

SCOTT BADER:
CHRISTIAN ENTERPRISE IN TRANSITION*

Hilary Pinder
Jordans, Buckinghamshire, England

ABSTRACT

A Quaker founded charity set up in 1951, the Scott Bader Commonwealth owns a £160m international business as a social investment. This paper draws on a recent project to revise the Constitution of this 60 year old common trusteeship enterprise to show how the internationalisation of the business has interacted with an increasingly individualistic and secular UK culture resulting in a progressive weakening of the connection between the current enterprise and the explicitly Christian utopian and covenantal principles on which it was founded in 1951. It uses textual comparison between the original 1951 and current twenty-first-century Constitutional documents to illustrate how the distinctive religious and communitarian norms that were established in 1951 have weakened by 2010. The paper accounts for this weakening as one outcome of the clash between Ernest Bader's personal common trusteeship ideal and the more limited aspirations of three generations of Commonwealth Members. This tension has been heightened by the growing individualism that has characterised western society since the 1960s. It questions whether a faith-based set of principles distilled from a deliberate exploration of the faith cultures in which the Scott Bader business now operates might better reflect the utopian vision of the original 1951 Constitution than the current secular values statement.

KEYWORDS

Governance, constitution, governing structure, democratic engagement, trusteeship, faith-based principles.

BACKGROUND INFORMATION ABOUT SCOTT BADER

Scott Bader Company Ltd was set up as a chemical trading company in London in 1923 by Ernest Bader, a 33 year old Swiss émigré. (The Scott in the name is that of his wife.) What started as a simple trading company in 1923 had developed a manufacturing facility by 1932. In 1940 Scott Bader moved out of London to Wollaston near Wellingborough in Northamptonshire and by the 1960s Scott Bader was recognised as the leading manufacturer of polyester resins for glass fibre

manufacture.¹ In 2010 there are manufacturing plants in France, South Africa, Dubai and Croatia and the UK with distribution companies in USA, Scandinavia, Eastern Europe and China. Scott Bader now employs over 600 people with an annual turnover of £160m.²

Born into a Christian family Ernest Bader had become a pacifist in his early adulthood. In 1945 at the age of 55 he became a Quaker. Six years later in 1951 Ernest and his family took the momentous step of giving 90% of their shareholding—all their personal wealth—to the newly formed Scott Bader Commonwealth, a charity and Company Limited by Guarantee thus giving the company into the ownership of current and future employees. Both his Christian faith and his Quaker ‘convincement’ are reflected in the values and principles that are enshrined in the Commonwealth Constitution.

RESEARCH CONTEXT

This paper has been drawn from organisational studies research into the Religious Society of Friends (Quakers) in Britain and into the Scott Bader Commonwealth, probably the most significant twentieth-century British Quaker-founded business in Britain. The research examines their *patterns of governance* to see whether they can provide models for more conventional organisations that wish to develop forms and processes capable of embodying the spiritual and collaborative dimensions of working community life. In using the term *pattern of governance* I mean: first, the choice of legal framework or constitution adopted by the founder to embody his vision; secondly, the governing structure that it develops; and thirdly, the values, principles and practices that govern organisational life.

In this paper I draw on my involvement with Scott Bader over a period of twelve years, first as a non-executive director on the Group Board and more recently as one of six Constitutional Trustees whose role is to prevent any change that threatens to undermine the founder’s intention in setting up the Commonwealth. In this latter capacity I have led a two and a half year Constitutional Revision Project that is charged with bringing to fruition a twelve year governance review. Thus I am very much an insider to the research, and while this raises questions of bias, my engagement has allowed me the access and perspective required to undertake the research.

The Scott Bader Commonwealth provides a valuable example of *Christianity in transition* especially in the relatively unusual context of commercial business and working life. Its constitutional documents give us the opportunity to track developments in both form and function over the 60 year period since its founding. They allow us to see a number of things: first that those values and principles which are ‘fixed’ in the legal framework have been retained in a more explicit form in the 2010 Revision; secondly that recent changes in the governing structure are strengthening the democratic engagement of Commonwealth Members. Thirdly, by contrast, we can see that the principles and practices that govern Scott Bader’s organisational life have evolved through successive generations of Commonwealth Members in such a way that the community’s attachment to the Founder’s radical and explicitly Christian vision has progressively weakened over time. The commitment of the

Commonwealth as a whole to establishing ‘a true Christian Industrial and Social Order’—the purpose that lay beyond the 1951 ‘form’—has, in 2010, completely disappeared. Moreover, the weakening of some of the language in key constitutional documents like the 2007 Code of Practice for Members and the 2010 Preamble to the Revised Constitution provides evidence that steady pressure from an increasingly individualistic environment continues to erode some of the Commonwealth’s founding values.

