

**A prospectus for a  
FOUNDATION FOR TRUSTEESHIP**

**“Towards Better Business in the Public Interest”**

**October 1<sup>st</sup> 2011**

**Written by Ray Sheath  
Abridged 20/3/12 by Tim Phillips and Patrick Andrews**

**“We need a nobler economics that is not afraid to discuss spirit  
and conscience, moral purpose and the meaning of life, an  
economics that aims to educate and elevate people”**

**E.F.Schumacher**

## FOREWORD

That there is a crisis today in economics, finance and business is not in dispute and commentary largely focuses on a whole range of evidence of the crisis from environmental impact to rich poor divide and from exploitation of communities to sustainability of institutions and planet. How the different business ownership models, from the joint stock company to mutuals and from social enterprise to employee ownership, are capable of responding to this crisis makes for a complex debate with no consensus in sight.

Historically this crisis scenario is not new even if the breadth and depth of the crisis is. And historically there has been a very practical response going back over a hundred years or more of where business has been conceived of as being run in the public interest with no ownership. Business Trusts have been established by private individuals, by families and by governments to realise this vision. These businesses have proven long term sustainability. Up to now they have been largely invisible to the public and to each other. They have not taken part in the current debates even though they have a major contribution to make notwithstanding their differences and different historical journeys.

**The purpose of The Foundation for Trusteeship is to provide a rallying point both for these Business Trusts and to replicate this mode of business i.e. non-ownership trust structures and its culture of Trusteeship. The culture of Trusteeship potentially provides for the equal participation and development of all employees alongside traditional management structures.**

This Prospectus therefore starts with a “collective form” of this historical vision rather than yet another analysis of the crisis. It is both a request for start up capital and a lead into a discussion of the issues and how the Foundation intends to work as a “Rallying” point. It is not complete as a business plan but provides a modular framework with low cost options to start operations whilst acknowledging the learning ahead. Please read it as a narrative and in this spirit. A consortium of social investors /philanthropists funding the Foundation would be a strong motivating force to rally existing Business Trusts and pave the way for the success of business in the public interest.

**Ray Sheath**

**Principal Author: Ray Sheath**

**Co-authors:**

**Patrick Andrews**

**Rick Trask**

**Carole McKenzie**

**Rachael Mallows**

**Jonathan Wilson**

## CONTENTS

	Page No.
<b>1 The Foundation’s Vision and its Charitable Aims</b>	<b>4</b>
<b>2 A Brief Overview of the Current Institutional Setting for Business</b>	<b>5</b>
2.1 Commercial, Social Enterprise, Mutuals, Charities & Family Businesses	
2.2 Business Trusts and Trusteeship – Offering a different Ethic	
<b>3 The Business of the Foundation</b>	<b>6</b>
3.1 Creating a Research Campus of Business Trusts	
3.2 Creating and supporting new Business Trusts	
3.3 Developing Public Education, Awareness and Trusteeship culture	
<b>4 Trustees, Foundation Secretary and Executives</b>	<b>10</b>
4.1 Long Term Structure	
4.2 Short Term Structure	
<b>5 Investment in the Foundation for Trusteeship</b>	<b>13</b>
5.1 Financial Requirements	
5.2 Configurations of Gift Capital	
5.3 Supporters and Sponsors	
<b>6 Administrative and Contact Details</b>	<b>14</b>
<b>ANNEXES</b>	
<i>(A) Three letters from Ray Sheath published in the Financial Times in 2011</i>	<b>16</b>
<i>(B) Public Benefit Statement for Charity Commission</i>	<b>19</b>
<i>(C) The Business Trust and Trusteeship Charter</i>	<b>21</b>

# 1 The Foundation's Vision and its Charitable Aims

## Our Vision

That a business and its assets can be held in trust for society and operated solely in the public interest with no private ownership of or lien on the business and thus can set the conditions for the possibility of Trusteeship which is that employees are Trustees in Common of the business.

That such Business Trusts are governed by a Trust Deed that defines the public interest in this context as creating and marketing products and services for the well being of its customers such that what is required from employees, suppliers, neighbours and the Earth's natural resources is just and sustains their well being.

