

The Role of Corporations

How are we to understand corporations in the 21st century?

Economics Conference Meeting
L'Aubier, Neuchatel, Switzerland
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Report compiled by CHB and KC, based on notes provided by Daniel Maeder.

“Many people have concerned themselves with the role of corporations, their purpose in history and the power they have. In this seminar we would like to explore this field by looking at current examples from three different countries and asking those concerned to describe their ideas and intentions. Against a background of the challenges presented by today’s corporations, the founders will describe their projects and the real world problems they are designed to address. They will then share how their projects address specific problems identified by Rudolf Steiner and his suggestions in regard to them. The material thus gathered will then become the basis of plenary considerations. The idea throughout is to contrast and compare as a way of taking stock of current and potentially ‘state of the art’ developments in the anthroposophical movement that contribute to nudging the world into an associative economic direction.”



With these programme thoughts in the background, this year’s seminar was attended by 23 people from the United States and several European countries.¹ The main languages used were German and English, but with a generous garnish of Italian.

The seminar began with an introductory session, allowing the participants to make one another’s acquaintance before setting to work. After supper, Christopher Houghton Budd gave a backgrounding talk that aimed to give the historical context for the seminar’s theme. Using a blackboard drawing to illustrate his remarks, he provided an overview of history that drew attention to Rudolf Steiner’s fundamental *sociological* law from 1898,² which sees history in terms of three main phases. Anciently, the individual was subsumed in the community, in a period characterised by Christopher as ‘embedded will’. One’s place in society was given to one. The second phase, the one we are in now, has the individual setting him or herself apart from the community via individualised will – the context for 19th century concepts of free will in philosophy and laissez-faire economics. The third phase, which can already be seen appearing, is one in which the community celebrates individuals by, in a word, capitalising their initiatives.

This view of things is generally absent in historical and sociological accounts, but it can be seen to make sense of events. It would be especially powerful if economists would learn from economic historians how to see the ‘plot’ in history, not just the techniques

¹ It is worth noting that this seems a typical number for an Economics Conference gathering – small enough to keep the workshop format but not large enough to become an audience. The result is collective research, rather than ‘keynote’ talks to big groups.

² See GA 31.

they have developed on a narrow basis since Adam Smith's time. How different, too, things would be had economics not taken its cues from industrial production and mathematics, but from entrepreneurs and accounting. This could have been the direction at the time when 'cycles' became the way of thinking instead. It could still be remedied by adopting associative economics, insofar as that links itself to accounting and Steiner's idea of money is bookkeeping (and, therefore, vice versa).

Christopher sketched the individuation of humanity during the 'European' period from Aristotle until the 20th century. This is not a 'Eurocentric' view, but a human one, when one considers how Europe's story – of *Europa* not the European Union – is really a picture and initial iteration of general human development.

The shift into the third phase is part and parcel of the emergence of a single world economy, with its many important developments – such as moving from balance of payments to three kinds of money. It is a world in which entrepreneurs figure large, not in the go-getting sense of brash young men who burn out at 35, but of people who see economic life as the field in which to serve their fellow human beings by taking initiatives. It is in the nature of initiative, however, that entrepreneurs answer questions no one else has yet seen. Their challenge is to stay true to their initiative until the question is it addressing becomes clear to everyone. For this they need the right amounts and types of capital.

Anciently, those who took initiative (i.e. were initiated) also had the 'capital' to carry it out. Today and in the future, those with initiative will typically be *without* the capital they need; while those with capital will typically not know what to do with it (other than 'park' it in financial markets). Fundamentally, this is the task of the modern company to be the means whereby the initiatives of individuals can be carried by the capital of others, in partnership and for an end that is greater than either of their own 'interests'.

Saturday

Saturday morning saw three presentations of examples of how different people address this situation, based on their experience as illumined by their understanding of Rudolf Steiner's *Economics Course*.

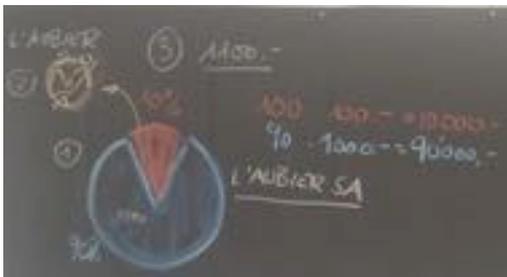
Alexander Kühl, from *Purpose*, described his organisation's aims and impressive achievements so far to bring to people's attention to the problem of regulation being behind innovation, combined with an ownership culture that greatly favours profit maximising at the expense of wider societal considerations. Change this intrinsic attitude, and the behaviour of companies can be changed.

