SOME SYSTEMIC IMPLICATIONS OF COMMON OWNERSHIP; A SHIFT OF BUSINESS PERSPECTIVE FOR THE 21ST CENTURY?

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ABSTRACT

This paper is an early-stage attempt to map out and understand some of the ramifications of Common Ownership financial structures in business enterprises. Case study material is included, to illustrate some of the systemic properties discussed.

Mutuality in the conduct of business exists for a variety of reasons and in many different forms. For example, at one extreme, it may be adopted only as a "last resort". In such cases, arguments for common ownership could rest upon systemic environmental pressures that might have caused it to emerge.

This paper's main topic, however, is not this but Common Ownership as an ethical choice, located in a field of other options. Its main thesis is that ethical Common Ownership Companies (C.O.C.s) are viable alternatives to Traditional models of organisation, i.e. hierarchical and capitalist enterprises that act as if they believe in Neo-Classical economic theories. The discussion explores the proposition that the complexity that C.O.Cs must manage is composed differently from the complexity that most Traditional companies apprehend. There are additional elements to be monitored and managed, both internally and externally, some of which are consequent on the behaviour of the mainstream majority. Conversely, there are some elements of complexity faced by the mainstream that simply do not arise for ethical C.O.C.s.

Consequently, the set of challenges that arise for C.O.C.s also must be managed differently. For example, ethical dimensions of practical challenges will be addressed, rather than ignored or "fudged". A high system level question illustrating this additional complexity for ethical C.O.C.s is how the ethical principles of founding members can be extended into evolving business structures, or even if they should be. I see the main challenge for ethically-driven businesses in the 21st Century is how to be successful and profitable *and* remain within their founding ethical principles. The corollary of this is the further question, whether it is possible to make ethical principles a higher priority decision rule than remaining viable, in extremis. Since examples can be found, the answer is "Yes". Some of the challenges at other system levels are reviewed, before a summary of what the mainstream might learn from C.OCs.

Keywords: Business, Common Ownership, Mutuality, Ethics

INTRODUCTION

In this paper, rather than making any attempt to develop theory, I use an applied systems-in-action approach. Its topic is Common Ownership as an ethical choice, located in a field of other options. Simplistically, in the Capitalist West there is a "Traditional", business majority which does not prioritise ethics within its hierarchy

of decision rules. Various minorities strive to co-exist within this majority, some of them attempting to do so ethically and/or democratically; some of these are Common Ownership companies (C.O.Cs).

There are aspects of economics theory that would not predict the survival in democratic C.O.C.s of management structures that closely resemble those of the mainstream. For example, Williamson's (1985) version of Transaction Costs Theory is based in the interaction of Opportunism (ibid) and Bounded Rationality (Simon 1959) , linked by Uncertainty. Lazonic's (1991) view on this is that internal structures and processes are necessary only to limit Opportunism. These perspectives assume that no firm is socially responsible but conclude that if they were, the need for control structures would disappear, like any good Anarchist. Williamson's version yearns for Opportunism to vanish so that market forces can prevail. "There simply is no reason to supplant market exchange by other modes of economic organisation if promises to behave in a joint profit-maximising way are self-reinforcing and if sharing rules are agreed to at the outset". (Ibid pps 50-51)

C.O.C.s could agree with this proposition but their response to it is to make the promises and reach the agreements, whilst the mainstream continues to rely instead on market forces externally and control systems internally. Economists have moved on.
Tomer's (1994) incorporation of Corporate Social Responsibility into the Williamson model produced three possible assumptions about the decision-makers in an enterprise. These options are characterised as

- impatient opportunism
- long-term , non opportunistic self-interest
- principled behaviour.

Conventionally, all business enterprises, however structured and managed, can be described as influenced by pressures in the system environment - e.g. in terms of STEEPV factors. In addition to these, however, ethically motivated C.O.Cs have to confront particular challenges. Some of these are created for them by the business majority, some by the wider system that is geared to the majority and some are self-created elements. Conversely, there are some dilemmas for the Traditional majority that do not arise for ethically based C.O.Cs.

Conventionally, all companies are concerned strategically with what must be done similarly to the majority, in order to "keep pace", and what might be done differently in their particular case, to gain competitive advantage. C.O.Cs founded in ethical principles also have extra dimensions to their deliberations, since they must consider where boundaries are to be drawn between what must be done similarly to the majority, in order to remain viable, and what must not be done, under any circumstances. In order to survive in the same markets, therefore, C.O.Cs pay close attention to what the majority does. The majority, however, might learn from them also, if it chooses to do so.

