
Building Trust in Business

A joint Q&B and Foundation for Business Trusts event

Summary Report

***Our Intended Learning Outcome:** By the end, we hope to have new understanding, ideas and shared enthusiasm for taking the work of creating business forms to serve humanity equitably and ethically.*

Woodbrooke
Quaker Studies Centre
Birmingham
28 May (Monday) 5:00pm to
29 May (Tuesday) 5:00pm

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I. The Minute: Building Trust in Business (Written by Paul Gibson)

The following is the minute of our event Building Trust in Business from May 28-29, 2012.

About 30 of us gathered in the Art Room at Woodbrooke Quaker Study Centre in Birmingham for the evening session. We began with a period of silence and then gathered in Meeting for Worship. Our Clerks are Tim Phillips and Winston Duguid, our Clerk for Meeting. Our facilitator is Rick Trask. We are reminded that this event is one of a series. We met as Non-Executive Directors in June 2011 on the theme of Organisational structures. We followed this with our Autumn Conference in November 2011 on Responsible businesses and applying the Quaker values of the past to today's businesses. Most recently, our Spring Gathering 2012 looked at a Quaker view of business, rooted in our testimonies of simplicity, truth, equality and peace. The minutes of these events are on our website under the Documents drop down tab:

<http://qandb.org/>

There were a number of common threads in the Participant's notes which we each completed in preparation for our gathering. We are concerned about the level of greed within modern capitalism and the impact this has on the environment and community. We hope to share new models of company ownership, governance and business ethics. These are complex matters. We wish to hear from one another for mutual understanding of the spiritual elements. We see this as a threshing meeting to focus on what is eternal.

Our speaker in the first session was Stephen Lloyd, Senior Partner of Bates, Wells & Braithwaite LLP, solicitors. Stephen's contact details follow at the end of this minute. Stephen spoke about the Current Landscape of Trust in Business. Stephen reminded us that corporations (companies) can now be very large. Of the 100 largest economic entities in the world, half are corporations. Over the last 30 or 40 years, inequality in the UK has risen, for example children living in poverty at a time when the chief executives of our largest companies are paid nearly £5 million a year. This is 200 times the average wage.

Stephen spoke of Michael Sandel's new book, What money can't buy: The moral limits of markets. Sandel argues that when a communal good is marketised and turned into a transaction, the process is unfair and corrupting or degrading to the communal good itself. Examples are executive boxes at sports grounds and the well off paying the less well off to queue for them at events. Stephen reminded us of our deep Quaker business legacy. He ended with the idea that trust in business is based on positive outcomes; food companies which promote healthy eating, banks working for our financial well being and fuel companies working for clean energy. We thought about Stephen's comments in groups and shared our findings. We thank him for his enthusiastic presentation.

We ended the day with Epilogue in the Cadbury Room with others who are staying at Woodbrooke.

Next day, we joined Meeting for Worship in the Quiet Room. We began the morning session with a summation of the previous evening. A number of us had brought an object to symbolise our views on trust in business. In my group, we heard of a shoe box to have a soul, a piece of string, a stone, customer service, sunrise and an English Springer Spaniel.

Our morning speaker was Patrick Andrews who spoke of New Possibilities in the Trust in Business landscape. How can we create forms of business which serve humanity equitably and ethically? Patrick gave us seven facets of a Business Trust:

- ⤴ A clear, inspiring purpose
- ⤴ Trusteeship (stewardship) and not ownership
- ⤴ A voice for the voiceless
- ⤴ Loops of accountability
- ⤴ Unity on major matters
- ⤴ Excess profits shared
- ⤴ An appreciation of the unique qualities of an organisation.

The challenge seems to be to spend time on discerning the right governance and accountability arrangements for an organisation. And then manage to bring these alive. We are reminded that our perspective can be influenced by our viewpoint. Are we filtering what we see? What are we willing to embrace anew, which may involve giving up some things too? Wherever there is a choice, will we hold onto that which is spiritual? We shall. We are reminded of inner leadership, of following our values and not following commercial norms. We recognise that this takes courage.

We heard case studies of the lived experience from four Trust in Business Organisations:

- ⤴ Case study 1: Scott Bader, an existing large organisation.
- ⤴ Case study 2: Thinking Flowers? a new, small, organisation with ambitious plans
- ⤴ Case study 3: Oasis School of Human Relations, an ethical not-for-profit organisation
- ⤴ Case study 4: Philips Printing, an existing small organisation

After lunch, the four case study teams presented their organisations and how each works ethically. There is a creative tension between value and values, which need to be kept in tandem. Profit is important but only in the right way and the right proportion and in accordance with our testimonies. How is an organisation sustainable for future generations and how do we secure employment for tomorrow's young people? There can be trust in an organisation through simplicity and clarity in communication and values at a spoken, written and heard level. This is especially true for an organisation working for sustainable action.

We joined together in worship sharing. We heard of the current landscape last night and of new possibilities this morning. We have heard from four quite different organisations this afternoon. We are discovering new understandings and ideas to take forward the creation of forms of business which serve humanity equitably, ethically and spiritually. We see business very much as part of community and central to community. A paradigm shift happens quickly when there is critical mass and the right people in place for change. We are part of that body of people, recognising the importance of diversity in all its forms.

We greatly enjoyed the enthusiastic, informed presentations which we have heard today and thank all those concerned for these.

We enjoyed tea together, hoping to meet again at our Annual Conference 2012 at Friends House, Euston on 7 November. The theme is Working together; exploring unity in the Quaker movement's relationships with businesses. We plan to hold Spring Gathering 2013 and our AGM at Friargate Meeting House in York on Saturday 20 April 2013.

We closed with a period of silence, thanking the team at Woodbrooke for their hospitality and Tim Phillips, Winston Duguid and Rick Trask of our Group and others for their work for our gathering.

In Friendship and peace,
Paul Gibson, Minute Clerk

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II. Evening Session: The Current Landscape

A. Stephen Lloyd Talk

*Stephen Lloyd,
Senior Partner, Bates Wells & Braithwaite London LLP
2-6 Cannon Street, London EC4M 6YH*

Scope of the Talk

- Is there a problem with the way modern businesses operate?
- Has business got worse?
- How can we reform business?
- Re-engineering the company.

A.1 Has business lost its moral anchor?

1.1 A brief survey of the last 20 years includes: Bank of Credit and Commerce Int'l, Polly Peck, Enron, Worldcom, Lehman Brothers, AIG, Bank of Scotland, RBS, BP, JP Morgan.

All these scandals involved variously recklessness; greed and at times fraud.

1.2 Then there is the ongoing environmental destruction.

- Exxon Mobil's opposition to any moves to combat climate change.
- BP/Shell investment in tar sands.
- The on going destruction in many places caused by mineral and oil exploitation.
- Fukushima.
- Excessive and inappropriate use of chemicals in agriculture.