And that all employees are given the opportunity as Trustees in Common, whatever their role in the business, to develop and realise their own creative capacities alongside their colleagues and contribute in their own way to the public interest of the business.

These attributes contrast with the dominant conditions prevailing today where businesses are owned, run and bought & sold for profit in the private interest, where employees, customers and suppliers are treated as mere utilities, where as a result the long term sustainability of businesses and the planet are problematical. Business Trusts and the culture of Trusteeship offer an alternative to fulfil the vision of the primacy of human well being and moral purpose in business.

**The aim of the charity** is to promote Trusteeship in industry and the Foundation will in pursuit of this aim

- (1) Establish a Research Campus of existing Business Trusts and engage them in an R&D program to establish a common understanding of Trusteeship
- (2) Apply results from the Research campus to support the creation of new Business Trusts
- (3) Put all results of the research and development programs in the public domain through an education program of publications, seminars, conferences, web publishing and social media to increase awareness of Trusteeship

Annex B shows the Public Benefit for charity registration

Annex C gives a more detailed exposition of Business Trusts and Trusteeship in the form of a "CHARTER"

## 2 A Brief Overview of the Current Institutional Setting for Business Trusts

### 2.1 Commercial, Social Enterprise, Mutuels, Charities and Family Businesses

To say that the institutional landscape for business is confusing would be to make a gross understatement. Business is being conducted under different legal frameworks, declared purposes, stakeholder relationships and employee relationships. Everywhere conflicting notions of how money rewards and social good blend or co-exist are being debated with seemingly no consensus in sight.

It is beyond the scope of this Prospectus to lay this out in detail but visits to the blogosphere and the press of the social enterprise, corporate social responsibility, co-operative and charity sectors tell the tale. However some general comments can be made on these seemingly intractable problems. This will clarify the tasks which Business Trusts have to address, through Trusteeship, to attempt to dissolve conflicts

**First** vested interests of one form or another by one group or another dominate the structures and processes of all businesses operating under all legal frameworks. The public interest is thus vitiated.

**Second** in configuring the business for a blend of money rewards and social good, the internal (*governance, management, employees*) and the external (*products, services, and behaviours*) are rarely determined together. There are often huge disproportionalities between the internal and external and between money rewards and social good.

**Third** it appears to be impossible to lay out a true financial account for a business because there is no way to bring in the costs and benefits of externalities. This undermines and complicates the exercise of blending money making and social good. The Profit and Loss account is a poor financial representation of the business

It is extremely interesting to note that family businesses are sometimes most successful of all in dealing with potential conflicts outlined and as a result are more sustainable across many generations.

Annex A to this Prospectus “Three letters to the Financial Times published in 2011” also tells this story. They were written in response to these issues raised by this “voice” of Business, Financial sector and the Economy

### 2.2 Business Trusts and Trusteeship – Offering a different Ethic

Business Trusts pursuing the ethic of Trusteeship have the potential of dissolving the social conflicts facing business. This is because the three areas that cause conflicts can be seen anew by accepting the distinction that is made between “Utility” and “Purpose” of a business as articulated in section 1 and Annex C

Employees with this mind set and acting as “Trustees in Common” provide the organisational DNA required.

### **3 The Business of the Foundation**

#### **3.1 Creating a Research Campus of Business Trusts**

Business Trusts exist today in many legal forms and are long standing and sustainable. But they may not necessarily use the language of Trusteeship or as yet have any common understanding or yet be fully conscious of or fully realise its philosophy. Examples are The Scott Bader Commonwealth, Andrews Estate Agents, London A to Z Map Company, The Guardian Newspaper, Café Direct, Traidcraft, over 100 Trust Ports, Ove Arup and probably many others hidden from view. And for the most part they do not necessarily know each other or recognise ground they have in common or participate in any community to develop or realise Trusteeship explicitly.

