

# White Paper

## Effects of steward-ownership as a corporate ownership structure: evidence from Denmark

### STEWARD-OWNED COMPANIES

Corporate ownership is the cultural technology that determines who governs and holds the power within a company. In conventional businesses, shareholders hold the power as owners of the business. As owners, they can buy, sell, or dismantle a company as they please.<sup>1</sup> In this paradigm, a company is an object owned by its shareholders with the objective to profit them.

During the last century and especially during the last two decades, new business practices have emerged and sparked new public discourses on alternative ownership paradigms in Europe and the United States.

Steward-ownership is such an alternative corporate ownership structure. In this model, ownership is understood as stewardship; the companies' assets are bound to the purpose of the company; companies are stewarded by people who cannot extract profits or assets for their own personal benefit and wealth generation. The control or role as steward in a company is allocated not by inheriting or buying the company, but it remains with people that are connected to the company. Besides 'steward-ownership',<sup>2</sup> this type of corporate ownership has been referred to as 'trust ownership'<sup>3</sup> and in the context of Danish foundations 'foundation-ownership'. It represents a "different kind of capitalism",<sup>4</sup> by replacing shareholder value-maximization with the company's purpose as its main driver. Therefore, the focus of these companies is not to maximize shareholder value, but rather the continuation of the business company to fulfill its purpose,<sup>5</sup> which is expected to influence business behaviour.

Legal structures implementing steward-ownership as a corporate ownership structure can be found in several legislative systems around the world. The legal implementation can be based on different mechanisms, such as the separation of ownership rights, the transferral of ownership over the company into a legal entity without private beneficiaries, or golden shares safeguarding specific principals. The most widely applied form of legal implementation seems to be the establishments of (charitable) foundations as owners of the operative company. This model is particularly popular in Europe, but can also be found in Asia (e.g. India), the U.S., Central and South America. Depending on the legislation, it can be established using a single foundation or several entities. Another form of implementation in the United States is the Perpetual Purpose Trust, a form of trust which is legalized in some states like Delaware, New Hampshire, Wyoming and Maine. Outside of trust and foundation structures, a specific set-up of a golden share can be used to implement steward-ownership by using an authority holding a 'veto share' of the company to ensure that the principles of the steward-ownership structure are kept intact.<sup>6</sup>

### STEWARD-OWNERSHIP IN DENMARK

The steward-ownership structure is particularly popular in Denmark, where a large share of the companies are in majority ownership of so-called 'industrial foundations' that are often non-profit entities.<sup>7</sup> There is no country in which companies in this ownership structure are so numerous.<sup>8</sup> These foundations generally have the purpose of owning and ensuring the continued survival and development of a company, at times added by charitable goals.<sup>9</sup>

<sup>1</sup> Purpose (2019) <sup>2</sup> www.purpose-economy.org (2020)

<sup>3</sup> Mayer (2013) <sup>4</sup> Thomsen (2012): p.17

<sup>5</sup> Kuhn and Thomsen (2015)

<sup>6</sup> Purpose Foundation (2018) <sup>7</sup> Thomsen (2012)

<sup>8</sup> Børsting and Thomsen (2017) <sup>9</sup> Thomsen (2017): p.16



With foundations holding the majority of shares, these foundation-owned companies implement the principles of steward-ownership of purpose orientation and self-governance. Purpose orientation here does not imply a fixation of a specific purpose, nor does it necessarily entail a philanthropic purpose. Instead, the purpose stays flexible; it can change over time and can range from ensuring the well-being of the organization, its employees or consumers to offering a safe work environment for marginalized groups, supporting sustainable development or producing specific products or services. This paper will differentiate between ‘foundation-owned companies’ – companies using this ownership structure legally embedded in Danish foundation law –, and ‘steward-owned companies’, which is used as a more general description of companies based on the principles of purpose orientation and self-governance.

