Teaching Case Hoe werkt steward-ownership?

Hoe Patagonia - en andere bedrijven - hun missie beschermen

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Teaching Case
How does steward-ownership work?

In-depth chapters

Centre for Economic Transformation | Hogeschool van Amsterdam

We Are Stewards

In-depth chapters

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1.1 Patagonia's vision on being a good employer

It is impossible for the reader to have missed; Yvon Chouinard is not a conventional businessman. His greatest passion lies in climbing rocks and mountains, rather than climbing the corporate ladder. He has no interest in gaining a higher social status and is deeply committed to nature and its preservation. He resists unnecessary hierarchy, a perspective shared by many at Patagonia, or at the very least, one in which they feel at home.

To achieve this, Patagonia follows a key principle in its hiring policy: ensuring that as many employees as possible are also genuine customers. They seek individuals who embrace the *outdoors* and embody the lifestyle that Patagonia represents. Embedding this mindset into their company culture is a top priority. So much so that they prioritize it over skills in the hiring process. In their view, it is far more challenging to instill a passion for the outdoors than to teach someone how to do the job. As the company has grown, some hires have been made based on specialized technical expertise. However, what unites them with the rest of the team is a shared passion and an active way of life. Preserving Patagonia's company culture is considered the foundation of its success and long-term sustainability.

According to Chouinard, work should be fun, with no clear distinction between professional and personal life. To make this possible, having the flexibility to manage one's own time is essential, whether it's catching waves when the surf is good, skiing after fresh snowfall, picking up children from school, or pursuing further education. This philosophy led to Patagonia's flexible work policy, *Let My People Go Surfing*, which allows employees to set their own schedules as long as the work gets done and colleagues are not negatively impacted. Patagonia's experience has shown that this policy is rarely abused, reinforcing their trust in a results-driven and employee-centric work culture.

Since 1984, Patagonia has offered an innovative benefit to its employees: on-site childcare at its Ventura and Reno offices. The facility provides care for children from infancy to school age. Parents are encouraged to visit their children, have lunch with them, and nurse their babies during the day. By allowing children to be part of the workplace, Patagonia creates a more informal and family-friendly atmosphere. While childcare is a financial investment, it more than pays off. It helps female employees continue their careers after becoming mothers, leading to lower staff turnover and greater employee retention.

Internally, Patagonia is structured according to a natural principle: that of an ant colony. In a colony, every ant knows its role, communicates effectively, and collaborates within an efficient social network. There is no strict hierarchy, the system regulates itself. Chouinard describes his personal management style as 'MBA'; Management by Absence. He prefers to spend time outdoors, actively embracing Patagonia's flexible work policy himself. By doing so, he sends a strong message of trust to his employees. And it works. Thanks to Patagonia's careful hiring process and excellent working conditions, employees are highly engaged and motivated. As Chouinard puts it:***"If the wharehouse burns down, don't call me, what can I do? You know what to do."***[1]

Patagonia's internal organization aligns closely with concepts like self-management and horizontal organization. Self-organization is a different way of structuring a company, where decision-making and leadership shift from managers to teams. Within these teams, clear agreements are made about responsibilities and decision-making authority. While guidance and structure do not disappear, they take on a different form, One that fosters autonomy, collaboration, and accountability at all levels.

If a company already operates with a form of self-management, transitioning to steward-ownership is a logical next step. In such organizations, the company essentially "belongs to everyone," making it feel unnatural for ownership to remain with just one or a few individuals while responsibilities and decisions are shared collectively. Several Dutch companies, such as Voys and Bord&Stift, first implemented self-management and later transitioned to steward-ownership.

As Voys puts it: *"If we want to take self-management to the next level, steward-ownership is the logical next step. This way, self-management doesn't stop at the shareholders, but the ultimate responsibility truly rests with the people who safeguard the organization's mission."*

Similarly, Bord&Stift explains: *"Since 2018, Bord&Stift has no longer been run by a single person, we do it together, without managers. It no longer felt right that Charlotte, or anyone else, was the sole owner with all the associated rights and responsibilities. We wanted our legal structure to align with our way of working."*

[1] Podcast 'How I Built This with Guy Raz', episode 'Patagonia: Yvon Chouinard', 12 December 2016, timecode 18:44.

