field), that the effect held across public and private firms and across firm sizes, that it had grown in more recent studies, that studies from outside the United States reported stronger effects, and that they found "little to no evidence of publication bias."[45]

The fair summary is plain. The association between sharing and performance is positive, consistent and modest. A reader looking for proof that ownership transforms firms will not find it here. A reader looking for evidence that broad sharing does no harm to performance and often does some good will find it in abundance.

## The bakery as it stands

Now the composite. The owner's accounts, as the writer has set them, show the following for a normal year.

- Employees: 140, of whom 96 work in production and dispatch and 44 in drivers, sales and the office.
- Total payroll: $7,840,000, an average of $56,000 a person.
- Revenue: $21,000,000.
- Pre-tax profit: $1,400,000, which is 6.7 percent of revenue.
- Current sharing: none, beyond a discretionary Christmas bonus averaging $300 a person, or $42,000 in total.

The Ownership Inventory from Chapter 2, completed for this firm, would show a single arrangement, the bonus, held by everyone, worth very little, and withdrawable at will. Part B of the inventory would show that only the owner and her accountant see the full accounts.

The Risk and Voice Check from Chapter 3 would show three things worth noting. The unit is small enough to see: the night bakers, the dispatch team and the drivers each know one another's work. Fixed wages are at the local market. And there is no information or voice at all.

Read through Chapter 4's lens, that last line is the important one. Whatever plan the owner chooses, it will land in a structure where attention still faces outward, because no one downstairs can see what the business earns.

## Step one: the numbers on the wall

Following the order Chapter 4 suggested, the first move costs almost nothing. The owner begins posting four figures by the clocking-in machine each month: sales against the same month last year, waste as a share of flour bought, on-time deliveries, and pre-tax profit for the year to date.

The finer point is choosing figures that people can affect and that move often enough to be watched. Waste and on-time deliveries change weekly and respond to what happens on the floor. Profit does not move weekly, but leaving it off the wall would tell everyone that the real number is a secret. Santa Anna is clear that this part is the hard one: "Designing such measurement systems is among the most important — and most difficult — practical challenges the movement faces."[46]

The owner also starts a monthly half hour in which anyone may ask about the figures. The first two sessions are quiet. The third is not. A driver asks why on-time deliveries fall every Monday, and the dispatch lead explains that the Monday flour delivery arrives late and holds up the first bake. Nobody in the office had connected the two. The owner moves the flour order to Saturday at no cost. It is a small thing, and it is exactly the kind of thing Chapter 4 predicted: a sensing organ the firm did not know it had, reporting for the first time because someone asked it to. In the composite, nothing else about the firm has changed yet, and nobody owns anything new.

## Step two: a profit share, worked in full

Six months later the owner introduces profit sharing. The design, all of it set by the writer for this composite, is as follows.

The pool. Ten percent of pre-tax profit, paid in cash twice a year. Kruse's 1993 finding that the productivity association was larger for cash plans and small firms is the reason for cash; it is a reason, not a guarantee.[42] In a normal year the pool is 10 percent of $1,400,000, which is $140,000. The Christmas bonus is folded into it, so the net new cost in a normal year is $140,000 less $42,000, or $98,000.

The split. Half the pool is shared equally among everyone employed for the full period; half is shared in proportion to pay. This answers the exclusion objection from Chapter 3: an equal floor means the night baker and the sales manager receive the same first share.

- Equal half: $70,000 divided by 140 people is $500 each.
- Pay-weighted half: $70,000 divided by a payroll of $7,840,000 is about 0.893 cents per dollar of pay. A baker earning $44,000 receives about $393; a manager earning $90,000 receives about $804.
- A baker's total share: $500 plus $393, about $893, or 2.0 percent of pay.
- A manager's total share: $500 plus $804, about $1,304, or 1.4 percent of pay.

The equal half makes the share a larger fraction of pay for lower earners. That is a design choice, not a law of nature, and the owner records why she made it.

A bad year. Suppose profit falls to $350,000. The pool is then $35,000: an equal half of $17,500, or $125 a person, plus a pay-weighted half of $17,500, which comes to about $98 for the baker. Her share falls from about $893 to about $223. The share falls by three quarters. Wages do not fall, because the share was added to market wages rather than carved out of them, which is the answer to the first objection in Chapter 3.

## What the research would and would not predict

It is tempting at this point to multiply the published averages by the bakery's numbers. It is worth doing once, carefully, to see why the result must be held loosely.

Productivity. If the bakery's productivity rose by the 4 to 5 percent Kruse found on average in public companies, the gain would be large compared with a $98,000 net cost. But the bakery is not a public company, the finding is an association across firms rather than a forecast for one, and Kruse himself found no mechanism. The honest use of the figure is to say that the plan is not expected to harm performance and may help, not to put a number in a budget.

Jobs in a downturn. Kruse's 1991 result was for manufacturing, which a bakery broadly is. Applied naively to 140 people, a 2.0 percent fall rather than a 3.1 percent fall is the difference between about 2.8 and about 4.3 jobs for each point the local unemployment rate rises. That is roughly one and a half jobs. The figures come from firms in 1971 to 1985 with profit-sharing pension plans, not cash plans, so the comparison is illustrative only. What the study does support is the mechanism: when part of pay moves with profit, a firm has a way to absorb a bad year that does not run through redundancy.

Survival. Kurtulus and Kruse found an association between broad employee ownership and greater stability and survival through the recessions of 1999 to 2011.[47] That study concerns ownership, not profit sharing, and it leads to step three.

## Step three: the question of succession

The owner's real question was never profit sharing. It was who will own the bakery when she stops.

The evidence on succession is thinner than the evidence on performance, and this chapter will not pretend otherwise. What can be said is structural. In the United States the instrument for a sale to employees is Kelso's ESOP, which can borrow to buy the owner's shares and repay the loan from the company's earnings. In the United Kingdom, since the Finance Act 2014, the employee ownership trust offers a simpler route with tax relief for the seller.[48] Both need lawyers, valuers and time. Neither should be designed from a book.

What a book can say is what the first two steps did. By the time the owner raises succession, the people downstairs have watched the numbers for a year and shared in them twice. The conversation about owning the firm is no longer abstract. Santa Anna's notes on cooperative ownership put the cost of this honestly: "Yes, it requires more conversation. But so does keeping a forest from burning."[41]

His book offers the question the owner should ask before any adviser is hired. In its reflection questions it invites the reader to imagine redesigning "one structural feature of your workplace or economic life" and specifies what that means: "not a policy or a perk, but an actual *structural* element."[49] A Christmas bonus is a perk. Numbers on a wall are a policy. Who owns the bakery is a structure.

## What the owner said on the floor

Numbers do not introduce themselves. In the composite, the owner announced the profit share at the end of a Friday shift, standing on the packing floor rather than writing from upstairs, and what she said is worth setting down because the words carried as much of the design as the arithmetic did.

She began with the figures everyone had been watching on the wall for six months. "You have seen what we make in a normal month and in a bad one. From January, ten percent of the profit before tax is yours, paid in June and December." She then said what it would be in a normal year, $893 for a full-time baker, and what it would have been in the firm's worst year of the last five. She said it would come on top of wages and that wages would not be cut to pay for it. She said half of it would be the same for everyone, and why. And she said what it was not: "This is not ownership of the bakery. That is a bigger question, and I would like us to answer it together over the next two years."

Three questions came at once. A night baker asked whether part-timers were in; the owner said they would be in, pro rata to hours, and wrote it into the plan that week. A driver asked who would check the profit figure; she offered to have the accountant explain the accounts to anyone who wanted to come, and nine people did. The sales manager asked whether the equal half was fair to people who carried more responsibility; she said that the pay-weighted half answered that, that the split was a choice, and that it would be reviewed after a year with whoever wanted a say.

Each of those answers is a piece of the design that Chapter 3's objections called for. Part-timers answered the exclusion objection. An open explanation of the accounts answered the voice objection. A review of the split, with a date, answered the drift. None of them cost money. All of them were decided in public, which is what made them believable.

Santa Anna's notes on finance describe the alternative to principal-agent supervision in one phrase: "Decisions are made where information and impact intersect."[50] The packing floor on that Friday was such a place. The owner had the information; the people in front of her would feel the impact. The conversation that followed was the first in which both were present at once.

## The finer points

A few lessons from working the case apply well beyond bakeries.

Price the plan at its net cost, not its gross. Most firms already spend something on discretionary rewards. Folding it in shows the true decision.

Decide the split in writing, with reasons. Every split favours someone. The record of why is what makes it fair.

Model the bad year before the good one. A plan that only works in good years is a bonus scheme. Show people what the share would have been in the firm's worst recent year.

Keep the share on top of the wage. This is the single most important protection for the household on the other side of the plan.

Treat succession as a third step, not a first. Information and a visible share build the relationship that ownership then formalises.

For a firm working out where the value it might share is actually made, the Alpha Papers' reading of the value chain is the right instrument. For the history of incentive plans tied to measured improvement rather than to profit, the lineage's gainsharing series covers the ground (*The Gain Was Always Shared*), and readers interested in what patient ownership does to a firm's horizon will find Colin Mayer's work in the series on patient capital (*The Long Clock*).

The bakery is a composite and its future is the writer's to imagine. In this telling, a year later, the owner is still at the small desk at nine. The difference is that the figures on her desk are also on the wall downstairs.

## The Tool: The Shared Capitalism Readiness Sheet

*Complete with your own figures. Where a figure is an estimate, mark it (e). Where it comes from the accounts, mark it (a).*

## 1 · The firm

| ITEM | FIGURE | SOURCE (A/E) |
|---|---|---|
| Employees | | |
| Total payroll | | |
| Average pay (payroll ÷ employees) | | |
| Revenue | | |
| Pre-tax profit, normal year | | |
| Pre-tax profit, worst year of the last five | | |
| Current discretionary rewards (bonuses etc.) | | |

## 2 · The numbers on the wall

- Four figures we will post monthly, each one that people can affect: 1 __ 2 _ 3 4 ___
- Date of the first monthly question session: _____

## 3 · The profit share

- Pool as a share of pre-tax profit: __ % → normal-year pool: $____
- Net new cost (pool less current discretionary rewards): $_____
- Split: equal __ % · pay-weighted ____ %
- Equal share per person: $_____ (equal part ÷ eligible employees)
- Pay-weighted rate: _____ cents per dollar of pay (pay-weighted part ÷ payroll × 100)
- Share for our lowest-paid full-time role: $__ = ____ % of pay
- Share for our highest-paid role: $__ = ____ % of pay
- Same three lines for the worst year: $__ · $_ · $___
- Is every share paid on top of a market wage? yes · no

## 4 · Succession (for owners considering a sale)

- Earliest year a sale might happen: _____
- Routes to explore with advisers: ESOP · employee ownership trust · cooperative conversion · other: _____
- Months of open numbers and shared profit we will have behind us before raising it: _____

## 5 · The one structural question

- The one structural feature of this workplace we would redesign, in a sentence: _____

A NOTE FROM THE HOUSE

The bakery's arithmetic is worked from its own accounts and the published evidence before anyone decides who should own what. A gainshare is often the first step on the same road: a share in a measured gain, with no change of ownership at all. Luminous Prosperity Inc. does this work inside organisations, and is paid as a share of the gain it helps find.

REQUEST A CONVERSATION

CHAPTER SIX

# Four Houses That Kept Their Purpose

## A question every owner answers

Every arrangement described so far in this book can be undone. A profit share can be cancelled in a bad year. An ESOP can sell the company. A cooperative can vote to convert. A founder's generosity ends with the founder. Chapter 12 calls this the question of permanence, and it is the one question that every owner answers, whether by design or by default, on the day they stop.

This chapter tells the stories of four enterprises whose owners answered it in law. Three are old and one is recent. None of them is, in the strict sense, employee-owned in the way an ESOP or a cooperative is: two of them give their employees no shares at all. They belong in this book because they show what the other forms leave open, and because Ammanuel Santa Anna's *Ecstatic Economics* names them as its examples of steward ownership, which it calls "the most structurally radical innovation" in its toolkit.

His book defines the family by two principles. Voting rights "are held by people actively involved in the company," and profits "are reinvested in the mission or distributed to stakeholders in service of the mission — not extracted by external shareholders." The first principle answers the question of who decides. The second answers the question of where the gain goes. Together they answer the question of time, because a company whose control cannot be bought cannot be sold out from under the people who depend on it.

The book's claim for these structures is about the felt sense of the people inside them: "Steward ownership removes this anxiety at the structural level." The anxiety is the one Chapter 4 described, the scan for threats from the organisation that begins whenever a firm could change hands overnight. Whether the structures relieve it is not something any study in this book has measured. What can be done is to tell the four stories accurately, from the enterprises' own records, and let a reader judge what each shows.

The dates and proportions below were checked against the enterprises' published histories and reports, read on 19 October 2026, and the notes give each source. Where a detail is the book's and could not be checked, the chapter says so.

## Jena, 1889: the foundation as owner

Carl Zeiss opened a workshop for precision mechanics and optics in Jena in 1846. The firm's lasting distinction came from a partnership with a physicist, Ernst Abbe, who put the making of microscope lenses on a scientific footing. After Zeiss's death, Abbe faced the question this chapter is about.