Foundation-owned companies make up a significant share of the Danish economy. In 2012, these companies accounted for up to 5 percent of Danish employment in the private sector, a share of almost 10 percent of Danish private sales and more than 12 percent of Danish private value added.<sup>10</sup> In sum, the foundation-owned companies invested more than half of the total Danish investments in research and development.<sup>11</sup> Furthermore, the minority shares of steward-owned companies listed on the stock market make up a share of approximately 60 percent of the total market capitalization of the Copenhagen Stock Exchange.<sup>12</sup> These numbers show the importance of industrial foundations and companies owned by them for the Danish economy and society.

However, steward-ownership is scarcely researched due to its small relevance in most countries and the limited data and knowledge available about this particular ownership structure. In Denmark, however, there is a comparatively large amount of research on the effects of steward-ownership in the form of majority ownership by industrial foundations and the behaviour and performance of these foundation-owned companies in relation to other companies.

<sup>10</sup> Kuhn (2015)

<sup>11</sup> see Kuhn (2015) and Thomson (2017): p.124

<sup>12</sup> Thomsen (2017): p.113

## Effects of Steward-Ownership

*Drawing from extensive research in Denmark, this paper strives to compile and briefly discuss the effects of steward-ownership found in Denmark on the Danish economy, on the foundation-owned companies, on the employees of these companies, and on parts of society. The effects listed could be affected by country-specifics or by the specific implementation of steward-ownership in Denmark through foundation structures as opposed to other legal forms.*

### CORPORATE EFFECTS OF STEWARD-OWNERSHIP IN DENMARK

An inherent attribute of steward-owned companies is that its legal form ensures that a company’s voting shares are passed on to able and value-aligned successors. Control (over the business) can in general not be bought or inherited. Dividend and voting rights are separated, so no individual can profit from short-term profit-based decisions at the cost of the long-term success of the business.

This corporate ownership structure ensures a stability in ownership: The ownership of the company remains with value-aligned people. Implementing foundation models as found in Denmark, the majority of the shares remain in the industrial foundation itself. Research shows that the stability of ownership (the non-selling of voting shares) is four times higher than in non-foundation owned companies, so there is less variance in majority ownership.<sup>13</sup> The majority ownership and separation of dividend and voting rights also protect companies from takeovers – for example in the medical/pharmaceutical sector.<sup>14</sup>

The steward-ownership structure with the resulting credible ownership stability empowers business leaders to take a long-term perspective on corporate decisions without pressure from quarterly earning reports or public stock valuations.<sup>15</sup> This results in long-termism: the long-term orientation on the survival and the fulfillment of the purpose of the company.

<sup>13</sup> See Thomsen et al (2018); Børsting et al (2014)1,

Børsting et al (2014)2;

<sup>14</sup> www.purpose-economy.org (2020)

<sup>15</sup> Mayer (2013)

It is reflected in the significantly higher long-termism score of Danish foundation-owned companies compared to non-foundation-owned companies.<sup>16</sup> Overall, these companies show more long-term governance than other firms, paving the way for more continuity in company strategy, orientation on the overarching goal of the company and long-term relationships with stakeholders. This could be a competitive advantage in terms of stakeholder loyalty, trust-based relationships,<sup>17</sup> as well as an argument for value-sensible consumer and labour markets. It can also support further development of business models that are built on trust and long-term contracts. For example, Danish data shows more stable management: The fluctuation rate in management in foundation-owned companies is 40 percent lower than in companies with dispersed ownership.<sup>18</sup> Foundation-owned companies on average also have a significantly higher image rank than other companies.<sup>19</sup>

The long-termism and purpose-orientation of these companies are also reflected in financial indicators. While their financial performance is similar to other companies,<sup>20</sup> and they show smaller sales growth,<sup>21</sup> research shows a lower level of volatility on average in profitability measures, indicating a lower level in business risk.<sup>22</sup> This also shows in their reduced likelihood of large losses.<sup>23</sup> They show more normal, organic growth than sudden large growth spurts.<sup>24</sup> On average, the Danish foundation-owned companies additionally have a lower leverage,<sup>25</sup> a strong capital basis, a higher equity ratio and higher reserves than generally found amongst Danish companies.<sup>26</sup> This is another indication for the relatively strong emphasis on the company's purpose and shows the impact of an ownership structure that reduces incentives to focus on short-term profits. Research on productivity of foundation-owned companies in Denmark shows that depending on size, these companies have similar to higher factor productivity than other companies,<sup>27</sup> so the ownership structure does not seem to lead to inefficiency.