1.3 Straight criminality eg News Corp:

- KPMG paid US \$456m in penalties in relation to allegedly supporting illegal US tax shelters and allowing clients to dodge US \$2.5bn in taxes (2007).
- Ernst & Young paid US \$204m in fines in 1992 arising out of the savings and loan scandal.
- PWC in July 2007 paid US \$ 220m to settle a class action law suit in the case of TyCo International Limited.

1.4 Incompetence/criminality.

1.5 Straightforward Anti-Social Behaviour:

- Tax avoidance – rampant – see Nicholas Shaler's book "Treasure Islands".
- In many cases payment of low wages.
- Excessive use of corporate power.

1.6 Of the world's 100 largest economic entities, 51 are corporations.

- General Motors, smaller than Turkey, bigger than Denmark.
- 25, 26, 27, 28 Walmart, Exxon Mobil, Ford Motor, Daimler Chrysler (bigger than Poland).
- 37, 38, 39, 40 & 41 Mitsui, Mitsubishi, Toyota, GE, Hitachi (bigger than Portugal).
- 43 Royal Dutch Shell (bigger than Venezuela).
- 47 and 48 Sumutomo and Nippon (bigger than Egypt).

A few other contrasts:

- IBM bigger than Singapore.
- BP bigger than the Philippines.
- Siemens bigger than Malaysia.
- Hitachi bigger than Chile.
- Sony bigger than Pakistan.
- Deutsche Bank bigger than Peru and the Czech Republic
- Nissan bigger than New Zealand.
- Nestle bigger than Hungary.

1.7 We have to recognise that corporate power is immense. Trans-national corporations have become the equivalent of war lords or robber barons in Medieval times. They are at times more powerful than the state and recognise little allegiance to the state. They are footloose and happy to engage in regulatory arbitrage. This is not true of all of them and of course the flipside is that their concentrated energy on producing particular solutions and profits has been a key component in helping increase living standards. They are not all bad.

We have to recognise that in many ways the corporation has been a force for good; mobilising savings; allowing concentrated energy without relying on the state. Be it from building railways; to delivering food; creating drugs or building cars. And many family run businesses do display key elements of long term stewardship; respect for staff and operate in a sustainable, rather than a practical, manner.

1.8 It is noteworthy that in India it is estimated that 40% of all food produced rots before it gets to market because it has not developed an equivalent of Tesco or Walmart with extensive networks of deep freezes and efficient delivery networks to collect crops, process and store them and get them to market.

A.2 Has Corporate Power Got Stronger and Corporate Excesses Greater?

2.1 The rise of inequality:

- In my lifetime in 1976 Britain was more equal than it has ever been. But tax rates were 83% on earned income plus 15% investment income surcharge. Today UK is more unequal than at any time since 1918.
- There are more poor children in the UK than in any other country in the European Union. Since 1973 inequality and take home pay increased more in the UK than anywhere else except the US.
- In 2010 25% of US national income accrued to 1% of earners. In 1970 it was 12%.
- In 1968 the CEO of General Motors took home 68 x the average pay of a GM worker. Today that is 900 x.
- The wealth of the Walmart Founder's family in 2005 was estimated at US \$90bn = the bottom 40% of the US population – 120m people.
- JP Morgan in the 1890s reckoned that the top paid person in an institution should not be paid more than 20 x the bottom person.
- The average FTSE 100 chief executive was paid £4.9m, a figure that had risen more than 50% in a year. This is 200 x the average wage.

A.3 How has this Happened?

- 3.1 In a nutshell the triumph of the new right's policies in the last 35 years since the election of Mrs. Thatcher in 1979 and Ronald Regan in 1980.
- 3.2 We have seen the roll back of the Roosevelt/Labour settlement in the US/UK (and in many countries around the world) based on social democratic principles ie to save capitalism from itself. This was an era of controlled markets; controlled foreign exchanges; acceptance of common purpose in the wake of the shock of the war and the desire not to go back to the inequalities that had bred the conditions that led to war – unemployment; insecurity etc.

A.4 The Consequences of Marketisation

- 4.1 Michael Sandel's new book - *What Money Can't Buy* - is the study of the moral limits of markets. In Sandel's view, "*Over the last past three decades markets – and market values – have come to govern our lives as never before*". Sandel is not anti-market, "*No other mechanism for organising the production and distribution of goods have proved as successful for generating affluence and prosperity.*" But Sandel is interested in what he sees as a deeper and more consequential loss of our collective moral compass, "*The most fateful change that unfolded in the last three decades was not an increase in greed. It was the expansion of markets and of market values into spheres of life where they do not belong..*"
- 4.2 To understand the importance of Sandel's book, you have to grasp the full extent of the triumph achieved by market thinking in economics and the extent to which that thinking has spread to other domains. This of course sees economics as a discipline that has nothing to do with morality and is instead the study of incentives, considered in an ethical vacuum. Sandel's book is an assault on the idea and on the influential doctrine that the economic approach to utility maximisation explains all human behaviour. Sandel is interested in refuting the idea that markets are amoral and have no moral impact. Paying to queue, for example, Sandel studied this practice in such areas as US congressional hearings and free outdoor theatre performances. In both cases, companies have come into being to allow the well off to hire a homeless person to go and hold the place in the queue until the rich person turns up just in time for the main event. This is an example of something which is supposed to be a communal good being marketised and turned into cash.
- 4.3 This has two consequences that often recur and are stressed by Sandel:
 - One is that the process is unfair; and
 - The other is that it is corrupting or degrading to the thing being marketised.
- 4.4 He sees this dual phenomenon of unfairness and the degradation of values at work in many areas from the market in sports memorabilia to on-call doctor services to Chinese population control policy to the growth of executive boxes at sports grounds. As he says, "*Democracy does not require perfect equality but it does require that citizens share a common life. What matters is that people of different backgrounds and social positions encounter one another and bump up against one another in the course of ordinary life.*"

What marketisation does is it allows us to buy our way out of bumping up against one another in the course of ordinary life be it executive boxes; air conditioned cars; no queuing etc. An Israeli childcare day centre responded to a problem with parents turning up late to collect their children by introducing fines. The result? Late pick ups increased. Parents turned up late, paid the fine and thought no more of it – the fine had turned into a fee. The fear of disapproval and of doing the wrong thing was based on non-monetary values and a stronger force than mere cash. The day care centre went back to the old system, the parents kept turning up late because the introduction of market values had killed the old ideas of collective responsibility. Once the old norm of turning up on time had been marketised, it was impossible to change back – as Sandel concludes, "*The question of markets is really a question about how we want to live together. Do we want a society where everything is up for sale? Or are there certain moral and civic goods that markets do not honour and money cannot buy?*" I would add to that though, how do we adapt the corporation to be more socially responsible?

A.5 A Touch of History

- 5.1 Standing here in Woodbrooke, it is worth remembering the Quaker business legacy; now sadly a historical memory.