Three elements form the "bare bones" that constitute this paper, which will support a more fully fleshed version later. Using case examples from the U.K., these are explorations of :-

- Emergence of C.O.Cs in a "Traditional" capitalist environment
- Practical and ethical challenges for C.O.Cs.

- Implications for the Capitalist majority in the 21st Century

Emergence Of Common Ownership In A Capitalist Environment

This topic is addressed from two perspectives. These are:-
- Common Ownership companies as an emergent property of the Capitalist System
- Common Ownership as deliberate, ethical choice

Common Ownership companies as an emergent property of the Capitalist System

My main focus here is on cases where companies have chosen Common Ownership for ethical reasons. However, the business environment in which these companies operate is dominated by traditional patterns of hierarchy and control. In order to locate my argument, therefore, in this passage I merely touch upon companies that have adopted a Common Ownership pattern because there was no other perceived option, in order to exclude them from the main discussion. A selection of reasons for their formation includes:-
- Mutual, voluntary action to fill a void in provision, for example local banks in India and the USA;
- Mutual, voluntary action to preserve something under threat, for example management-worker buyouts of companies under threat of closure;
- External intervention to redress injustice, for example aid-agency co-designed, co-operative community projects to rescue communities in Africa and India from their debt-poverty nexus.

The following diagram conceptualises the process for the first of the above reasons, void-filling.

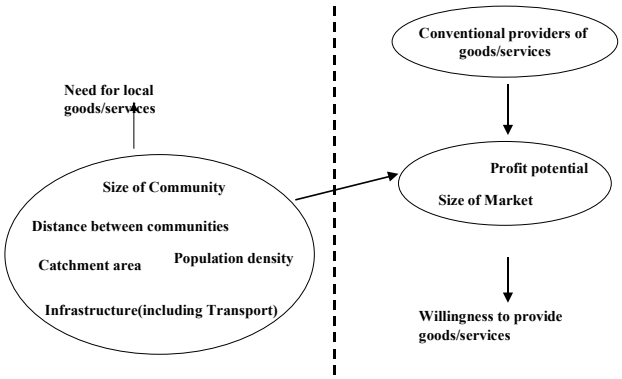

Figure 1: Demand and Supply - the Need/Provision mismatch

The key factor is population density, always lower in rural areas than in urban agglomerates and very low in the developed world that can afford the labour-reducing technology that accelerates rural depopulation . The likelihood of high costs and poor profits make low-density populations unattractive trade areas for established companies. In response to lack of provision by "big chain" providers, communities must provide what they need by mutual effort. They do it because no-one else is willing to. Such co-operatives, therefore, tend to be more common in rural

communities, wherever these may be in the world. And they are more popular than might be supposed; approximately one third of all U.S. enterprises are mutuals of some kind.

In the second case, rescue from threat of extinction, enterprises can either choose Traditional structures and operation (for example, Unipart, bought out from Rover in 1989) or adopt a different model. Because the following two organisations chose the latter path, I shall make limited reference to them later, in addition to the clearer cases that follow. So whilst the two U.K. organisations, St Luke's and Tower Colliery, were produced by pressure from the mainstream capitalist environment, these were worker, rather than management, buyouts, and both companies have embraced common ownership as an opportunity to organise relationships in a different way. For example, founding members of St Luke's wanted the new enterprise to be "the kind of company everyone wants to work for" - an ethical choice heavily dependent on what "everyone" might mean.....

Colleagues more expert than I would be better able to deal with the third case, interventions addressing injustice and poverty, so I shall not presume to make the attempt but move on to the main focus of this paper.

The paradox for enterprises formed for any of these three reasons is that they come into being because they are located within a system that would reject them.

Common Ownership as deliberate, ethical choice

There are many and varied examples of organisations founded in mutuality by choice, across the spectrum of enterprise. Examples in the the U.K. include The John Lewis Partnership (retailing), Poptel (Internet services), and Scott Bader (manufacturing). Two of these enterprises, John Lewis and Scott Bader, came into being through the generosity of their original owner-benefactors over half a century ago.

In effect, the co-ownership decision was theirs and the new co-owners suddenly found themselves in that position and had to learn new ways. Poptel was set up by its members on co-operative principles in 1986; St. Luke's similarly in 1995.

Dual structures are a common feature of the larger C.O.C. - one to manage the business and another to manage the democratic process; managing without control systems altogether in either system does not appear to be an option. Accordingly, John Lewis Partnership has its Council and Scott Bader has its Commonwealth. The smaller and newer St. Luke's also has one, called QUEST. This stands for Qualifying Share Ownership Trust and the six Trustees are voted in by all the employees on an annual basis. QUEST is not only responsible for the company's shareholding scheme but for overall policy guidance. Through it, the Trustees 'maintain the values of the company which are an aggregation of the personal values of everyone – freedom of expression and thought, lack of coercion and fear, and a determination to make work fun.' (Law 1998).