His answer, on 19 May 1889, was to establish a foundation and name it after his late partner: the Carl-Zeiss-Stiftung. It was approved as a legal entity by the Grand Duchy of Saxe-Weimar-Eisenach two days later. In 1891 Abbe made the foundation the sole owner of the Zeiss works and a partner in the Schott glassworks, which the foundation came to own outright in 1919 when Otto Schott transferred his own share. In 1896 Abbe gave the foundation a statute setting out how the businesses were to be run and how their profits were to be used.

The structure is worth reading slowly, because it is the oldest working answer in this chapter to the problem of permanence. The foundation owns the companies. No outside shareholder can buy control of them, because the shares are not for sale. Profits serve the purposes written in the statute: the health of the enterprises, the welfare of those who work in them, and the support of science. A founder who wanted the enterprise to outlast him did not leave it to heirs, sell it to the highest bidder or float it on an exchange. He gave it to a purpose and wrote the purpose down.

Abbe's statute is also remembered for provisions on working conditions that were unusual for its time. Those details are widely reported in histories of the firm; they were not individually checked for this book, and so they are not listed here.

What the Zeiss story shows is that the separation of control from extraction is not a recent invention or a fashion. It is more than a century old, and it has carried an enterprise through two world wars, the division of Germany and the reunification of its two halves. What it does not show is anything about employees as owners. The people of Zeiss did not, under Abbe's statute, hold the enterprise. A purpose did. That difference is the one this chapter keeps returning to.

## London, 1929: the partners

The John Lewis Partnership is the clearest case in Britain of a large enterprise held in trust for the people who work in it, and its story turns on one man's decision and the twenty-one years it took him to complete it.

John Spedan Lewis was the son of the founder of a London department store. In the years before and after the First World War he came to the view that the distribution of profit between his family and the store's staff was unjust, and he set about changing it. On 18 April 1929 he signed the First Trust Settlement, which transferred his shares in John Lewis, the Peter Jones store and the Odney Estate to trustees for the benefit of the staff. A few days later the John Lewis Partnership Limited was registered as a company to carry the

arrangement. In return, Spedan Lewis received interest-free bonds totalling one million pounds, to be repaid out of profits over thirty years.

The first settlement left him in control. The Second Trust Settlement, signed on 26 April 1950, transferred his remaining shares to the trustees. For the first time the trustees were elected democratically by the Partners, as the staff are called, rather than chosen by the founder.

Three features of this story bear directly on the evidence in this book.

The sale was financed by the enterprise itself. Spedan Lewis did not give his shares away for nothing. He was repaid, without interest, from the profits of the business over thirty years. That is, in outline, the same move Louis Kelso would make in California in 1956 and that the British employee ownership trust formalised in 2014: the firm's future earnings pay the founder, and the people who produce those earnings come to own what they produce. The idea of a founder being paid fairly while the enterprise passes to its people is not a modern device. It is at least as old as this.

The control passed in stages. Twenty-one years separate the two settlements. The founder kept control while the institutions of partnership were built, and gave it up when they could carry it. Chapter 8 recommends the same order for a firm today: information first, voice second, the share third, and permanence last, because a structure meant to last should encode a relationship that already works.

The trustees became elected. In 1950 the people who held the enterprise in trust came to be chosen by the Partners. That is the voice that Chapter 3 found ownership needs, written into the constitution of the owning body itself.

The John Lewis Partnership has had hard years, as any retailer has, and a reader should not take its structure as a promise that the business will prosper. The structure answers who owns and who decides. It does not answer whether customers will come.

## Stuttgart, 1964: the trust that votes

Robert Bosch founded his workshop for precision mechanics and electrical engineering in Stuttgart in 1886. It became one of the largest engineering enterprises in the world. Its ownership today is the most finely divided of the four in this chapter, and the division is the point.

Bosch set up a company called Vermögensverwaltung Bosch in 1921 and directed in his will that, within thirty years of his death, its managers should decide whether his shares in Robert Bosch GmbH should pass into it. He died in 1942. On 26 June 1964 the family transferred the majority of its shares to that company, which in 1969 took the name Robert Bosch Stiftung.

According to Bosch's own corporate profile for 2025 and 2026, about ninety-four percent of the share capital of Robert Bosch GmbH is now held by the Robert Bosch Stiftung, a company with a charitable purpose.

About five percent is held by a company of the Bosch family and about one percent by Robert Bosch GmbH itself. The voting rights are arranged differently. The foundation's votes are exercised not by the foundation but by a separate entity, Robert Bosch Industrietreuhand KG, which holds about ninety-three percent of the voting rights while owning a negligible share of the capital. The family holds the remaining votes, about seven percent.

The figures have moved over time: a profile from 2019 gives the foundation about ninety-two percent of the shares, and sources differ by a point or two depending on the year. The structure has not moved. Ownership of the economic value and control of the votes are held by different bodies, on purpose. The foundation receives dividends and spends them on its charitable work. The trust company, whose members are drawn from people with knowledge of the business, exercises the votes. Neither can be bought.

The Bosch case adds a refinement to the Zeiss model. At Zeiss, one foundation owns and controls. At Bosch, the right to the gain and the right to decide are separated, so that the body that receives the money is not the body that steers the firm. Santa Anna's book names the first principle of steward ownership as "self-governance," voting rights held by people involved in the company. The Bosch structure is one careful answer to what that can mean in a firm of hundreds of thousands of people.

As at Zeiss, the employees of Bosch are not its owners. The steward is a trust and a foundation, not the workforce. A reader who came to this chapter looking for employee ownership will find, at Bosch, something adjacent to it: a firm protected from sale, whose gains go to a purpose, and whose people work inside that protection without holding it.

## Ventura, 2022: the trust and the collective

The most recent of the four cases is the one most readers will have heard of, and the one Santa Anna's book calls "the most high-profile example."

On 14 September 2022 Patagonia, the outdoor clothing company founded by Yvon Chouinard, announced that the Chouinard family had transferred its ownership. The company's voting stock, about two percent of the whole, went to a newly created Patagonia Purpose Trust, whose job is to protect the company's values and the way it is run. The non-voting stock, about ninety-eight percent, went to a nonprofit called the Holdfast Collective, which receives the profits not reinvested in the business and uses them for work on the environmental crisis. The announcement was headed with a sentence of Chouinard's that has since travelled widely: "Earth is now our only shareholder."

Santa Anna's book describes the structure's effect in one line: "The purpose is permanently encoded in the ownership structure." His book gives figures for the company's value at the time, about three billion dollars, and its annual profits, about one hundred million dollars; the company's own announcement estim-

ated the annual payout to the collective at around one hundred million dollars, depending on the health of the business. Neither figure is audited here, and both should be read as approximate and of their moment.

The Patagonia structure is the clearest modern illustration of the Bosch division: a small block of voting stock held by a body charged with purpose, and a large block of economic value held by a body charged with spending it on that purpose. It is also, like Zeiss and Bosch, not employee ownership. The people who make and sell Patagonia's clothing do not hold the voting stock or the non-voting stock. They work for a company whose control has been placed beyond the reach of a buyer.

## What the four have in common

Read together, the four cases share a shape, and it is worth stating plainly because it is easy to blur.

Each separates control from extraction. In every case, the right to steer the enterprise and the right to take money out of it have been arranged so that no outside party can acquire the first in order to maximise the second. That is the core of steward ownership as Santa Anna's book defines it.

Each was made by a founder or a founding family. None of these structures was imposed by law, demanded by workers or designed by a board. Each was a decision by the people who held the enterprise to give up the right to sell it. That is both their strength and their limit. It means the structures exist only where an owner chose them.

Each took time. Zeiss: from 1889 to 1919 before the foundation held both enterprises outright. John Lewis: twenty-one years between the two settlements. Bosch: twenty-two years between the founder's death and the transfer. Patagonia: half a century of the company's life before the family gave it away. Permanence was the last thing built, not the first.

Only one of the four is held by its workers. The John Lewis Partnership holds its business in trust for its Partners, who elect the trustees. The other three are held by foundations or trusts whose beneficiaries are a purpose, not a workforce. That difference matters for this book. The research in Chapters 2 and 5 concerns ownership by employees; it does not measure steward ownership, and the claims made for steward ownership rest on cases like these rather than on large samples.

## What the cases cannot show

A chapter of cases owes the reader an honest account of what cases can and cannot prove.

They cannot show that steward ownership causes success. These four enterprises are among the best-known in the world, and they are known partly because they survived. Enterprises that adopted similar structures and failed are less likely to be written about. That is survivorship, and it is the oldest trap in the study of business.

They cannot show that the structures work the same way in every country. Each sits inside its own body of law: German foundation law, the English law of trusts, the corporate law of the American states. Chapter 5 names the British employee ownership trust and the American ESOP as the common modern routes, and they differ from these older structures in important ways.

They cannot show what employees feel. The book's claim that steward ownership relieves the anxiety of a possible sale is plausible, and the cases are consistent with it, but no source cited here has measured it.

What the cases can show is that the problem of permanence has been solved, more than once, by people who wanted their enterprises to outlast them and their purposes to outlast their own judgement. They show that a founder can be repaid while the enterprise passes on, as Spedan Lewis was. They show that ownership of value and control of votes can be held apart, as at Bosch and Patagonia. And they show that the solution can carry an enterprise for more than a century, as at Zeiss.

## The lesson for a firm that is not Bosch

Most readers do not lead an enterprise of global size, and none of these four structures can be copied from a book. The lesson they offer to an ordinary firm is not a structure. It is a set of questions, and they belong in the conversation about succession long before any adviser is hired.

What do we want to survive us? The Zeiss statute and the Patagonia trust both began by writing a purpose down. A firm that cannot say in a paragraph what it wants to outlast its present owners is not yet ready to protect it.

Who should hold the vote, and who should hold the gain? Bosch and Patagonia separate the two. An employee-owned firm usually joins them. There are reasons for each, and the choice should be made deliberately.

How will the founder be paid? Spedan Lewis was repaid from profits over thirty years. Kelso's plan borrowed and repaid from earnings. The British trust is financed in a similar way. A founder who expects to be paid fairly and a workforce that expects to inherit a viable firm need the same thing: a schedule the business can carry.

How long will we take? None of these structures was built in a quarter. A firm that hopes to make its purpose permanent should expect the work to take years, and should build the relationship before it builds the trust.

Santa Anna's book describes what the alternative feels like to those inside a firm that is sold to distant owners: "The ground beneath their economic life has shifted from a relationship to a transaction." It then states the claim for the structures in this chapter: "Steward ownership provides structural reassurance that this shift cannot happen." The four cases are the evidence that such reassurance can be built. Whether a

given firm should build it, and in which form, is a decision for its owners, made with advisers and, ideally, with the people whose working lives depend on it.

The lineage's volume on patient capital (*The Long Clock*) takes up Colin Mayer's work on corporate purpose, which is the scholarly frame for much of this chapter. Chapter 12 returns to the question of permanence and places it beside the commons, voice and the gift.

## The Tool: The Permanence Questions

*For owners and boards. Complete it in writing, before any adviser is engaged, and keep it with the succession file. It does not choose a structure. It records what any structure would have to protect.*

1 · The purpose

- In one paragraph, what do we want this enterprise to go on doing after the present owners have gone? _____
- Three things a buyer could change that we would not want changed: 1 __ 2 _ 3 ___

2 · The vote and the gain

- Who should decide the strategy of this firm in twenty years (employees · a trust or foundation · a family · outside investors · a blend)? _____
- Who should receive its profits (employees · a purpose · a family · investors · a blend)? _____
- Should these be the same people? yes · no · why: _____

3 · The payment

- What would the present owners need to receive, and over how many years? _____ (estimate; take valuation advice)
- Could the business carry that from its earnings without starving its investment? yes · no · unknown

4 · The time

- Months of open numbers and shared profit we have behind us now: _____
- Year by which we would want a permanent structure in place: _____
- The relationship we need to build first, in a sentence: _____

5 · The routes to discuss with advisers

- Employee stock ownership plan (US) · employee ownership trust (UK) · cooperative conversion · foundation or purpose trust · other: _____
- Advisers we will ask, and by when: _____

6 · What it will not do

- For the route we prefer, write one thing it leaves unprotected: _____

CHAPTER SEVEN

# Two Beginnings in 1956

## The same year, on two coasts

In 1956 two things began that would shape how much of the world thinks about the people who own their work. They began about nine thousand kilometres apart, in places that had nothing to do with each other, and they began from opposite ends of the same question.

In California, a lawyer named Louis Kelso designed a financial device so that the employees of a group of newspapers could buy them from their retiring founders. It was a solution to a problem of succession, and it carried a theory of capital.

In the Basque Country of northern Spain, on 14 April 1956, a priest named José María Arizmendiarrieta blessed the first stone of a workshop founded by five young men he had taught. It was called Ulgor, from the names of its founders, and it was a cooperative: owned and governed by the people who worked in it. It was a solution to a problem of livelihood in a poor valley, and it carried a theory of community.

This chapter tells both stories, because together they show the two main roads by which ownership reaches the people who do the work, and because each, read honestly, contains both a strength and a failure. Chapter 2 introduced Kelso and Chapter 3 introduced the fall of Fagor. Here they are told at length, with the dates and figures checked against the sources the notes name.