Therefore there is an opportunity to create a Research Campus of Business Trusts to arrive at a common understanding. The first task is to identify as many extant trusts as possible and then engage in a dialogue about the value of a Trusteeship community and their contribution to the promotion of Business Trusts and Trusteeship. A research program would evolve with the Campus but a tentative program might look like:

- 1** Identify Business Trusts in the UK and analyse the structures and governing documents and other reports for expressions of the Public Interest and identify associated explicit and implicit social obligations on employees in discharging the public interest generally and in terms of defined communities.
- 2** Establish a Research Campus of Business Trusts which will become the research laboratory and education resource for the promotion of Trusteeship with Business Trusts making grants or awarding research contracts to the Foundation and allowing internal access to the businesses to facilitate cross campus research projects.
- 3** To research ways in which social obligations on employees are assisted by ethical working practices including but not limited to co-operative working, democratic decision making, consensual decision making, accountability etc and to identify the challenges of such practices to the management and governance of the business. To engage in development programs to improve the discharge of social obligations.
- 4** To research and correlate with Trusteeship business performance concerning the use of natural resources, respect for the natural environment and the sustainability of the business in creative product and service innovation and supply chain management.
- 5** To further explore how the culture of Trusteeship contributes to creative product and service innovation with the well being of the community of customers in mind.

**6** To research and correlate with Trusteeship the impact that Business Trusts make on the neighbourhoods within which they work and establish how the social obligations are defined and what programs are designed for the wellbeing of the neighbourhoods.

**7** To follow the above research with surveys to see if communities of employees in Business Trusts report greater well-being, take up opportunities for personal development, have longer careers in their business, feel increased opportunities to make contributions and feel that the economic rewards are shared equitably with one another.

This body of work from the Campus will feed into creating new Business Trusts and a wider education and awareness program

### **3.2 Creating and Supporting New Business Trusts**

By definition Business Trusts come into being through Gift Capital since there is no new subscription for shares. Shares of an existing business can be gifted into trust or philanthropy capital and/or other assets can be gifted to new businesses such as start ups or corporate spin off. Most Business Trusts today have been created by a gift of shares of well established businesses.

We expect new Business Trusts to be created from several sources in particular Family Businesses, Quaker Businesses, Start-Up businesses and Primary Purpose Trading Charities. Family Businesses that have traded over several generations and Quaker businesses tend to have a very strong sense of social purpose and continuity and will be attracted to Trusteeship. Scott Bader and Andrews are examples of family businesses that have transformed to Trusteeship. There are many examples of family businesses that have been lost and many founders' regrets by not taking this path. Ben & Jerry's, Body Shop and Vidal Sassoon come to mind and indicate the huge range of businesses that Trusteeship can embrace

Initially the Foundation will act as an intermediary and catalyst in the formation of Business Trusts and Figure 1 shows the configuration of players and model of engagement in this market place. The CSR corporate sector and the philanthropy sector have a role to play in the development of this market through the provision of a range of support services and finance gifted to new Business Trusts.

The Foundation will need to develop deal flow, business process models, revenue models, rigorous tests of the business plans of clients and on-going support models. A particular and unusual challenge will be the legal structure since there is no explicit legal form for Trusteeship and businesses run in the public interest. Existing legal forms have to be used very carefully particularly with regard to Charities Commission's Guidance.

However it is envisaged that the intermediary business model will be similar to other commercial brokers except that fees will be based on time and not percentages of deal size. The author has extensive experience (and networks) in all the business areas and issues discussed in this section. Over time the “Know How” could be embedded in products and web based facilities rather than scaling up to a large people intensive service business. Alternatively The Foundation might incubate a number of small independent intermediaries to specialise in this area.

### **3.3 Developing Public Education, Awareness and Trusteeship Culture**

Trusteeship is on the one hand simple and straightforward (articulated in section 1) but the subtleties in and implications of the differences with other approaches to business are profound. Current approaches to business now run very deep in our culture and its language reinforces that culture. It will be a challenge to develop a new language to convey the nature of Business Trusts and Trusteeship.

The process of governance, management and employee engagement that follows from Trusteeship is likewise very different from that of conventional business and all other variants such as mutuals, social enterprise etc. What’s more even within Business Trusts there is huge variation.