Participation in the democracy-management system is usually voluntary, although the degree of social pressure to participate varies. The Traditional Recruitment and Selection mix of job-related and relationship related criteria apply but with greater

emphasis on fit to the group. A common feature of dual structure C.O.C.s is representation of the elected members from the democratic bodies on the executive board. At Scott Bader this *occurs in addition to* ultimate control and power of veto residing in the democratic body, not the executive.

Who actually owns the shares varies. The John Lewis and St. Luke's versions are similar in that employees actually earn and subsequently own shares, but these must revert to the company if they leave. The Scott Bader version is more complex. The Commonwealth is a charitable trust and it holds all shares on behalf of the employees, who are its trustees.

Business Practice and Ethics

Which is more important to Common Ownership companies; making the attempt to be a different kind of organisation or "succeeding", in conventional terms? The answer to this question varies with the organisation and with what commentators choose to include under the C.O.C. title. My view is that there is a profound difference between "mere" employee share ownership and Common Ownership and that the distinction is ethical. A spokesperson from St. Luke's has said that for them, shareholding is "not a paternalistic gift from on-high but a right that all employees claim".

The difference proposed is very clear when viewed from the perspective of systemic purpose. In the case of an ethical C.O.C, share ownership and consequent acceptance of collective responsibility for the fortunes of a joint enterprise is an expression of social justice. Alan Bell, M.D. of Scott Bader, reminded his November 2001 seminar audience that the company's founder, Ernest Bader, believed that, "Business, as the engine of economic life, must take on the responsibility of evolving a truly responsible society." On the same occasion, a company representative from St. Luke's championed the following list of differences between themselves as a C.O.C. and the majority in their field, based on their previous employment experiences.

"Traditional"	**St. Lukes**
Secrecy	Sharing
Hierarchy	Transparency
Fear	Honesty
Co-ercion	Coaxing
Blame	Learning

("Sharing Success" Seminar , London U.K. 21st November 2001)

Whilst adopting its own perspectives, the traditional, capitalist mainstream is very good at learning and adapting ideas to its own use, including from minorities, and representing systemic purpose as quite other than the way its systems actually function. For example, a number of U.S. enterprises (and some in U.K.) are taking pains to ensure that their employees become shareholders in their employing company. The means to achieve this should be understood as the latest versions of performance-related pay (P.R.P.) structures, not the pursuit of social ideals.

I do not propose to explore the detail here and hope that the following diagram says enough. It groups employment pay practices historically into two main sets, Employee Reward Systems and Company Pay budget Control Systems. Dominant concepts related to these two groups are shown, alongside an evolved and evolving list of payment systems.

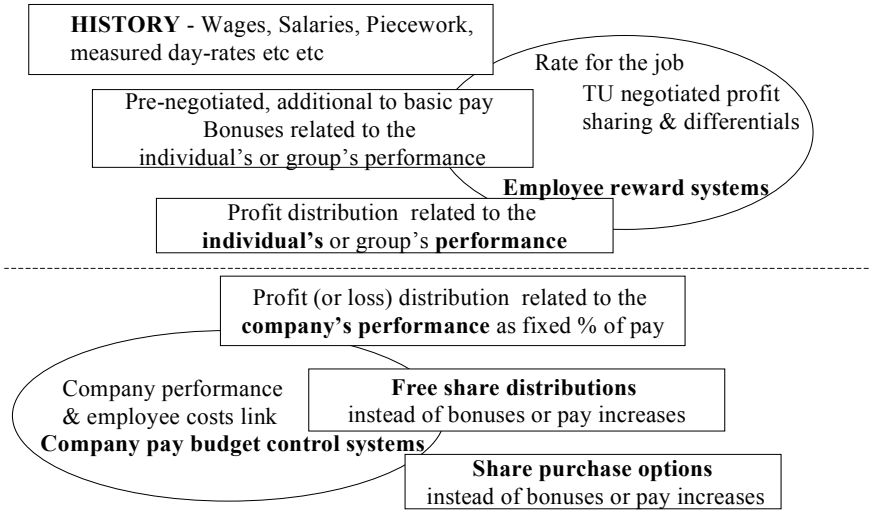

Figure 2: Payment system developments in the 20thC

Whilst the rhetoric of those who design and implement performance related pay structures in traditional corporations is that these are "to increase employee commitment and motivation", the functional purposes of both Profit Related Pay systems and Performance Related Pay systems are not usually related to mutuality or worker democracy but to unit cost control. As can be seen above, there has been shifting emphasis from performance by individuals (under their control to some degree) to performance of the company (only tenuously connected to the performance of most individuals) as the basis for reward. Tightening the link between the efforts of individuals and the fruits of their labours also is an underlying theme of ethical C.O.C.s but within a "pull" system rather than a "Push" system.