3. Steward-ownership – what is it exactly?

3.1 How to structure steward-ownership?

3.1.1 Legal models

Dutch steward-owned companies typically implement steward-ownership principles through one of the following three legal models:

Golden Share model
Under the golden share model, the company issues three types of shares. First, shares with voting rights to stewards. These shares cannot be sold or inherited. Second, shares with profit rights but without voting rights to financial stakeholders such as investors and founders. Third, a golden share with veto rights to an independent foundation that maintains the structure. An example of a company using this model is **Time to Momo**.

Neutralized capital
With the neutralized capital model, a foundation owns the company economically, meaning its value is "neutralized." The voting rights remain with the stewards and cannot be sold or inherited. A company using this model is the surf school **The Shore**.

Enterprise foundation
In this model, the entire company – or at least the majority of voting rights – is held by a foundation. This foundation's main responsibility is to protect the company's mission and ensure its long-term stability. An example of a company using this model is **TBI**.

The choice of a steward-ownership model depends on various factors, including the industry, company goals, stakeholder ambitions, and the company's stage of development. For example, a business that requires venture capital may prefer a structure that allows issuing economic shares.

While the decision to adopt steward-ownership is permanent, companies are not locked into a single legal model. It is possible to refine and adapt the legal structure over time to better serve the company's needs.

Dutch example of the Golden Share model: Time to Momo (formerly Moonback)

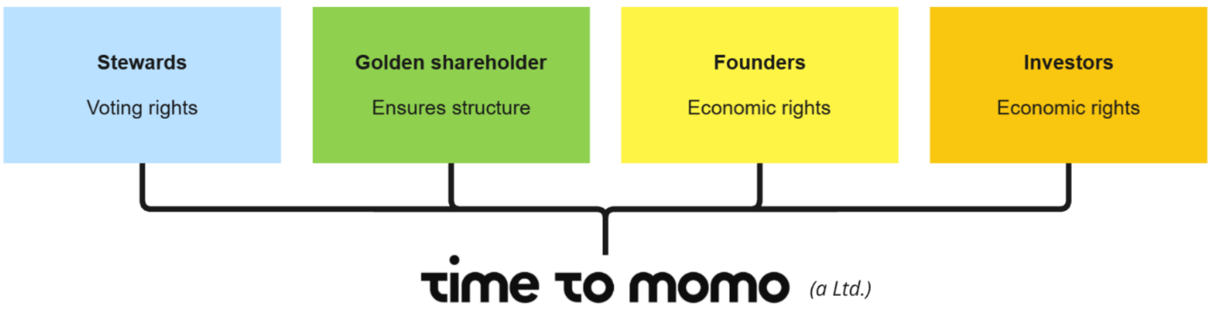
In Chapter 4, we discuss Time to Momo, a booking platform that, unlike *Booking.com*, remains independent from shareholders and focuses on serving its users. The company follows the **golden share model**, operating as a private limited company (BV) with four types of shareholders:

- **Stewards:** Hold *voting shares* but have no economic rights (no dividend, no monetary value, and cannot be sold). Stewards act as temporary caretakers and are selected based on their skills and alignment with the company's mission. At Time to Momo, 3 of the 7 founders serve as stewards, collectively steering the company.

- **Golden shareholder:** To safeguard the steward-ownership structure, an independent foundation holds a *golden share* (also called a veto or priority share). This foundation ensures that companies maintain their steward-ownership commitments.

- **Founders:** To reward their entrepreneurial efforts, founders hold *founder shares*, which grant economic rights (dividends) but no voting power. These rights are capped, meaning once they receive a set maximum amount, their dividend rights expire.

- **Investors:** Investors receive *investor shares*, which provide economic benefits (dividends) but no voting rights, compensating them for their financial contributions.