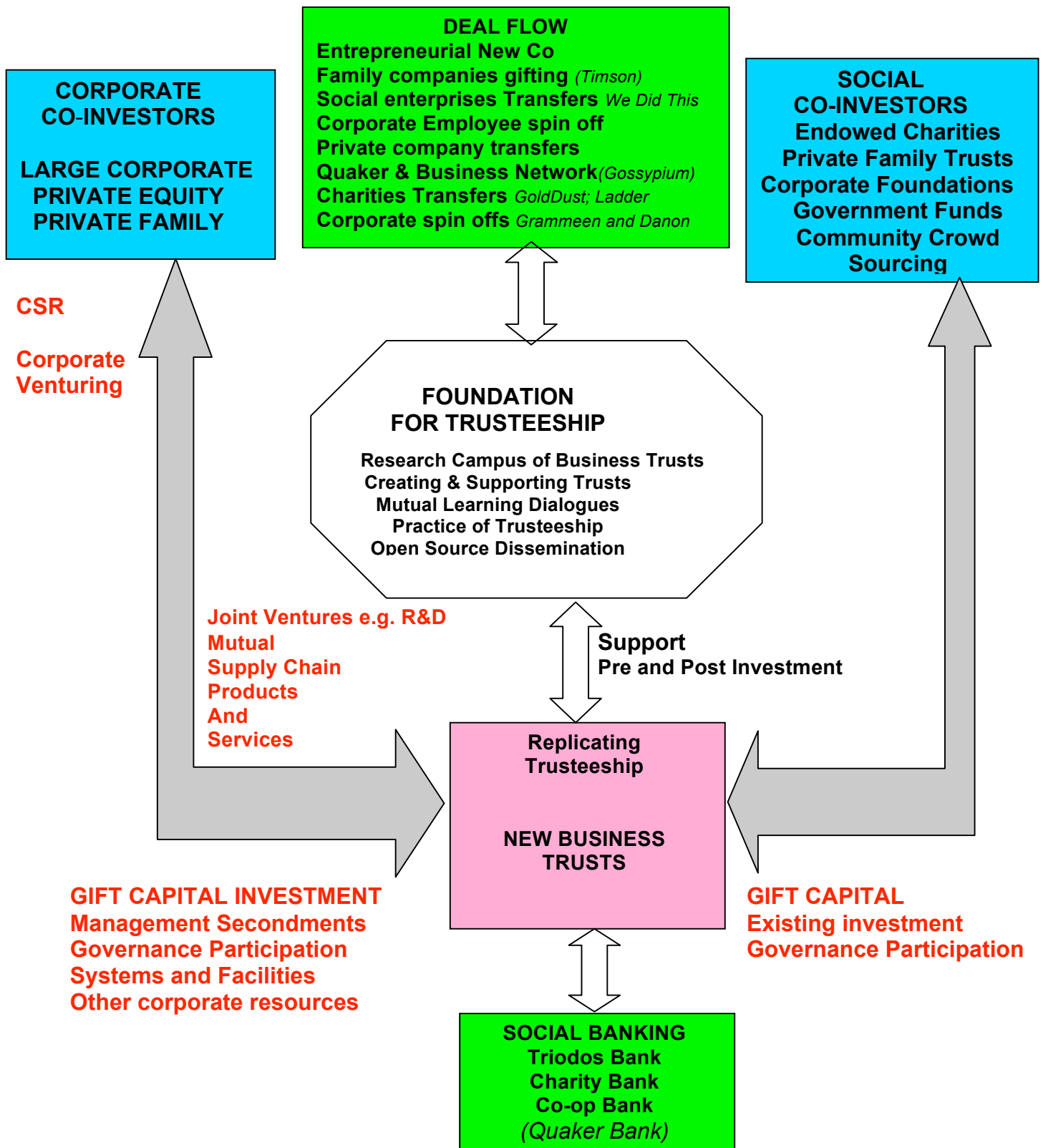
Therefore the third platform of the Foundation will be a program of public education and awareness, sharing and disseminating good practice of Trusteeship. Importantly this will take place both in the public domain and as an education, training and development program for employees in Business Trusts themselves.

The business model for this program will be unique and based on a system of interconnecting dialogues with each dialogue running over a number of months and comprising no more than 15-20 individuals. This is very different from the normal one off conference or seminar that is prevalent today. It would be a goal to thus position Trusteeship in the prevailing culture and target a large number of people. The detailed “Technology” of this model is in the early stages of development.