For the Traditional company "Success" (however defined in business terms) is an aim that need never be compromised by ethical issues unless they wish it so, whereas ethically driven C.O.C.s might find themselves facing choices between "Success" and "Principles". The main challenge for them is survival and competition in a business environment where system purposes are both perverted and misrepresented for commercial ends, without loss of their own integrity. This will be particularly difficult where employees do not hold 100% of the equity.

There is potential from companies to shift either towards or away from fully common ownership. Examples include a successful bid from the internet services firm Poptel successfully for a top level domain for the co-operative sector globally; their ".co-op" site opened for business in January 2002. This was a great commercial coup both in terms of the contract they obtained and in that they obtained venture capital to support the project. However, it has meant that the firm is not now as autonomous, although it is still majority-owned.

In contrast, the consulting firm Xansa began as a traditional commercial enterprise that pursued "success" and is now a plc with a 70% quoted equity. The employee share-ownership that accounts for the other 30% was donated by its founder as an act of generosity and in a spirit of sharing, so the shares could be categorised as commonly owned and therefore ethically distributed. This company includes "outsourcing" in its consulting services, however. This raises interesting questions concerning interactions between types of business activity and possibilities for *ethical* common ownership; could a P.R. company, for example, ever find an ethical pathway? The general case of this question is whether business ever can be ethical, since its most popular instantiation is inherently exploitative, as Marx pointed out.

Other companies, like the chemicals manufacturer Scott Bader, think commercial enterprise can be ethical, but that it takes a lot of effort and some sacrifice. The company's founder bequeathed both the company and his moral principles to the charitable trust he set up in 1951. These principles included no dealings with customers or suppliers profiting from instruments of war, worker contribution acknowledged and rewarded through a common ownership structure and a commitment to involvement with the wider system, both at the level of the local community and as an example that others might choose to follow within the business community. Ernest Bader wanted his company to contribute to making the world a better place. Continued viability, therefore, is important to this "mission" but the mission's nature entails ethical limitations on what may be done to remain commercially viable. **At the limit, this organisation would cease to exist rather than sacrifice its principles.** In the event of the trading company's collapse, the Trust is empowered only to sell everything and distribute the proceeds to charity; employees would *not* receive payouts beyond their negotiated redundancy rights.

Practical challenges for Ethical, Common Ownership Companies

In addition to the challenges of Viability within a turbulent business environment also presented to the Traditional majority, there are other practical challenges that are more likely to arise for C.O.C.s . These include operational/structural organisation challenges in the internal environment and Credibility and Visibility challenges from the near environment.

<u>The view from the outside looking in</u>

Traditional, publicly quoted companies are more newsworthy than C.O.Cs. The press likes "bloodletting" stories. Accordingly, their employee relations problems, their share positions, the magnitude of their C.E.O.s salaries, their strength in or vulnerability to mergers and takeovers all keep them in the public eye. Meanwhile, C.O.Cs are quietly avoiding most of this strife and consequently are "invisible" and do not benefit from this free marketing service. Their task in reaching the consciousness of potential clients and customers is of greater magnitude, hence potentially more costly.

Credibility is affected by Invisibility. Human beings fill gaps in their information imaginatively. Several U.K. C.O.Cs commissioned research about their public image and were dismayed by the results. The public perception seemed of well-meaning but largely irrelevant survivors of post WW2 social experiments; unsurprisingly, the

research-commissioning companies do not see this image as conducive to 21st C success. ("Sharing Success" Seminar , London U.K. 21st November 2001)

The following diagram summarises the above situation.

