

CREATING EXTRAORDINARY ORGANIZATIONS

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I am writing this letter for those innovators, explorers, and pioneers who want to move beyond the ordinary to the Extraordinary in creating business organizations.

Please feel free to pass this letter on to anyone you think would like to join this journey to Extraordinary.

Sent only to recipients who have personally opted to receive it. To change your sign-up information, please follow the instructions at the end of this letter.

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EXTRAORDINARY ORGANIZATION CORE BELIEF ABOUT – OWNERSHIP

Welcome to letter 2-6 of Creating Extraordinary Organizations. In this letter, I am talking about the fifth and last core belief, which relates to the issue of Organization Members as Owners. Three parts together form this core belief.

Belief 5 – About Organization Members as Owners

- Benefit — They receive the wealth they create.
- Obligation — They must operate the business for the mutual benefit of all its stakeholders
- Status — They are the de facto owners of the business

Terminology and Its Effect

Remember that what I call a “business” consists of people carrying out the many activities that make it function. Many use the word organization to refer to the business or an enterprise as a whole. I reserve the word “organization” for just the people who are responsible for the activities of any enterprise. They are the members of the organization. The “membership” includes the founder as the first member along with all others who join him as part of the organization.

Ownership Benefit

John Locke said in *Two Treatises of Government*, “Justice gives every Man a Title to the product of his honest Industry.” In a business, we can define the product of members’ “honest Industry” as the wealth they create.

In this sense wealth is the value the business receives for its products or services less the costs of the business. Clearly, this wealth is mostly the product of the energy and efforts of the organization members. Therefore, they receive that portion of the wealth they have produced.

Ownership Obligations

Members do not carry on the business in a vacuum. There are many who have a stake in the enterprise. Members have an obligation to serve all these stakeholders. I am thinking of these “stakeholders” and the obligations to them as described by Robert Phillips in his book *Stakeholder Theory and Organizational Ethics*.

At a minimum, stakeholders are those groups from whom the organization has voluntarily accepted benefits. By doing so, the organization has incurred obligations of fairness to attend to the well-being of these stakeholders...

Members as De Facto Owners

Because the organization’s members receive the wealth they create and are obliged to operate the business for the benefit of all stakeholders, then these members are the de facto owners of the business. They exercise real power, although no one has established this power legally or officially.

One other factor reinforces the status of members as owners. You cannot touch, feel, smell, see, or hear a “business.” All its results come from organization members carrying out its operating activities.

If they are not performing these activities, only artifacts like buildings and equipment remain. Therefore, the business is actually not real. It “exists” only when organization members are performing its activities. This means that the organization members **are** the business. As such, they are the de facto owners of that business.

If organization members receive the wealth they create, it makes sense that they own the means to creating it.

Obligations such as those to stakeholders arise from owning something. If members accept and fulfill the business obligations, they are acting as if they owned it.

Considering these “ifs”, it is certainly logical to conclude that the members are “de facto” owners of the business. This conclusion has some extremely important ramifications.

Ramifications of Members as Owners

A major ramification is that members can no longer see themselves as passive employees. They are now the major actors in the business. In fact, as stated, they are the business. Individually and collectively, they now carry responsibility they did not have before. They can no longer just pay attention to the activities for which they are individually responsible. They must also think and act to improve the overall business.

Another ramification is they are now the primary decision makers. No longer can they shift the blame “up the line.” In accordance with the other core beliefs about hierarchy, equality, and freedom, they are now responsible for the consequences of their decisions.

Receiving the fruits of their work as owners has still another ramification. They no longer receive wages or salaries as payment for their effort. Instead, they receive the wealth they created as a single sum or

“pot” that they must share. As equals, they have to find a way to divide this “pot” equitably among themselves.

This is no mean requirement. However, partnerships do this all the time. The process is therefore not new. There are existing examples for how to do this. There are also new ways such as some I have designed just for this situation. I will talk of these in a future letter.

Conclusion

Believing that members are owners leads to tremendous changes in how people think about themselves and the business. This includes not only members but also those outside the organization. These changes in thinking lead to changes in responsibilities of members.

It also profoundly changes how members act. Furthermore, these actions now create more wealth for all to share. They also create many more opportunities for members to meet their own needs and aspirations. The combination of the three parts of this belief clearly instigates as much change as any of the other four core beliefs and possibly more

Members must no longer run the business just to serve shareholders as most now claim. They must consider groups like suppliers, customers, and the like. However, as the first core belief says, the purpose of starting the business was to fulfill their needs and aspirations. Therefore, they must serve themselves. After all, they do provide the human effort that makes it all happen.

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ANNOUNCEMENTS, INFORMATION, AND COMMENTS

Ongoing phone conversation series

The next conversation will be at **1 PM PST** on Wednesday, April 26. Note the change in time. [I have an unchangeable important meeting at 11.] We will have 90 minutes open although we may not use all of it. Of course, your only expense will be your telephone charges to "attend."

You can join in at any time by clicking on [Participate](#) to send me an email. I will send you an invitation with the phone number and access code. I hope you will join us [whoever that may be].

Comments and questions please

Please let me have your questions and thoughts so I can include them in the letter. Just click on the email link in the Contact Information section below. Thanks

Active shared involvement

I invite you to join the Yahoo group called **eogroup**. It allows you to send messages to all others in the group and get a written conversation going. You can join by clicking on Join EO Group

When you get there, just click on the "Join This Group!" button and follow the instructions. You will not find this group listed in the directory. I set it up that way so it will only include people we have invited.

Once you join, please let others know you are there and post your questions or ideas so all can read and respond.

Forward email

If you know someone you think would enjoy receiving this e-letter, please forward it. Just click on the Forward Email link at the bottom of this letter. You will receive a form on which you can add a personal note and the name and address of the recipient.

Receive notifications

You can now sign up to receive notices of future phone conversations as well as EO events. Click on the Update Your Profile link at the bottom of this letter. A form to indicate your choices will then pop up.

E-Letter archive

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Until Next Time

I started this series on the EO Core Beliefs in letter 2-2. In that letter, I listed six beliefs. The sixth was about Leadership. Since that time, I have come to see that my thoughts on leadership do not constitute a sixth belief. They are more an analysis of the concept of leadership. Now I think that analysis belongs as part of Belief 2 on Hierarchy. In the next letter, I will talk about these ideas tying them into that Core Belief.

Be Well, and Be Extraordinary!
Don Yates
Extraordinary Organizations

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