Blending in with other dialogues taking place across society on related themes will be important. An early example is the dialogue due to be held by The Quakers and Business charity in November 2011 entitled “Imagining beyond current approaches to business”.



**Figure 1**  
**Creating New Business Trusts**



## 4 Trustees, Foundation Secretary and Executives

### 4.1 Long Term Structure Effective from July 2012

The intended structure is to have six Public Trustees (unpaid), five Executive Trustees (paid) and a Foundation Secretary.

The role of the Secretary is important and whose responsibilities will be to build and maintain the infrastructure including financial management, servicing the Board of Trustees, Web Site and Social Media and general administration.

Public Trustees will be recruited from a significant pool of public figures who are known to empathise with Trusteeship.

Executive Trustees who will be responsible for rolling out the business of the Foundation will be recruited from a pool of highly experienced individuals who have been active for many years in and around business generally and aspects of Trusteeship in particular.

### 4.2 Short Term Structure – December 2011 – June 2012

The charity will have three trustees to start with. The first Executive Trustee will be Ray Sheath (See profiles below) and the first Public Trustee is TBA. The goal in this period is to kick start the 3 business operations described in section 3 with small interventions or projects and the Executive Trustee will be supported by a small team of consultants engaged on an as needed basis. This start up plan is summarised in the following table briefly describing the projects and which consultant will be engaged.

<b>Research Campus of Business Trusts</b>	<b>New Business Trusts</b>	<b>Education &amp; development In Business Trusts</b>
Develop marketing material and the language of Business Trusts and Trusteeship  Recruit the first 4 members	Create Deal Flow and Data Base of Large Corporates  Create the first new Business Trust  Develop a package providing organisational and business support for the new Trust to adapt to the new Trusteeship Ethic	Negotiate and design an intervention in a Business Trust to explore the practical implications for employees seen as “Trustees in Common” in the running of the business and practising Trusteeship

In addition services of Secretary to the Foundation will be needed during this start up phase.

The extensive experience and depth of skills are seen in the brief biographies below and will enable a truly collaborative effort as a model of Trusteeship in action. In the long term they may become Executive Trustees or remain as consultants to the Foundation.

### **Ray Sheath – Executive Director Designate**

A former CEO in the computer industry running Venture Capital invested businesses including his own PC business he entered the social sector as a Director of Charter 88, a UK constitutional reform campaign. In 1996 he became first a Trustee and then Chair of the Scott Bader Trustees – a business following the ethic of Trusteeship. More recently in 2003 he was a partner in the very first Social Venture Capital Fund, The Adventure Capital Fund, and has played a major role at board level in the development of some of the major social enterprise institutions over the last 10 years including The Scarman Trust and UnLtd. He is a fellow of The Royal Society of Arts.

## **5 Investment in the Foundation for Trusteeship**

### **5.1 Financial Requirements**

The Foundation will operate as a primary purpose trading charity and will itself be a Business Trust as articulated in this Prospectus.

There are two phases to be funded by gift capital such investment leading to financial sustainability for the Foundation.

#### *Phase 1 Start Up - Running from December 2011 to June 2012 will:*

- (1) Settle the accounting, banking, legal, contracts and governance forms of the business
- (2) Building the basic operating infrastructure
- (3) Recruit trustees, Public and Executive, and the Secretary
- (4) Start the basic operations for the three divisions of the business i.e. The Research Campus, New Business Trusts and Public Education and Awareness campaign.  
(See section 5.2)
- (5) Develop a detailed financial business plan that will define revenue streams and cost structures and the development capital required over the first 3 years of trading.
- (6) Start the process of raising the capital required to develop the business.

There will be no revenues in this period and Gift Capital is required to implement the Phase 1 plan

## Phase 2 Development Running from July 2012 to June 2015

This covers the development phase when the three business models settle and revenues start to be generated for each of the 3 business divisions according to the shape of the financial business plan developed in Phase 1.

The Foundation in its role as an incubator will spin out independent Business Trusts in this period as indicated in section 3.

### **5.2 Configurations of Gift Capital**

The very broad brush Institutional context within which the Foundation will function is shown in Figure 2 and is purely illustrative for the purpose of determining where Gift Capital, Sponsorship and Support might emanate from.