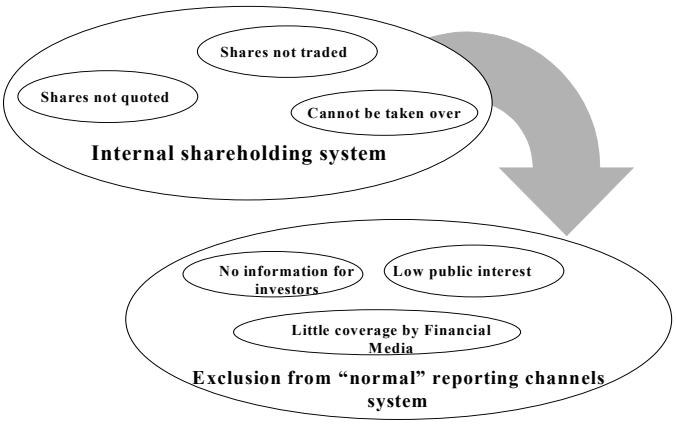

Figure 3: Invisibility System for a Common Ownership Company

This image is perceived as unfair by the companies concerned. Half a century of survival *and growth* by John Lewis's and Scott Bader can no longer be seen as "experimental". The quality reputation of Waitrose, the provisions "arm" of the former is second to none in the U.K. and the enterprise gained a national award for innovation (Guardian, 18th March 2002). St. Luke's also has won national awards; Tower Colliery paid off its initial bank debt within two years and is in profit. In short, all five U.K. companies cited above currently are viable and most are thriving.

How little is known or understood about C.O.C.s, even by people who might be expected to have studied economics, was illustrated at the 2001 "Sharing Success" seminar by an attending correspondent from the Financial Times, who confessed to being agreeably surprised by the business success stories he heard there, although he had attended in a sympathetic spirit. The "public image" issue has ethical, as well as practical, implications to which I shall return later.

<u>The view from the inside looking out</u>

All enterprises, C.O.C.s included, need to monitor the business environment. One of the operational challenges of environmental scanning is how much to scan - how many systems levels to address and what elements within these. Some C.O.C.s must include extra elements in order to avoid compromising their ethical principles. Furthermore, these practical ethical decisions entail the use of systemic thinking. As an example, Scott Bader needs information about the uses to which their products will be put further down their supply chain and about the way its own suppliers conduct their business. A well reported case where systemic thinking was not apparent concerned Body Shop, which publicised its toiletries as "Not tested on animals" but subsequently discovered that some of its bought-in ingredients were.

In the wider system, there are also additional dimensions to scanning for the Ethically based C.O.C. When seeking acquisitions, partnerships, mergers or merely agents,

potential candidates must satisfy not only the business criteria proposed by the C.O.C. but also be aligned with its ethical principles. Using the example of Scott Bader again, it is now a global group, having accomplished a number of acquisitions. The company's mission includes exporting its principles as well as its products. This has necessitated a deeply thought process within the existing democratic bodies and negotiations on values with their new partners. In consequence, the founding ethical principles have "evolved backwards", in that they have become more generic, so that all members of the group, wherever located geographically, cuturally and religiously, can adopt them with a good conscience. Early acquisitions were near geographically and a proportion of the new employees chose to participate in the existing U.K.-based structures. Now that the businesses in the group have re-organised and the "core" is now pan-European, the democratic bodies will not be able to function in the old ways. The systemic design of a new and evolving democratic structure wider than the long standing U.K. bodies is a gargantuan task ahead.

<u>The view from the inside looking in</u>

C.O.C.s face challenges particular to their situation, including for their operational and financial systems.
The main operational challenge to C.O.C.s arguably is structural. The John Lewis Partnership and Scott Bader each have a dual structure; one for conducting the business and the other guarding and guaranteeing the use of ethical principles in pursuit of the business. Since the fora for the latter are huge, both these enterprises also need systems bridging the two structures. These needs create a further need for an extra level of functioning for the guardianship bodies, that of managing the evolution of their own structure and functioning.
St. Luke's (Advertising) has taken a different pathway, having decided that democracy becomes impractical in groups with more than 35 members. As the company has grown, therefore, it has "budded off" new groups.

Whichever form is chosen, a challenge common to all C.O.C.s is managing the boundary between democracy and managerial expediency and expeditiousness. As has been agreed at Tower Colliery, "You can't have 300 managing directors". (Tyrone O'Sullivan). Most of the C.O.C.s studied had an executive group that can take business decisions swiftly. These executives, however, are not only more accountable to their workers than in the mainstream, in some cases the workers have a final right of veto - and have been known to exercise it.
An acknowledged hazard of greater worker involvement is slower decision making. Practical tasks for the "evolution managers", therefore, include negotiating and publicising who is responsible for what and who can and cannot take what decisions, how and when. Practical tasks for executive managers include working with and through the democratic bodies so that opposition will not be generated.

