

### The Scott Bader Commonwealth by E.F. Schumacher

Ernest Bader started the enterprise of *Scott Bader Co. Ltd.* in 1920 at the age of thirty. Thirty-one years later, after many trials and tribulations during the war, he had a prosperous medium-scale business employing 161 people, with a turnover of about £625,000 a year and net profits exceeding £72,000. Having started with virtually nothing, he and his family had become prosperous. His firm had established itself as a leading producer of polyester resins and also manufactured other sophisticated products, such as alkyds, polymers, and plasticisers. As a young man he had been deeply dissatisfied with his prospects of life as an employee; he had resented the very ideas of a 'labour market' and a 'wages system', and particularly the thought that capital employed men, instead of men employing capital. Finding himself now in the position of employer, he never forgot that his success and prosperity were the achievements not of himself alone but of all his collaborators and decidedly also of the society within which he was privileged to operate. To quote his own words:

'I realised that - as years ago when I took the plunge and ceased to be an employee - I was up against the capitalist philosophy of dividing people into the managed on the one hand, and those that manage on the other. The real obstacle, however, was Company Law, with its provisions for dictatorial powers of shareholders and the hierarchy of management they control.'

He decided to introduce 'revolutionary changes' in his firm, 'based on a philosophy which attempts to fit industry to human needs'.

'The problem was twofold: (1) how to organise or combine a maximum sense of freedom, happiness and human dignity in our firm without loss of profitability, and (2) to do this by ways and means that could be generally acceptable to the private sector of industry.'

Mr Bader realised at once that no *decisive* changes could be made without two things: first, a transformation of ownership - mere profit-sharing, which he had practised from the very start, was not enough; and, second, the voluntary acceptance of certain self-denying ordinances. To achieve the first, he set up the *Scott Bader Commonwealth* in which he vested (in two steps: ninety per cent in 1951 and the remaining ten per cent in 1963) the ownership of his firm, *Scott Bader Co. Ltd.* To implement the second, he agreed with his new partners, that is to say, the members of the Commonwealth, his former employees, to establish a constitution not only to define the distribution of the 'bundle of powers' which private ownership implies, but also to impose the following restrictions on the firm's freedom of action:

*First*, the firm shall remain an undertaking of limited size, so that every person in it can embrace it in his mind and imagination. It shall not grow beyond 350 persons or thereabouts. If circumstances appear to demand growth beyond this limit, they shall be met by helping to set up new, fully independent units organised along the lines of the *Scott Bader Commonwealth*.

*Second*, remuneration for work within the organisation shall not vary, as between the lowest paid and the highest paid, irrespective of age, sex, function or experience, beyond a range of 1:7, before tax.

*Third*, as the members of the Commonwealth are partners and not employees, they cannot be dismissed by their co-partners for any reason other than gross personal misconduct. They can, of course, leave voluntarily at any time, giving due notice.

*Fourth*, the Board of Directors of the firm, *Scott Bader Co. Ltd.* shall be fully accountable to the Commonwealth. Under the rules laid down in the Constitution, the Commonwealth has the right and duty to confirm or withdraw the appointment of directors and also to agree their level of remuneration,

*Fifth*, not more than forty per cent of the net profits of *Scott Bader Co. Ltd.* shall be appropriated by the Commonwealth - a minimum of sixty per cent being retained for taxation and for self-finance within *Scott Bader Co. Ltd.* - and the Commonwealth shall devote one-half of the appropriated profits to the payment of bonuses to those working within the operating company and the other half to charitable purposes outside the *Scott Bader* organisation.

And finally, none of the products of *Scott Bader Co. Ltd.* shall be sold to customers who are known to use them for war-related purposes.

When Mr Ernest Bader and his colleagues introduced these revolutionary changes, it was freely predicted that a firm operating on this basis of collectivised ownership and self-imposed restrictions could not possibly survive. In fact, it went from strength to strength, although difficulties, even crises and setbacks, were by no means absent. In the highly competitive setting within which the firm is operating, it has, between 1951 and 1971, increased its sales from £625,000 to £5 million; net profits have grown from £72,000 to nearly £300,000 a year; total staff has increased from 161 to 379; bonuses amounting to over £150,000 (over the twenty-year period) have been distributed to the staff and an equal amount has been donated by the Commonwealth to charitable purposes outside; and several small new firms have been set up.