It is clear that the start up capital could be raised in a variety of ways the most attractive of which would be a consortium of 3 or 4 foundations that already engage on social investment of this nature and could proceed to phase 2 if phase 1 proved successful.

However no avenue is being ruled out and this prospectus will be made available on a controlled basis to a number of philanthropy sources of gift capital including tax effective charity accounts operated by specialist banks through which smaller donations can be made.

### **5.3 Supporters and Sponsors**

This prospectus has been submitted for approval to the following organisations who hope to agree in principle to support the Foundation initially in the form of adding their name to the prospectus.

The Scott Bader Commonwealth  
The Gandhi Foundation  
The Quakers & Business Group

This signifies that they agree that (1) there is a well defined need for the Foundation and (2) they assess the proposal to be practical and viable and wish to see it come to fruition. Other Business Trusts are being approached in parallel with this fund raising phase of establishing the Foundation.

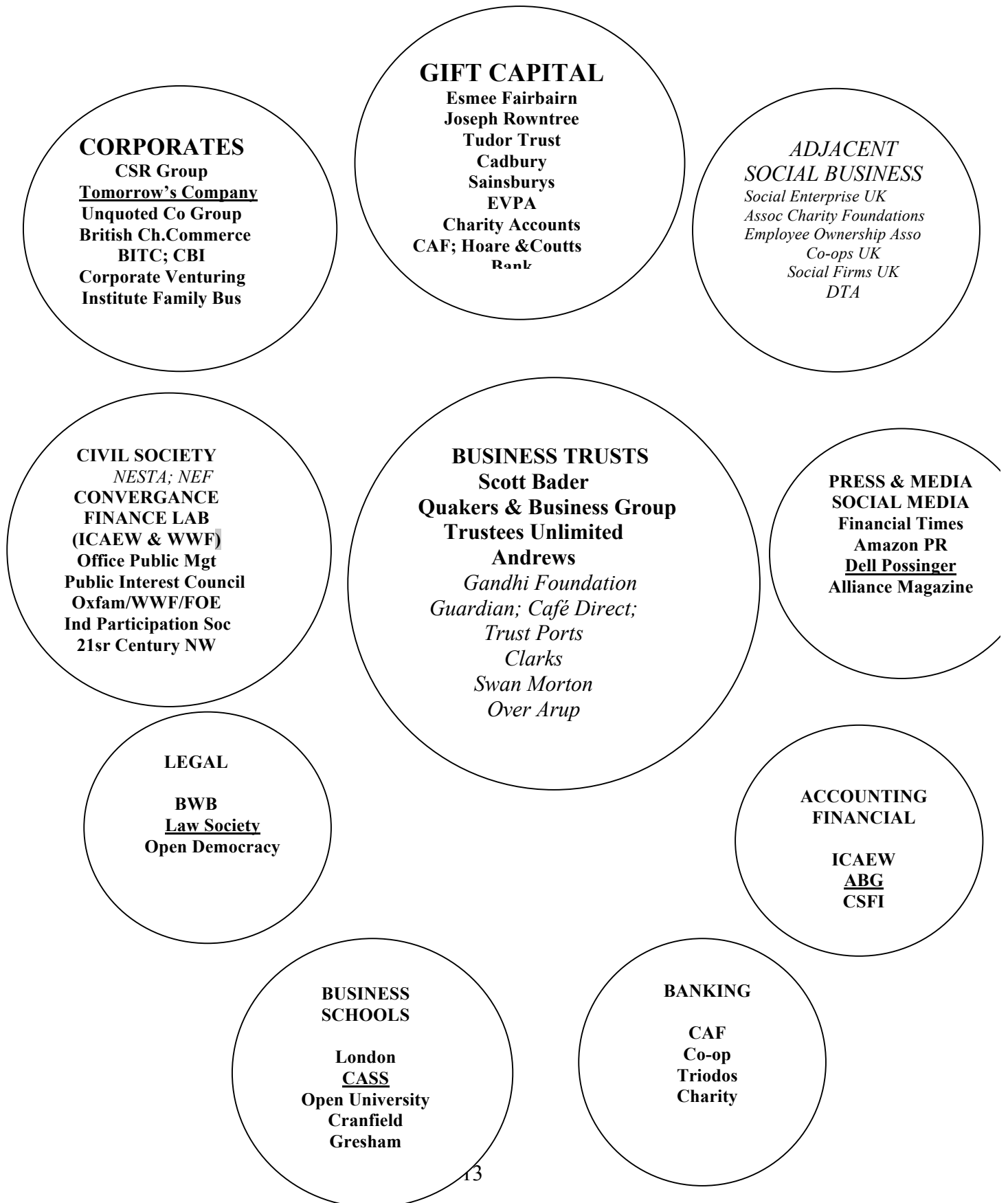
## **6 Administrative and Contact Details**

