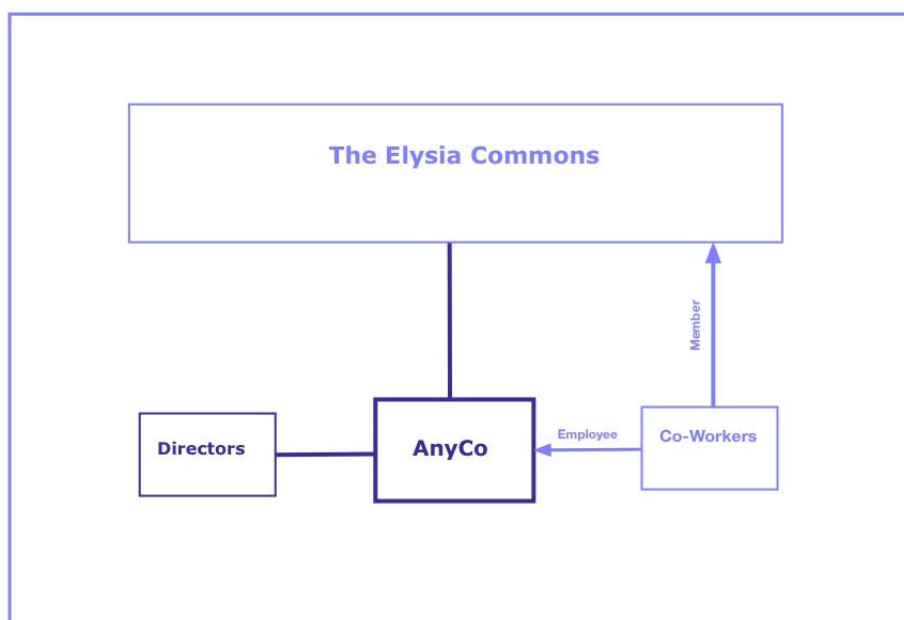


# "For Profit" in the Elysia Commons

## *Anthroposophical insights into how Commercial Organisations Belong*

The Elysia Commons brings organisations who share a common purpose in to association so that they can gain competitive advantage. The types of organisations and the way in which they associate are many and varied, from charities to not-for-profit businesses, from commercial organisations to educational institutions.

This document explores the particular way "for profit" organisations can be knitted in to the Elysia Commons and explains the reasoning behind the method.



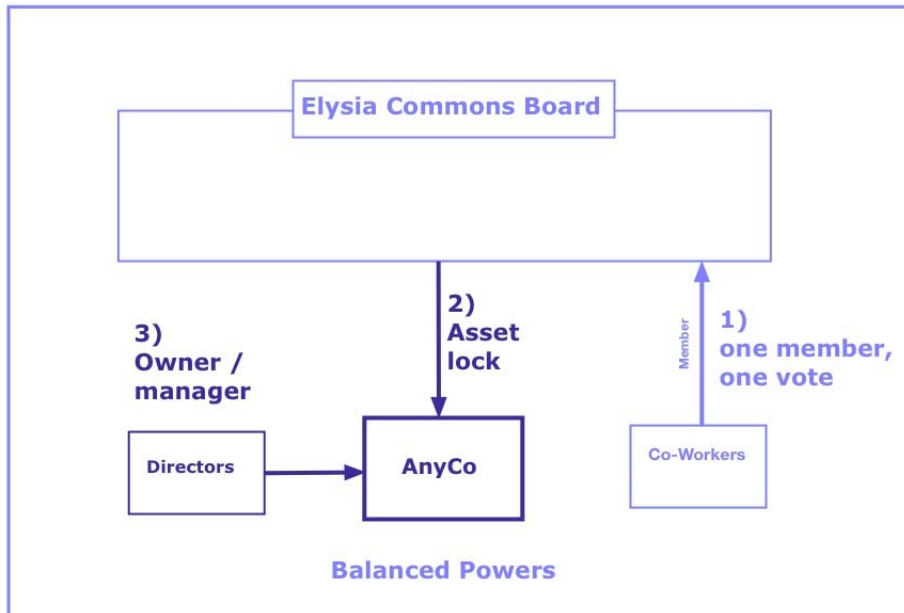
The case of "for-profit" organisations is particularly important as they are wealth creative and give power to any economic system. Rudolf Steiner (1861 – 1925) thought deeply about how to successfully and sustainably organise our working world, and his writing is used as a reference point in this document.