To this last can be added the observation that C.O.C.s vary in the degree to which benign employment policies extend the range of the ethical remit beyond share ownership or custodianship. The higher the degree of democratic involvement, the following logically become more likely:-

- A narrowly distributed basic pay structure (managers are employees and their job grades can be negotiated by the majority, just like those for any other employees)
- Egalitarian distribution of profits or losses

- Benign employment policies (e.g. benefits, avoidance of redundancies).

All this comes as a cost, which can result in slower growth rates than those in Traditional companies. However, as Oakeshott (2001) points out, accepting a slower rate of growth than some competitors as the price of benign employment policies is a strategic option; it is not necessarily a "problem".

A causal argument for this slower growth can be based in the financial situation of wholly employee owned C.O.C.s. Re-investment of profits requires both profits and employee agreement to use these for re-investment but may be a preferred route. Several mainstream sources of investment funding may be unavailable to these C.O.Cs. They cannot raise funds by a market capitalisation; they may see bank or venture capital loans as threatening or these providing institutions may be wary of them because of their "invisibility" and/or poor perceptions of their credibility. A more insidious investment reducer is, paradoxically, success, measured on a whole range of criteria.

The following diagram conceptualises some of the elements of this situation.

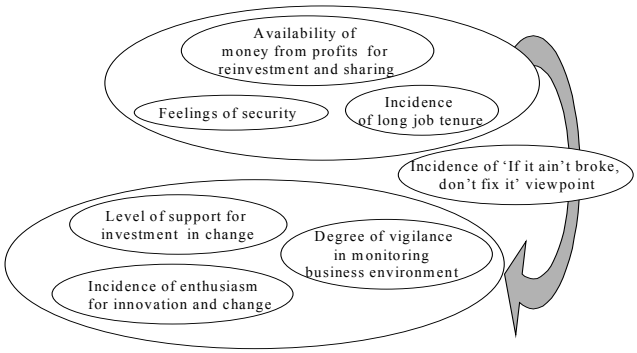

Figure 4: An environment of perceived success as potential threat

Employee retention tends to be very high in C.O.C.s. Due to less frequent "transfusions" of new people and their ideas than occurs in the mainstream, over time employees of commercially successful C.O.Cs can come to feel so secure that there is a danger of failing to support activities, such as vigilance in their business environment, or to appreciate the necessity for evolution and change in order to sustain viability.

Whilst employee retention often is high, it is not the case that nobody leaves. Where the financial structure of the C.O.C. is direct worker equity holding, the threat of someone leaving has additional ramifications, especially in the smaller firm that is, perhaps, more typical of mutuals. The question has occurred both to members of Tower Colliery and St. Luke's, "What happens if *several* people leave at once?" They may not only demand return of their invested cash, quite legitimately, but typically the company is set up so that they cannot remain shareholders if they no longer work there. Resale of their shares back to the C.O.C. is an option but this means that the company either must carry sufficient reserves to pay them or be prepared and be able to borrow.

I conclude this section with an emergent property of democratic common ownership systems that may not be immediately obvious, which is **surfacing of multiple**

perspectives. Earlier, in the context of clarifying responsibility for decisions, I wrote of the necessity for "evolution management", even in fully participative organisations. The additional point I would make here is that, having raised awareness and incidence of dialogue, particular deconstructions of "their" organisation and its systems will emerge and these will represent multiple perspectives which will be voiced, because in this sort of organisation it is O.K. to do so. In a commercial enterprise, this diversity also needs to be managed. During the case interviews, employee perspectives on the core purpose of Scott Bader included the following:-

- to provide employment
- to grow as a business
- to employ more and more people
- to provide money for charity.
- to exist long term as a business
- to show the rest of the world that there is a different way of running a business.

If conceptual modelling were to use these statements as Root Definitions, a number of different potential versions of the organisation could ensue. Fora for surfacing and debating such absolute fundamentals seldom exist within Traditional companies outside a "Strategic" executive, which then produces a Mission statement, promulgates it like a mantra and sets about "winning hearts and minds", rather than beginning by *understanding* hearts and minds. Different perspectives on "What we are really here for," will exist, in any organisation, but may go unrecognised in the Traditional enterprise until such time as they become disruptive, when they will be treated as aberrant. In C.O.C.s they are ever-present and ever-visible.