Quakers were a key part of the Industrial Revolution. Abraham Darby, a Quaker from Shropshire, pioneered a method of smelting high grade iron using coke rather than charcoal – cast iron. It went around the world. The Darbys manufactured the world's first iron bridge. The Welsh Lloyds moved to Birmingham to create a factory for making iron rods and nails. By the early 18th Century Quakers ran approximately two thirds of all British iron work. Edward Pease, a Quaker businessman, built the Stockton and Darlington Railway – the world's first passenger train line, known as the Quaker Line. Quakers were big in china – Josiah Wedgewood – and in shoes – Clarks and K Shoes in Kendal; Bryant and May – matches; Huntley and Palmers – biscuits. In 1800 there were 74 Quaker banks including Barclays; Guerneys; Lloyds Bank etc.

What underpinned Quaker business success was:

- ⤴ As dissenters they could not go to university nor into the army.
- ⤴ A moral underpinning of their business ethics. The original Christian and brotherly advices of 1738 included a section on trading:

“That none will launch forth into trading and worldly business beyond what they can manage honourably and with reputation among the sons of men so that they may keep their word with all men; that their yey may prove their yey indeed, and their ney, may be ney indeed; for whatever is otherwise cometh of the Evil One ... and brings dishonour to the Truth of God.

It is advised that all Friends that are entering into Trade and have not stocked sufficient of their own to answer the Trade they aim at be very cautious of running themselves into Debt without advising with some of their Ancient and Experienced Friends among whom they live.

It is advised that all Friends concerned be very careful not to contract Extravagant Debts to the endangering and wronging of others and their families, which some have done to the Grieving Hearts of the upright, nor to break promises, of contracts and agreements in the Buying and Selling or in any other lawful affairs, to the enduring of themselves and others, occasioning strife and contention and Reproach to Truth and Friends.”

- 5.2 Quakers demonstrated that the conventional business forms could be operated in a moral way. George **Cadbury**'s life exemplified that. Everything that you see here at Woodbrooke was based upon his fundamental insight that you could run an honest business in the public interest and for the public good. He was one of the wealthiest men in England in his time and was even persuaded to buy and subsidise the equivalent of “The Daily Mirror”, “The Daily News”, by Lloyd George to try to keep Liberal thinking alive in the British press. It cost him £300,000.00 a year to subsidise, the equivalent of millions today. But he did not give his children any inheritance and ploughed his own personal wealth into a series of institutions in this area. The point is that with the right motivation, companies can operate firmly in the public interest.

- ⤴ Cadbury was an exceptional man and humanity cannot rely upon exceptional men. It necessarily has to legislate to try and create better behaviour. But you can legislate personally by contract. That is what C P Scott did when he gave the **Guardian** away to the Scott Trust in the 1930s rather than to his children. Would Rupert Murdoch own BSkyB today with all the huge power that would have given him if it had not been for C P Scott's gift in 1936 which meant the Guardian had a different ownership structure and was not driven by the need to maximise shareholder value but rather maintain independent journalism?
- ⤴ **John Lewis** is another example of a business that was given away to a complex legal structure designed to balance the interest of the workers with an objective, independent board acting in the long term interests of customers and staff.
- ⤴ **The Economist** has an unusual ownership structure. Fifty percent of its economic shares are held by the Financial Times; 50% by the Cadbury, Rothschild, Schroder and other family interests and ordinary shares held by employees, past employees and Founding Members. In addition there are trust shares held by Trustees whose consent is needed for certain corporate activities. The rights attaching to the trust shares provide

for the continued independence of the ownership of the company and the editorial independence of the Economist.

- ✧ **Ove Arup** – one of the world's leading engineering companies was also given away by its Founders. The equity shares are held in trust for the benefit of past and present employees of the company. The equity shares receive dividends but do not have any rights to attend meetings or vote. The voting shares are held by Ove Arup Partnership Charitable Trust. They do not have the right to receive dividends but control the long term destiny of the company.

5.3 What these four examples show is that by generosity and contract companies' constitutions can be subtly adjusted to ensure the balancing of objectives away from maximising shareholder value. Certainly in the cases of the Guardian; John Lewis and Ove Arup, there was a founding act of generosity in which owners stripped their own shares of economic value to the detriment of their successors in order to achieve a social purpose. In this we can see the seeds of how we need to think about realigning the company structure for the 21st Century.

The basic paradigm is that companies are established to maximise shareholder value to the detriment of everything else. However, even the former CEO of General Electric, Jack Welch, who was the high priest of shareholder value has now described it as, "*the dumbest idea in the world. Shareholder value is a result, not a strategy ... your main constituencies are your employees, your customers and your products.*" However, he is an outlier. The dogma of shareholder value still dominates the boardrooms; the professional partnerships and the media.

To re-establish trust in business, we have to take a lead from C P Scott. We need to go back to the 19th Century idea that companies were set up for specific purposes eg to build railways or provide food. Company law needs to be changed so that companies are under an obligation to promote positive outcomes eg supermarkets have to promote nutritional welfare. The media to tell the truth. Banks to promote the financial health of customers. Oil companies to promote clean energy. The price of obtaining the huge privilege of limited liability should be an obligation to promote positive externalities. Obtaining a limited liability certificate should be seen as the equivalent of obtaining a licence to operate and the terms of the licence to operate should be to deliver in a socially and environmentally responsible manner. This would encompass:

- ✧ Paying taxes and not engaging in tax evasion or aggressive tax avoidance.
- ✧ Seeking to do no harm to the environment.

Major companies should be reviewed every 20 years to see that they are complying – if not they should lose limited liability and continue as unlimited liability companies hence exposing the directors to the risks of personal liability.

5.4 Theoretically this should not be difficult. The Labour Government legislated for community interest companies (CICs) in 2005. That was based on an idea I had had in a wine bar with a friend, Roger Warren-Evans. It was based on a simple premise. You could inject into company law some quite minor changes and create a different type of company. In the case of the CIC, it was to create a company that was established to achieve a public purpose but that was not a charity and in which the investors accepted a cap on their financial returns. It also imposes an asset lock to ensure that financial rewards or equity in the company effectively accrues for the social purpose and cannot be privatised. It was designed to create a genuine not for profit model that could trade but where the sacrifices of one generation could not be cashed in by the next generation as happened with the building societies. We need to consider doing the same thing now with the company.

5.5 The Trust concept. In this light the idea of Trusts in business is very interesting. As already demonstrated, the Guardian; Ove Arup; John Lewis all represent a trustee concept. Their success down the years has vindicated the generosity of their Founders. But can we always rely upon generosity to create businesses? The trouble with the generous gift concept is that it relies on a business having been established before it can be given away. How do you start up a trust business? I think this is difficult. Investors in start up companies expect to take major risks in the hope that one in ten of their investments may pay off big time and reward them for the risk they have taken. That is the basis of venture capital. Of course if people's expectations changed, then this would be different – but can we hope for a revival of 18th Century Quaker style restraint? It is not impossible. But it is unlikely. Therefore we need to legislate to effect change.