## Palo Alto: a device for succession

The owners of Peninsula Newspapers were two founders in their eighties. They wanted to retire. The people best placed to keep the papers running were the people already putting them out, and those people had no capital. A sale to an outside buyer would have paid the founders and placed the papers in hands that did not know them. A sale to the employees was impossible, because the employees could not pay.

Kelso's answer was to let the company's future earnings pay for its present ownership. A trust was formed for the employees. The trust borrowed money and used it to buy the founders' shares. The company then made contributions to the trust, which used them to repay the loan, and as the loan was repaid the shares were allocated to the employees' accounts. Practitioner histories of the plan note a further piece of design: by running the borrowing through a stock bonus plan, the loan could be repaid with contributions that

were deductible for the company, which made the arithmetic work. Sources differ slightly on dates; one newspaper account places the plan's formal tax approval in 1957.

What makes the device important is not the newspapers. It is the shape of the transaction, which has been repeated many thousands of times since. The founder is paid. The employees come to own the firm. Nobody in the building needs savings to make it happen, because the enterprise finances its own transfer. Chapter 6 showed the same shape in London in 1929, when Spedan Lewis was repaid from profits over thirty years as his shares passed into trust. Kelso turned it into a repeatable instrument.

Kelso had a larger ambition than succession. He believed that as machines did more of the work, more of the income of a society would flow to the owners of capital rather than to the owners of labour, and that a society in which few people owned capital would grow more unequal and less free. His remedy was to spread ownership of capital broadly, financed by credit repaid from the earnings of the capital itself. Whatever one makes of the theory, it explains why he did not regard the newspaper plan as a technical trick. He thought he had found a way for working people to become owners without first becoming savers.

The device entered American federal law in 1974, with the Employee Retirement Income Security Act, which gave ESOPs their legal place among retirement plans. That is why the Department of Labor counts them today, and why the National Center for Employee Ownership, working from the Department's filings, could report 6,609 ESOP plans in 2023, covering 15,105,304 participants, as Chapter 2 sets out.

## What the device does not do

The Kelso road has a strength and a characteristic weakness, and both follow from its origin.

The strength is that it solves the problem of capital. A workforce without savings can come to own a firm. That is no small thing, and nothing else in this book does it as reliably.

The weakness is that the device was designed for succession, not for governance. An ESOP holds shares in a trust; the trustee votes them, in most matters, on the participants' behalf. A worker in an ESOP company may own a substantial stake in the firm and have no more say in its running than an employee of any other company. Chapter 3's third objection, ownership without voice, is in large part an objection to the ESOP as commonly practised. Kruse and Blasi found in 1995 that perceived participation "is not in itself automatically increased through employee ownership," and much of the variation in how ESOPs perform traces back to whether the firms that adopt them also open their books and their decisions.

There is a second weakness, which E. Han Kim and Paige Ouimet named in their study of large plans in public companies: some were adopted "for nonincentive purposes such as conserving cash by substituting wages with employee shares," or to form "a worker-management alliance to thwart takeover bids." The device that lets employees buy a firm can also be used to keep a management in place. Chapter 3 takes up

both uses. Here the point is historical: the Kelso road is a financial road, and what travels along it depends on who is driving.

## Mondragón: a community that built firms

The other beginning in 1956 came from the opposite direction. Arizmendiarrieta had arrived in the town of Mondragón in 1941 as a young priest, in a valley still marked by the Spanish Civil War. He founded a technical school, and among its students were the five men who would found Ulgor: Luis Usatorre, Jesús Larrañaga, Alfonso Gorroñogoitia, José María Ormaetxea and Javier Ortubay. The company's name was built from theirs. Its first bylaws were approved in 1959.

Ulgor was not a device for transferring an existing firm. It was a new firm, founded as a cooperative from the first day. Its members owned it; they governed it on the rule of one member, one vote; and the cooperatives that followed it in the valley built around themselves the institutions a community needs and a single firm cannot supply. Santa Anna's *Ecstatic Economics* describes the result as "a federation of over 80 cooperatives employing more than 80,000 people," with "a university, a bank, a social security system, and numerous industrial enterprises." Those figures are the book's and vary with the year and with how the group's members and employees are counted; the shape they describe is not in dispute.

If the Kelso road begins with capital and hopes that community follows, the Mondragón road begins with community and builds the capital it needs. That difference explains the strength of the Basque model. Ownership there was never a share certificate in a drawer. It came with a vote, an assembly, a bank that would lend to cooperatives, and a set of sister enterprises that could absorb members when one of them struggled. It came, in the language of this book, with voice, information and a structure of mutual care.

Santa Anna's book reads the somatic dimension of this with care. In the passage Chapter 2 quotes, he writes that "the shared ownership structure makes purpose tangible: when you own the enterprise, your contribution matters to a community you can see." The phrase *a community you can see* is the Mondragón road in five words.

## The fall of Fagor

Ulgor became Fagor Electrodomésticos, an appliance maker that grew into a multinational with subsidiaries in France and Poland, competing in a global market for washing machines and refrigerators. In November 2013 it filed for bankruptcy.

The failure was a hard morning for a movement that had used Mondragón as its proof for half a century, and Santa Anna's book does not leave it out. "Mondragon is not utopia," it says, and it names the bankruptcy as a failure "that tested the cooperative model severely and produced real suffering for the worker-

owners involved." It also offers a reading of the response: "The crisis was metabolized by the community rather than externalized onto individuals."

The record supports that reading in part and complicates it in part, and both halves deserve to be set down.

What the federation did. Within weeks of the filing, the group began moving Fagor's members into other cooperatives. Press reports of the group's figures give 202 members already relocated by late November 2013 and about 400 by mid-December. By May 2014 the group reported that about 980 members of Fagor and its subsidiary Edesa had found places in other cooperatives, out of roughly two thousand people affected, and that a further 255 had taken early retirement or other settlements. Eurofound's record of the restructuring gives 2,093 people affected, of whom 1,603 were cooperative members. Sources count Fagor, Edesa and the French unit differently, and the totals should be read with that in mind. Even so, a federation that finds work in sister enterprises for something approaching half of those affected by the collapse of its founding firm is doing something that no ordinary labour market does.

What it could not do. Andrés Errasti, Ignacio Bretos and Enekoitz Etxezarreta, studying the same collapse, describe "radical job restructuring processes" before the bankruptcy, in the Basque plants and in the foreign subsidiaries, and they treat the case as a question about whether a cooperative can survive becoming a multinational at all. The workers of the subsidiaries in France and Poland were employees of a cooperative's subsidiaries, not members of a cooperative. They did not share in the protection the federation gave its members. Santa Anna's book names the same tension in general terms: Mondragón's "expansion into international markets has created tensions between cooperative principles and conventional business practices."

The space between the two accounts is where the lesson of the case lies. The cooperative model protected its members unusually well. It did not protect the people it had brought into its orbit without making them members. Fagor grew by acquiring firms whose workers were employees, and in doing so it reproduced, inside a cooperative group, the very line between owner and worker that the cooperative existed to erase.

## What the two roads teach together

Read side by side, the two beginnings of 1956 teach four things that neither teaches alone.

Capital and community are both needed, and each road supplies one. The Kelso road solves the problem of capital and leaves governance to chance. The Mondragón road solves the problem of governance and has to build its own capital, through its own bank, slowly. A firm choosing a road today should know which problem it is solving and what the other road would have supplied.

Voice is what distinguishes ownership that changes a workplace from ownership that changes a balance sheet. The cooperative's members voted; the ESOP's participants, in most matters, do not. The research in Chapter 2 suggests that this difference is close to the centre of whether ownership works. An ESOP company can add voice by design, through open books, elected representatives on the trust committee and pass-through voting on major decisions. Many of the best do.

Scale tests both roads at the boundary of membership. An ESOP that grows by acquisition must decide whether the new firms' workers join the plan. A cooperative that grows by acquisition must decide whether the new firms' workers become members. Fagor's answer, in its foreign subsidiaries, was no, and the cost of that answer arrived in 2013. Santa Anna's book offers a way through scale that the case supports: "Perhaps the goal is not one giant cooperative but a network of small ones."

Failure belongs in the record. Santa Anna's book states the principle for the whole lineage: "Honesty requires acknowledging that vitality-centered economic experiments fail — sometimes spectacularly." The fall of Fagor does not refute the cooperative model; Mondragón's federation continued after it. It shows where the model's protection ends, and that is the most useful thing any case can show.

## The questions for a firm today

A firm considering either road can take from these two stories a short set of questions, which the Tool below writes out.

If it is considering the Kelso road, the question is how voice will be added to a device that does not supply it. Who will sit on the trust committee? Will participants vote their shares on a sale? Will the books be open?

If it is considering the Mondragón road, or a conversion to a cooperative, the question is where the capital and the mutual support will come from. A single cooperative without a federation, a bank or sister enterprises is more exposed than a Mondragón cooperative ever was.

And whichever road it takes, the question Fagor poses is the boundary. Who is a member, who is not, and what happens to the people outside the line when the firm grows or contracts?

The lineage's volume on the commons (*The Pasture Was Never Empty*) takes up Elinor Ostrom's finding that lasting common-pool institutions have clearly defined boundaries. Fagor is a case of a boundary that was clear and was drawn in the wrong place.

## The Tool: The Two Roads Sheet

*For a firm choosing a route to employee ownership, or reviewing the one it has. Complete with advisers where the questions require them.*

1 · Which problem are we solving?

- Capital (the workforce cannot buy the firm without finance): yes · no
- Governance (the workforce has no say in how the firm is run): yes · no
- Succession (the owners want to stop): yes · no · year: _____
- Livelihood (the firm is being founded to provide work): yes · no

2 · If the Kelso road (ESOP, employee ownership trust or similar)

- How will the purchase be financed, and over how many years? _____ (take advice)
- Who will be the trustees? __ · How many will be employees, elected by employees? ____
- Will participants vote their shares on sale, merger or closure? yes · no
- How often will the books be opened to all participants? _____

3 · If the Mondragón road (cooperative founding or conversion)

- Where will capital come from beyond members' contributions? _____
- Is there a federation, a cooperative bank or a network of sister enterprises we can join? _____
- What will a new member contribute to join, and can a low-paid worker afford it? _____

4 · The boundary

- Who is a member or participant today? __ people · who is not? ____ people
- If we acquire or open another unit, will its workers join? yes · no · on what terms: _____
- If we contract, what happens to the people inside the line, and to those outside it? _____

5 · The failure we would most want to avoid

- In a sentence, the failure from this chapter that most resembles a risk we face: _____
- The design choice that answers it: _____

CHAPTER EIGHT

# The Field Manual

## A year, in order

This chapter is written to be used. It sets out, week by week across one year, a sequence a leader can run to bring shared ownership into a firm in the order the evidence and the house's reading both suggest: information first, voice second, the share third, permanence last. It names the roles, the decisions and the documents at each stage, and it says where the work must stop and wait for advisers.

It is not a legal or tax plan, and it does not choose a structure for any firm. A firm that intends to sell to its employees through an ESOP, an employee ownership trust or a cooperative conversion will need lawyers, valuers and, in most cases, lenders, and their timetables will govern the last quarter of this year. What this manual governs is everything a leader can do before and around them, which is most of what decides whether the structure, once it exists, will work.

The sequence is drawn from the earlier chapters. Chapter 2 found that ownership works when it comes with information, voice and fair treatment. Chapter 3 set out six ways it goes wrong, each with a design answer. Chapter 4 argued that the safety signal arrives through evidence, so evidence should come first. Chapter 5 worked a composite bakery through the first two steps. Chapter 6 showed that every lasting structure took years, and was built last. This manual puts those findings in the order a working week can carry.

It is written for a firm of between about thirty and five hundred people, which is where most of the research's worksites sit and where most succession decisions are made. A smaller firm can compress it; a larger one should run it unit by unit, for the reason Chapter 3 gave: the free-rider problem grows with the size of the unit, and sensing works where people can see each other.

## Before week one: the three roles

Three roles carry the year. In a small firm one person may hold two of them; they should never all be held by the owner.

The sponsor is the person with authority over ownership: the owner, the founder, the board chair. Their job is to make decisions on the dates the manual sets, to say in public what they have decided and why, and

to stay out of the rooms where people need to speak freely about them. A sponsor who attends every session will hear only what people say in front of a sponsor.

The steward of the year is the person who runs the sequence: books the sessions, keeps the records, chases the advisers, writes the monthly note. It is usually a senior operations or people leader. They need the sponsor's trust and the floor's. Their most important skill is keeping a record that nobody has edited.

The working group is six to twelve people drawn from across the firm, chosen as far as possible by their colleagues rather than by management. They read the numbers before anyone else does, carry questions in both directions, and draft the parts of the plan that most affect the people they come from. They are the first sensing organ the firm grows on purpose.

The Luminous 100, the house's catalogue of familiar strategy tools carried into living-systems terms, warns against the usual way of running a programme like this. Writing about objectives and key results, it says that "cascading OKRs down the org chart is a mechanistic practice that fragments the living whole." The working group exists to stop the year being cascaded. It lets the plan be shaped by the people it will shape.

## Quarter one: information

### *Weeks 1 to 2 · The inventory*

The steward completes the Ownership Inventory from Chapter 2 with the finance lead. Every arrangement is recorded as a form, not an intention: the profit share, the bonus pool, the retirement match in company stock, the options, any trust. People are counted, not plans. Part B, the relationship around the arrangements, is completed honestly, including the line that asks when an employee-owner's suggestion last changed a decision.