GOVERNING PRINCIPLES ENSHRINED IN THE LEGAL FRAMEWORK

Ernest Bader wanted to preserve the gift of his company for the benefit of its current and future employees in perpetuity. So he set it up as a Charitable Company, Limited by Guarantee rather than by shares.

He wanted his Commonwealth to model the principles of:

- abolishing the power of share ownership replacing it with the egalitarian principle of one member: one vote;
- labour hiring capital rather than the traditional model of capital hiring labour which he saw as both exploitative and controlling; and
- common ownership in industry, with all shares held in common and in perpetuity by a charitable trust—effectively neutralised.

These principles grew out of his Quaker faith ‘and the belief that a socially responsible undertaking cannot exist merely in its own interests. It is part of the whole national and international community and as such has responsibilities which extend far beyond its factory walls’.³ He believed that establishing the principle of common ownership in industry represented an ‘essential step towards a true Christian Industrial and Social Order’.⁴ He gave all his shares in Scott Bader Company Ltd to the newly formed Commonwealth in two stages: 90% at the outset in 1951 and the remaining 10% 12 years later in 1963. The final gift was the result of a protracted negotiation between Ernest Bader and the Commonwealth: he gave the remainder of his shares in return for the agreement by Commonwealth Members that they would be bound by a Code of Practice that encapsulated the Christian and Quaker principles that would govern the life of the working community.

The charitable objects of the Scott Bader Commonwealth were substantially revised in 2002. The objects below are the outcome of an extended negotiation with the Charity Commission of England & Wales at the end of which it ruled that the Commonwealth holds its shares in Scott Bader as a social rather than a financial investment. This decision was a landmark judgment that safeguarded the future of the Commonwealth in an important way. During the last years of the twentieth century when Scott Bader Company Ltd was barely profitable, the Charity Commission requirement that Trustees treat their investment in Scott Bader as a financial investment and seek to get the best return on capital possible had raised the prospect that the Commonwealth might have to sell the company and reinvest the proceeds in order to secure a better return on capital. Following the Charity Commission ruling the Commonwealth has only to satisfy its charitable objects and to provide regular evidence of public benefit.

The current charitable objects are:

1. The promotion of ethical and religious principles in industry with a view to ensuring the discharge by persons engaged in industry of their social obligations for the welfare of the communities within which they operate; and
2. The promotion of sustainable development for the benefit of the public by the preservation, conservation and the protection of the environment and the prudent use of natural resources and the promotion of sustainable means of achieving economic growth and regeneration. Where sustainable development is defined as development that meets the needs of the present without compromising the abilities of future generations to meet their own needs.⁵

The challenge for future Commonwealth Trustees will be to make sure that the language in constitutional documents (like Guiding Principles and Codes of Practice) that give effect to these objects is sufficiently specific to maintain Scott Bader's commitment to its distinctive principles.

In summary, the legal framework hasn't changed and has proved to be a remarkably effective vehicle for preserving the unique nature of the Scott Bader enterprise. In the last half of the twentieth century the chemical industry has seen massive international agglomeration with more and more assets held in fewer and fewer hands. Because the legal constitution of the Commonwealth prevents Scott Bader Company Ltd or any of its shares being sold, Scott Bader has been immune to the pressures of takeover or merger with the consequential loss of identity and founding culture to which such changes inevitably lead.

PRINCIPLES ENSHRINED IN THE GOVERNING STRUCTURE

Where the *governing structure* is concerned, despite the missionary zeal of the first pioneers, succeeding generations of Commonwealth Members seem to have lost sight of the original vision. Developments in the Commonwealth lagged behind the internationalisation of the business (for example until 2000 only UK staff could be Commonwealth Members) until at the turn of the century a drive was made to extend Commonwealth Membership to all Scott Bader staff worldwide. This was part of a major review of the governing structure of the Commonwealth and Company. As a result of this review local representative councils have been created in all Scott Bader manufacturing locations worldwide and an international democratic forum, the Members' Assembly, has been formed. This body is charged with holding the Group Board to account on behalf of all Commonwealth Members worldwide, for the long-term sustainability of the Scott Bader business. It is designed to strengthen the democratic engagement of Members with the Commonwealth and with the legacy it is trying to create for future generations. This assembly is multinational, multicultural and multi-faith. It brings Christian, Muslim and Zulu representatives together with members of no faith and as such it represents a miniature global melting pot. This could provide an opportunity for exploring different cultural perspectives and perhaps for distilling a new international faith-based set of principles that reflect the original vision of the 1951 Constitution.