### Contents

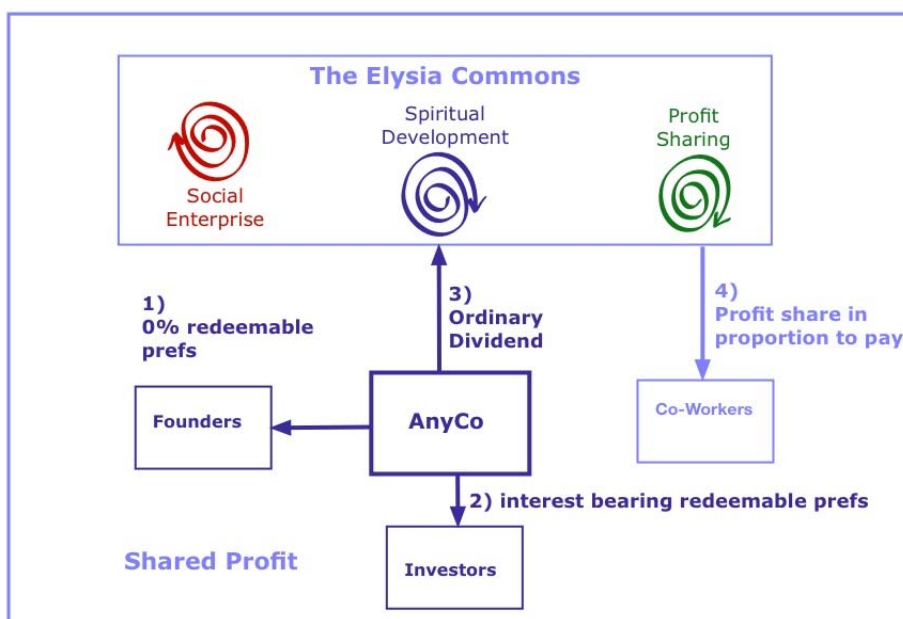
Summary .....	2
The Owner / Manager .....	3
Accountability.....	4
Founders .....	7
Profit Sharing.....	8
Remuneration.....	9
Money.....	10
Ultimate Asset Lock.....	11
The Extent of the Power of the Elysia Commons .....	11
"For Profit" in the Elysia Commons .....	12

# Summary

This paper shows how the Elysia commons brings stakeholder powers in to a sustainable balance. The organisation is efficiently run by Directors with owner / manager powers, but they are prevented from selling the organisation by the Elysia Commons' asset lock. The Elysia Commons is itself controlled by a Board that is democratically elected by its members, who are the co-workers of all the organisations from the Commons, plus others who chose to join directly because they support the purpose.



It also explains how it distributes profit in a way that is motivational and creative, for the organisation itself, but also for the whole community of the Elysia Commons. Creative because profit is used to multiply the economic life of the Commons, to support the self development of all the members in ways that are appropriate to their roles in their organisations, and motivational because the profit is shared with the co-workers.



## The Owner / Manager

---

The Board of Directors hold "B" shares that allow them to control everything except certain reserved powers that are retained by the "A" shareholder, the Elysia Commons. These powers effectively prevent the organisation from being sold, its constitution changed or its ownership structure altered.

The intention is that either an individual or each member of the Board of Directors will hold a "B" share as long *as they are employed by AnyCo as a Director*. Although they cannot sell the business, they have a very great deal of power and are in effect owner / managers.

*"One of the conditions of the social organisms life is that those who can serve the community through their individual abilities should not be deprived of using their free initiative." p97*

*"...a fertile activation of individual abilities cannot be introduced into the economic process without free disposition over capital." p98*

The owner / manager is a main stay of the economic life. This has been a very successful model for enterprise throughout millennia, however it almost always leads to a time of turbulence and distress for the staff at the point when the owner no longer wants to manage.

Of course, this moment is predictable, it will always come sooner or later!

The constitution of AnyCo allows for the transfer of the "B" share for no value so that the succession of management can be effected according to a decision based solely on the merit of the individual or individuals chosen by the AnyCo "B" shareholders for the task of taking over working in and running the organisation. The only exception being that if there are no "B" shareholders then the "A" shareholder will appoint new "B" shareholders. NB When the "A" shareholder has to appoint directors, the group responsible for this task is the Research group (see below).