*Decision for the sponsor, end of week 2:* Is this inventory accurate, and may it be shared with the working group? The answer should be yes. If it is not, the year should not begin.

### *Weeks 3 to 4 · The working group forms*

The steward invites nominations from each team. Where a team cannot agree, the steward draws a name. The sponsor addresses the whole firm once, in person, and says four things: that the firm is examining how its people share in what they make; that nothing has been decided; that a working group drawn from across the firm will see the numbers first; and the date by which the first decision will be made. The sponsor names that date and keeps it.

The finer point is what the sponsor does not say. They do not promise ownership, a figure or a structure. A promise made before the numbers are understood is a promise likely to be broken, and the evidence of Chapter 4 is that a broken promise teaches people to face outward.

### *Weeks 5 to 6 · The four numbers*

The working group chooses, with the finance lead, four figures that will be posted monthly where everyone can see them. Chapter 5's bakery chose sales against the same month last year, waste, on-time delivery and pre-tax profit for the year to date. The principle for choosing is the one Chapter 5 set out: figures that people can affect and that move often enough to be watched, plus at least one figure that shows what the firm earns. Leaving profit off the wall tells everyone that the real number is a secret.

The finance lead writes a one-page explanation of each figure in plain words: what it is, where it comes from, what moves it, and what it cannot show.

### *Week 7 · The first posting*

The four numbers go on the wall, on paper and wherever the firm's people actually look: the canteen, the depot, the shared drive, the shift handover. They go to everyone at once. A figure seen by the office a week before the floor is a figure that has already told the floor where it stands.

### *Weeks 8 to 12 · The monthly session*

The steward holds the first monthly session: thirty minutes, open to all, on the numbers. Anyone may ask a question. Every question is answered on the record, in writing, within a week, including the questions whose honest answer is *we do not know yet* or *we will not change that, and here is why*.

The first two sessions are often quiet. That is normal and is not a reason to stop. The bakery in Chapter 5 heard its first useful question at the third session, about a flour delivery that held up Monday mornings, and the answer cost nothing. Most firms will find their own version within a month of asking. The Luminous 100's reading of Lewin's change model offers the questions a steward can bring to a quiet room: "What is already softening? What is ready to flow?"

*Decision for the sponsor, end of week 12:* Will the monthly numbers and the monthly session continue regardless of what is decided about ownership? The answer should be yes, and it should be announced. This is the first irreversible step of the year, and it is deliberately the cheapest.

### *The quarter's record*

At the end of the quarter the steward writes a one-page note to everyone: what was posted, what was asked, what was answered, what changed. It is the first entry in a record that will run all year. Chapter 4's dispatch manager kept a sheet headed *What you raised, and what happened*. The firm now keeps one too.

## Quarter two: voice

*Weeks 13 to 14 · The Two Directions Audit*

The steward runs the Two Directions Audit from Chapter 4: the anonymous eight-question survey for everyone and the one-page review for leadership. It is the baseline for the whole year. Results are reported by team to the working group and in summary to everyone, and the summary includes the worst result as well as the best.

*Weeks 15 to 18 · The Risk and Voice Check*

The working group completes the Risk and Voice Check from Chapter 3 with the steward and the finance lead. It is the most important document of the year, because it names, before any design is chosen, the six ways the firm's plan could go wrong. The finer points:

On one basket. The group records whether any existing reward is paid in place of a market wage. If any is, the first design principle of the plan is written down now: every share will come on top of a market wage.

On free riders. The group records the size of the smallest unit whose results could drive a share. If it is larger than about a hundred people, the group proposes how the plan might share part of the pool by unit.

On voice. The group records how often results are shared, who sees them first, and whether employees have any seat where decisions about rewards are made. The working group is itself the first such seat; it should say whether it wants to continue after the year.

On the shield. If the firm is considering an ESOP or trust, the group records who would appoint the trustees. It recommends now that some trustees be elected by employees.

On drift. The group lists the measures other than profit that will be reported each year. Chapter 9 offers a set.

On who is left out. The group counts contractors, temporary staff and part-timers, and proposes how each will be treated. It reads the allocation formula of any existing plan with the lowest-paid person in mind.

*Weeks 19 to 20 · The question forum becomes a council*

If the monthly session has worked, the working group proposes that it become a standing council: elected, with a written remit, meeting monthly, with the right to see the full accounts quarterly under confidentiality and to put questions to the sponsor in writing. The remit is short. It says what the council may see, what it may ask, what it may propose, and what it may not decide.

*Decision for the sponsor, end of week 20:* Will the council be established, with a remit in writing? A council without a written remit drifts; a council with one can be held to it, by both sides.

*Weeks 21 to 24 · Teaching the plan*

Whatever the firm already has, a retirement match, a bonus pool, a trust, the steward arranges for it to be taught. An owner who does not understand what they own cannot act like one. The session is an hour, repeated for every shift, with the plan document available and a person who administers it present to answer questions. Chapter 11 sets out the questions a household should bring; the steward circulates them in advance.

*Weeks 25 to 26 · The half-year note*

The steward writes the second quarterly note. It includes the audit baseline, the Risk and Voice Check in summary, the council's remit and the first questions the council has asked. It also says, plainly, what has not yet been decided.

## Quarter three: the share

*Weeks 27 to 30 · Modelling the profit share*

The working group, with the finance lead, models a profit share using the Readiness Sheet from Chapter 5. The finer points from that chapter govern the work:

Price it at net cost. Fold existing discretionary rewards into the pool and show the true decision.

Decide the split in writing, with reasons. Chapter 5's bakery split half equally and half by pay, so that the night baker and the sales manager received the same first share. Every split favours someone. The record of why is what makes it fair.

Model the bad year before the good one. Show everyone what the share would have been in the firm's worst year of the last five.

Keep the share on top of the wage. This is the single most important protection for the household on the other side of the plan.

Include part-timers. Pro rata to hours, from the first period.

The group prepares three options, not one, and writes what each does and does not do.

*Weeks 31 to 32 · Consultation*

The three options go to the council and then to everyone, at a session on every shift. The steward records every objection. The working group revises.

*Decision for the sponsor, end of week 32:* Which option, from when, and paid how often? The sponsor announces the decision in person, as the bakery's owner did on the packing floor in Chapter 5, saying what it

would be in a normal year and in the worst year, that it comes on top of wages, why the split is as it is, and what it is not. "This is not ownership of the firm" is a sentence worth saying aloud, if it is true, so that nobody mistakes the first step for the last.

*Weeks 33 to 39 · The first period*

The share runs. The four numbers stay on the wall. The council meets. The steward writes the third quarterly note, which includes the first estimate of what the share will be at the end of the period, and why it might differ.

## Quarter four: permanence, begun

*Weeks 40 to 42 · The second audit and the first payment*

The first share is paid, on the date promised, with a statement for each person showing how it was calculated. The steward runs the Two Directions Audit a second time and compares it with the baseline. Chapter 9 sets out how to read the comparison without fooling oneself.

*Weeks 43 to 46 · The permanence questions*

If the sponsor intends to pass ownership to the people who work in the firm, this is when the question is opened, in writing, with the council. The sponsor completes the Permanence Questions from Chapter 6: what the firm should go on doing after its present owners, who should hold the vote and who the gain, how the owners should be paid, and how long the work should take. The council responds in writing.

The sponsor engages advisers now and not before. A lawyer, a valuer and, if the route requires one, a lender will set their own timetable, and it will usually run well past the end of this year. That is as it should be. The firms in Chapter 6 took between two and five decades to complete their structures. A firm that has spent a year building information and voice, and has paid a share on time, enters the conversation about ownership with the relationship that ownership is meant to formalise.

*Weeks 47 to 50 · The route sheet*

The council and the sponsor complete the Two Roads Sheet from Chapter 7 together. The boundary questions in its fourth part are answered before any structure is drafted: who will be inside, who outside, and what happens to the people outside the line if the firm grows or shrinks.

*Weeks 51 to 52 · The year's account*

The steward writes the year's account: what was done, what changed, what was learned, what was not achieved, and what comes next. It goes to everyone. It ends with the structural question from Santa Anna's

book, the one Chapter 5 borrowed: if this firm could redesign one structural feature of its working life, what would it be?

## When to stop or slow down

A manual that only goes forward is a manual for a firm that does not exist. Four conditions should slow or stop the sequence, and the steward should say so in writing when one arises.

When the numbers are bad. If the firm enters a hard year in the first two quarters, the information and voice steps continue and the share is delayed. A share introduced into a falling year pays little and teaches the wrong lesson. Open numbers in a hard year, honestly explained, build more trust than any share.

When the sponsor's intention changes. If the sponsor decides to sell to an outside buyer, the steward should say so to the council at once. Discovering it later is the single event most likely to turn the attention of a whole workforce outward for years.

When the audit gets worse. If the second Two Directions Audit shows more outward-facing attention than the first, the cause should be found before the next step is taken. It is usually a broken promise, a figure that went missing from the wall, or a question answered in a corridor instead of on the record.

When the council stops asking. A council that asks no questions for two months is either satisfied or afraid. The steward should find out which.

## The finer points of the whole year

Keep every date. The single cheapest way to build trust is to do what was said on the day it was said. The single cheapest way to lose it is to move a date without explanation.

Write everything down. A question answered in a corridor reaches one person; a question answered in writing reaches everyone, and can be checked later.

Separate the steward from the sponsor. The person who decides should not also be the person who runs the rooms where people speak about the decision.

Prefer the small step that will last to the large step that might not. Four numbers on a wall, kept for a year, are worth more than a large plan announced and quietly abandoned.

Let the evidence lead. At every stage, the research in this book points the same way: ownership with information and voice does more than ownership alone. Where the sequence has to give, it should give on the size of the share, not on the information or the voice.

Santa Anna's book has a phrase for the size of step this manual begins with. Among its reflection questions, it asks for the smallest experiment a reader could begin, "Not a grand transformation, but a" seed,

"something small enough to start this week." Week one of this manual is that seed. It is an inventory, completed honestly, and a decision to share it.

The lineage's volume on gainsharing (*The Gain Was Always Shared*) covers the related history of plans tied to measured improvement, which some firms run alongside a profit share. Where a firm wants to see on one page everyone its ownership touches before deciding where the boundary lies, the Alpha Papers' reading of stakeholder mapping is a natural companion to weeks 15 to 18.

## The Tool: The Year Plan

*One page for the steward, kept on the wall of the room where the working group meets. Fill in the dates in pencil in week one; ink them as each is kept.*

| WEEKS | STEP | OWNER | DATE | DONE |
|---|---|---|---|---|
| 1–2 | Ownership Inventory complete; sponsor approves sharing | Steward, finance lead | | |
| 3–4 | Working group formed; sponsor addresses the firm | Steward, sponsor | | |
| 5–6 | Four numbers chosen and explained | Working group, finance lead | | |
| 7 | First posting, to everyone at once | Steward | | |
| 8–12 | Monthly sessions; every question answered in writing | Steward | | |
| 12 | Sponsor commits to keep numbers and sessions | Sponsor | | |
| 13–14 | Two Directions Audit, baseline | Steward | | |
| 15–18 | Risk and Voice Check | Working group | | |
| 20 | Council established, remit in writing | Sponsor, working group | | |
| 21–24 | Plan teaching, every shift | Steward, plan administrator | | |
| 27–30 | Profit share modelled: three options, bad year first | Working group, finance lead | | |
| 31–32 | Consultation; sponsor decides and announces | Sponsor | | |
| 33–39 | First period runs | All | | |
| 40–42 | First payment; second audit | Steward, finance lead | | |
| 43–46 | Permanence Questions; advisers engaged | Sponsor, council | | |
| 47–50 | Two Roads Sheet | Sponsor, council | | |
| 51–52 | The year's account, to everyone | Steward | | |

Stop or slow conditions (tick if any applies, and write why): bad numbers ☐ · change of sponsor's intention ☐ · audit worse ☐ · council silent ☐ · _____

CHAPTER NINE

# Knowing Whether It Worked



*Knowing Whether It Worked*

HAUTE LUMIÈRE · OWNING THE WORK · CHAPTER NINE

## The question after the first payment

A year after a firm begins sharing what it makes, someone will ask whether it worked. The question may come from a board, an owner considering the next step, a sceptical finance director or the people who re-

ceived the share. It deserves a better answer than either of the two it usually gets: a productivity figure that went up and is credited to the plan, or a productivity figure that did not and is blamed on it.

This chapter is about how to answer it honestly. It sets out what to count, how to read what is counted, and how to avoid the errors that make most internal evaluations of reward plans worthless. It draws on the methods of the research in this book, which are more careful than most firms' methods, and on the house's reading in Chapter 4, which suggests that some of the most important early signs are not financial at all.

Ammanuel Santa Anna's *Ecstatic Economics* names the difficulty plainly. Measurement that counts only money pulls an enterprise back toward the pattern it set out to leave: "If a cooperative measures its success only in financial terms, it will gradually drift toward extractive behavior." And measurement that counts more than money is hard to design: "Designing such measurement systems is among the most important — and most difficult — practical challenges the movement faces." This chapter is an attempt at the hard part, for one firm.