VALUES, PRINCIPLES AND PRACTICES
THAT GOVERN ORGANISATIONAL LIFE

Using examples from key constitutional documents taken from the 60 year life of the Commonwealth I show below how commitment to the explicitly Quaker values and Christian principles on which the Commonwealth was founded has weakened during that time.

The 1963 Foreword gives a particularly clear restatement of these 1951 founding Christian principles: 'The ultimate criteria in the organisation of work should be human dignity and service to others instead of solely economic performance. We feel mutual responsibility must permeate the whole community of work and be upheld by democratic participation and the principle of trusteeship'.⁶ It also puts forward specific outcomes which include 'opportunities for the full development of us all both materially and spiritually, unhampered by unjust conditions or crushed by economic pressures'⁷ and 'a sharing of the fruits of our labours with those less fortunate instead of working only for our private security'.⁸ It re-confirms 'the refusal to take part in preparations for war'.⁹

By 1963 there is already a noticeable reduction in the use of the explicitly Christian language. In contrast to the 'true Christian Industrial and Social Order' language of the 1951 Preamble, the word Christian appears only once and the language is already more open and inclusive: 'The Commonwealth is an expression of the age-old ideal taught by all great religions of a brotherhood of men knowing no restriction of race, sex of social class and owing allegiance to a living creative spirit'.¹⁰

The 2010 Preamble builds on this inclusivity, re-affirms the common trusteeship essence of the original 1951 Preamble and highlights the twenty-first-century challenge. 'The Commonwealth now extends well beyond the UK and embraces many different people of different cultures and religions. The articulation of values and principles needs to be as relevant to them today as it was to the exclusively UK members in 1951... The challenge remains today to make this common trusteeship a living reality. There is a mutual responsibility shared amongst all those involved to bring these words to life'.¹¹ However much of the language of the 2010 Preamble is that of 'behaviour and operating values'. There is no re-affirmation of human dignity and service to others being the true aim of organisational life with economic success simply its measure. The language is no longer the living expression of Christian and particularly Quaker faith.

Turning now to the specifically Quaker values of equality, pacifism and unity in decision making we see that they have been preserved and even strengthened in the 2010 Constitutional Revision.

Equality is built in to the legal form of the charity through the system of 'one member—one vote'. Guiding Principles expressly prohibit the manufacture of products that could be used to make weapons of war. They also 'encourage the desirable principle that decision making in all meetings is by unity rather than by a formal vote, thus carrying the goodwill of all and leading to a better understanding and better implementation'.¹² The 2010 Articles require the Guardian Trustees to make decisions unanimously.

By contrast, the broader Christian principles of mutual responsibility, charity and equity have fared less well except where they were built in to the constitution.

MUTUAL RESPONSIBILITY

Ernest Bader recognised at the outset that his ‘new order’ would necessitate a fundamental change in both attitude and behaviour by both current shareholders and employees. The former would have to let go of the power of their position and the latter would have to be willing ‘to take on their full share of responsibility for the policy, efficiency and general welfare of the undertaking’.¹³

They would join forces in creating a new form of leadership—one founded on the approval of those led and on mutual respect. This ‘initial condition’ has been the Achilles heel of the Commonwealth since its inception. Ernest Bader never appreciated how much training and development time needed to be put into changing ingrained attitudes and behaviour. The tension established in 1951 between the common trusteeship ideal and the more limited aspirations of employees who wanted simply to make a decent living in a secure job has never been resolved.

CHARITY

I have already referred to the principle of ‘sharing the fruits of our labour with those less fortunate’.¹⁴ Right from the beginning this was given effect in the Articles of Association of the Scott Bader Company by profit distribution articles specifying that no group staff bonus (a dividend-equivalent equal payment) should be paid unless an equal amount was at the same time given to the Commonwealth for charitable distribution. There is, however, increasing pressure from the Company to increase the percentage of wealth that is paid to staff by way of performance related pay *before* the profit figure (the base for the calculation of the Charity donation) is calculated.

EQUITY

This has two aspects:

a. *Sharing the remaining work in the event of a downturn in business.* The two Codes of Practice 1972 and 2007 deal with this eventuality. One of the provisions of the 1972 code states that: ‘in the event of a downturn in trade we will share all remaining work rather than expect any of our fellow members to be deprived of employment, even if this requires a reduction in earnings by all’.¹⁵ It is here in the Code of Practice that there has been the most significant weakening of the commitment to sharing the pain rather than making staff redundant that is one of the hallmarks of the 1972 Code. In 2007 this became ‘in the event of a downturn we will *consider whether circumstances make it desirable or practical* to share all remaining work rather than expect any of our fellow members to be deprived of employment even if this requires a reduction in earnings’.¹⁶

b. *Limit on excessive pay.* In the early 1960s a ratio of highest to lowest pay in Scott Bader Company Ltd was introduced to ensure that ‘in the spirit of the Commonwealth the highest salary paid in the Company shall not be excessive when compared with the lowest basic pay for a Commonwealth member’. A ratio of 6:1 was

introduced, with any change to the ratio requiring the agreement of Commonwealth Members in General Meeting (CMiGM). In 1989 the specific ratio was dropped because changes in salary relativities in the external market were making it very difficult for Scott Bader to recruit senior staff at even the median of external salaries. The 2010 Articles of Association give the Members' Assembly the responsibility of monitoring internal salary relativities across the Scott Bader Group against the original Guiding Principle above.