- 5.6 Quite a lot of businesses can operate perfectly well using debt and not equity provided the debt is structured in an appropriate manner. So one way to think about creating trust businesses is to change the financing structures. We need new investment banks prepared to take a long term view and to provide start up capital in loans. Those loans should have, say, a five year interest-free holiday to allow the business to become established and the interest payable could be some form of participating interest, tied up to the financial success of the business.
- 5.7 An echo of what such a bank might look like is KFW, set up in Germany in 1948 by the British and the Americans to finance German reconstruction. It is just the sort of bank that Britain needs today. It takes long term positions in German companies; it began with rebuilding the country then financed the Mittelstand companies and has now moved on to financing a lot of environmental/clean tech investment. One household in four in Germany has a loan from KFW to either insulate their house or install solar panels.

A.6 What would be the Consequences of Success?

- 6.1 One final thought. Say trust businesses did take off and a large number of companies were established for the long term benefit of society and the controllers had no economic interest in a company – all shareholders were like Scott Trustees. What would corporate governance be like; would those shareholders exercise their duties appropriately? Given that they had no financial stake in the business, would this really work? And what would happen if the companies were very successful and built up huge balance sheets of assets? Would they become like the bloated monasteries of the late 15th Century and at some point be nationalised or seized by an envious government?

What I am saying here is, is that I am concerned that the Trust base does not readily lend itself to the creative destruction so loved by advocates of capitalism. But one needs that creative destruction because otherwise as history shows us, there will be some other major destruction when a historical turning point is reached.

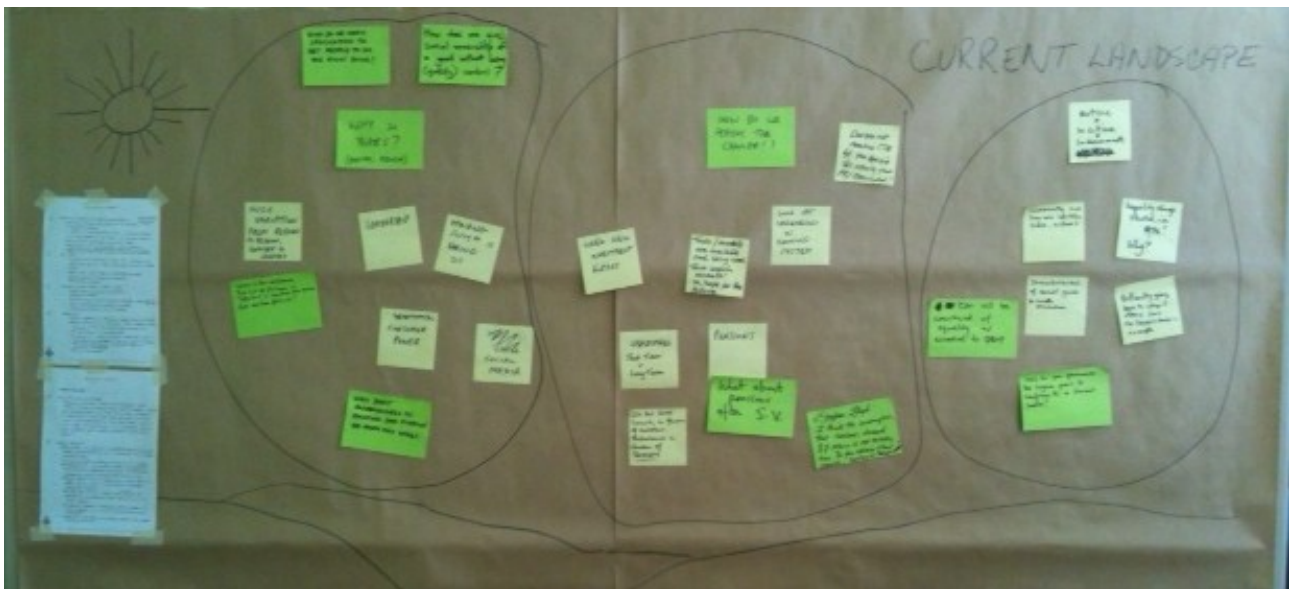
So I believe the real challenge is how to create businesses where principles of responsibility are embedded to balance the needs of present and future generations but do not ossify or stagnate. Does the CIC model – perhaps adapted – which allows for some but capped returns to investors offer a way of achieving this creative tension?

B. Group Session (Andrew Gunn notes)

1. Summary of Issues and Questions raised
 - Importance of language
 - Pensions for stakeholders
 - Income inequality
 - Failure of banking system
 - Need for different mindsets
 - New investment forms
 - CSR or PR?
 - Social goods and quality?
 - Demarketisation of social goods
 - Need legislation to do right things?
 - Why shareholders fail to use their powers?
 - Power of social media
 - Consumer power
 - ST vs LT thinking
 - Need for good leadership
 - Are investors prepared to accept social returns?

2. Summary of Stephen's responses

- Banking system: toxic combination of proprietary trading, global open markets, computer power has led to subservience to bond markets, nationalise banks
- Power of consumers – eg. Response of ING to social campaign
- Shareholder power – institutional investors and intermediaries focus on financial performance and neglect CSR performance, shareholders should aggregate their power via POAs
- Evidence that scale of current crisis is greater than any before – relative size of global banking and proprietary trading
- Need for legislation? - great social and attitude changes have happened and are happening without legislation. eg. On income inequality
- New forms of company? - stakeholder company, Tomorrows Company, Bullock Report, CICs as tightly regulated as financial investments.
- Leadership – some activities require hierarchies, team leaders searching for truth.



III. Morning Session: The Potential Landscape

A. Patrick Andrews Talk

Patrick Andrews,
Director, Working in Trust
patrick@workingintrust.org

A.1 Changing My Perspective



Travelling in Shanghai while working for a large corporation, I was reminded that the work I was involved in could put businesses such as this out of work. I began to question whether that was a good thing.....