Anyone who wishes to do so can claim that the commercial success of *Scott Bader Co. Ltd.* was probably due to 'exceptional circumstances'. There are, moreover, conventional private enterprise firms which have been equally successful or even more so. But this is not the point. If *Scott Bader Co. Ltd.* had been a commercial failure after 1951, it could serve only as an awful warning; its undeniable success, as measured by conventional standards, does not *prove* that the Bader 'system' is necessarily superior by these standards: it merely demonstrates that it is not incompatible with them. Its merit lies precisely in the attainment of objectives which lie outside the commercial standards of *human* objectives which are generally assigned a second place or altogether neglected by ordinary commercial practice. In other words, the Bader 'system' overcomes the *reductionism* of the private ownership system and uses industrial organisation as a servant of man, instead of allowing it to use men simply as means to the enrichment of the owners of capital. To quote Ernest Bader:

'Common Ownership or *Commonwealth* is a natural development from Profit Sharing, Co-Partnership or Co-Ownership, or any scheme where individuals hold sectional interests in a common enterprise. They are on the way to owning things in common, and, as we shall see, Common Ownership has unique advantages.'

While I do not intend to go into the details of the long evolution of ideas and new styles of management and co-operation during the more than twenty years since 1951, it is useful here to crystallise out of this experience certain general principles.

The first is that the transfer of ownership from a person or a family - in this case the Bader family - to a collectivity, the Commonwealth, changes the existential character of 'ownership' in so fundamental a way that it would be better to think of such a transfer as effecting the *extinction* of private ownership rather than as the establishment of collective ownership. The relationship between one person, or a very small number of persons, and a certain assembly of physical assets is quite different from that between a Commonwealth, comprising a large number of persons, and these same physical assets. Not surprisingly, a drastic change in the *quantity* of owners produces a profound change in the *quality* of the meaning of ownership, and this is so particularly when, as in the case of *Scott Bader*, ownership is vested in a collectivity, the Commonwealth, and no individual ownership rights of individual Commonwealth members are established. At *Scott Bader*, it is legally correct to say that the operating company, *Scott Bader Co. Ltd.* is owned by the Commonwealth; but it is neither legally nor existentially true to say that the Commonwealth members, as individuals, establish any kind of ownership in the Commonwealth. In truth, ownership has been replaced by specific rights and responsibilities in the administration of assets.

Second, while no-one has *acquired* any property, Mr Bader and his family have none the less deprived themselves of their property. They have voluntarily abandoned the chance of becoming inordinately rich. Now, one does not have to be a believer in equality, whatever that may mean, to be able to see that the existence of inordinately rich people in any society today is a very great evil. Some inequalities of wealth and income are no doubt 'natural' and functionally justifiable, and there are few people who do not spontaneously recognise this. But here again, as in all human affairs, it is a matter of scale. Excessive wealth, like power, tends to corrupt. Even if the rich are not 'idle rich', even when they work harder than anyone else, they work differently, apply different standards, and are set apart from common humanity. They corrupt themselves by practising greed, and they corrupt the rest of society by provoking envy. Mr Bader drew the consequences of these insights and refused to become inordinately rich and thus made it possible to build a real *community*.

Third, while the *Scott Bader* experiment demonstrates with the utmost clarity that a transformation of ownership is essential - without it everything remains make-believe - it also demonstrates that the transformation of ownership is merely, so to speak, an enabling act: it is a necessary, but not a sufficient, condition for the attainment of higher aims. The Commonwealth, accordingly, recognised that the tasks of a business organisation in society are not simply to make profits and to maximise profits and to grow and to become powerful: the Commonwealth recognised four tasks, all of equal importance:

'A: The economic task: to secure orders which can be designed, made, and serviced in such a manner as to make a profit.

B: The technical task: to enable marketing to secure profitable orders by keeping them supplied with up-to date product design.