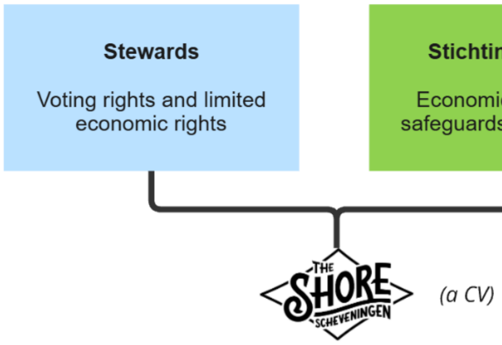


A schematic representation of the structure of Time to Momo

Dutch example of the Neutralized Capital model: The Shore

Hans van den Broek started a surf school in Scheveningen, *Surfles.nl*—a small and cozy lesson and rental spot on the beach, originally little more than a shipping container filled with wetsuits and colorful surfboards.

Today, *The Shore* follows the neutralized capital model and is part of Stichting Sleipnir. The company is structured as a limited partnership (CV), a legal form where an investor participates as a silent partner. Hans, Geert, and a third partner are the managing partners of the CV. They are responsible for daily operations and are compensated from the company's profits. This compensation has a maximum limit—if there is additional profit, they do not receive it personally. There is also a minimum compensation. If they are unable to receive the minimum amount in a given year, the difference is carried forward. Stichting Sleipnir is the silent partner and therefore the economic owner of The Shore. While Sleipnir is not involved in daily management, it can ensure that certain agreements—such as the previously mentioned salary arrangements—are upheld.



A schematic representation of the structure of The Shore

Dutch example of the Enterprise Foundation model: TBI

TBI is one of the largest construction companies in the Netherlands. It operates under a family of companies, including EraContour, Croonwolter&dros, and Hazenberg Bouw. While each company has its own name, many can be recognized as part of TBI by their distinctive purple-green logo—you may have seen it on a construction site.
With a turnover of around two billion euros, TBI is one of the largest steward-owned companies in the country. It is responsible for major projects such as the renovation of the Maastunnel and the refurbishment of the Dutch Parliament (Tweede Kamer).

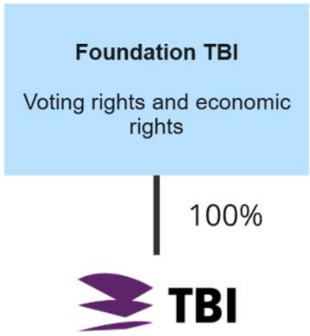
TBI was founded in 1982 following the bankruptcy of OGEM, a technical company in the oil and gas sector. The financially healthy parts of OGEM were separated and given a fresh start through a so-called “sterfhuisconstructie” (rescue structure). As part of this transition, TBI chose to prioritize the long-term continuity of the company. To ensure this, an enterprise foundation was set up as the sole owner of TBI.

TBI has one single shareholder: a foundation. This foundation has three key objectives, which are set in its statutes:

- Ensuring the long-term continuity of TBI
- Supporting and promoting cultural, scientific, educational, and social initiatives
- Preserving historical heritage

When TBI makes a profit, it is either reinvested into the company or distributed to the foundation. The foundation is governed by independent directors who have no financial interest in the company. The TBI management team does not hold shares, ensuring there are no financial incentives that could lead to short-term decision-making.

TBI's Chairman, Bart van Breukelen, explains: *"A stock market listing or a majority shareholder is not necessarily the best way to motivate people to perform. What truly matters is being inspired by your company and leadership, and feeling challenged by the projects you take on."* He believes that steward-ownership creates the freedom to innovate and grow, making it a valuable asset for TBI's long-term success.



A schematic representation of the structure of TBI

3.1.2 Who are the stewards?

Stewards set the course for the company. They manage the voting rights that come with ownership and prioritize the company's mission and long-term interests. Their voting rights are temporary and cannot be sold. Instead, they simply pass them on to their successors. Stewards do not have a personal financial interest in maximizing short-term profits. They are closely connected to the company and its purpose.

The controlling authority over the company is in the hands of stewards. Choosing the right people for this role is crucial, as they are responsible for upholding the mission. But who are the right stewards?

Qualities

When selecting stewards, it is essential to consider the skills and expertise they need to contribute effectively to the company and its mission. Depending on the industry, stewards may need technical knowledge or experience. For example, in a medical technology company, it could be beneficial for a steward to have a medical or scientific background.