*"from the moment that such a person ceases to manage production, this capital accumulation should pass to another person, or groups of persons, to be utilised for the same or some other type of production which serves the social organism..." p102*

*"one such result will be that the rights-state will never take over the disposition of capital through its administration of transfer rights. it has only to provide for the transfer to a person or group of persons whose individual abilities seem to warrant it. In general, it follows that it should at first be possible for someone who proposes to effect such a capital transference under the circumstances described to freely chose his successor...a person who has purposefully served the social organism through the management of capital will determine the future use of the capital with social understanding derived from his individual abilities." p103*

It is necessary for the *authority* to manage the capital (although not to sell it) to be fully held by free *private* individuals so that the full potential of the human creativity and skill can be fully brought to bear. The normal limited company offers an effective way of achieving this. Moreover, because the capital value is neutralised by the "A" shareholder, the holding of the "B" shares is a simply a free disposition over the capital, it is not an investment.

*"private ownership is however nothing other than the medium for this free disposition." p99*

# Accountability

---

The question arises as to how the owner / managers will be held to account to the purpose of the Elysia Commons, which is summarised in the following statement:

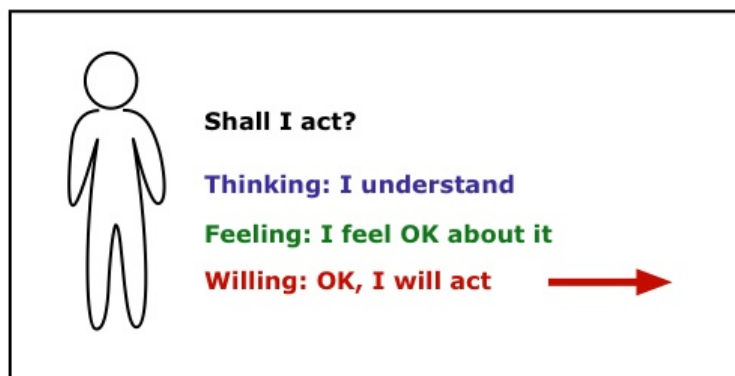
**The Elysia Commons meets human beings' yearning for meaningful work by founding and sustaining an ecosystem of organisations that have an ethos of purposeful, accountable activity.**

In practical terms this represents a call to behave in an ethical way. There is much complexity in the inter-relationship between fellow human beings, however the three-fold nature of the human being does provide a pointer.

Steiner addresses this question here:

*"The possibility of free disposition over the capital base through individual abilities must exist; it must be possible to change the related property rights as soon as they become a means for the unjustified acquisition of power." p100*

In freedom (and therefore ethically), we will set our Will to a task if we have understood it with our Thinking and agreed to the course of action with our Feeling. How this principle can play out in a work place is something to be continually researched through reflection on our everyday working lives.



However, it is possible to take time to build a foundation of agreements between co-workers that then facilitate a much more efficient and engaged working place. (see separate paper on facilitative leadership techniques - *Participative Michaelic leadership*).

The problem is that this has to be done anew, time and again, in a smaller and in a larger way. There is never a "complete" status, it is always work in progress. A new organisation leader requires a new set of negotiations. The unfolding reality causes negotiation to ripple continuously back and forth through an organisation.

The Elysia Commons has a working hypothesis: *a healthy working environment will more readily come about if there is a culture of transparency and of self-development.*

This hypothesis has been proved right time and again on our journey, so the question is how do we promote transparency and a culture of self-development?

This question is answered by looking at the way the Elysia Commons will operate and understanding how it will interact with its members, the co-workers of the AnyCos.

The Elysia Commons will use the money that it receives from its "A" shares to fund a number of activities under the broad heading "spiritual development". Here is a diagram to show the way this money will be deployed.



### Communications

As a shareholder in AnyCo the Elysia Commons has full access to the financial information published by AnyCo and will publish this to all members of the Commons. In addition shareholder agreements between the Commons and AnyCo will require:

- that full accounts are provided whatever size the company
- quarterly trading narrative is provided
- that the Elysia Commons engage with AnyCo in order to follow and share the unfolding story of AnyCo over time.