<sup>16</sup> Thomsen et al (2018)

<sup>17</sup> see Børsting et al (2014)1, Thomsen (2017): p.129

<sup>18</sup> Thomsen (1999)

<sup>19</sup> Børsting and Thomsen (2017)

<sup>20</sup> see Kuhn and Thomsen (2015)2, Børsting et al (2014)3, Thomsen (1996), Thomsen and Rose (2004)

<sup>21</sup> Børsting et al (2014)3

<sup>22</sup> Hansmann and Thomsen (2013)

<sup>23</sup> see Børsting et al (2014)3, Thomsen (2017): p.144

<sup>24</sup> Thomsen (2017): p. 120

<sup>25</sup> see Hansmann and Thomsen (2013), Børsting et al (2013), Thomsen (1996), Pagano and Volpin (2005)

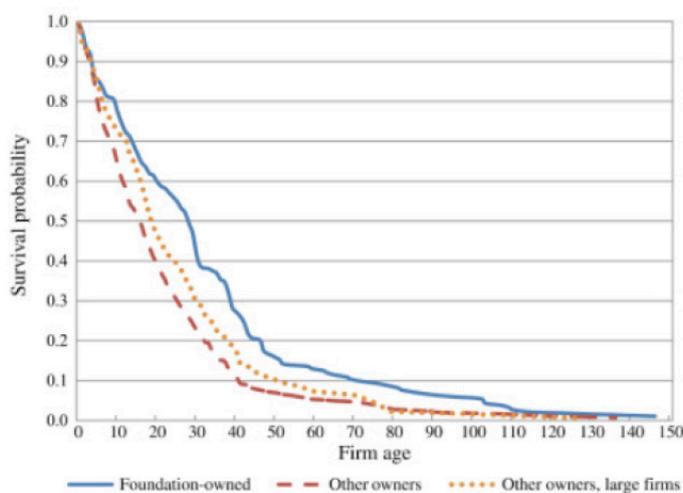
<sup>26</sup> see Thomsen (1996), Pagano and Volpin (2005)

<sup>27</sup> Børsting et al (2014)3

Also, Danish foundation-owned companies make up more than 50 percent of the Danish private investments in research and development.<sup>28</sup> This could be a result of the ownership structure not putting shareholder value in the focus and lead to more innovativeness.<sup>29</sup> These significant expenses in research and development seem to have a positive effect on the companies' performance.<sup>30</sup> This highlights their ability to focus on long-term investments and the reduced pressure to maximise short-term profits.

Furthermore, research shows that foundation-owned companies have a higher survival probability than conventionally-owned companies whilst accounting for size and industry. While other conventionally-owned companies have a survival probability of 10 percent after 40 years of business, foundation-owned companies have a survival probability of 60 percent over the same period of time (see Figure 1).<sup>31</sup> This indicates that the focus on long-term well-being and purpose of the company results in the company surviving longer.

#### Kaplan-Meier survival curves for foundation-owned firms & other firms



Applied in a more specific context, steward-ownership also represents an alternative to – at times very costly – succession processes or solutions in family-owned businesses, as seen, for example, in Denmark in the form of foundation-ownership models.<sup>32</sup> Here, steward-ownership provides an alternative to inheritance or selling the company.

<sup>28</sup> Thomsen (2017): p. 124

<sup>29</sup> Williamson, Driver and Renway (2013)

<sup>30</sup> Børsting et al (2014)3

<sup>31</sup> Thomsen et al (2018)

<sup>32</sup> Thomsen (2017): p.129

## EFFECTS OF STEWARD-OWNERSHIP ON THE DANISH ECONOMY

Foundation-owned companies not only have a general relevance for the Danish Economy by making up a grand percentage of in, e.g. sales, value added, employment, etc., but their presence and behaviour are considered to have added effects.