CONCLUSION

I have shown that the Scott Bader Commonwealth provides a valuable example of Christianity in transition in the public arena of commercial business and working life. I have illustrated the way in which those Christian principles that are enshrined in the legal framework and the governing structure have been preserved and perhaps even strengthened over the 60 years of the Commonwealth. By contrast the commitment to explicitly Christian principles as evidenced by statements of intent and working codes of practice has significantly weakened. Despite this weakening, in the current era of materialism when excessive bonuses paid to investment bankers continue to prompt public outrage, Scott Bader's commitment to pay to charity the same amount as it pays itself in profit-related bonus remains a distinctively faith-based (and now wider than Christian) hallmark.

Further the internationalising of Commonwealth Membership since 2000 combined with the introduction of the international democratic forum and the 2010 governance changes provides a growing medium in which a fresh set of universal principles distilled from a deliberate exploration of the faith based cultures in which the Scott Bader business now operates could take root and flourish. Such a set of principles could provide a fitting twenty-first-century embodiment of Ernest Bader's far sighted 1951 vision.

This case study raises one immediate question and highlights an area where research is badly needed. The question is whether Quakerism or his European education and background was a more significant influence on the development of Ernest Bader's thinking about the Scott Bader Commonwealth. This is raised because he was 56 when he became a Quaker in 1946 and the Commonwealth was founded only 5 years later. Perhaps this explains why he was such an anomaly among Quakers—running a sizeable commercial business at the time when most Quakers were turning to teaching and social work for a profession.

The research study that is long overdue is an international study of alternative forms of organisation to the founding model of Western capitalist enterprise: the individual share-owning profit-distributing Limited Liability Company. A discriminating study comparing Employee Ownership companies, Common Ownership companies, Common Trusteeship companies and Cooperatives would tease out the wide range of organisational forms that exist, the key systemic factors that shape them and the very different values on which they are based. There is a world of difference between systems that replicate the share-owning profit-distributing features of

capitalism but simply extend it to employees and systems that are based on a fundamentally different collaborative principle of *ownership in common* without individual share ownership and with or without profit distribution.

NOTES

* The research note that follows is a paper that was given at the 2010 British Sociological Association Sociology of Religion Study Group Conference, 'The Changing Face of Christianity in the 21st Century', held in Edinburgh.

1. Hoe, S., *The Man who Gave his Company Away: A Biography of Ernest Bader, Founder of the Scott Bader Commonwealth*, Wollaston: Allison, 1978.

2. The factual information about Scott Bader is drawn from a variety of Scott Bader publications including Annual Reports. Material in these and following documents can be accessed via The Secretary, Scott Bader Commonwealth Ltd, Wollaston, Nr Wellingborough, Northants NN29 7RL.

3. Preamble to the Scott Bader Constitution 28th April 1951.

4. Preamble to the Scott Bader Constitution 28th April 1951.

5. Scott Bader Commonwealth Ltd: Memorandum of Association 2002.

6. Foreword to the revised Scott Bader Constitution 23rd March 1963.

7. Foreword to the revised Scott Bader Constitution 23rd March 1963.

8. Foreword to the revised Scott Bader Constitution 23rd March 1963.

9. Foreword to the revised Scott Bader Constitution 23rd March 1963.

10. Foreword to the revised Scott Bader Constitution 23rd March 1963; Blum, F., *Work and Community: The Scott Bader Commonwealth and the Quest for a New Social Order*, London: Routledge & Kegan Paul, 1967.

11. Preamble to the revised Scott Bader Constitution 2010.

12. 2010 Scott Bader Constitution.

13. Preamble to the Scott Bader Constitution 28th April 1951.

14. Foreword to the revised Scott Bader Constitution 23rd March 1963.

15. Code of Practice for Members 19th July 1972.

16. Code of Practice for Members February 2007.

AUTHOR DETAILS

Hilary Pinder is keenly interested in all aspects of organisational governance in public, private and not-for-profit sectors.

Mailing address: 5 Howe Drive, Beaconsfield, Bucks. HP9 2BG, England.

Email: hilary.pinder@virgin.net.