A.2 The 'Window Frame'

2.1 In our businesses we often look at other stakeholders and resources as separate from us. So we end up seeing them as separate, as outside ourselves – we look at them through the 'window frame'. This includes:

- ⤴ Clients
- ⤴ Suppliers
- ⤴ The environment
- ⤴ Even our own staff

2.2 There are some organisations who are beginning to step through the window by blurring the boundary between the organisation and its clients and suppliers. For example:

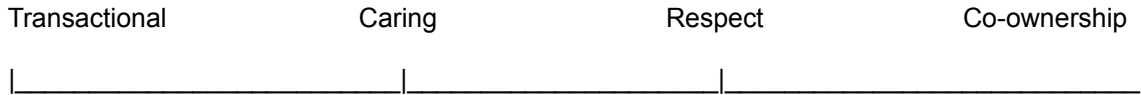
- ⤴ Unilever (“dirt is good”)
- ⤴ Lego (“Design by me”)
- ⤴ Procter & Gamble (open innovation)
- ⤴ Boeing (working with suppliers)
- ⤴ Apple (Apps)

2.3 Other organisations are improving their governance by introducing:

- ⤴ A stakeholder sustainability panel (Lafarge)
- ⤴ An advisory board (Rio Tinto)
- ⤴ A youth board (B & Q)

2.4 I don't consider CSR to be 'stepping through the window'.

2.5 I believe that engaging stakeholders can be captured as a continuum.



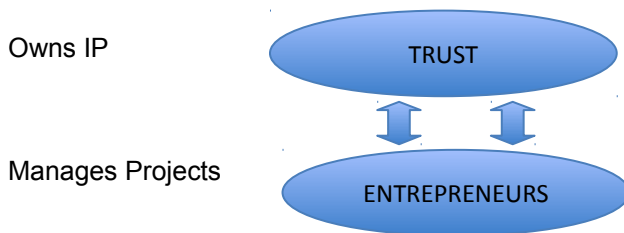
A.3 Examples of Potential Ways Forward



Mission: "to change lives and build communities through inspirational, sustainable business".

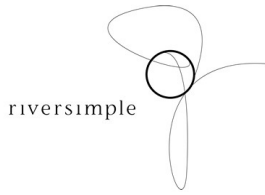
- ⤴ Started with a gift!
- ⤴ Owned by customers and suppliers, and is committed to balance the interests of both.
- ⤴ Customers and suppliers represented on the Board.
- ⤴ Founders have golden share, to ensure it keeps to its mission

Apache Software Foundation



Forest Stewardship Council

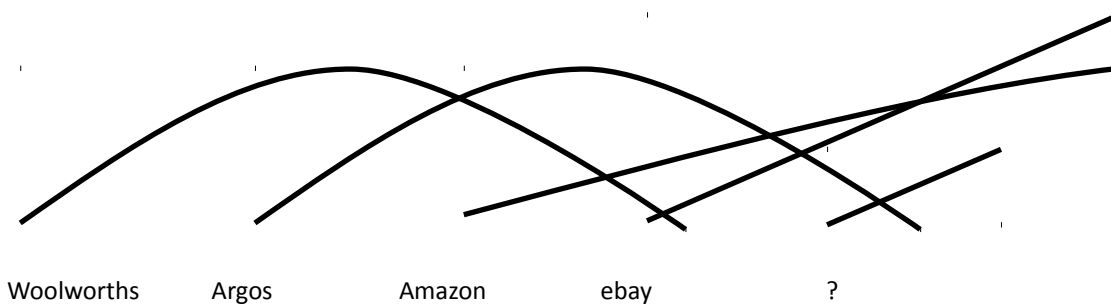
- ⤴ World's leading timber certification body
- ⤴ Only body approved by Greenpeace and WWF
- ⤴ Stakeholder owned.
- ⤴ Membership and board divided into three "chambers" (Economic, Environmental, Social)



Ownership Approach:

- ⤴ A trust based-structure, integrating multiple interests (investors, staff, customers, suppliers, neighbours, environment).
- ⤴ Stakeholders are represented by “custodians’ who:
 - appoint the Board
 - approve policy and high level strategy

Progression of General Retailers



Woolworths – a traditional store with most merchandise on display

Argos – most merchandise on site and ordered on site

Amazon – merchandise in warehouse and ordered online

ebay – no merchandise, all transactions online

? - what is next?



- ⤴ To truly understand the Burning Man Festival, one must participate.....
- ⤴ What if we could dispense with “organisations” and instead focus on “organising”?

A.4 Creating New Forms of Business

When creating forms of business that serve humanity equitably and ethically, we should consider....

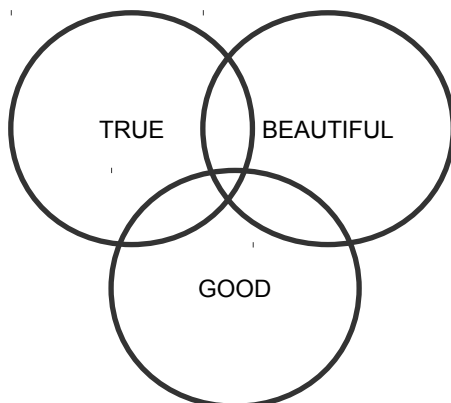
- ⤴ Purpose
- ⤴ Values (principles)
- ⤴ Leadership
- ⤴ Culture
- ⤴ Financing
- ⤴ Ownership
- ⤴ Legal form
- ⤴ Governance
- ⤴ Life cycle

and how they all interrelate!

We also need to consider how we integrate and balance.....

- ⤴ value and values?
- ⤴ organisational and society needs?
- ⤴ individual and organisational needs?
- ⤴ today's needs with future needs?

Fragmentation and Wholeness



What is a Business Trust?

- ⤴ Clear, inspiring purpose
- ⤴ Trusteeship not ownership
- ⤴ A voice for the voiceless
- ⤴ Loops of accountability
- ⤴ Consensus (through dialogue) for major matters affecting the system.
- ⤴ Excess profits shared
- ⤴ Appreciation of the unique qualities of the organisation or system

“We are the ones we’ve been waiting for!” Hopi Indians

B. Discussion: Summary of small group discussions

Do we see what we know? Or, know what we see?

⤴ What we have now

- The voiceless need to be heard – touchstone
- Do people feel able or want to stop 'looking out of the window' (this refers to Patrick's comments that many businesses see stakeholders and influences as separate from themselves – outside their business and through the window).
- We need a paradigm shift.
- We need to put the 'soul' back into business
- The corporation is a psychopath / schizophrenic
- The corporation is successful in certain senses.
- Stokes Croft, Bristol – community got together to try and stop Tesco opening.
- Objectification and labelling = disconnection and depersonalisation
- Projecting attitudes on to labels that one would not attribute to oneself
- Inner leadership and discernment
- Courage + creativity + compassion

⤴ What to keep in mind

- Unity not uniformity
- Study John Woolman (October 19, 1720 – October 7, 1772) was an American itinerant [Quaker](#) preacher who traveled throughout the [American colonies](#) and in England, advocating against cruelty to animals, economic injustices and oppression, [conscriptio](#)n, military taxation, and particularly [slavery](#) and the slave trade.
- Professionals vs Lay trustees – penetrating complex issues, experts have poor track record. Does Q & B method support through process?
- Integration and diversity
- Variety of different organisational structures needed
- Technology – universal knowledge, immediateto every other person on the planet. What does this mean to me and business?
- Servant leadership matters
- Recognise that there will be unintended consequences
- simplicity + style + spoken from the heart
- What is 'through the window' needs to be integral to the company and their business goals
- Relationships and collaboration are key
- Appreciating the uniqueness of each organisational system
- Accountability needs powers
- Minimal structures in early stages, too much structure kills innovation, Form (design) follows function – remember, refine, refresh
- Evidence exists that autonomy, mastery, and working toward a higher purpose motivates individuals (Daniel Pink, Autonomy, Mastery & Purpose) So why do we control?
- There are many possible models of governance
- Nouns to verbs, knowledge to knowing, relationships to relating, leadership to leading, organisations to organising – emphasise verbing not nouns

⤴ Some new things to consider

- Voice for the voiceless – sustainable business in operations, dialogue with community, due regard for ecological foot print.
- How to change fundamental value that 'cheap is better'.
- What are the barriers to better ownership, governance and fairer structures?
- The commons and trusteeship is key.
- Help everyone cope with change
- Will Q & B group develop memorandum and articles of association incorporating worthwhile objectives and good corporate governance.
- Our mission statement – to make life as interesting and satisfying as possible (to have a life and not just a living).