## Why the obvious answer misleads

The obvious way to evaluate a profit share is to compare the year after it began with the year before. If productivity rose, the plan worked. If it did not, it did not. Almost everything about this method is wrong, and it is worth saying why, because the errors are the same ones the research spends most of its effort avoiding.

The year changed as well as the plan. Demand, prices, staff, equipment and a dozen other things moved between the two years. A comparison of before and after attributes all of their effects to the plan.

The firm chose the moment. Firms tend to introduce sharing when things are going well, or when an owner is preparing to step back. Either can coincide with changes in performance that have nothing to do with the plan. Margaret Blair, Douglas Kruse and Joseph Blasi, in their study of employee-owned public firms, were careful to say that they could not separate the effect of ownership from the possibility that stable firms chose it. A single firm is in the same position, with less data.

Averages are not forecasts. Kruse's finding that adopting profit sharing was associated with average productivity increases of four to five percent in American public companies is an average across many firms. It does not say what any one firm should expect, and Kruse himself reported "no evidence on the mechanisms." A firm that did not see four percent has not shown that the plan failed; a firm that did has not shown that it succeeded.

One year is short. Kruse found that the increase in his sample was a step, "with no subsequent positive or negative trend." Other effects, on employment in downturns or on survival, can only be seen across a bad year, which may not arrive for some time.

The honest conclusion is that a single firm cannot prove, from its own figures, that its plan caused anything. What it can do is measure the right things, compare them sensibly, and learn whether the plan is doing what the evidence says plans like it tend to do when they are working.

## What to count: four layers

The research in this book, and the house's reading of it, suggest four layers of measure. Each answers a different question, and a firm that counts only one is answering only one.

### *Layer one: the stitch*

The first layer asks whether the conditions the research says ownership needs are actually present. It measures information and voice, the things Chapter 4 called the stitch. These are the measures most firms skip, and they are the ones most within a leader's control.

- Coverage: the share of all people working in the firm, including part-timers and long-term contractors, who are inside the plan.
- Information: how many times in the year the full set of agreed numbers was posted on time, out of how many promised.
- Questions: how many questions were raised at sessions or with the council, and how many were answered in writing within the promised time.
- Influence: the number of decisions in the year that changed because of something employees raised, each named.
- Understanding: the share of people who, in the anonymous audit, agree that they understand how the firm's results affect their pay or shares.

These are not soft measures. They are counts, and each can be checked against a record. Their virtue is that they measure the inputs the evidence says matter, rather than waiting for an output that may take years to appear.

### *Layer two: attention*

The second layer asks the question Chapter 4's reading raises: is attention turning from defence toward care? It uses the Two Directions Audit, run at the start and a year on, and three operational measures that tend to move when attention moves.

- The audit's two scales: the average of the outward-facing items (documenting to protect oneself; fear of the firm being sold in harmful ways) and the inward-facing items (fixing or reporting problems outside one's own job; dealing fairly with a colleague who is not pulling their weight), by team.

- Time to bad news: how many days, on average, it takes for a problem seen on the floor to reach someone who can act on it. The steward collects examples through the year.
- Near misses and small fixes: reported near misses, suggestions made and suggestions adopted. A rise in reported near misses is often good news; it means people have stopped hiding them.
- Voluntary departures: the share of people who leave by choice. Hirschman's argument, which Chapter 12 takes up, suggests that when voice works, exit falls.

The finer point about this layer is that the early signs can appear before any financial result moves. Chapter 4 put it this way: a plan can succeed, on the living-systems reading, "when the time bad news takes to travel shortens, when fewer hours go to self-protective paperwork, when people outside the leadership team begin to ask sharper questions about the numbers." Those are measurable, and they are worth measuring for their own sake.

### *Layer three: the firm's results*

The third layer is the one boards ask about first: productivity, profit, quality and stability. It should be measured, and it should be read with every caution above.

- Productivity: output or value added per hour worked, by unit.
- Quality and waste: the measures the firm already keeps, such as returns, rework or waste as a share of inputs.
- Profit: pre-tax profit and the share pool it produced.
- Employment in a downturn: if a bad year arrives, the change in hours and headcount compared with the change in sales. Kruse's 1991 study found that manufacturing firms with all employees in profit-sharing pension plans cut employment less in downturns than firms without, and found no significant difference outside manufacturing; a firm that sees the same pattern in its own bad year has seen the mechanism at work.

### *Layer four: the household*

The fourth layer is the one almost no firm measures, and it is the one Chapter 3's first objection made central: what the plan does to the people who receive it.

- The share as a fraction of pay, for the lowest-paid and highest-paid full-time roles, in a normal year and in the worst year.
- Concentration: for plans that pay in shares, the median share of participants' plan balances held in the employer's stock, and whether any participant is required to hold more than they would choose.
- Wage substitution: a yes or no, checked each year, to the question of whether any share was paid in place of a market wage.

## How to compare without fooling oneself

A firm cannot run an experiment on itself. It can borrow three habits from the research that make its comparisons more honest.

Compare units, not only years. If the plan is introduced in one unit before another, or if some units have stronger information and voice than others, the difference between units is more informative than the difference between years. Chapter 4's audit is reported by team for exactly this reason. Pendleton and Robinson's British study looked at the interaction between ownership and involvement; a firm can look at the same interaction across its own teams, on a much smaller scale.

Write down the prediction first. Before the year begins, the working group writes down what it expects each measure to do and why. At the end of the year the record shows which predictions held. A measure that moved in the predicted direction for the predicted reason is better evidence than one that moved after the fact and was explained afterwards.

Keep the failures in the record. Every measure is reported, including those that went the wrong way. Santa Anna's book sets the standard: "Honesty requires acknowledging that vitality-centered economic experiments fail — sometimes spectacularly." A firm that reports only the good figures will be believed by nobody, least of all its own people.

## The household's own measure

Santa Anna's book offers a practice for the individual that sits alongside the firm's figures and measures something they cannot. He calls it the Vitality Inventory, a weekly review of one's economic activities that asks, for each, what one's state was during it and whether it left one more alive or less. Of the map it builds over months, he writes: "This map is more reliable than any financial spreadsheet, because it measures the variable that matters most."

A firm cannot and should not collect such a thing; it belongs to the person who keeps it. But a firm can invite it, and the invitation is itself a measure of seriousness. A plan that asks only whether productivity rose has told its people what it values. A plan that also asks whether working there feels different, and accepts that the answer is theirs, has told them something else.

Chapter 11 sets out a version of the inventory for one person and their household.

## Reading the result: four patterns

When the year's measures are gathered, they tend to fall into one of four patterns, and each points to a different next step.

The stitch held and attention turned. Coverage was broad, the numbers were posted on time, questions were answered, the audit's inward scale rose and its outward scale fell. Financial results may or may not have moved. This is the pattern the evidence says precedes results, and the next step is to continue, extend and, if the owner intends it, to begin the conversation about permanence.

The stitch held and attention did not turn. The conditions were met, but the audit shows people still facing outward. The usual cause is history: a workforce that has been let down before will need more than a year of kept promises. The next step is to keep going, and to ask the council what would be convincing.

The stitch did not hold. Numbers went missing from the wall, questions went unanswered, the council stopped meeting. Whatever the financial results, the plan is ownership without voice, and Chapter 2's evidence says it will do much less than it could. The next step is to repair the stitch before anything else.

The results moved and nothing else did. Productivity rose, but coverage was narrow and the audit unchanged. This is the most tempting pattern to celebrate and the least informative. Something improved, but the evidence does not suggest the plan was the cause, and the year may have been a good year. The next step is to treat the gain with gratitude and caution, and to build the stitch.

## What to report, and to whom

The year's measures go to three audiences, in three forms.

To everyone, in a one-page note: coverage, the number of times the numbers went up on time, the questions answered, the decisions that changed, the share paid, and the audit's two scales by team. In plain words, including what went wrong.

To the council and the board, in a fuller report: all four layers, the predictions made at the start, which held and which did not, and the comparison between units.

To each person, in a statement: what their share was, how it was calculated, what it would have been in the worst year, and what they hold, if anything, in shares.

The Luminous 100's reading of the balanced scorecard recasts each perspective as a question, and its first is the one this chapter has tried to answer for one kind of plan: "What financial patterns reveal our deepest generativity?" A firm that can answer it with a page of counts, a record of predictions and a candid account of what it does not know has measured its plan as a living arrangement rather than a line on a pension statement.

The Alpha Papers' reading of the value chain is a natural companion for a board that wants to see where in the firm the measured value is made.

# The Tool: The Measurement Sheet

*Complete at the start of the year (predictions) and at the end (results). Report every line, including those that went the wrong way.*

## Layer 1 · The stitch

| MEASURE | PREDICTION | RESULT |
|---|---|---|
| Coverage (% of all people inside the plan) | | |
| Numbers posted on time (n of n promised) | | |
| Questions raised · answered in writing on time | | |
| Decisions changed by employee input (name each) | | |
| % who understand how results affect their pay (audit item 3) | | |

## Layer 2 · Attention

| MEASURE | BASELINE | YEAR ON |
|---|---|---|
| Audit outward scale (items 1, 7), by team | | |
| Audit inward scale (items 2, 8), by team | | |
| Days for bad news to reach someone who can act | | |
| Near misses reported · suggestions adopted | | |
| Voluntary departures (%) | | |

## Layer 3 · The firm

| MEASURE | YEAR BEFORE | YEAR OF PLAN | NOTE WHAT ELSE CHANGED |
|---|---|---|---|
| Value added per hour worked | | | |
| Waste or rework (%) | | | |
| Pre-tax profit · share pool | | | |
| In a bad year: change in hours vs change in sales | | | |

## Layer 4 · The household

- Share as % of pay, lowest-paid full-time role: normal year __ · worst year ____
- Share as % of pay, highest-paid role: normal year __ · worst year ____
- Any share paid in place of a market wage? yes · no

- Median % of participants' plan balances in employer stock (if shares): _____

The reading

- Which of the four patterns fits this year (stitch held and attention turned · stitch held, attention did not turn · stitch did not hold · results moved, nothing else did): _____
- The prediction that failed, and what we learned: _____
- The one change for next year: _____

CHAPTER TEN

# The Hard Conversations

## Where plans actually stall

Most plans for shared ownership do not fail in the spreadsheet. They fail in a room: a board meeting where a director asks a question nobody prepared for, a union meeting where a representative hears a threat in a proposal meant as a gift, a kitchen table where a partner asks why the family's savings should sit with one employer, a corridor where a sceptical manager says what half the floor is thinking. The arithmetic of Chapter 5 can be right in every line and the plan can still stall, because nobody found words for the conversation that the arithmetic made necessary.

This chapter is about those conversations. It takes six of them, the ones that come up in nearly every firm that tries, and for each it sets out what the other person is usually worried about, what the evidence in this book can and cannot say to that worry, and a short script: not words to recite, but a shape that has helped. The scripts are this book's; they are offered as starting points and should be changed to fit the people and the firm.

Ammanuel Santa Anna's *Ecstatic Economics* gives the frame for all of them in a sentence about money and the body: "economic exchange at its best is not a transaction between isolated agents. It is a relational event between nervous systems." A conversation about ownership is such an event. The person across the table is not only weighing an argument; they are deciding whether the room is safe. The scripts below are built on that understanding. Each begins by naming what the other person might fear, before making any case at all.

## Before any of them: what do you want?

The Luminous 100, the house's catalogue of strategy tools carried into living-systems terms, reads the familiar method of crucial conversations and adds a question to its first step. Where the method asks a speaker to clarify what they really want, the upgrade asks "what do I want from the altitude of my highest self, not from the altitude of my triggered self?"

In plainer words: before a hard conversation about ownership, a leader should write down what they want from it when they are calm, because what they want when challenged will be different. A sponsor who

wants the plan to be fair will, under pressure from a sceptical director, find themselves wanting to win the argument. Writing the calm answer down beforehand gives them something to return to.

The finer point is that the calm answer usually includes the other person's interest. An owner who wants a fair plan wants the director to be satisfied that it is sound, the union to be satisfied that it does not undercut wages, and the worker's family to be satisfied that it does not concentrate their risk. Those are not obstacles to the plan. They are part of what a good plan is.

## The board

What the board is worried about. Directors carry legal duties and are rightly cautious. Their questions usually come down to four: Will this cost us money we cannot afford? Will it dilute existing owners? Will it make the firm harder to manage or sell? Is there evidence, or is this sentiment?

What the evidence can say. It can say that broad-based sharing is, on average, associated with modestly higher productivity and greater stability, and that the associations are consistent across studies (Chapter 5 sets out the figures and their limits). It can say that substantial employee ownership in public firms was found by Blair, Kruse and Blasi to be "a relatively stable arrangement." It cannot say what will happen to this firm, and a board should be told so.

What the evidence cannot say, and the honest answer. It cannot rule out that some plans are adopted to protect management, and Kim and Ouimet found that some large plans were. A board that suspects this is asking the right question. The answer is to design the plan so that it cannot serve that purpose: independent trustees, employees elected to the trust committee, participants voting on sale and merger.

A script.