As mentioned above, the ownership stability and long-termism of foundation-owned companies in Denmark result in an average higher risk aversion and a more steady mode of conducting business. This includes a more stable financial performance, such as a lower probability to experience significant losses. This greater economic stability of foundation-owned companies may have a stabilizing effect on the Danish economy in general and can prove to be an advantage for stakeholders such as employees, consumers, business partners and the general public through stable and more long-term tax payments.<sup>33</sup>

The stabilizing effect is particularly valuable during crises and can contribute to the overall resilience of the Danish economy, which is illustrated by the stable financial indicators of foundation-owned companies during and after the financial crisis in 2008.<sup>34</sup> The protection from takeovers through this particular ownership structure additionally supports the Danish economy as its economically and fiduciary valuable corporations cannot be bought up and moved to other countries. This, in turn, also results in the significant investments in research and development from Danish foundation-owned companies remaining in Denmark itself.<sup>35</sup> Furthermore, a positive spillover effect can be found from large, foundation-owned businesses on other firms in their sectors.<sup>36</sup>

---

<sup>33</sup>.Thomsen (2017): p.121

<sup>34</sup>.ibid.

<sup>35</sup>.Medicon Valley Alliance (2017)

<sup>36</sup>.see Kuhn and Thomsen (2015)1, Medicon Valley Alliance (2017)

## EFFECTS OF STEWARD-OWNERSHIP ON EMPLOYEES IN DENMARK

Due to the reduced shareholder pressure, foundation-owned companies have more leverage to build a more productive corporate culture with less emphasis on short-term profits and more emphasis on customer satisfaction, integrity and collaboration. As suggested by several researchers, this could increase their consideration of employees and other stakeholders, and present one explanation for the disproportionately stable and good employment in foundation-owned companies as compared to others.<sup>37</sup>

On average, employees in foundation-owned companies are paid slightly higher wages than in other companies.<sup>38</sup> This could be a result of the steward-ownership structure leading to a reduced focus on shareholder value maximization; while the companies still need to be profitable to operate successfully on a competitive market, costs such as better payment for employees do not necessarily need to be reduced. This could also be a strategy to secure the long-term survival of the company by attracting qualified and talented employees with better wages and good employer reputation.<sup>39</sup>

Furthermore, research and statistics show that total employment in foundation-owned companies is, on average, more stable than in other companies, making the total number of jobs in foundation-owned companies to be less volatile. This effect was found to increase during the financial crisis.<sup>40</sup> The stability of employment does not only account for total employment, but foundation-owned companies also show higher employee retention rates.<sup>41</sup> This both indicates a tendency towards stable and long-term employment in the companies and a good working environment for employees.

---

<sup>37</sup>.see Børsting and Thomsen (2017), Pagano, and Volpin (2005), Bertrand and Mullainathan (2003)

<sup>38</sup>.Børsting and Thomsen (2017)

<sup>39</sup>.ibid.

<sup>40</sup>.see Børsting and Thomsen (2017), Kuhn and Thomsen(2014)

<sup>41</sup>.see Børsting and Thomsen (2017), Kuhn and Thomsen(2014)

Similarly, research shows that the average tenures for directors and executives is longer in foundation-owned companies, leading to lower separation rates between directors and executives.<sup>42</sup> This can stabilize the working environment, company culture and management of other employees and can be connected back to more long-term decision-making and relationships.

The ownership structure of these companies can also reduce the likelihood of companies going back on implicit contracts with employees, such as working conditions.<sup>43</sup> There is less incentive to do so because of short-term changes in the working environment. This paves the way for more trust-based relationships.

Due to the above, employees might feel more secure in their position and thus be more motivated to acquire firm-specific education. This is even increased by the reduced threat of takeovers of foundation-owned companies, which could result in potential layoffs, wage cuts and breaches of implicit contracts.<sup>44</sup> Additionally, their motivation could increase by knowing that the profits of the company they are working for are not going to individual shareholders but contribute to the purpose of the company.