IV. Afternoon Session: Case Studies – The Lived Experience

A. Case Study: Scott Bader

Team facilitated by: Sue Carter

History

Scott Bader was founded in 1921 by Ernest Bader. In 1951 the company was gifted to the workers when the shares of the chemical manufacturing company were transferred to the Scott Bader Commonwealth Limited ('the Commonwealth') a Company Limited by guarantee and a Registered Charity.

Scott Bader employees can become "Commonwealth Members" making them trustees-in-common of the company assets. The well being of the organisation is entrusted to those who work in it, with democratic involvement. Each generation is charged with handing on the company to future generations in better condition than they inherited it.



Scalability

In 1951 Scott Bader only operated in the UK. Today it also has manufacturing companies in France, South Africa, Dubai and Croatia, and sales offices in the Czech Republic, Eire, Sweden, Spain, Germany, USA, China and India. Around 600 people are now employed worldwide.

When the Commonwealth was formed, the founder provided a set of Principles by which to operate. Today these are conveyed in four words - Commitment, Responsibility, Team-working and Fairness - and are accepted throughout the Scott Bader Group as the Values which we will all work to and be measured on.

In 2010, our constitution was also formally revised to reflect the now global nature of our industrial democracy.

Innovation

People are encouraged to look for new and innovative ways of doing their roles. With 10% of the workforce dedicated to R&D, this ensures innovation in product and process development for the continued success of the company. There is also a strong focus on utilising new processes such as “lean manufacturing” and “5S” safety processes, to maintain a continuous improvement in operating efficiencies and HSE performance.

Democratic involvement happens via a unique self-governing structure in which Commonwealth Members can become:

- Trustees of the Board of Scott Bader Commonwealth Limited – the Charity
- Directors of the operating company – Scott Bader Company Limited
- Elected Representatives on the international democratic forum – the Members’ Assembly - representing the interests of all Members worldwide
- Elected Representatives on the Local Employee Councils – helping to address & shape the development of local policies, procedures and conditions.

Sustainability

Our self-governance structure provides significant additional dimensions to business and employment relationships and our interaction with the wider community :

As Scott Bader cannot be taken over, we can bring long-term stability and partnership to all business relationships

As trustees-in-common, employees have the responsibility of ownership which creates greater commitment and engagement to ensure ongoing success, and drives active involvement

Charitable status brings an obligation to the wider community

In addition, a significant proportion of annual profit is re-invested in company assets to ensure continued compliance and ability to manufacture to high quality standards – recent examples are the site improvement project in Dubai, the expansion of the New Polymer plant in the UK and new mixing machines for gelcoats and adhesives in the UK and France.

Social Impact

Management are required to consult with the relevant representative groups when business decisions impact on the well-being of the workforce e.g. organisational restructure; work patterns etc.

Members are involved in charitable giving at both local and global levels :

- ⤴ The company gives a minimum of 1% of the group salary bill to be donated to charities globally – a sum of £175,000 will be donated in 2012 from 2011 group profits
- ⤴ At each AGM, Members worldwide vote on two charities to receive funding of £25,000 each
- ⤴ Funds are also made available to all the companies in the Scott Bader Group for them to decide on the local charitable causes they wish to support.
- ⤴ Individuals are encouraged to take part in charitable fund-raising activities with the money raised matched £1 for £1 by the company
- ⤴ Company facilities are made available for community activities
- ⤴ Time during the working day to participate in voluntary work is supported e.g. reading scheme at a local primary school in the UK

Economic feasibility

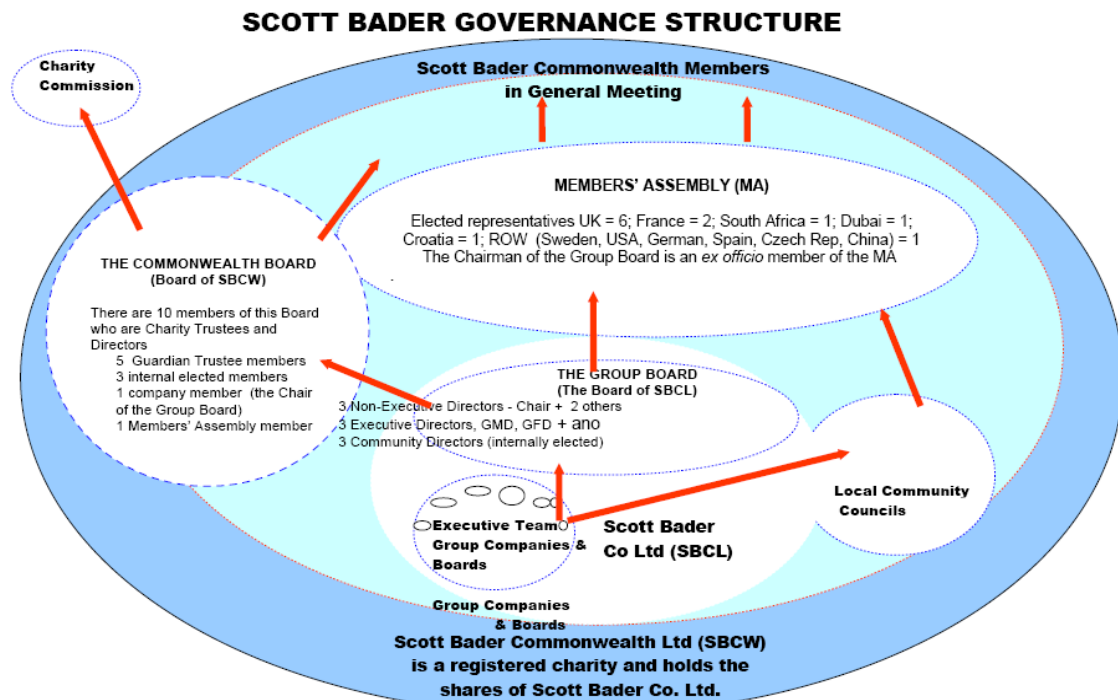
There needs to be the right balance between the social purpose i.e. worker involvement and charitable giving and business needs i.e. economic growth, and efficiency.