This is a journalistic function that is designed to make the

organisations of the Elysia Commons visible to each other - to all the members (who are the co-workers).

The other aspect of the communications task is sharing information about the Elysia Commons with the outside world.

### Training

There are many things that the Elysia Commons can provide training support with. At a minimum it needs to offer all its members an indication so that they understand what and why their membership means for them.

However, there are many other things that need to be shared. Courses in the facilitative leadership style mentioned above, training in business skills and group relations conferences to expand the capacity to take up roles and make decisions in freedom.

### Research

This is the name for the work of the Elysia Commons in facilitating meetings between leaders in different organisations. This could be chief executives or managers, but whoever it is, the matter in discussion will be sensing the context and working on what might be the meaning of what is happening. This process of getting together to work associatively in support of each other will not only improve performance, but will also carry the living business ethos throughout the Elysia Commons

### Charity

The charities that the Elysia Commons will support will be not-for-profits within the Commons that are working in the fields of health, education and the arts. Through the communication of these activities a sense of the meaningful nature of the Commons will be enhanced, and through direct participation in these activities members of the Elysia Commons will be supported in small and large ways on their paths of development.

Together these four activities foster and encourage ethical business behaviour.

### Extra Powers Reserved to the "A" Shareholder

Then there are two other powers that the "A" shareholders have in AnyCo that help it to manage the ethical integrity of the Commons.

## Removal of Directors

Firstly a power is reserved to remove a director who is insane or becomes a criminal. This power extends to directors who do not provide the agreed shareholder information in a timely fashion, or provide inaccurate or misleading information. The information that relates to this power must be set out in the shareholder agreement. The principle is the protection of transparency.

## Salary of Directors

Secondly the remuneration of Directors in AnyCo has to be agreed with the Board of the Elysia Commons. This point will be explored further in this document. By having a clear and consistent policy, and if necessary limiting the pay of Directors, the Elysia Commons can dissuade persons for whom wealth is a distorting motivation from joining. There is no desire in the founding principles of the Elysia Commons for penury or suppressed pay levels. Pay should be proportionate and competitive. Because there is no financial incentive from capital gains to merge organisations in the Elysia Commons it is not anticipated that organisations will become particularly huge.

## Limits of Powers

The "A" class shares are expressly and purposefully not given hiring and firing powers over AnyCo directors because if it did then AnyCo would cease to be owner managed. Any organisation can fail and that failure cannot be prevented by the Elysia Commons. The powers to remove directors are limited to the Director's capacity to fulfil the role and the Director's adherence to the shareholder agreement.

The risk of failure through owner / manager style leadership is taken consciously in the light of the opportunity that this style of leadership offers.

## Founders

---

The hypothesis that determines the attitude towards entrepreneurship in the Elysia Commons is: founding an organisation, bringing it in to existence from nothing, is a particular and particularly *personal* activity.

The reason is that without customer demand to fuel an organisation the entrepreneur has to maintain the organisation's life out of personal resources, much like parents look after children.

This understanding underlies the Social Enterprise fund. The view is that the entrepreneur, in taking the risk of founding an organisation, should be rewarded. Thus when the time is right the founder is expected to be paid out. The cash for this will come from a variety of sources:

- Cash reserves in AnyCo
- AnyCo borrowing
- AnyCo redeemable preference shares (class "C" shares)
- The Elysia Commons Social Enterprise Fund.

The intention of the Elysia Commons is to grow, to expand the number of organisations associated through it. There is no expectation of ever selling capital trading assets. The capital is being neutralised in the Commons and therefore cannot be sold. (Real assets, eg buildings and land, are mutualised in the Commons meaning that they can be sold again, if that is the appropriate thing to do in a particular circumstance.)

Steiner picks up on this theme in the Three Fold Social Commonwealth, noticing that organisations will have a personal phase in which the owner / manager is also the founder:

*"the democratic rights-state, which is concerned with what effects all men in an equal manner, will guard against property rights becoming property wrongs...through such organisation, property rights, or the disposition over them, may retain a personal element as long as it seems opportune." p101*

*"justified personal or family interests will be brought into harmony with the requirements of the human community through such arrangements" p106*

# Profit Sharing

The right to a share of the profit from AnyCo cannot be purchased. That is the direct effect of the neutralisation of the capital.

