

## On the architecture of enterprise ownership

How does the way that the ownership of an enterprise is structured make a difference to how it operates? Addressing this question, we are examining how we organise ourselves and do things, our social architecture – in effect we are looking at the blueprints for human relationships. The key concerns in this brief paper focus around whether we can continue to rely on economic architectures that are organised around growth and maximising the income and wealth of a small number of people; and whether we can shift to new architectures organised around keeping this planet thriving – and with all its inhabitants, not just humanity.

The presently dominant method of enterprise ownership aims at maximum possible extraction in both a physical and the financial sense, hence a description of it as extractive. It is powered by two extractive processes that operate side by side: taking fossil fuels from the earth and financial wealth out of economic activity.

While extractive enterprise has the financial purpose of maximising profits, generative enterprise has the living purpose of creating the conditions for life. Rather than the absentee ownership of a proprietary limited company in which the owners are disconnected from and may have no interest in the day-to-day life of the enterprise, a generative enterprise has a membership that is rooted in human hands and the day-to-day ongoing life of the enterprise.

Following on from this, a generative economy would be one whose fundamental architecture would tend to create outcomes which are beneficial rather than harmful, a living economy with the tendency to be socially equitable and ecologically sustainable built in to the structure of each and every enterprise.

When we design an individual enterprise with generative principles in mind, we do so with the intention to create and preserve real, living wealth, rather than phantom wealth which could disappear when a bubble bursts. These enterprises are created to help individuals, families, and communities enjoy secure homes, create sustainable jobs, and generate well being in the broadest sense.

The governance of a generative enterprise is controlled by its mission, while extractive enterprise involves governance by markets with control by capital markets on auto pilot.

Extractive investments resemble casino financing, while capital becomes a friend of a generative enterprise instead of its master, with control exercised by stakeholder finance rather than outside investor capital.

In place of trading goods and services solely on price in a network of commodities, generative economic relations are supported by ethical networks that offer collective support for social and economic norms. The more generative patterns are employed in an enterprise, the more effective the design.

| <b>GENERATIVE OWNERSHIP</b>  | <b>EXTRACTIVE OWNERSHIP</b>  |
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| 1. Has a living purpose – creating the conditions for life over the long term                | 1. Has a financial purpose – maximising profits in the short term                        |
| 2. Has embedded membership – ownership in human hands  | 2. Has absentee ownership – disconnected from the life of the enterprise                 |
| 3. Has mission controlled governance – control by people who are dedicated to social mission | 3. Has governance by the markets – control by capital on autopilot                       |
| 4. Is stakeholder financed – where capital is a friend                                       | 4. Is casino financed – where capital is the master of the enterprise                    |
| 5. Is part of ethical networks – offering collective support for ecological and social norms | 5. Is part of commodity networks – where trading is focussed solely on price and profits |

Your thoughts on this paper are most welcome. Please send them to [ask@huia.nz](mailto:ask@huia.nz).