> *"I want to set out what this plan costs, what the evidence says about plans like it, and what it cannot tell us. The net new cost in a normal year is this figure, after folding in the discretionary bonus we already pay; in our worst year of the last five it would have been this. The research finds a small positive association between broad sharing and productivity and stability, across many firms. It does not tell us what will happen here, and I am not asking the board to budget a gain. I am asking it to approve a first step whose cost we can see, with a review at a year, and with three protections written in so that this cannot become a device for protecting management, including me."*

The last clause matters. A sponsor who names the cynic's worry before the cynic does has removed its force.

## The union

What the union is worried about. Union representatives have seen reward plans used to weaken collective bargaining: pay moved from the negotiated wage into a variable share the firm controls, or a plan used to persuade members that their interests now lie with management. Those fears are grounded in experience, and they match the first and fourth objections of Chapter 3.

What the evidence can say. It can say that the plans with the best record are those in which shares come on top of a market wage, and that Kim and Ouimet found that substituting shares for wages was a feature of some plans adopted for reasons other than incentive. It can say that the research consistently finds ownership works best with voice, which a union is one form of.

A script.

> *"Before anything else, the plan does not touch the negotiated wage. Every share comes on top of it, and we will put that in writing in the agreement, not only in the plan. Second, the share is calculated by a formula you can see, from figures you will see every month, and the union may appoint someone to check the calculation. Third, we would like the union to nominate members of the council that oversees the plan. We are not asking you to support the plan today. We are asking you to tell us what would have to be true for it to be good for your members."*

The question at the end is the important part. It treats the union as a sensing organ, not an obstacle, which is the role the house's reading would give it.

## The partner or the family

What the partner is worried about. At a kitchen table the question is rarely about the firm. It is about the household's risk. If the job, the bonus and the retirement savings all depend on one employer, a bad year arrives all at once. Santa Anna's book offers a question for exactly this moment, in its practice of noticing the body in economic life: "When you discuss money with a partner or family member, what happens to both of your bodies?"

What the evidence can say. It can say that the concern is sound, and that it is about design rather than ownership as such. It cannot say what the household should do. That is the household's decision, ideally with an adviser it trusts.

A script.

> *"I want to show you what this plan is and isn't before we decide anything. Here is what it would have paid last year, and what it would pay in a bad year. It comes on top of my wage, not instead of it. Here is what share of our savings would sit with my employer if I join, and here is the ceiling I think we should set. If we go over that, I'd like us to agree now what we'll do. What would you need to know to feel settled about it?"*

The ceiling is the finer point. Chapter 11 sets out how a household might choose one. The conversation goes better when it ends in a number both people chose than in a reassurance one person gave.

## The sceptical manager

What the manager is worried about. Middle managers often have the most to lose from open numbers and real voice. Their authority may rest partly on knowing what others do not. A council that can question the sponsor directly can bypass them. And they will be asked to run the sessions where people raise problems in their own teams.

What the evidence can say. It can say that the conditions under which workers deal with shirking themselves, in Freeman, Kruse and Blasi's surveys, included good relations between employees and managers. Managers are not made redundant by voice; they are part of what makes it work.

A script.

> *"I know this changes your job, and I want to be straight about how. Your team will see the numbers you have always seen, and some of the conversations you used to have alone will happen in the open. In return, you'll have more people noticing problems early, and a record of what was raised and what was done that protects you as much as anyone. I'd like you to run the first session for your team, and I'd like to hear from you, before anyone else, what you think could go wrong."*

Asking the sceptic to name the risk first is not a technique. It is the most efficient way to find the risk.

## The departing owner

What the owner is worried about. For a founder, the conversation about passing the firm to its people touches everything: their life's work, their retirement, their identity, their relationship with people they may have known for decades. The fears are often unspoken. Will I be paid fairly? Will they run it into the ground? Will I still be welcome? Am I being sentimental?

What the evidence can say. It can say that the transaction has been done many thousands of times, in many forms, and that its outline is old: Spedan Lewis was repaid from profits over thirty years from 1929, and Kelso's plan of 1956 let the employees of Peninsula Newspapers buy out founders in their eighties. It can say that the firms in Chapter 6 that made their purpose permanent did so slowly, keeping control while the institutions that would replace them were built.

A script, for an adviser or a trusted colleague to open with:

> *"Before we talk about structures, I'd like to hear what you want this place to go on doing after you've gone, and what you'd need to receive to feel the sale was fair. Then I'd like us to look at whether the business could carry that from its earnings. If it can, there are several ways to do it, and none of them needs to be decided this year. If it can't yet, we'll find out what would have to change."*

The Permanence Questions in Chapter 6 are the written form of this conversation.

## The people on the floor

What they are worried about. Workers who are offered a share, or told the firm may pass to them, often hear a hidden message. Is the firm in trouble? Is this instead of a raise? Will we be blamed if it fails? Will the people upstairs still decide everything? These are the fears that Chapter 4's audit calls outward-facing attention, and they are reasonable in any workplace with a history.

What the evidence can say. It can say that the plan comes on top of wages if it does, and it can show the arithmetic. It can say that a share that falls in a bad year is a share, not a cut. It cannot promise that the firm will do well.

A script, for the sponsor on the floor, after the four numbers have been up for some months:

> *"You've seen what we make in a good month and a bad one. From January, this share of the profit is yours, paid twice a year, on top of your wages. In a normal year that's about this much for a full-time role; in our worst year of the last five it would have been this much. Half of it is the same for everyone. This isn't ownership of the firm. That's a bigger question, and I'd like us to answer it together over the next two years. What do you want to ask me?"*

Chapter 5's composite owner said something close to this on the packing floor, and three questions came at once. The script works if the questions are welcomed, answered on the record and, where they reveal a flaw, allowed to change the plan.

## What the six have in common

Read together, the six conversations share four features, and they are worth keeping in mind for any conversation this book does not cover.

Name the fear first. In every case the script begins by naming what the other person might be worried about, often before they have said it. That is not a persuasion technique. It is evidence that the speaker has thought about the other person's position, which is the first condition of trust.

Show the bad year. In every case the script includes what happens when things go wrong: the worst year's share, the household's ceiling, the protections against capture. A plan presented only in its good years is not believed.

Say what it is not. Every script says what the plan does not do. A plan that claims to do everything invites every disappointment.

End on a question. Every script ends by asking the other person what they need. Santa Anna's book calls exchange at its best "a relational event between nervous systems." A conversation that ends on a question has left room for the other system to answer.

The lineage's volume on markets embedded in society (*The Embedded Market*) takes up Albert Hirschman's account of voice, which is the theory behind most of this chapter: when leaving is costly, speaking up must be made possible, and the conversations above are where it becomes possible or does not.

## The Tool: The Conversation Card

*One card per conversation. Complete it before the conversation, keep it in your pocket during, and finish it after.*

Before

- Who: __ · when: _ · *where:* ___
- What I want from this conversation, written when calm: ______
- What they are likely to fear (name at least two): 1 __ 2 ____
- What the evidence can honestly say to each: ______
- What it cannot say: ______
- The bad-year figure I will show: ______
- What the plan is not: ______
- The question I will end on: ______

During

- Their first concern, in their words: ______

- Anything they raised that I had not anticipated: _____

After

- What I promised, and by when: _____
- What should change in the plan because of this conversation: _____
- Recorded in the plan's written record on (date): _____

CHAPTER ELEVEN

# One Person's Share

## The other side of the plan

Every plan in this book has two sides. On one side is a firm deciding what to share. On the other is a person, and usually a household, deciding what it means to receive it. Most writing about employee ownership is written from the first side. This chapter is written from the second.

It is for a worker who has been offered a share, holds one already, or works somewhere that may one day pass to its people. It is also for a self-employed person or a small partner whose whole livelihood is, in effect, a stake in one enterprise. It asks what such a stake is worth to a household, what it risks, and how to think about it clearly.

It is not investment advice. It does not say what anyone should buy, sell or hold, and it does not set a figure for any household. Those decisions belong to the household, ideally with an adviser who knows its whole position. What this chapter can do is set out the questions worth asking, the evidence that bears on them, and a way of looking at one's working life that the house's book offers and that no financial statement does.

Ammanuel Santa Anna's *Ecstatic Economics* states the spirit of the chapter plainly. Writing about readers who might take its ideas as a call to upend their lives, it says: "The invitation is not to abandon your current economic life but to begin noticing — and nurturing — the vitality-based elements that already exist within it." This chapter is about noticing.

## What a stake gives

The research in this book describes, on average, what broad-based sharing gives the people who receive it, and it is worth setting out from the worker's side.

Income that moves with the year. A profit share adds to pay in good years and less in bad ones. For a household, it is a second stream that rises when the firm does well, on top of a wage that does not fall when the firm does badly, provided the share is paid on top of a market wage. Chapter 5's composite bakery modelled a full-time baker receiving about two percent of pay in a normal year and about half a percent in a bad one.

A better working life, often. Kruse, Freeman and Blasi found 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." That is an association across many workplaces, not a promise about any one. It is also a list of things a worker can look for, and ask about.

Steadier employment, on average. Kruse's 1991 study found that manufacturing firms in which all employees took part in profit-sharing pension plans cut employment less in downturns than firms without them; outside manufacturing he found no significant difference. Kurtulus and Kruse found an association between broad employee ownership and greater stability and survival through the recessions of 1999 to 2011. Neither study can say what will happen at one employer, but both suggest that sharing tends to give a firm a way to absorb a bad year that does not run entirely through redundancies.

A share in what one helps build. Santa Anna's work names the felt side of this in a phrase Chapter 2 quoted: when you own the enterprise, "your contribution matters to a community you can see." Not everyone wants that. Many people do, and it is worth knowing which one is.

## What a stake risks

The first objection of Chapter 3 is the one that matters most from this side of the plan. A worker whose wage, bonus and savings all depend on one employer has concentrated risk in the one place where a bad year can arrive all at once. If the firm fails, the job goes, the share goes and the value of any shares falls together.

The risk is real, and it is about design and proportion rather than about ownership as such. A household can look at it through three questions.

Is the share on top of my wage, or instead of part of it? Kim and Ouimet found that some large plans in public companies were used to conserve cash "by substituting wages with employee shares." A plan that replaces wages moves risk onto the people least able to carry it. A worker is entitled to ask, and to be told in writing, whether any part of the share replaces pay they would otherwise receive.

How much of what we have is tied to one employer? This is a sum a household can do in an evening. Income from the employer this year; the value of any employer shares held, directly or in a retirement plan; any bonus or share tied to the employer's results. Then the same figure as a share of the household's total savings.

Can I diversify? Many plans allow participants, at a certain age or tenure, to move part of their balance into other holdings. A worker should know whether theirs does, and when.

No book can say what share of savings a household should hold with one employer. That figure depends on age, other income, obligations, health, the stability of the industry and much else. What the chapter can

say is that a household that has chosen a ceiling, with someone it trusts, and checks against it once a year, is in a different position from one that has never done the sum.

## The questions to bring to the plan

A worker who holds or is offered a stake can ask a short set of questions, and the answers say a great deal about whether the plan is the kind the research finds works. The plan's administrator or the firm's people team should be able to answer each.

About the money.- How is my share calculated, and can I see the calculation?- What would it have been in the firm's worst recent year?- Is any part of it paid instead of wages?- If it is paid in shares, how are they valued, and when can I sell or diversify?- What happens to my share if I leave, and how long is the vesting period?

About the information.- How often will I see the firm's results?- Who sees them before I do?

About the voice.- Is there anywhere I can ask questions about the plan and receive answers in writing?- Are any of the people who oversee the plan elected by employees?- If the firm were to be sold, would participants have a vote?

A plan that can answer all of these well is the kind the evidence in Chapter 2 describes as working. A plan that cannot answer the second and third groups is, in the language of this book, ownership without voice. That does not make it worthless to the household; the money is still the money. It does mean that the plan is less likely to change the working life around it.

Asking is itself a form of voice. Chapter 12 says that understanding what one holds is "the first form of voice available to anyone, and it costs nothing but the asking." For a worker who has never opened the plan document handed to them at induction, opening it is the first step.

## The inventory the spreadsheet cannot keep

Santa Anna's book offers a practice that sits alongside the household's figures and measures something they cannot. It calls it the Vitality Inventory. Once a week, the reader reviews the economic events of the past seven days, a purchase, a work project, a decision, a conversation about money, and notices three things about each: what state they were in during it, whether it left them more alive or less, and what their body's honest assessment was.

Of the map such an inventory builds over months, the book makes a large claim: "This map is more reliable than any financial spreadsheet, because it measures the variable that matters most." A reader can take that claim as seriously as they like. It is not a finding of any study, and the house presents it as practice rather

than proof. What it offers, for the purposes of this chapter, is a second column beside the household's figures: not only *what does this stake give us and risk*, but *what is it like to work there, and is that changing?*

For a worker in a firm that has begun the sequence in Chapter 8, the inventory is a private way of noticing whether the numbers on the wall, the questions answered, the share paid have changed anything in the texture of a working week. Chapter 4's audit asks the same question of a whole firm, anonymously. The inventory asks it of one person, who keeps the answer.

## For the self-employed and the small partner

Much of this chapter applies with more force to people whose entire livelihood is a stake in one enterprise: the self-employed, partners in small practices, founders of firms of a few people. For them there is no wage beneath the share; the share is the income. The concentration that Chapter 3 warned about is total.

Three of this book's ideas translate directly.