Capital that accumulates through profitable trading is dealt with in up to three ways by AnyCo:

1. Used to redeem founders "C" class shares
2. Used to redeem or pay interest on investors "D" class shares
3. Paid to the "A" class shareholder as an ordinary dividend

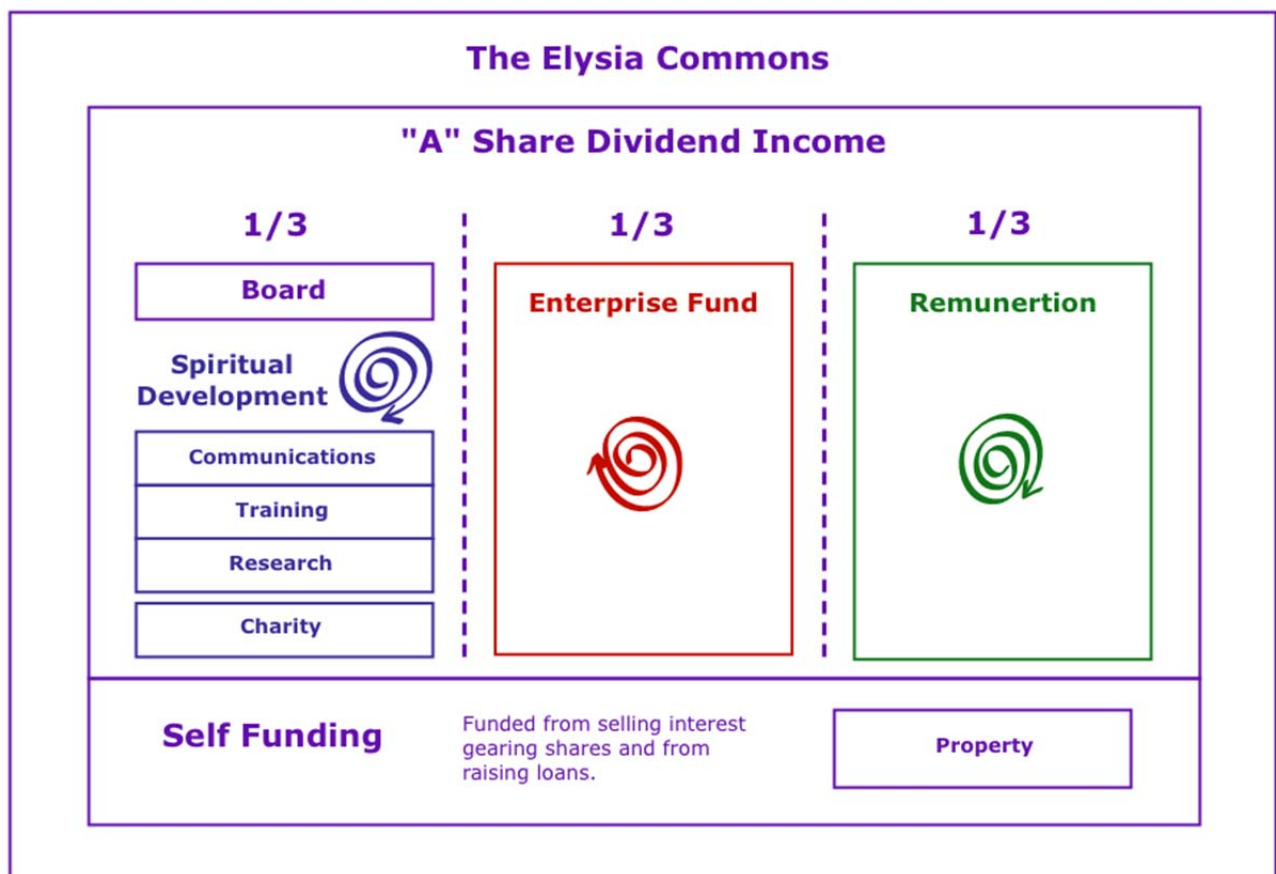
*"from the moment that such a person ceases to manage production, this capital accumulation should pass to another person, or groups of persons, to be utilised for the same or some other type of production which serves the social organism..."*

*"...Capital gains which are not used for expansion should be similarly treated." p102*

The payment of interest on preference shares is different from the sharing of profit through ordinary shares. It is in effect a loan on which the payments are on the risk of the organisation making a profit. The key principle is that should the organisation make a profit, then the payment is in proportion to the investment, not the profit.