Per *Purpose*, a company's shares have almost all normal voting rights but do not have the right to dividends. Why? Because entrepreneurial decisions should not be determined solely by profit intentions, but rather in terms of a company's non-financial goals.



The *Purpose Foundation* holds the remaining part, a ‘golden share’ of often only 1% of the share votes, but combined with a veto right whereby the sale of shares is not free; they are only transferable to the next entrepreneur. In many cases, a ‘successor council’ steps in if no successor is determined by the entrepreneur himself or if the company is not well managed. The council can even fire the entrepreneur. Further investors are possible, but preferably without voting rights. The *Purpose Foundation* is there for everyone and offers its services to everyone (including oil companies and armaments companies).

Entrepreneurs’ compensation is set by themselves, but there is a range that must be adhered to, otherwise a process is triggered together with the Foundation in order to achieve the right balance again. Through the *Foundation for Steward Ownership*, the hope is to create a new legal form (in Germany) within five years.



Marc Desaules from L’Aubier reported that a lot of what Alexander had said was incorporated into the L’Aubier project 35 or 40 years ago: How can a company be designed so that the initiative, on which it is founded and depends, can develop fully, regardless of the ownership structure and its motivation?

The capital (or its owner) must not determine what the entrepreneur has to do. We need to go beyond all forms of company based on the old social structures and that do not count on the free I that works for society out of free will. Therefore, not only do the *existing* corporate forms have to be adjusted to achieve this, we actually need new company forms.

The first problem is to retain more than 50% of the voting rights with the entrepreneurs. (He gave the example of how this is done in L’Aubier – see sketch.)

The second problem concerns inheritance, shares being automatically passed on to the family. At L’Aubier this was addressed by placing the majority vote in a small association, whose membership comprises the entrepreneurs plus one external person. The association holds the voting shares and may not sell them.

Third step: How to capitalise growth? In L’Aubier’s case, the shares were taken over entirely by the association and at the same time sold to the new shareholders at a value of 1,100 (a nominal value of 1,000 plus 10%), with which the association could always finance its share. As regards dividends, so that no tax problem arises, every customer can request a ‘loyalty’ card for a small fee. This does not count as a ‘natural’ dividend because the discount card is available to everyone. It is also in effect a pre-distribution of profits.

L’Aubier has around 800 shareholders, around 100 of whom typically come to the AGM. The voting right of the association is exercised by a proxy party, who is required to vote in support of the directors. With this system, the power of capital is kept at bay, inheritance is bypassed, capital for growth is secured, and only one entity is strategically and operationally active. The company can thus be transferred to the next generation.

Recently, on a one-off basis the tax administration of the canton of Neuchâtel accorded L'Aubier semi-non-profit status (the actual nature of its conduct having long been observable and provable in its accounts).

Fabio Brescacin, from ECOR-NaturaSi in Italy, spoke with great gusto of his experience as founder of a food wholesaler with a turnover now of approx. € 300 million and 1800 employees serving approx. 700 shops (including 300 of its own) and 500,000 consumers.



It is owned by Ulirosa with 51% votes and 39% capital. Enzo Rosso (Diesel) and two other families have the remaining 49% and 61%. Ulirosa is 79% owned by the LFARS Foundation (Libera Fondazione Antroposofica Rudolf Steiner) and 21% by Bio Development AG. The Fondazione invests in farms and a Steiner school (350 pupils, kindergarten). It also funds the training of Demeter farmers who receive a state-recognized diploma.

Fabio spoke of his biography – how he came to be active in this area. Firstly, his deceased ancestors helped him from beyond. Second, he asks what does the world ask for (not what do I want). Third, in 1980, 4 companies were merged. This was only possible because all 4 owners made a sacrifice.

The question of a company's mission is a spiritual question! In his case, the focus is on good food and good farming – spirit.

But it is also a community, without which it could not fulfil its mission – soul.

And then the community must serve its customers well – body.

You want to win the 500,000 customers over as participants without voting rights but using their purchasing power.

In a word, his guideline is: to change stones into bread!

Following the presentations (and a delicious lunch) the presenters spoke of how they saw their work in relation to Rudolf Steiner's ideas.

Alexander Kuehl: In contrast to L'Aubier and ECOR-NaturaSi, which are pioneers, *Purpose* is more a project that wants to bring these hidden ideas to the general public. It does not see itself as an anthroposophical institution, but its founders have anthroposophy in their backgrounds. There are many similarities between the three examples, especially on the key points.