It is also valuable to consider whether some stewards should have internal knowledge of the company, such as former employees or current team members. Diversity in skills is important, as no single person can possess all necessary expertise. A group with complementary skills can cover areas like finance, technology, sustainability, and operational expertise to ensure well-balanced decision-making.

Representation

The extent to which stewards are independent or represent a specific group of stakeholders is an important factor that affects their decision-making power. Stewards can act independently or represent interests such as the environment, customers, employees, or suppliers. Defining who the stewards represent ensures that all relevant stakeholders have a voice in decision-making.

The number of stewards depends on the size of the company and the complexity of its interests. Smaller companies often have three stewards, while larger organizations appoint five to seven stewards. Choosing an odd number can help prevent deadlock in decision-making, though some organizations intentionally select an even number or more stewards to ensure broader representation.

Selection

The selection process for stewards is crucial in ensuring a balanced and representative governance structure. Different stakeholders can be involved in the selection process, including customers, employees, suppliers, the founding family, the supervisory board (RvC), an independent selection committee, or the stewards themselves. The process should be designed to include a wide range of perspectives while staying aligned with the company's core values and mission.

An independent selection process or selection by stakeholders can enhance diversity and independence in steward governance. In contrast, self-selection by stewards can promote stability and continuity. Choosing the right selection method is essential to balancing expertise and independence within the steward structure.

Safeguarding & supervision

To ensure that stewards are not influenced by personal interests or specific groups they represent, a strong oversight structure is necessary. This can be achieved through specific voting requirements, such as a supermajority or even unanimous approval for major decisions like changing the company's mission or adjusting compensation structures.

There are different mechanisms to safeguard stewardship:

- **Centralized (own foundation):** Special majority or unanimous approval requirements ensure that all stewards agree on critical decisions.
- **Decentralized (internal stakeholders):** Employees can be involved in oversight and advisory roles through ad hoc councils or committees, as seen in companies like Squarewise, Bord&Stift, Sprinklr, and Regelink Advies.
- **External (Golden Share Foundation):** A veto right can be assigned to an external foundation that oversees the steward-ownership structure. This foundation can block changes to profit distribution, share issuance, or asset sales unless approved by a federation of stewards. This ensures that the core interests of the organization remain protected.

International examples

Elobau is a German sensor technology manufacturer that became steward-owned in 2016. The company established a structure where ownership is divided between a family trust and a foundation. The family trust holds 99% of voting rights and 1% of profits and is led by an independent team, including founder Michael Hetzer. The foundation receives 99% of the profits and uses the funds for education, environmental protection, and social projects. This structure ensures that Elobau cannot be sold and continues to focus on sustainability, innovation, and positive social impact. Employees are encouraged to take responsibility and contribute new ideas in an open and self-managing work environment.

Bosch, founded in 1886 by Robert Bosch, is a globally recognized technology company operating in four sectors: mobility solutions (such as automotive parts), industrial technology, consumer goods (such as household appliances), and energy and building technology. Bosch is steward-owned through a special trust-foundation structure. The Robert Bosch Stiftung receives 92% of Bosch's profits and uses the money for social projects. Most voting rights (93%) are held by a group of ten stewards, including four Bosch employees and six external experts. Stewards are appointed for five-year terms and select their own replacements when a steward steps down. Upon reaching 72 years of age, a steward must retire from the board.

3.1.3 How much is enough?

The profits of a steward-owned company primarily serve the company itself. The company carries the mission, making it the central place to fulfill that mission. When the company generates more profit than needed, this can be considered surplus profit. Surplus profit can be donated in alignment with the mission or used to compensate investors, founders, employees, and other stakeholders for their contributions.

If a steward-owned company has stakeholders who share in the profit, such as founders, investors, or employees, clear agreements are usually made about profit distribution.

Key questions to consider:

- Does the company need investment?
- Does a shareholder need to be bought out?
- What is a fair compensation for investors and other stakeholders?
- How should profit be distributed between the company and its stakeholders?

A good example of why these questions matter is the transition of Sprinklr, an organic plant shop, to steward-ownership. While the shift made sense for the founders, it was also a big decision.