The whole of the ordinary dividend of profit goes to the Elysia Commons and is dealt with in three ways:

1. A third is used to reward the co-workers which serves the social organism through sharing wealth.
2. A third is directly used for "some other type of production which serves the social organism", ie in investing in other businesses.
3. A third is serves productivity in the social organism indirectly through self-development.





## Remuneration

---

The money received as salary is the personal matter of the co-worker concerned and is set at the level that is fair, in the co-decision (agreement) of the enterprise and the co-worker (ie just as normal). In the economic conditions of the UK AnyCo must be free to pay the level of salary that the person with the necessary skill would expect to be paid. The Elysia Commons is a social enterprise environment in which meaningful and purposeful activity is the goal, however, it is not intended that this requires any particular sacrifice in the level of remuneration of co-workers. Remuneration is about balance, fairness and reward for co-created success, and as such personal wealth, earned according to fairly made agreements, is considered to be a private matter.

*"such earnings, acquisitions and savings which result from the individual's own work will remain in his personal possession until his death or in his descendant's possession until a later date." p104*

Therefore, it is up to Directors of AnyCo to negotiate the pay rates for the co-workers in AnyCo, **but** is between the Directors and the Commons that the Directors pay is negotiated. It is up to AnyCo and its co-workers whether it makes pay levels public, but it is the policy of the Elysia Commons that the agreed pay of Directors is always made public.

*"...The only thing personally owned by the individual who operates an enterprise should be what he draws in accordance with the terms agreed to when he takes over responsibility for production, and which he feels are appropriate to his individual abilities; and which, further more, seem justified by the confidence of others in granting him the use of the capital."*

The effect of the "A" shareholder managing the pay rate of the directors is that AnyCo will not "bloat" its wage bill to avoid paying a dividend and sharing its profit. The only way that the Directors will be able to maximise their earnings is by declaring an ordinary profit dividend to be paid to the Elysia Commons. This will mean that they are motivated to keep wages in the company as a whole down. They will then get their fair share back from the Commons as members of the Elysia commons in accordance with their employers' association with the Commons, and of course, the other two thirds will go on to drive the Commons forward.

Because remuneration comes direct through salary / wages and indirectly through the Elysia Commons the co-workers' membership of the Commons becomes a matter of personal importance. This assists in motivating members to engage with the training and communication programmes of the Commons.

# Money

In the Three Fold Social Order Steiner introduced the idea of money going through a life cycle, from birth in the production line of the economic realm and dying in to the cultural realm.