Scott Bader has a steadfast profitability and cash management record, with continuous re-investment in its business (at or above the constitutional minimum of 60%). Our trusteeship model has developed steadily and expanded to include a variety of cultures around the world, and all employees share in the profits generated. Our strongly-established values & principles also enable us to identify the right partners to help us grow our business in the new emerging economies, which will play an increasing part in our future business success. Having celebrated 60 years of trusteeship on 28th April 2011 (when everyone in the Group signed a declaration re-committing to our founding Principles) and having survived several economic cycles, we have clearly demonstrated that our business model of growing within our means, does work over the long-term.

Values

Partner for Excellence:

- ⤴ Commitment – We're committed to the principles of common trusteeship and making Scott Bader a successful and sustainable organisation.
- ⤴ Team working – We work co-operatively and in collaboration with colleagues, customers and suppliers to deliver excellence.
- ⤴ Responsibility – We each take personal responsibility in how we work to do the best for Scott Bader.
- ⤴ Fairness – We are fair, honest and ethical in how we work with others and how we are treated at Scott Bader.



Feb 2011

Sue concluded:

Given that the members of the group had to read the information at the start of the session I was surprised at how they were able to find pictures to represent Scott Bader so comprehensively. They were able to show what is great about Scott Bader and what the challenges are particularly in terms of profitability. From an outsider viewpoint I can see why they think we are under threat - and perhaps I should have explained better that a trusteeship structure gives you the opportunity and time to put things right - but of course you need to know that you have problems first. If you are too introspective you are in danger of not being aware of your problems.

B. Case Study: Phillips Print and Stationary

Team facilitated by: Tim Phillips

Integrity, Friendliness, Thoroughness and Precision These are our watchwords. We hope you find them at work here. We look forward to meeting you.

We specialise in very high quality, short order, prompt delivery of all printed documents, cards and pictures, created to meet your specific needs. We also sell office stationery and other items at very reasonable prices. We can order most ink cartridges for following day delivery, and provide them at the lowest price in town.



History

Phillips Print & Stationers was founded by Chris Phillips in the 1980s, within Phillips & Sons (Buckingham) Ltd, the family firm which was founded by his great grandfather some 100 years earlier. Jean, who had worked for Phillips & Sons for many years, was our first Printshop employee. As the business grew, she was joined by Jen, Harry and Jill. When Jean retired recently, Careen came to join us. When Chris died suddenly in 2009, his brother Roger decided to continue the Printshop as a business held in trust for the family, to serve the local community, and with the voice for the employees strong within it.

Today

Phillips Print exists to provide the best possible service we can to the Town and nearby communities, by providing the widest possible range of specially tailored printed materials, plus useful stationery items. We use our surplus to: invest in the business, pay ourselves a performance bonus, and support the community by charitable donations - and in other practical ways within our means. We intend to be environmentally responsible in all we do. Increasingly, we think of ourselves as a business trust, providing our living and generating value and wealth for the community, not as a private company generating wealth only for ourselves.

The Company's Print & Stationery business is profitable, and contributes significantly to the family company as a whole.

The plan is to devise a governing document for the Print & Stationery business, so that all involved significantly in its work have a say in how it is run, and also so that those who run it commit to a given set of ethical business standards. The hope is that this governing document will be legally binding and so give the business a social purpose, which continued profitable operation will permit it to live up to for the foreseeable future.

The family company is presently wrestling with its generational succession problem. Doubtless the outcome of the two issues will be interconnected!

Legal

Phillips Print & Stationery, part of Phillips & Sons (Buckingham) Ltd.

Phillips & Sons (Buckingham) Ltd is a company registered in England and Wales. Co. number 00405027.

Tim concluded:

Exposing our current business issues to the discussion group helped me become clearer about our options and requirements, specifically the intertwining of the two major issues, and also the need for an ethical frame as well as a legal form, so that our desired business functioning can be best and most reliably shaped.

C. Case Study: Oasis School of Human Relations

Team facilitated by: John Gray

Purpose – Peer based learning organisation inspiring and developing 21st century relationships for meaningful, responsible and sustainable action

Combining radical dialogue, a collaborative approach and meaningful action, we focus on:

- Enabling deep culture change within organisations, teams and groups
- Developing globally responsible leadership and practice (incorporating planetary citizenship)
- Embedding social innovation (including community engagement, networking and change agency)
- Facilitating authentic collaboration and collaborative relationships
- Raising consciousness.

We are built around the peer principle, shared accountability and consensual decision making. We take a humanistic, person-centred approach that is based on a number of key principles, each reflecting our values:

- ⤴ Collaborative: those involved share the decision-making process.
- ⤴ Participative: people are involved, to a greater or lesser degree, in determining the structure, form and content of their roles and the work.
- ⤴ Experiential: wherever possible development approaches are integrated into a consistent and authentic whole that is based on the experience of the person in their own context.
- ⤴ Self and peer based: processes are developed which challenge traditional perspectives of authority, power, control and gender.
- ⤴ **Developmental view of the individual in life, work, team and organisation:** enables people to identify themselves and others in a process of becoming.
- ⤴ **Learner at the heart of the learning:** indicates individual responsibility and accountability for integrating theory and practice through experience. Learning is through action and direct application; a person's capacity for learning through living is at the core of their being.