Loorbach, one of the founders, explains: *"Before deciding to transition Sprinklr to steward-ownership, Suzanne and I discussed it a lot. Were we really ready to give away this potential goldmine? I don't have children, I own my house, and I have financially stable parents. That puts me in a very secure position. But Suzanne has three children and shares a house with her partner. That's a completely different situation. If everything goes well, it's easy. But if things go wrong, you might regret giving up your shares. That's why I have endless admiration for Suzanne for making this decision. We both strongly believe in taking responsibility. The world is in crisis, and it feels like those in power are not making the necessary changes. We believe you must do whatever you can to prevent climate catastrophe and mass extinction. This is what we can do, so we structure our company in a way that serves the planet. We hope many others will follow."*

Waterfall model for profit distribution

In steward-owned companies, profit-sharing often follows a waterfall model, meaning that free cash flow is distributed step by step. For example, in a startup with investors, the waterfall might look like this:

	Step 1	Step 2	Step 3
Company	100% until buffer is filled	50%	50%
Investors		25% until ‘cap’ is reached	
Founders		25% until ‘cap’ is reached	
Society			50%

The first step in the waterfall ensures the company builds a financial reserve to handle economic downturns. Once that buffer is secured, profits can be shared with investors and founders. After they receive fair compensation and reach a pre-agreed cap, profits can then flow to society, supporting broader social or environmental causes.

3.2 Social entrepreneurship and steward-ownership

Steward-ownership is designed to protect a company's mission, regardless of who owns it. Social entrepreneurship, on the other hand, refers to businesses that prioritize solving a social problem over profit. At first glance, these two concepts seem to fit well together. But how does this work in practice?

About social enterprises

Social entrepreneurs create a positive impact on the world while also running a successful business. Their goal is to solve problems, and their business is the tool to achieve that. A well-known example is Fairphone, which produces smartphones "with care for people and the planet." The company focuses on fair sourcing of materials, ethical labor conditions, recycling, and longer product lifespan.

Another example is Tony's Chocolonely, whose mission is to make 100% slave-free chocolate the standard in the industry. They combat exploitation in cocoa farming, prevent deforestation, and ensure fair wages for cocoa farmers. While Tony's has been highly successful in selling chocolate, it also works to convince other producers to adopt fair and sustainable practices.

Also check the Fairphone Impact page and the Tony Chocolonely Yearly Fairreport

While Fairphone and Tony's operate internationally, many social enterprises focus on local impact.

Learn more about this in the book Sociaal ondernemerschap: impact eerst (Dutch)

All social entrepreneurs share one thing: their mission is to solve a social problem, and achieving this mission is the core priority of their business. Protecting this mission is crucial, which is why steward-ownership can be a good fit. However, in practice, many social enterprises do not automatically protect their mission through steward-ownership or other structures.

Not all social enterprises are steward-owned

There are many organizations in the Netherlands that call themselves social enterprises. However, there is no official legal structure that defines a social enterprise, meaning there is no clear set of ownership rules for them. The most commonly used legal structures include private limited companies (BV), foundations (stichtingen), and hybrid models combining both. There are some certifications for social enterprises, such as the Code Sociale Ondernemingen. Companies that want to join must meet certain requirements, including writing their mission into their legal statutes. However, this requirement only applies to larger social enterprises. In practice, many social enterprises do not have strong mission protection. Few of them explicitly identify as steward-owned.

One example of a steward-owned social enterprise is Squarewise, a transition agency that helps organizations solve complex sustainability challenges. Squarewise was founded in 2000 but transitioned to steward-ownership in 2020 to ensure its mission remained protected.

Watch this video (in Dutch) to learn why Squarewise made this transition and how they structured it

Not all steward-owned companies are social enterprises

Does it work the other way around? Are all steward-owned companies social enterprises by definition? It depends on how you define a social mission. Social enterprises focus on solving societal problems, but what qualifies as a social issue? And who decides? For example, the Danish steward-owned brewery Carlsberg has the mission to brew the best possible beer, for today and tomorrow. Would that be considered a social mission? Similarly, in the Netherlands, Efteling, a famous theme park, is steward-owned. Its mission is to “enchant guests by allowing them to escape reality in a fairy-tale and natural setting.” Would this be classified as a social mission?