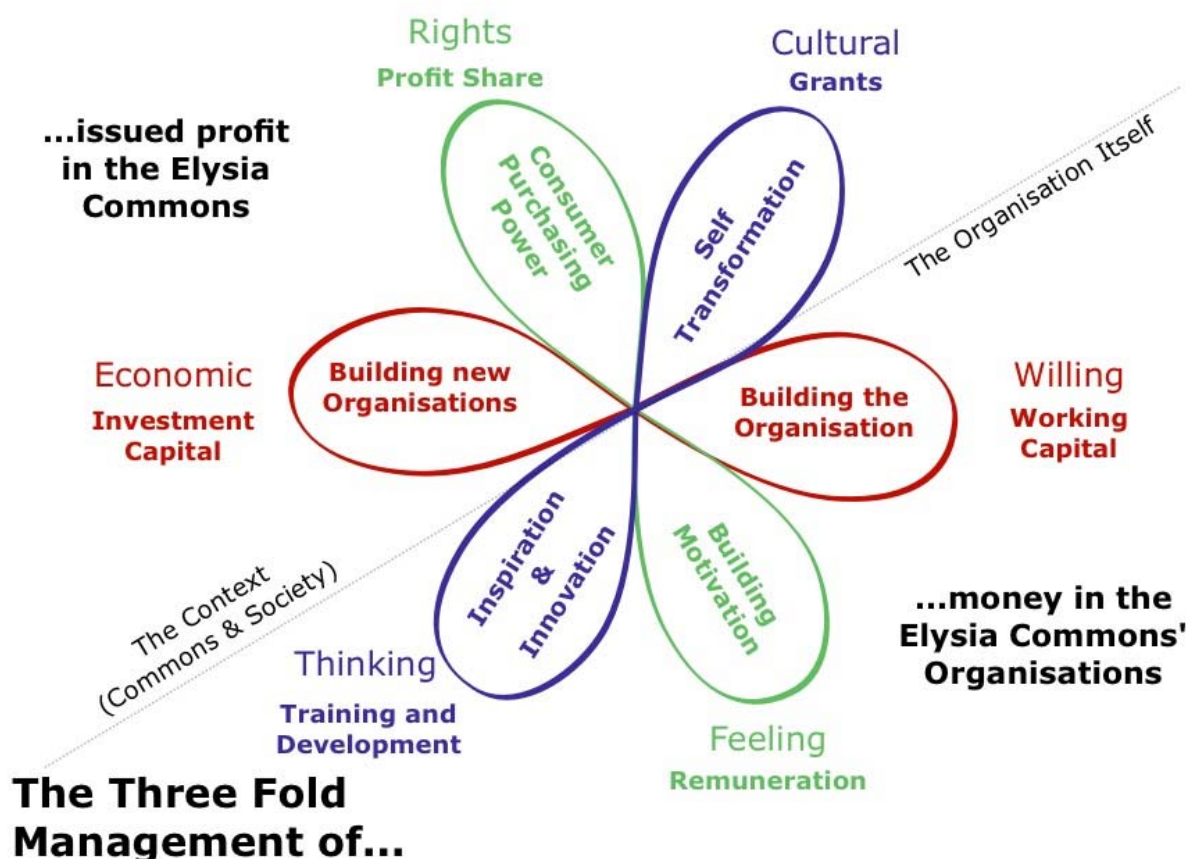
Steiner does not want money to build up and build up, he does not want money to make money from making money, with no direct connection to a real value creation process. This is further developed in to the concept of money dying in to the Cultural realm. The extent to which he wanted money to be used appropriately can be judged from this extract.

*"after the death of the earner, or at a certain time thereafter, assets acquired through savings, along with the corresponding interest, also go to a spiritually or materially productive person or group - but only to such a person or group and not to an unproductive person in who's hands it would constitute a personal pension" p105*

It is not possible for the Elysia Commons, as a self-contained association that is part of the UK economy, to bring about a process in which money dies or is managed in the way described here. However, it is possible for a third of the profit dividend of commercial companies in the Commons to be directed in to the Cultural realm.

There are three cycles of money in the Elysia Commons. The first cycle is the red money that is used to drive economic growth. The middle aged money is the green remuneration cycle. The oldest money, that is "dying" in to the cultural realm, is the blue spiritual development cycle.

This is an economic three-fold, with, metaphorically, the red money being the Will, the green being the Feelings, and the blue being the Thinking money. In the Elysia Commons each type of money is given its own discreet task and each task sets up a virtuous circle. Each task is managed separately, and in accordance with the founding agreement, that the surplus capital (profit) will be used, one third, one third, one third, for each task. It's that simple.



## Ultimate Asset Lock

---

The Elysia Commons is designed to hold the organisations in a sustainable association. The capital that founds the Elysia Commons was introduced through the Parsons family. In the event that the Elysia Commons should decide to end, or be dissolved or broken up, or should any of the assets be sold, then the proceeds revert to the Parsons family. The intention of this clause is to provide one last layer of motivation to the Elysia Commons to continue.

*"when the first administrator no longer can or will manage an enterprise, the capital with which it was established will either be transferred to a new administrator, along with all obligations or, depending on the wishes of the original owners, be returned to them." p103*