All enquiries should be directed to:  
Ray Sheath  
[ray@worldscape.co.uk](mailto:ray@worldscape.co.uk)  
07759-545613

A company limited by guarantee, bank account and charity registration are in process. Funds need to be obtained in order to proceed with registration and in this regard the Foundation is considered to have charitable objects prior to registration.

Figure 2

## INSTITUTIONAL CONTEXT



## ANNEX A

# Snake pit of confusion may stop the Big Society

Published: February 24 2011 01:28 | Last updated: February 24 2011 01:28

*From Mr Ray Sheath.*

Sir, John Kay ("[Time for the Big Society to get to the nitty-gritty](#)", February 23) is correct in identifying the related issues of capital structures and governance of hybrid organisations as barriers to achieving scale but wrong to point in the direction of creating more financial instruments such as social impact bonds.

John Lewis is not the best example of the sector today. There are many others not as well known.

The Scott Bader Commonwealth, though smaller in size, is the best example. Originally a conventional producer of polyester resins, the Scott Bader company was converted into "commonwealth" status in 1951 with agreed restrictions on the company's freedom of action.

A key factor was the initial gift of capital and a structure protecting the capital base. It is one of the very few examples of business trusteeship – a true hybrid between business and charity. It does not fall into the trap of being run for the benefit of some particular group. John Lewis is trapped because John Lewis is a partnership for the benefit of its partners.

What will stop the Big Society in its tracks is the sheer plethora of legal forms open to hybrid organisations. It is a true nightmare and a snake pit of confusions of what the purpose of a hybrid organisation is. Because of this there is no capital available for the Big Society.

Your article "[Investors seek returns in social gains](#)" (February 11) laid bare the scale of the challenge to the Big Society. It showed that investment in social enterprise over the past decade barely registered as a fraction of 1 per cent of the private sector.

A final consequence of this dismal situation is the lack of any education and training infrastructure for hybrids compared with business schools for the private sector. Much is left to be desired in the quality of management available to the Big Society and is hence unattractive to capital of whatever form.

Ray Sheath,

Managing Partner,

Social Investment International,

Rottingdean, E Sussex, UK

# Critical issue is governance that is ‘in the public interest’

Published: May 17 2011 02:29 | Last updated: May 17 2011 02:29

*From Mr Ray Sheath.*

Sir, I am afraid [David Erdal](#) (Letters, May 12) has missed the point of Andrew Hill’s column (“[It’s the managers, not the model](#)”, Business Life, May 10) precisely because employees are an interest group just like any other.

All interest groups can behave in short-sighted and self-interested ways and it is clear that management as an interest group does so frequently.

Mr Hill quoted United Airlines as a failure of an employee interest group and there are many other such examples of failure, such as National Freight Corporation in this country.

The critical issue is governance that is “in the public interest”. This is an issue that crosses all models and all sectors.

Who really is steering, and in whose interests? This is the debate that really needs to be had.

Ray Sheath,

Managing Partner,

Social Investment International,

Brighton, UK

# We must cherish our public assets

Published: August 8<sup>th</sup> 2011

*From Mr Ray Sheath.*

Dear Sir

It is very sad to see a bankruptcy of imagination and historical insight by all concerned with the Dover Trust Port (Protesters seek to block Dover sale - August 3rd).

Trust ports are exemplars of sustainability, the Holy Grail of modern business, precisely because they have no owners or shareholders and have been run solely in the public interest and are not for sale. Why undo this with lesser institutional artifacts such as privatisation and mutualisation. If the answer is because no capital is available to continue a sustainable service to the public, then look to all the business trusts that have been set up over the last hundred years with gift capital that does not seek a financial return but only social return.