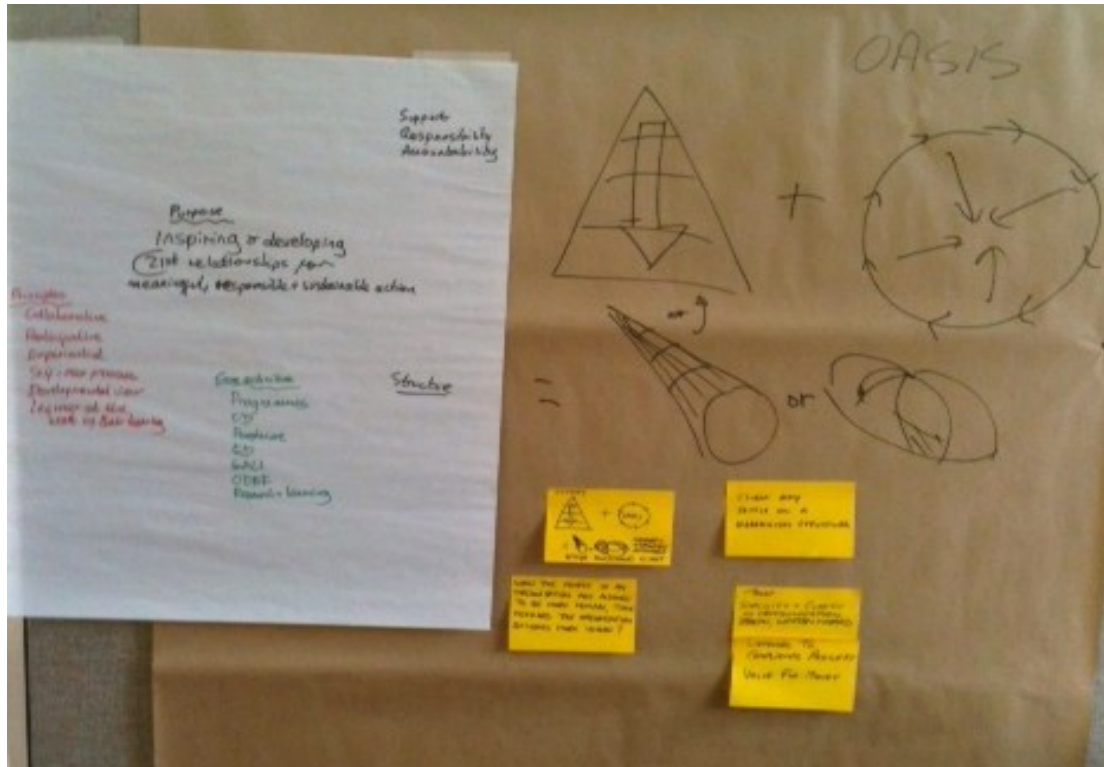
Economic and governance

- Any profits are re-invested in the organisation.
- Directors have parity of salary.
- There is a staff pay ratio of no greater than 4:1 between salaries.
- We strive to recognise length of service in any retirement package.
- We donate a percentage of margin annually to the Oasis Foundation.

Planet

- ⤴ We recognise that to be a sustainable enterprise we need to be aware of the impact we have on the planet.
- ⤴ We constantly review our day-to-day processes and strive to uphold the highest environmental and ethical standards.
- ⤴ We are mindful of the origin of the resources and energy we consume and the destination of the waste we produce.
- ⤴ Wherever we can we use local suppliers and encourage them to uphold the same environmental and ethical standards.

The Oasis School of Human Relations operates on a not-for-profit basis out of the legal form of a company limited by guarantee. We are an equal opportunities employer and a signatory of the [United Nations Global Compact](#) since 2004, committing us to principles on human rights, labour standards and the environment.



John concluded:

It was a very valuable opportunity to present Oasis and to respond to the questions that arose from the group. The real value for me came in the subsequent dialogue, including the group's exploration of my experience as an associate, and the application of principles and approaches into work with individuals and organisations.

D. Case Study: Thinking Flowers?

Team facilitated by: Lauren Craig

Thinking Flowers? is an established social venture launched in 2003 as a response to the problems of sustainability within the cut flower industry. Our aim is to use education and inspiration to enhance the social benefits of cut flowers while reducing their environmental impact. We encourage ethics through floral design for events and build community engagement by providing ethical floral design services, promoting sustainability and helping others deliver sustainable floral products. Thinking Flowers? leads by example in an industry that often disregards the consequences of having flowers at its disposal.

Since its inception, Thinking Flowers? has extended its services to green waste disposal and pioneering floral donation with charities such as Social Enterprise London, Red Ochre, The Connection and London Community Resource.

Thinking Flowers? is the brainchild of Lauren Craig. After she worked on many creative projects as a consultant and mentor for others, she combined her natural affinity for the healing powers of plants with theory through an on MA Enterprise and Management for the Creative Arts to create a thriving ethical business.

Thinking Flowers? offers high-end, site-specific floral designs and installations for events, exhibitions, photo shoots and public spaces. We're passionate about creating high-impact visual stimulation that embodies a deep respect and appreciation for our extraordinary planet.

Our Values

The cut flower industry has huge social and environmental impacts that rarely make the mainstream media. Flowers are routinely flown halfway round the world, from farms where workers are exploited and subjected to high doses of agri-chemicals. People aren't going to stop buying flowers, but they deserve to know about the problems with the cut flower industry and to be offered an ethical alternative.

Thinking Flowers offers a better way and helps our customers and suppliers to be part of a better future.

Our striking floral compositions grab the attention without damaging the natural world.

We use sustainable sources and low-impact transport and packaging, creating beautiful displays that respect the natural world.

The Japanese word 'ikebana' means a 'place to arrange plants', but also 'to live' and 'to make life clearer'.

Our floral installations embody the ikebana philosophy of natural forms, minimal use of resources, simplicity, clarity of line and elegance of form.

Over time we also hope to use entirely renewable energy in our business.

Beyond our ecological and ethical mission, we also want to encourage city dwellers to grow more flowers and learn to arrange them beautifully. We believe bold, natural flower displays can improve our domestic and working environments, add a dash of colour to our local communities and social projects and delight people of all ages.

We're passionate about what we do and we express our values in all our work. We want to make everyone who sees our displays think about flowers. And if you hire us, our informed ethical approach means your customers will know that you have thought about flowers too.



We're going through something of a composting period at the moment within the organisation itself. There will be a lot of behind-the-scenes stuff going on, the plotting and planning of a social media overhaul for one thing, a potential re-branding scheme in the works and a new campaign and direction for us.

We're still all about ethical flowers, but it's time to start creating a map so that we can reach our destination of educating the UK and bringing ethical flowers to every event possible. You can watch out for videos, illustrations, new areas on the website and there's a couple of new projects we can't even tell you about just yet!

Lauren concluded:

Some of the comments made by my group members showed that they perceive Thinking Flowers? to be a reflection of me and the way in which I see the world. But the image they made actually shows universal things such as a waterfall, cities, flowers and crowds of people. The most prominent part of the picture is the question mark and I think this highlights the strengths of the organisation's questioning nature and to seek answers. In this period of the business lifecycle, I feel closer to the universal issues that Thinking Flowers? tackles and so it's not just me who is the stick in the river, it's all of us. And when the river goes over a waterfall, it becomes wider and stronger.

V. Next Steps

We are envisaging a technical Working Party and then another event in 6-9 months time. Subject to Q&B agreement, this would be coordinated by the Foundation for Business Trusts with Q&B's support.

The Working Party will use the learnings from the Woodbrooke Sessions as a starting point to begin the process of developing practical steps for developing new forms for business. Some sample areas that we will consider are:

- ⤴ Key elements that define a Business Trust
- ⤴ Key elements that a business must get right to thrive in the 21st Century
- ⤴ Key technical elements of a rigorous legal framework

As outlined in the Woodbrooke Sessions objectives.....

'We will seek new business forms, with some proven strengths from existing ones. If we design well, our new forms will have immunity from any weaknesses existing ones may have shown. And, we hope, our new forms may have some unique new features and benefits, too.'

The next event would be to test and make a range of proposals for improved practice under the present law, both voluntary and mandatory, as well as proposals for law change and for creating of a new family of legal forms (the Business Trust forms) under new law. We would hope to get these into the next Companies Act, due in a few years' time.

Specific next steps:

- ⤴ Convene the Working Party - Tim Phillips to coordinate by mid July.
- ⤴ Set a date for the next event (in 6 to 9 months) – Tim to coordinate.
- ⤴ Set milestones leading up to the event – Working Party to set by beginning of August.