BOOK REVIEW

A Coming Revolution in Employee-Owned Companies?

Owning Our Future: The Emerging Ownership Revolution by Marjorie Kelly.
Reviewed by Luke Middleton

Marjorie Kelly, an experienced business writer, has done extensive and unique research on ethical corporate practices and accountability. For two decades, she served as president of Business Ethics magazine, of which she was also one of the founders. Her new book explores alternative forms of business ownership. It is divided into three parts: the first looking at the problems of current ownership patterns and the damage they have caused, the second section shows the readers new ownership models and the values embedded within them, and in the final section she explores the designs necessary to keep these forms of ownership alive and thriving on a large scale.

To set up Kelly’s thesis, she essentially contrasts what she sees as the two types of ownership: extractive and generative. “Extractive ownership”, which is Kelly’s name for the predominant type of ownership in the free market world, is simply and solely concerned with the bottom line, the profit. This is juxtaposed with what she calls “generative ownership”, which is described as having motives other than profit (dedication to a social mission) and creating conditions (financially, environmentally, etc.) that are sustainable for the long term.

Ms. Kelly then delves into the complex problems of the financial economy since the deregulation of the 1980’s, a process known as financialization. She attributes this imbalance to what is called the money multiplier effect, where, for example, for every $100 in mortgages. The financial economy, though not truly representative of any real output, has become significantly larger than the real economy. Instead, she posits that this insatiable drive for growth has bred the very instability that led to our recent economic trouble and uncertainty. Kelly explains that this is not necessarily part of a healthy economy. Companies, like the social enterprises, may or may not be nonprofit. Finally, she mentions mission-controlled corporations. The companies, like the social enterprises, have strong social mission. They are, however, owned in a conventional way. These businesses remain generative by keeping the governing in control of those who strongly support the company mission.

For a company to be generative, there are three necessary design patterns identified by Marjorie Kelly. First, is “living purpose,” which means the business must have a set of values that ultimately center around serving the needs of society: take for example the cooperatives mentioned earlier, which were interested in helping the community as much as themselves. Second is “rooted membership,” which implies a certain degree of employee, customer, and or community ownership. For this, Kelly gives the example of the John Lewis Partnership where anywhere from 40% to 60% of the profits are divided among the employees (instead of just being pocketed by a CEO). The last design pattern discussed by Kelly is called “mission-controlled governance,” which means the control and direction of the company must be decided by employees themselves, ideally via democratic channels. In the John Lewis Partnership, the company is in part run by a democratically elected (by the employees) council which even has the power to fire the chairman.

Marjorie Kelly’s ideas are in a way revolutionary. She is proposing a major restructuring of the capitalist system. Yet paradoxically and despite how different her notions of ownership are from the mainstream extractive ownership, they are already being implemented in very big ways across the world. It is a sort of quiet, invisible revolution, maybe better labeled an evolution. Those tired of the socialist versus capitalist dichotomy will find Marjorie Kelly’s ideas in a way revolutionary. She is proposing a major restructuring of the capitalist system.

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