And if it is claimed that no such source of gift capital exists then remember that last year £13 billion was given as philanthropy in the UK. The public that benefit from the port can be an additional source of gift capital raised through community crowd sourcing models. We must stop selling public assets and cherish what little remains of "The Public Interest" in the UK.

Ray Sheath

Managing Partner  
Social Investment International

The Penthouse  
The Green  
Rottingdean  
Brighton  
BN2 7HA



## The Foundation for Trusteeship Draft clauses for Application to Charities Commission

### C Assessing the organisation's public benefit

The wording of the objects clause is one of the main cornerstones of our assessment of whether the organisation is charitable.

#### **Object 1 As it appears exactly in the governing document**

The promotion of ethical and spiritual principles in industry with particular reference to but not limited to Business Trusts that are businesses governed by trusts, charitable trusts, wills or acts of parliament with a view to ensuring the discharge by persons engaged in industry of their social obligations for the wellbeing of the communities with whom they engage and within which they operate such obligations being promoted as Trusteeship.

Ways of carrying out Object 1. Include here details about how your organisations aims, as expressed in this object, are, or will be carried out for the public benefit.

- 1 Put all results of the research and development programs in the public domain through an education program of publications, seminars, conferences, web publishing and social media
- 2 Research and identify Business Trusts in the UK and analyse the structures and governing documents and other reports for expressions of the Public Interest and identify associated explicit and implicit social obligations on employees in discharging the public interest generally and in terms of defined communities.
- 3 Establish a Research Campus of Business Trusts which will become the research laboratory and education resource for the promotion of Trusteeship with Business Trusts making grants to the Foundation for Trusteeship and allowing internal access to the businesses to facilitate cross campus research projects.
- 4 To research ways in which social obligations on employees are assisted by ethical working practices including but not limited to co-operative working, democratic decision making, consensual decision making, accountability etc and to identify the challenges of such practices to the management and governance of the business. To engage in development programs to improve the discharge of social obligations.
- 5 To research and correlate with Trusteeship business performance concerning the use of natural resources, respect for the natural, environment and the sustainability of the business in creative product and service innovation and supply chain management. To further explore how the culture of Trusteeship contributes to

creative product and service innovation with the well being of the community of customers in mind.

**6** To research and correlate with Trusteeship the impact that Business Trusts make on the neighbourhoods within which they work and establish how the social obligations are defined and what programs are designed for the wellbeing of the neighbourhoods.

**7** To follow the above research with surveys to see if communities of employees in Business Trusts report greater well being take up opportunities for personal development, have longer careers in their business, feel increased opportunities to make contributions and feel that the economic rewards are shared equitably with one another.

**8** Applying the results of the research and development program to advise businesses not having a Business Trust structure on how to become a Business Trust in terms of legal structures, financial investment and organisational development programs for employees and to secure income from such advice and on-going support to finance future programs. New Business Trusts will be invited to join the Research Campus.

**9** Applying the results of the research and development program to engage with the non Business Trust community with a view to the development of individual and collective social obligations and well being of employees in industry.

## ANNEX C

### THE BUSINESS TRUST AND TRUSTEESHIP CHARTER TOWARDS A COMMON UNDERSTANDING OF TRUSTEESHIP

#### WORK IN PROGRESS DEFINITIONS

**Business Trusts** are businesses that have no private ownership and are “Held in Trust” for society and set up the conditions for Trusteeship. Their chief characteristic is to be free to work solely in the public interest by being free of all vested interests including financial capital and employee collectives. It is the goods and services produced in an effective and efficient manner that is seen as “Utility” contributing to customers’ own individual development and flourishing. There is no distribution of surpluses to private interests.

**Trusteeship** is the ethic encouraged in Business Trusts for employees to act as “Trustees in Common” of the business whatever the governance and management structure. It introduces into the organisations of our economic and social system a single moral purpose of human flourishing (spiritual & material) alongside the constraint that stewardship of the Earth’s natural resources requires. This is the Public Interest.

#### THE CHARTER

BEING DRAFTED OCTOBER 2011 as a template into which to feed the R&D work of The Foundation