Ethical challenges for Common Ownership Companies

These are a mix of the ethical challenges faced by all companies (but not always addressed) and situations that are higher in the consciousness of C.O.C.s than the majority. Some ethical challenges to C.O.C.s are created by the mainstream business environment, as the following example illustrates.
The invisibility/credibility situation described above presents C.O.Cs with a dilemma that is not only practical but ethical. They need the benefits of greater public awareness but Public Relations, as this service is usually conceived, may not be an ethical choice. Despite the Institute of Public Relations' definition of its purpose as "...to establish and maintain goodwill and mutual understanding between an organisation and its publics....", (Institute of P.R. 1984) various, less high-sounding, forms of it are well recognised. These include "Defensive P.R." (response to attacks, e.g. from investigative reporters) and "Proactive P.R.", which "means setting out deliberately to influence opinion". (Blythe 2001)

A Public Relations system is not a reporting system; its purpose is to put the best "spin" on carefully selected material, for commercial advantage to a particular client.
Its range includes cynically exploitative use of accurate information and even misrepresentation. Two examples follow.

The U.K. home improvements company B.&.Q. was reported to have spent more on the P.R. budget for publicising its activities with community groups than it spent on the charitable activities themselves. (Financial Times 9th March 2002)

The promotional material itself may not even be information, but opinion. In more direct terms, P.R. mis-representation may not stop short of lying. Some companies are quite brazen about this; the U.K. retailer ASDA (now owned by the American giant Wal-mart) was convicted and fined in 2002 for making unjustified claims of consistently low prices, *and this was not its first offence for the same misrepresentation*. (F.T. March 2002) For the unprincipled company, it is worth paying the odd fine, since it knows that any lie, repeated often enough, will be believed - Dr. Goebbels' understanding of propaganda.

For C.O.C.s, many of whom understand the P.R. dilemma very well, following "traditional" publicity practices may be ethically unattractive and they may seek other options. A group of U.K. C.O.Cs. met together in November 2001 to begin to learn "success recipes" *from each other* rather than from the traditional mainstream. This process could accelerate via two routes; a) the initial meeting could become the start of an enduring network and b) the attending Internet Services C.O.C. Poptel's successful running of their ".co-op" web domain.

The ethical challenge to C.O.Cs that I believe to be of the greatest magnitude is change, growth and expansion, especially by merger or acquisition, and the magnitude of the challenge increases with globalisation. The issue rests in arguments against "designing for others" for example as highlighted by the Banathian approach. (Banathy 1996) As an organisation extends its reach, it will abut ethical systems very different from those of its initial host nation and voices from those ethical systems will make themselves heard.
If the C.O.C. in question wishes to preserve intact *its* values and principles, including against some of these "outsider" ideas, it must be prepared to exercise controlling methods both for exclusion and indoctrination. Traditional firms always have imposed their dominant elite's values in such ways. However, C.O.C.s, especially in the early part of their growth cycle, also may feel this is their safest option. For example, they may set up lengthy and rigorous recruitment, selection and induction procedures that increase the probability of "the right kind of people" joining the firm.

Imposition of a non-negotiable set of ethical principles as a condition for employment or a merger seems to me, paradoxically, unethical (and may also contravene existing Equal Opportunities legislation). It is a basic principle of Employee Relations that negotiated agreement may be achieved on matters of practice but values are non-negotiable. The logical way out of the impasse for the C.O.C. that is serious about ethics has to be co-creation of a new way; I have written elsewhere about the difficulties of attempting this laudable aim in practice.

Practical and Ethical issues minimised for Common Ownership Companies

The text so far might give the impression that common ownership attempts might not be worth all the extra work involved in running them. Countervailing argument, therefore, needs to look for challenges to Traditional firms that are minimised or do not even arise for ethical C.O.Cs.

The **transparency** with which C.O.C. internal business is conducted has many, healthy consequences, for example **managerial accountability** and fair treatment of

individuals, reducing needs for specific control systems to ensure these and forfend against malpractice. As Scott Bader's Personnel Director described her role, "It's like having three hundred pairs of eyes watching everything you do". Systemically, once collective, ethically-based process exists, it can sustain itself by checks and balances.

The European Manager at the same company emphasised **trust** and its role **in long term relationship-building**, whether up and down the supply chain or within work teams. Where dealings are transparent, **conversations are ongoing** and people keep their word, fruitful negotiations are facilitated and re-negotiations due to any problems arising are smoothed.

St Luke's version of this is conceptualised in terms of **breaking down barriers**; the agency has organised the physical space of its operation so that clients are as at home on their premises as St.Luke's own staff and, again, dealings consequently are more transparent. All staff "own" all the spaces (or none of it, depending on your viewpoint.) Only clients have dedicated space.