C: The social task: to provide members of the company with opportunities for satisfaction and development through their participation in the working community.

D: The political task: to encourage other men and women to change society by offering them an example by being economically healthy and socially responsible.'

Fourth: it is the fulfilment of the social task which presents both the greatest challenge and the greatest difficulties. In the twenty-odd years of its existence, the Commonwealth has gone through several phases of constitution-making, and we believe that, with the new constitution of 1971, it has now evolved a set of 'organs' which enable the Commonwealth to perform a feat which looks hardly less impossible than that of squaring the circle, namely, to combine real democracy with efficient management. I refrain here from drawing diagrams of the *Scott Bader* organisation to show - on paper - how the various 'organs' are meant to relate to one another; for the living reality cannot be depicted on paper, nor can it be achieved by copying paper models. To quote Mr Ernest Bader himself:

'I would very much prefer to take any interested person on a tour of our forty-five acre, ancient Manor House Estate, interspersed with chemical plants and laboratories, than to laboriously write (an) article which is bound to raise as many questions as it answers.'

The evolution of the *Scott Bader* organisation has been - and continues to be - a *learning process*, and the essential meaning of what has been happening there since 1951 is that it has enabled everyone connected with *Scott Bader* to learn and practise many things which go far beyond the task of making a living, of earning a salary, of helping a business to make a profit, of acting in an economically rational manner 'so that we shall all be better off'. Within the *Scott Bader* organisation, everybody has the opportunity of raising himself to a higher level of humanity, not by pursuing, privately and individualistically, certain aims of self-transcendence which have nothing to do with the aims of the firm - *that* he is able to do in any setting, even the most degraded - but by, as it were, freely and cheerfully gearing in with the aims of the organisation itself. This has to be learned, and the learning process takes time. Most, but not all, of the people who joined *Scott Bader* have responded, and are responding, to the opportunity.

Finally, it can be said that the arrangement by which one-half of the appropriated profits must be devoted to charitable purposes outside the organisation has not only helped to further many causes which capitalist society tends to neglect - in work with the young, the old, the handicapped, and the forgotten people - it has also served to give Commonwealth members a social consciousness and awareness rarely found in any business organisation of the conventional kind. In this connection, it is also worth mentioning that provision has been made to ensure, as far as possible, that the Commonwealth should not become an organisation in which individual selfishness is transformed into group selfishness. A *Board of Trustees* has been set up, somewhat in the position of a constitutional monarch, in which personalities from outside the *Scott Bader* organisation play a decisive role. *The Trustees* are trustees of the constitution, without power to interfere with management. They are, however, able and entitled to arbitrate, if there should arise a serious conflict on fundamental issues between the democratic and the functional organs of the organisation.

As mentioned at the beginning of this account, Mr Ernest Bader set out to make 'revolutionary changes' in his firm, but '*to do this by ways and means that could be generally acceptable to the private sector of industry*'. His revolution has been bloodless; no-one has come to grief, not even Mr Bader or his family; with plenty of strikes all around them, the *Scott Bader* people can proudly claim: 'We have no strikes'; and

while no-one inside is unaware of the gap that still exists between the aims of the Commonwealth and its current achievements, no outside observer could fairly disagree, when Ernest Bader claims that:

‘The experience gained during many years of effort to establish the Christian way of life in our business has been a great encouragement; it has brought us good results in our relations with one another, as well as in the quality and quantity of our production. ‘Now we wish to press on and consummate what we have so far achieved, making a concrete contribution towards a better, society in the service of God and our fellowmen.’

And yet, although Mr Bader’s quiet revolution *should be* ‘generally acceptable to the private sector of industry’, it has, in fact, not been accepted. There are thousands of people, even in the business world, who look at the trend of current affairs and ask for a ‘new dispensation’. But *Scott Bader* - and a few others - remain as small islands of sanity in a large society ruled by greed and envy. It seems to be true that, whatever evidence of a new way of doing things may be provided, ‘old dogs cannot learn new tricks’. It is also true, however, that ‘new dogs’ grow up all the time; and they will be well advised to take notice of what has been shown to be possible by [\*The Scott Bader Commonwealth Ltd.\*](#)