The four numbers. A sole trader or a small partnership benefits from posting its own four numbers to itself, monthly, as much as any firm does: income against the same month last year, the share of income from the largest client, cash on hand in months of expenses, and one measure of the quality of the work.

The ceiling. The question of how much of a household's savings sits in one enterprise applies to the person whose enterprise is their own. The answer is often *all of it*, and that is sometimes unavoidable in the early years. Writing down a target for when it will not be, and checking it, is the equivalent of the diversification right in an ESOP.

The question of permanence. Every small enterprise will one day stop or change hands. A partner who has thought about who might carry the work on, and what they would need, has a different conversation available to them than one who has not. Chapter 6's questions apply at any scale.

## The household as a small commons

Chapter 12 suggests that a household has its own versions of the ideas in this book: its shared budget is a kind of commons, the question of who decides what happens to a bonus is a question of voice, and what the family intends its savings to do after the people who earned them is a question of permanence.

It is worth adding the conversation. A household in which one person receives a share and the other learns of it only as a figure on a statement has, in a small way, reproduced ownership without voice. Chapter 10 offers a script for the conversation with a partner or family member. Its centre is a ceiling both people chose, and a question at the end: what would you need to know to feel settled about this?

Santa Anna's book observes that "Every organization has pockets of genuine purpose, authentic connection, and creative energy." So does every household. The practice the book recommends is to find them and

let them grow, and a household that talks openly about what it owns, what it risks and what it wants from its work is already doing it.

## The Tool: The Household Page

*For one person or one household. Complete it in an evening, with a partner if you have one, and keep it with your important papers. Revisit it once a year, or when your job or plan changes. It is not advice; it is a record of what you hold and what you have decided.*

1 · What we hold in one employer

- Employer: _____
- Income from that employer this year: _____
- Value of employer shares held (directly, in a retirement plan, as options): _____
- Bonus or profit share tied to the employer's results, last year: _____
- Share of total household savings held in that employer: _____ %

2 · The plan's answers (ask the administrator; write the answer or "not answered")

- Is any share paid instead of wages? _____
- What would the share have been in the worst recent year? _____
- Vesting period · what happens if I leave: _____
- Right to diversify, from what age or tenure: _____
- How often results are shared · who sees them first: _____
- Anywhere to ask questions with written answers? _____
- Elected employee representatives on the plan's oversight? _____
- Vote for participants on sale or merger? _____

3 · Our ceiling

- Share of household savings we are willing to hold in one employer: _____ %
- Chosen on (date) __ with (name of adviser or partner) ____
- What we will do if we go above it: _____

4 · The second column

- In a sentence, what working there is like now: _____
- In a sentence, what we would want it to be like in a year: _____
- One question I will ask at work this month: _____

5 · A year on

- What changed in the figures: _____
- What changed in the second column: _____

CHAPTER TWELVE

# The Roots Under the Stand

## One tree, or a stand

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.

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: _____

CHAPTER THIRTEEN

# What Moves Between the Roots

## The whole, read once

This book began at a desk, with an owner, a worker and a leader each holding a question about who owns the work. It has followed the idea of employee ownership from Louis Kelso's newspaper plan and the first stone of a Basque workshop in 1956, through three decades of research, six objections, two deep cases and four houses that made their purpose permanent, to a field manual, a measurement sheet, six conversations and a page for one household. It is time to read the whole once, the way the house reads any economic arrangement: as a living system.

The research said one thing so consistently that it is worth stating a last time. Ownership is associated with modestly better outcomes for firms and for the people in them, and the association is much stronger where ownership comes with information, voice and fair treatment. Kruse, Freeman and Blasi's sentence carries it: workers can gain by sharing, "but whether this happens is contingent on other workplace policies." Every chapter since has been, in one way or another, about those other policies.

The house's reading, set out in Chapter 4, offered a reason. Ammanuel Santa Anna's *Ecstatic Economics* describes a person whose attention, inside a firm that could at any moment be a source of threat, faces outward in defence; and a person whose attention, inside a firm that is in some real sense theirs, can face inward in care. What turns it is not the share certificate. It is evidence: numbers a person can see, decisions a person can influence, a record of being treated fairly. The share is the stitch. Information and voice are the tissue that grows across it.

That reading has limits, and they have been named throughout: it is an interpretation, not a measurement of anyone's nervous system. But it gives the evidence a shape that a leader can act on, and the shape is an order. Information first, voice second, the share third, permanence last.

## Three things the book has tried to show

That the order matters more than the instrument. A profit share, an ESOP, an employee ownership trust, a cooperative and a steward foundation are different organisms, and Chapter 2 insisted on telling them apart. But the evidence suggests that what decides whether any of them changes a workplace is less the in-

strument chosen than the relationship it lands in. Chapter 5's composite bakery learned its most useful lesson, about a Monday flour delivery, from four numbers on a wall, before anyone owned anything new. Chapter 6's four houses each built their permanent structures last, after decades in which the relationships those structures protect had been formed.

That the failures are failures of design, and can be read in advance. Chapter 3's six objections, one basket, the free rider, ownership without voice, the shield, the drift and who is left out, are each real, and each has a design answer. Chapter 7's account of Fagor showed what happens when a boundary is drawn in the wrong place: a cooperative federation that protected its members unusually well, and could not protect the workers of the subsidiaries it had never made members. Santa Anna's book gives the principle: "Honesty requires acknowledging that vitality-centered economic experiments fail — sometimes spectacularly." The failures belong in the record because they are the most useful part of it.

That a household is part of the system. Every plan has a person on its other side, and usually a family. Chapter 11 tried to take that side seriously: the share on top of the wage, the ceiling chosen at a kitchen table, the questions worth bringing to the plan, and the second column beside the figures that asks what working there is like. A plan that is good for the firm and concentrates a household's risk beyond what it chose has not finished being designed.

## The fence and the graft

Santa Anna's notes on finance contain the image this book has returned to more than once, and it is the one to end on. "The moment you stop treating ownership as a fence and start treating it as a root graft," he writes, "finance stops being a zero-sum game and becomes a photosynthetic one."

A fence is the ordinary picture of ownership. It marks a line and says *this is mine and not yours*. Its whole function is exclusion. Most of the arguments about employee ownership are arguments about where the fence should go: around the founder, around the shareholders, around the management, around everyone on the payroll. Those arguments matter. Chapter 7's boundary questions, and Chapter 3's account of who is left out, are arguments about fences.

A root graft is a different picture. It is what can happen underground in a stand of trees, when the roots of neighbours fuse and what one draws up can reach another. Ownership as a graft is not chiefly about who may not touch the asset. It is about what flows between the people who share it: information, attention, care, and in a bad year, the capacity to absorb a shock that would break one alone.

Read through this image, the research of this book says something simple. Ownership that is only a fence, a certificate in a drawer, does little. Ownership that becomes a graft, through open numbers, real voice and fair treatment, does more. And the graft does not form on the day the deed is signed. It forms over seasons, where roots are close enough to touch.

The same notes describe what the graft does to governance: "Governance isn't about voting shares; it's about sensing system health." That is the deepest claim of the house's reading. The purpose of sharing ownership is not only to change what people want. It is to widen the number of people who can sense whether the enterprise is well, and to give what they sense a way to reach someone who can act.

## A stand in a dry summer

Consider, to finish, a stand of trees at the end of a long dry summer. From above it looks like many trees, each with its own crown. Some are tall and some are not; some stand at the edge and take the wind, and some stand in the middle and are sheltered. A forester walking through would count them one by one.

Below the soil, some of their roots have joined. Nobody planned it. It happened where roots grew close enough, for long enough, to fuse. And in this summer the stand is holding water that no single tree could have held, moving it, slowly, from the places where it is plentiful to the places where it is not. Some trees that would have died alone are still green.

That is the picture this book has tried to give of a firm whose people share in what they make. Not a single tree with a fence around it. A stand, in which what moves between the roots matters as much as who holds the deed to any one trunk. It cannot be made by decree, and it does not form in a quarter. It forms where people are close enough to see each other's work, for long enough to trust what they see.

## What remains

The work this book describes is not finished by reading it. It begins with an inventory, completed honestly: who already holds a share in the place, and who does not. The workbook that follows gathers every Tool in the book in one place, with a ninety-day plan for the first steps.

This book is one of a lineage. Its sibling volumes read the same ground from other sides: Elinor Ostrom's commons (*The Pasture Was Never Empty*), the history and evidence of gainsharing (*The Gain Was Always Shared*), Hirschman's exit and voice (*The Embedded Market*), the gift and reciprocity (*The Channel Keeps It*), and patient capital and purpose (*The Long Clock*). All of them grow from *Ecstatic Economics*, and all are kept at hautelumiere.life.

Ammanuel Santa Anna works with a small number of leaders and owners on how their organisations share what they make, from the first inventory to the question of permanence (hautelumiere.life).

The stand will be there in the next dry summer. What moves between its roots is being decided now, in small ways, by the people who are close enough to touch.

THE WORKBOOK

# Every Tool, and Ninety Days

This workbook gathers every Tool in the book in the order they appear, so that a leader, a working group or a household can work from one document. Each Tool is reproduced as it stands in its chapter; the chapter number tells you where to find the reasoning behind it. The ninety-day plan at the end puts the first of them in order.

The Tools build on one another. The Ownership Inventory (Chapter 2) is the starting point for the Risk and Voice Check (Chapter 3), the Readiness Sheet (Chapter 5) and most of what follows. A reader who completes only one should complete the Inventory.

Nothing in this workbook is legal, tax, financial or investment advice. Where a Tool reaches a question that needs an adviser, it says so.

## Chapter 2 · 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; this workbook gathers it with every other Tool.*

## Chapter 3 · The Risk and Voice Check

*Use the Ownership Inventory from Chapter 2 as your starting point. Answer each question with a fact, not a belief. Where the honest answer is "we do not know," write that; it is the most useful answer on the sheet.*

1 · One basket (households and plan designers)

- Is any employee's ownership given in place of a market wage? yes · no · in part: _____
- Do participants have a right to diversify part of their holding? at what age or tenure? _____
- Household: share of savings in the employer __ % · ceiling we have chosen _ % · *date we will next check* ___

2 · Free riders

- Size of the smallest unit whose results drive a profit share or ownership allocation: _____ people
- Can members of that unit see one another's work day to day? yes · no
- Fixed wages in this unit compared with the local market: below · at · above

3 · Voice

- How often are financial results shared with all owners? _____
- Number of employee-owners on the board, trust committee or equivalent: _____
- Do participants vote their shares on sale, merger or closure? yes · no
- Hours of plan education offered per year: _____

4 · The shield

- Who appoints the trustees? _____ · Are they independent of management? yes · no
- Was the plan adopted within a year of a takeover approach? yes · no · unknown
- Has the plan ever been used to block a sale that a majority of participants favoured? yes · no · unknown

5 · Drift

- Measures other than profit reported to owners each year (list): _____
- Share of the workforce that is eligible for ownership or membership: __ % · five years ago: ____ %
- Units or subsidiaries whose workers are not owners: __ · plan to include them: ____

6 · Who is left out

- Allocation formula (salary · tenure · equal floor · blend): _____
- Vesting period: __ · share of leavers in the last three years who left with nothing vested: ____ %
- Contractors, temporary staff and subsidiary workers outside the plan: _____ people

The reading

- The one objection that applies most strongly here: _____
- The single design change that would answer it: _____
- Who owns that change, and by when: _____

## Chapter 4 · The Two Directions Audit

*A short anonymous survey and a short leadership review, run together. It does not measure anyone's nervous system. It asks people where their attention goes, and it asks leaders whether the stitch is holding. Run it before any change to an ownership plan and again a year after.*

Part A · For everyone (anonymous, five minutes)

Answer each on a scale of 1 (never) to 5 (almost always).

1. In the last month, I spent time documenting my work mainly to protect myself if something went wrong. ___
2. When I see a problem outside my own job, I fix it or tell someone who can. ___
3. I understand how the company's results affect my pay or my shares. ___
4. I have seen the company's financial results in the last three months. ___
5. If I raised a concern about how the business is run, it would be heard. ___
6. I can name a decision in the last year that changed because of what employees said. ___

7. I worry that the company could be sold or changed in ways that would hurt people like me. ___
8. When a colleague is not pulling their weight, people here deal with it fairly. ___

*Reading the results.* Items 1 and 7 describe attention facing outward, toward threats from the organisation. Items 2 and 8 describe attention facing inward, toward the work. Items 3 to 6 are the stitch: information and voice. Compare the averages by team. A team with high scores on 1 and 7 and low scores on 3 to 6 is a team where ownership, if it exists, has not yet reached the nervous system.