## The Extent of the Power of the Elysia Commons

---

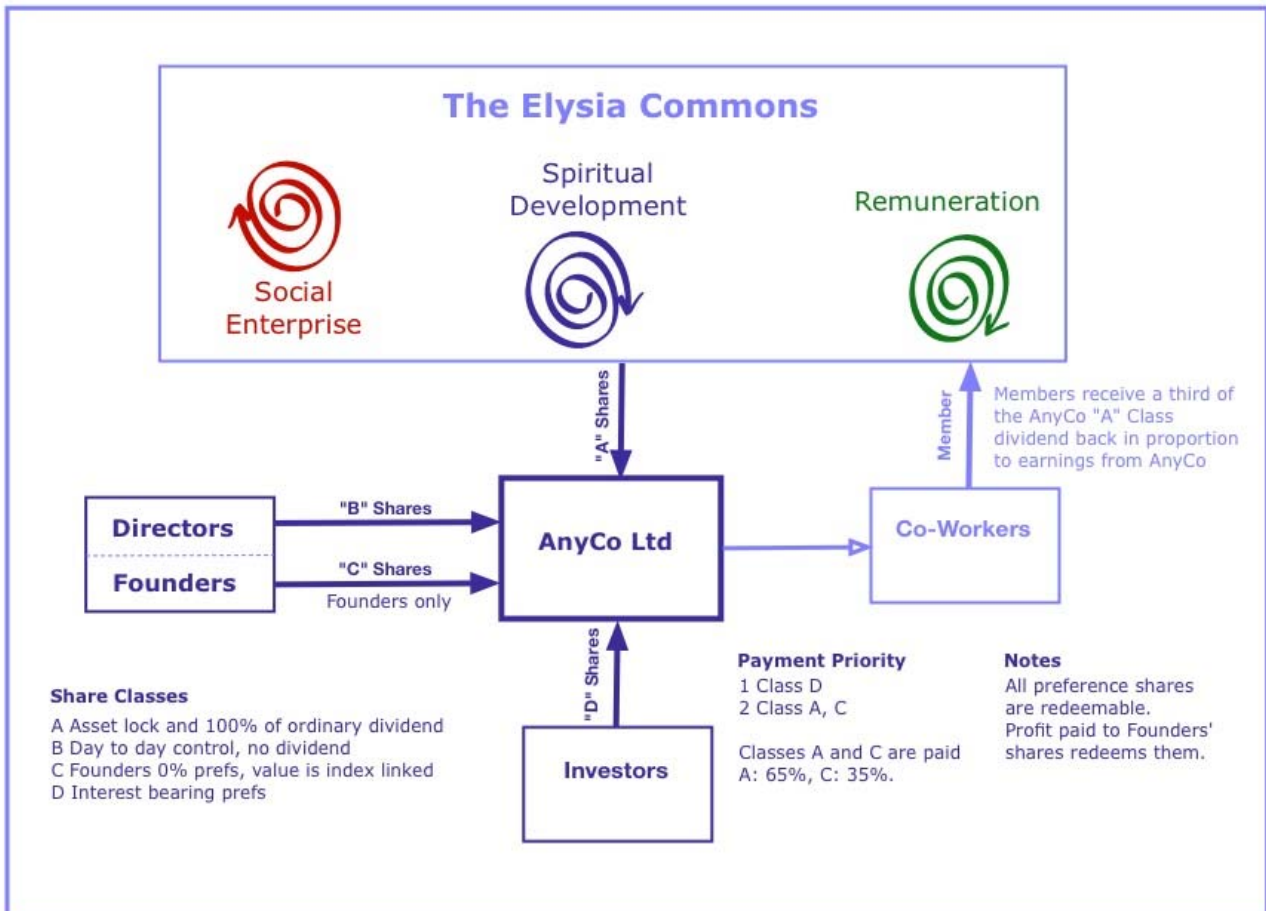
The power of the Board of the Elysia Commons is distinctly limited. It is the rights realm of the system, where agreements are made, but it has very limited scope to intervene directly in the life of the associated organisations that comprise it.

It is anticipated that there will be a rich mixture and spectrum of profitable and not-for-profit organisations and that they will be mutually sustaining and enriching of the whole.

Of course there will be a never ending amount of negotiating and agreement making, but with clear purpose and the simple clear founding principles to guide it, the Elysia Commons represents an extraordinary opportunity to renew capitalism.

*"it is only necessary to decide once and for all that the rights-state must gradually relinquish control over spiritual life and economy ... that private education institutions arise and the economy becomes self sustaining." p108*

# “For Profit” in the Elysia Commons



<sup>1</sup> All page references are to a book by Rudolf Steiner originally published in English as “The Threefold Social Commonwealth”. The references quoted here are from a later edition that was called "Towards Social Renewal, Basic Issues of the Social Question".