On the darker side, one of the more unpleasant tasks for any enterprise is managing redundancy. Whether this is done ethically or unethically, decisions are taken about who leaves the firm. Proponents of systemic co-design would argue that "Designing for others" is both unethical and likely to produce unwanted emergent consequences as well. Nonetheless, in Traditional organisations, designing for others prevails and outcomes can be seen in terms in terms of "winners and losers". The decision on "Who will lose?" challenges ethics. Other forms of engineered organisational change can have similar "Win/Lose" consequences.
Ethical C.O.C.s are not immune to business environmental pressures, including those that result in reduced staffing, but have a more flexible set of response options available to them because of automatic **stakeholder involvement**. Tower Colliery workers have even worked periods without pay for "their" firm.

Stakeholder involvement combined with ongoing conversation can transform situations that could otherwise become matters for disciplinary or grievance actions. In cases where such action becomes necessary, it is less likely to escalate into management versus staff confrontation, since peers automatically are involved and there is a culture of **listening**.

Conclusion; implications for the Capitalist majority in the 21st Century?

It would be unrealistic to hope that the worst kind of "hard" managers would abandon their creed of individualism, selfishness and callous cruelty for sharing, mutual concern and honouring individuals. I believe that there are payoffs to some features of some C.O.Cs that would appeal even to them and not only in terms of feeling good about yourself and the place where you work, although that is very important.

All the following have been mentioned above; all can have positive, practical payoffs for any organisation, C.O.C. or otherwise.

- **Principled Behaviour**. Tomer (ibid) asserts that this entails **always seeking win-win solutions, rather than win-lose**. It also minimises "Legitimacy Costs", i.e. costs that accrue to behaving badly and being found out. He also claims that

"Strategic socially responsible behaviour" (perhaps more common in the mainstream) entails an awareness of need for legitimacy, as expressed through the use of P.R. agencies.

- **Sharing**, both materially and in terms of responsibilities. The European Manager at Scott Bader has worked for "hard" companies and knows how difficult and stressful it is when competition inside the enterprise rivals the competition on the outside in its fierceness. There is hopeful evidence that recognition is dawning that in the 21st Century co-operation often can be a more efficient and effective way, for example increasing numbers of partnerships and joint projects. Examples at industry level include remaining players in the saturated, mature-phase, automotive market, who have pushed competition as a strategy to the point of self destruction.

The next three points can facilitate sharing. They were introduced above as properties of C.O.C., but are transferable outside that context.

- Stakeholder involvement in organisational decision-making (but not necessarily decision-taking).
- Ongoing dialogue and long term relationship building
- Listening (to customers, staff, suppliers, other stakeholders).

Adoption of any or all of these could help any company take better decisions, although the decision-making process might be slower.
Provided the sharing agendas are negotiated appropriately, individual and organisational learning also are facilitated by these three means.

The next group of points would require greater culture change than some firms are capable of, at least in the short term, despite their practical advantages. Probably both the most valuable and the most problematic is the first, **Trust**. To illustrate, Scott Bader is a small company that produces a mixture of innovative and commodity products. The number of players in their markets has increased as big chemical companies have seen profit opportunities. Trust helps Scott Bader to retain their market niche in the face of this because of their fair and reliable behaviour. Trust is "Valuable" because its presence can overcome huge problems and "Problematic" because it is so fragile. It can take years to build and minutes to destroy. Trust destroyed usually is irreparable.

The following three properties are related to Trust. They are:-

- Transparency
- Truthfulness, for example in describing organisational systems in terms of their actual functional purposes, rather than misrepresenting their intentions.
- Breaking down barriers

Less threatening, because requiring less shift, is extra activity that is forced upon ethical C.O.C.s but could be adopted and adapted by any enterprise. It is:-

- Greater breadth and depth to scanning of the internal, near and far environments. This does not mean a focus that is less sharp; ethical C.O.C.s will know exactly what they are looking for in addition to the more obvious of the STEEPV factors and any company could befit from reviewing the scope of its environmental scanning and the efficacy of its procedures.

I have left the following point until last because it is so non-threatening and so beneficial that it is a mystery to me why all firms do not seek more:-

- Openness to and involvement with the local community.
  This takes many forms. These may involve local ecology, local charities and local people. U.K. businesses as diverse as Innogy (power generation and supply), Unipart (automotive parts supply) and Tesco (retailing chain) have reaped the benefits of good local relations, especially when these involve children. These benefits can include facilitation of local recruitment (low cost), free *and complimentary* publicity, dispersal of animosity before it gets to the level of public protest, for example in respect of planning applications. Employees of the benificent firm reap a double benefit in that their own children are among the community of local children being helped, for example in computer literacy.

The key issues for "business as the engine of economic life" in the 21st Century ultimately concern values and relationships as much as wealth generation. I have tried to argue that ethical C.O.C.s provide a range of models demonstrating how both can co-exist synergistically.

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