Part B · For leadership (one page, written)

- How many days does it take bad news from the front line to reach someone who can act on it? Give a recent example: _____
- Number of employee-owners, or employee representatives, who saw last quarter's results before they were published: _____
- Decisions in the last year that affected the value of the shares or the profit pool, and whether employees were consulted on each: _____
- The single piece of information that employees most often ask for and do not receive: _____
- The one change to information or voice we will make before the next audit: _____

Part C · The comparison

- Team with the strongest inward attention: __ · what is different about how it is run: ____
- Team with the strongest outward attention: __ · what it would need: ____

## Chapter 5 · The Shared Capitalism Readiness Sheet

*Complete with your own figures. Where a figure is an estimate, mark it (e). Where it comes from the accounts, mark it (a).*

1 · The firm

| ITEM | FIGURE | SOURCE (A/E) |
|---|---|---|
| Employees | | |
| Total payroll | | |
| Average pay (payroll ÷ employees) | | |
| Revenue | | |
| Pre-tax profit, normal year | | |
| Pre-tax profit, worst year of the last five | | |

| ITEM | FIGURE | SOURCE (A/E) |
|---|---|---|
| Current discretionary rewards (bonuses etc.) | | |

2 · The numbers on the wall

- Four figures we will post monthly, each one that people can affect: 1 __ 2 _ *3 4* ___
- Date of the first monthly question session: _____

3 · The profit share

- Pool as a share of pre-tax profit: __ % → normal-year pool: $____
- Net new cost (pool less current discretionary rewards): $_____
- Split: equal __ % · pay-weighted ____ %
- Equal share per person: $_____ (equal part ÷ eligible employees)
- Pay-weighted rate: _____ cents per dollar of pay (pay-weighted part ÷ payroll × 100)
- Share for our lowest-paid full-time role: $__ = ____ % of pay
- Share for our highest-paid role: $__ = ____ % of pay
- Same three lines for the worst year: $__ · $_ · $___
- Is every share paid on top of a market wage? yes · no

4 · Succession (for owners considering a sale)

- Earliest year a sale might happen: _____
- Routes to explore with advisers: ESOP · employee ownership trust · cooperative conversion · other: _____
- Months of open numbers and shared profit we will have behind us before raising it: _____

5 · The one structural question

- The one structural feature of this workplace we would redesign, in a sentence: _____

## Chapter 6 · The Permanence Questions

*For owners and boards. Complete it in writing, before any adviser is engaged, and keep it with the succession file. It does not choose a structure. It records what any structure would have to protect.*

1 · The purpose

- In one paragraph, what do we want this enterprise to go on doing after the present owners have gone? _____
- Three things a buyer could change that we would not want changed: 1 __ 2 _ *3* ___

2 · The vote and the gain

- Who should decide the strategy of this firm in twenty years (employees · a trust or foundation · a family · outside investors · a blend)? _____
- Who should receive its profits (employees · a purpose · a family · investors · a blend)? _____
- Should these be the same people? yes · no · why: _____

3 · The payment

- What would the present owners need to receive, and over how many years? _____ (estimate; take valuation advice)
- Could the business carry that from its earnings without starving its investment? yes · no · unknown

4 · The time

- Months of open numbers and shared profit we have behind us now: _____
- Year by which we would want a permanent structure in place: _____
- The relationship we need to build first, in a sentence: _____

5 · The routes to discuss with advisers

- Employee stock ownership plan (US) · employee ownership trust (UK) · cooperative conversion · foundation or purpose trust · other: _____
- Advisers we will ask, and by when: _____

6 · What it will not do

- For the route we prefer, write one thing it leaves unprotected: _____

## Chapter 7 · The Two Roads Sheet

*For a firm choosing a route to employee ownership, or reviewing the one it has. Complete with advisers where the questions require them.*

1 · Which problem are we solving?

- Capital (the workforce cannot buy the firm without finance): yes · no
- Governance (the workforce has no say in how the firm is run): yes · no
- Succession (the owners want to stop): yes · no · year: _____
- Livelihood (the firm is being founded to provide work): yes · no

2 · If the Kelso road (ESOP, employee ownership trust or similar)

- How will the purchase be financed, and over how many years? _____ (take advice)
- Who will be the trustees? __ · How many will be employees, elected by employees? ____
- Will participants vote their shares on sale, merger or closure? yes · no
- How often will the books be opened to all participants? _____

3 · If the Mondragón road (cooperative founding or conversion)

- Where will capital come from beyond members' contributions? _____
- Is there a federation, a cooperative bank or a network of sister enterprises we can join? _____
- What will a new member contribute to join, and can a low-paid worker afford it? _____

4 · The boundary

- Who is a member or participant today? __ people · who is not? ____ people
- If we acquire or open another unit, will its workers join? yes · no · on what terms: _____
- If we contract, what happens to the people inside the line, and to those outside it? _____

5 · The failure we would most want to avoid

- In a sentence, the failure from this chapter that most resembles a risk we face: _____
- The design choice that answers it: _____

## Chapter 8 · The Year Plan

*One page for the steward, kept on the wall of the room where the working group meets. Fill in the dates in pencil in week one; ink them as each is kept.*

| WEEKS | STEP | OWNER | DATE | DONE |
|---|---|---|---|---|
| 1–2 | Ownership Inventory complete; sponsor approves sharing | Steward, finance lead | | |
| 3–4 | Working group formed; sponsor addresses the firm | Steward, sponsor | | |
| 5–6 | Four numbers chosen and explained | Working group, finance lead | | |
| 7 | First posting, to everyone at once | Steward | | |
| 8–12 | Monthly sessions; every question answered in writing | Steward | | |
| 12 | Sponsor commits to keep numbers and sessions | Sponsor | | |
| 13–14 | Two Directions Audit, baseline | Steward | | |
| 15–18 | Risk and Voice Check | Working group | | |

| WEEKS | STEP | OWNER | DATE | DONE |
|---|---|---|---|---|
| 20 | Council established, remit in writing | Sponsor, working group | | |
| 21–24 | Plan teaching, every shift | Steward, plan administrator | | |
| 27–30 | Profit share modelled: three options, bad year first | Working group, finance lead | | |
| 31–32 | Consultation; sponsor decides and announces | Sponsor | | |
| 33–39 | First period runs | All | | |
| 40–42 | First payment; second audit | Steward, finance lead | | |
| 43–46 | Permanence Questions; advisers engaged | Sponsor, council | | |
| 47–50 | Two Roads Sheet | Sponsor, council | | |
| 51–52 | The year's account, to everyone | Steward | | |

Stop or slow conditions (tick if any applies, and write why): bad numbers ☐ · change of sponsor's intention ☐ · audit worse ☐ · council silent ☐ · _____

## Chapter 9 · The Measurement Sheet

*Complete at the start of the year (predictions) and at the end (results). Report every line, including those that went the wrong way.*

### Layer 1 · The stitch

| MEASURE | PREDICTION | RESULT |
|---|---|---|
| Coverage (% of all people inside the plan) | | |
| Numbers posted on time (n of n promised) | | |
| Questions raised · answered in writing on time | | |
| Decisions changed by employee input (name each) | | |
| % who understand how results affect their pay (audit item 3) | | |

### Layer 2 · Attention

| MEASURE | BASELINE | YEAR ON |
|---|---|---|
| Audit outward scale (items 1, 7), by team | | |
| Audit inward scale (items 2, 8), by team | | |
| Days for bad news to reach someone who can act | | |

| MEASURE | BASELINE | YEAR ON |
|---|---|---|
| Near misses reported · suggestions adopted | | |
| Voluntary departures (%) | | |

Layer 3 · The firm

| MEASURE | YEAR BEFORE | YEAR OF PLAN | NOTE WHAT ELSE CHANGED |
|---|---|---|---|
| Value added per hour worked | | | |
| Waste or rework (%) | | | |
| Pre-tax profit · share pool | | | |
| In a bad year: change in hours vs change in sales | | | |

Layer 4 · The household

- Share as % of pay, lowest-paid full-time role: normal year __ · worst year ____
- Share as % of pay, highest-paid role: normal year __ · worst year ____
- Any share paid in place of a market wage? yes · no
- Median % of participants' plan balances in employer stock (if shares): ______

The reading

- Which of the four patterns fits this year (stitch held and attention turned · stitch held, attention did not turn · stitch did not hold · results moved, nothing else did): ______
- The prediction that failed, and what we learned: ______
- The one change for next year: ______

## Chapter 10 · The Conversation Card

*One card per conversation. Complete it before the conversation, keep it in your pocket during, and finish it after.*

Before

- Who: __ · when: _ · *where:* ___
- What I want from this conversation, written when calm: ______
- What they are likely to fear (name at least two): 1 __ 2 ____
- What the evidence can honestly say to each: ______
- What it cannot say: ______
- The bad-year figure I will show: ______

- What the plan is not: _____
- The question I will end on: _____

During

- Their first concern, in their words: _____
- Anything they raised that I had not anticipated: _____

After

- What I promised, and by when: _____
- What should change in the plan because of this conversation: _____
- Recorded in the plan's written record on (date): _____

## Chapter 11 · The Household Page

*For one person or one household. Complete it in an evening, with a partner if you have one, and keep it with your important papers. Revisit it once a year, or when your job or plan changes. It is not advice; it is a record of what you hold and what you have decided.*

1 · What we hold in one employer

- Employer: _____
- Income from that employer this year: _____
- Value of employer shares held (directly, in a retirement plan, as options): _____
- Bonus or profit share tied to the employer's results, last year: _____
- Share of total household savings held in that employer: _____ %

2 · The plan's answers (ask the administrator; write the answer or "not answered")

- Is any share paid instead of wages? _____
- What would the share have been in the worst recent year? _____
- Vesting period · what happens if I leave: _____
- Right to diversify, from what age or tenure: _____
- How often results are shared · who sees them first: _____
- Anywhere to ask questions with written answers? _____
- Elected employee representatives on the plan's oversight? _____
- Vote for participants on sale or merger? _____

3 · Our ceiling

- Share of household savings we are willing to hold in one employer: _____ %
- Chosen on (date) __ with (name of adviser or partner) ____
- What we will do if we go above it: _____

4 · The second column

- In a sentence, what working there is like now: _____
- In a sentence, what we would want it to be like in a year: _____
- One question I will ask at work this month: _____

5 · A year on

- What changed in the figures: _____
- What changed in the second column: _____

## Chapter 12 · 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: _____

## The Ninety-Day Plan

*The first quarter of the field manual in Chapter 8, written as a plan a leader can begin on Monday. It needs no lawyer, no vote and no new money. It is the information step; everything else in the book stands on it. A household's version follows.*

### *For a firm*

Days 1 to 7 · Name the roles. Write down who is the sponsor (the person with authority over ownership), who is the steward of the year (the person who runs the sequence), and how the working group will be chosen. The sponsor and the steward should not be the same person.

Days 8 to 14 · Complete the Ownership Inventory (Chapter 2) with the finance lead. Record forms, not intentions; count people, not plans; complete Part B honestly. The sponsor decides, in writing, that it may be shared with the working group.

Days 15 to 28 · Form the working group from nominations by each team. The sponsor addresses the whole firm once, in person: nothing has been decided; a group drawn from across the firm will see the numbers first; here is the date of the first decision.

Days 29 to 42 · Choose the four numbers with the working group: figures people can affect, that move often enough to watch, and at least one that shows what the firm earns. The finance lead writes a one-page plain explanation of each, including what it cannot show.

Day 43 · Post them, to everyone at once, wherever people actually look.

Days 44 to 84 · Hold the monthly session twice: thirty minutes, open to all; every question answered in writing within a week. Keep the sheet headed *What you raised, and what happened*.

Days 85 to 90 · Decide and record. The sponsor commits, in public, to keep the numbers and the sessions whatever is later decided about ownership. The steward writes a one-page note to everyone: what was posted, what was asked, what was answered, what changed. Begin the Two Directions Audit (Chapter 4) as the baseline for the next quarter.

What to have at day 90: a completed Inventory · a working group · four numbers posted three times · two sessions held and every question answered in writing · a public commitment · a one-page note · an audit baseline under way.

### *For a household*

Week 1 · Complete Part C of the Ownership Inventory and Part 1 of the Household Page (Chapter 11): what you hold in one employer, and what share of your savings it is.

Weeks 2 to 4 · Ask the plan's administrator the questions in Part 2 of the Household Page, in writing. Record every answer, including "not answered".

Weeks 5 to 8 · Have the conversation with your partner or family, using the Conversation Card (Chapter 10). Show the bad year. End on a question.

Weeks 9 to 12 · Choose a ceiling, with someone you trust and, if the figures are large, an adviser. Write down what you will do if you go above it.

Week 13 · Fill in the second column: in a sentence, what working there is like now, and what you would want it to be like in a year. Put the page with your important papers and a date in your calendar a year from now.

### *After ninety days*

The rest of the field manual in Chapter 8 continues from here: voice in the second quarter, the share in the third, the question of permanence opened in the fourth. The Measurement Sheet (Chapter 9) should be filled in with predictions before the second quarter begins.

The question to keep in view throughout is the one Ammanuel Santa Anna's *Ecstatic Economics* asks its readers, and that Chapter 5 borrowed: if you could redesign one structural feature of your working life, "not a policy or a perk, but an actual *structural* element," what would it be? Write the answer at the top of this workbook.

## Who holds a share in yours

The people who do the work of an enterprise already hold much of what it knows. Whether they hold any of what it gains is a design choice, and the evidence on that choice is long and careful.

Luminous Prosperity Inc. takes this work into organisations as a gainshare. The flow is opened from the inside, with the people who already hold what the firm knows. The gain is counted from records the firm already keeps, against a measure both sides sign before anyone knows the answer, and the house is paid as a share of what is found: between thirty and ten per cent of it.

The workbook carries one firm through the Ownership Inventory. Whether a share in the gain, or in the firm, fits your own organisation is read from your accounts and your people, with independent advisers beside you. That begins with a conversation.

REQUEST A CONVERSATION

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