4. Steward-ownership in the Netherlands

4.1 Financing models

Traditional financing tools often do not align with steward-ownership principles, as they prioritize shareholder value over the company's mission. Venture capital funds focus on injecting large amounts of capital to force rapid growth, aiming for a profitable exit where success is measured by returns. The terms used in such investments often grant investors extensive rights, such as veto and drag-along rights, which can undermine a company's mission. Even impact investors often seek similar returns and apply the same conditions. This raises the question: Can a new economy be built using models from the old economy? Fortunately, there are alternative financing options, and a growing number of investors are choosing these alternatives to ensure that the company's mission remains the priority.

Investment principles

Investments in steward-owned companies follow two key principles:

1. The investment is repaid from the company's earnings
2. Only negative control is given to protect the investment

Instead of planning for an exit where investors cash out at a high return, steward-owned companies agree to repay the investment from the company's own earnings. This means clear agreements are made on how and when the investment will be paid back.

Additionally, investors do not receive voting rights (positive control) but instead have a right of approval (negative control) over specific decisions that directly affect their investment, such as issuing new shares.

Alternative models

Steward-owned companies explore alternative financing options, such as:

1. **Non-voting shares**

This model allows for a structured exit, where investors receive a portion of the profits based on their economic stake until their investment is fully repaid. Investors can also agree on priority arrangements, where some investors exit earlier while others remain invested longer.

Example: Sumthing – An organization dedicated to nature restoration that utilizes this financing model.

2. **Loan-based investment**

In this model, a company takes a loan from an investor, repaying it through interest and principal payments. Repayments can be structured as fixed payments or as a percentage of revenue or profit over time.

Example: New Optimist – A sustainable circular fashion brand that finances its operations using this method.

Learn more about financing steward-owned startups in the How to for startups guide by We Are Stewards

4.2 Legal and tax aspects

4.2.1 Notarial aspects

Steward-ownership is a ownership structure designed to safeguard a company's mission and independence. While current laws do not define a specific legal structure for steward-ownership, existing legal forms offer sufficient flexibility to establish it. This can be done by modifying the company's articles of association and shareholder agreements to include mission protection, profit distribution limits, and the separation of ownership and control. The shareholding structure can be designed using legal instruments such as: certification through a STAK (Foundation for Share Administration), non-voting and non-profit-sharing shares, shares with limited economic rights, priority shares. These measures prevent shares from being traded freely and ensure the mission remains protected.

Often, a foundation is set up to guarantee the company's continuity and mission, as well as to hold decision-making power. However, the specific legal structure must be tailored to the needs of the founders or business owners transitioning to steward-ownership. This includes blocking arrangements, approval rights, and additional agreements to secure the mission and governance structure.

The role of a notary is crucial in this process. Notaries ensure that the chosen structure is legally sound and durable, preventing easy modification or undermining of steward-ownership principles. This helps companies remain focused on long-term value creation and social impact, rather than profit maximization or speculation.

4.2.2 Tax aspects and consequences

Transitioning to steward-ownership also involves tax considerations. If an existing company is transferred into a steward-owned structure, this may require the transfer of shares to one or more foundations. If shares are transferred, taxes must typically be paid on any past value appreciation. However, for non-profit-sharing and golden shares, an argument can be made that they hold little or no financial value, meaning their issuance or transfer may have limited tax implications. The tax consequences of transferring regular or non-voting shares depend on how the transfer is executed (sale or donation), who transfers the shares (private owner or holding company), and the status of the recipient. The main taxes to consider include income tax, corporate tax, and gift tax.

4.2.3 Board liability and governance

The governance of steward-owned companies is typically defined in legal statutes and notarial deeds, outlining the rights and responsibilities of stewards. This also includes conditions for steward dismissal and the process for appointing new stewards. This ensures transparent and legally binding governance.

Stewards serving as board members of an enterprise foundation can be held personally liable for mismanagement. Since they are responsible for protecting the company's mission, often without a profit motive. They must be able to demonstrate that they act in the company's best interest. Failing to fulfill their duties could have legal consequences, making it essential for stewards to carefully manage their responsibilities.

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