For him, Ernst Abbé of Zeiss acted as a role model, even if, per Steiner (GA 331) his endeavour was too individualistic and not sufficiently social. Generally in society we have moved beyond the blood stream in matters of succession (professorships, political

offices, etc.), and yet this is still decisive in corporate law – companies are either inherited or bought. Steiner says that just like intellectual property, after a certain period of time (30-50 years) company ownership must become public.

Marc Desaulles: What has l'Aubier got to do with Rudolf Steiner's ideas? We simply started and developed, not enacting Steiner's ideas, more following our noses. We did not read Steiner in order to implement his ideas. It was only afterwards that we found that what we realised largely coincided with his ideas, especially those in Chapter 3 of *Die Kernpunkte der sozialen Frage*:

- Company structure is spiritual life
- Economic life is only the production and distribution of goods
- Free initiative must be made possible by appropriate capitalisation
- The need to capitalise capacities

Fabio Brescacin: We never spoke about anthroposophy in the company, but the employees asked why it has the ideas behind it that it does, and where do they come from? Steiner speaks of primal ideas, but these are powers, beings. It is not enough, therefore, if only the management knows where the creative powers come from; all employees must know that. The mission must be known to everyone. Now, we also talk about anthroposophy in the company because everyone has to know where the mission comes from.

Many small and medium-sized companies raise capital by selling to investors, often hedge funds, who then want to squeeze money out of the company. Bio Development AG was founded to support organic shops and wholesalers in the matter of succession and to ensure that they can continue to exist. Its capital is not provided speculatively, but at an agreed interest rate.

Saturday Evening / Plenum

Of the many questions posed, this one was the key: How are profits distributed and who determines this?

At ECOR-NaturaSi the board determines how much profit is paid out and how much is spent on donations. The foundation that receives the dividend 'naturally' uses it primarily for its purpose.

Concerning the veto right of *Purpose* and the challenge to find new forms of society that enable 'public' ownership, the comparison with intellectual property that falls into the public domain after 30 years is more likely to apply only to the assets of people who have died. If someone takes the step from private property to common property during their lifetime, then this is no longer necessary.

Christopher said one should differentiate between private and personal property and that, albeit collectively, a foundation or non-profit organization is also a case of private property, but not personal property.

Sunday / Some Main Points

According to its statutes, the *Purpose Foundation* must use its veto if the conditions apply, but in exceptional cases the entrepreneur council can waive the veto by 2/3.

Alexander: The Benefit Corporation (B-Corp), in contrast, is the exact opposite of what we understand for the future in the sense of "celebrating the I". It is the community that, through these legal regulations, determines what a company is; no trace of the free will of the entrepreneur.

Christopher: As averred in his new book, *Seed Corn –The Economics of Farming*, Christopher stressed the importance of distribution in the value process. The 'middle man' represents the middle realm and should not be 'cut out', but should be inspired by the power of Christ, not by himself. Distributors sever the connection between producers and consumers and therefore have great power. They are responsible for many problems of our time. It is their responsibility to ensure that farmers are well trained and that farmland becomes cheaper. They should give part of their profits to free spiritual life.

Fabio thinks that competition between retailers is very harmful. Their role is to connect producers and consumers. If consumers know the circumstances of producers, they are willing to pay more. This is the associative way!

Michèle asked why should distributors donate their surpluses to agriculture, when they could as easily pay the right price in the first place?

Alexander: The point is whether we play with each other or against each other!

Daniel: Human beings are capable of self-development. It is always difficult to make an assessment of people because we do not necessarily recognize their potential, only what they have done so far. The days are over of big patrons, who run companies like Egyptian Pharaohs. We have to find new ways to lead communities in the future by celebrating the individual. The responsibility of modern entrepreneurship can no longer be borne alone, so how will we run companies without losing the individual to suicide and burnouts?

The following two items express the 'mood music' that belongs to an associative approach to the problem of companies.

The Social Ethic – *Rudolf Steiner*

The healthy social life is found
when in the mirror of each human soul
the whole community finds itself
and when in the community lives
the strength of the single soul.

Six Principles of Federalism – Denis de Rougemont³

- No hegemon
- No preconceived systems
- Minorities are not a problem
- Safeguarding diversity
- A love of complexity
- Neighbourliness, not centralism

Postscript

The weekend's deliberations were punctuated by two impromptu events. Based on an I-You-We verse by Steiner, Rachel Maeder led us in a movement exercise that she uses in business consultancy contexts. Christopher Houghton Budd awarded Fabio a 'Right Distributor Award' because, he said, he saw in Fabio's understanding and work a true appreciation of the heart-like role of distribution.

³ See *The Federalist Attitude*, Denis de Rougemont 1947. Special L'Aubier edition in four languages, Editions G d'Encre, Le Locle, Switzerland 2012.