Besides being more stable and better paid, employment in foundation-owned companies also tends to be more diverse in regard to gender and age.<sup>45</sup>

## EFFECTS OF STEWARD-OWNERSHIP ON SOCIETY IN DENMARK

The effects listed above also have positive effects on the public, in terms of societal and environmental effects.

The stable and well paid employment in foundation-owned companies results in fewer costly fluctuations on labour markets and fewer people being unemployed. This, in turn, results in more stability in tax payments. Similarly, the long-termism, longevity and stability of the companies have overall stabilizing effects on the economy and society.

Foundation-owned companies do not focus on short-term profits only, but on the company's long-term well-being and fulfillment of its purpose. This may lead to foundation-owned companies being more considerate of the social and environmental impact

their business activities have and thus attempting to reduce negative externalities. For example, foundation charters often stipulate high ethical standards for the business, products and employees. This could also have positive spillover effects on other companies in their industries.<sup>46</sup> It can also be argued that the resulting business behaviour of foundation-owned companies, e.g. in terms of corporate social responsibility or employee treatment, explains the significantly better public reputation of foundation-owned companies.<sup>47</sup>

## Conclusion

The extensive research in Denmark provides a better understanding of steward-ownership in the form of foundation-ownership and its effects on the economy, the corporations, their employees and society.

Using research on foundation-owned companies in Denmark to provide insights to steward-owned companies elsewhere indicates that steward-owned companies are more long-term oriented and stable in terms of strategy, business activity and employment, they invest in their company and employees, and often pursue social objectives as well as economic activities.<sup>48</sup>

Foundation-owned companies seem to combine a conservative and more risk averse approach with an entrepreneurial one, as seen in their high investments in research and development. Additionally, they remain market-driven whilst pursuing additional objectives, making for an interesting combination, both from economic and legal research standards.

While research highlights these characteristics and effects of foundation-owned companies, it does not prove that the steward-ownership structure itself is the cause for the results. While there are causal relationships, the results could also be affected by the foundation characteristics, country or industry specifics or unknown factors. There is still a vast amount of research questions to be answered in respect to steward-ownership, both for foundation-owned companies in Denmark, but more generally for steward-ownership worldwide.

<sup>42</sup> Børsting et al (2014)1, Bertrand and Mullainathan (2003)

<sup>43</sup> see Hansmann (1980), Thomsen (2017): p.43

<sup>44</sup> Børsting and Thomsen (2017)

<sup>45</sup> see Kuhn and Thomsen (2014), Børsting and Thomsen (2017)

<sup>46</sup> see Kuhn and Thomsen (2015)1, Thomsen (2017): p.43

<sup>47</sup> Børsting and Thomsen (2017)

<sup>48</sup> see Thomsen (2017): p.105 and p.163 ff, Børsting and Thomsen (2017)

# Literature

**Note: This list includes the literature cited in this document and a few further papers. Highlighted are the most exhaustive papers related to steward-ownership.**

Bertrand, M., and Mullainathan, S. (2003): "Enjoying the Quiet Life? Corporate Governance and Managerial Preferences.", in *Journal of Political Economy*, 111(5), 1043–1075.

Børsting, C., Kuhn, J., Poulsen, T. and Thomsen, S. (2013): "Capital Structure in Industrial Foundations and Their Firms.", Working Paper, in *The Research Project on Industrial Foundations*. Available at: [http://www.tifp.dk/wp-content/uploads/2011/11/capital\\_structure\\_final.pdf](http://www.tifp.dk/wp-content/uploads/2011/11/capital_structure_final.pdf)

Børsting, C., Kuhn, J., Poulsen, T., and Thomsen, S. (2014)1: "Industrial Foundations as Long-Term Owners." (unpublished working paper), in *The Research Project on Industrial Foundations*. Available at: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2725462](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2725462)

Børsting, C., Kuhn, J., Poulsen, T., and Thomsen, S. (2014)2: "The Governance of Industrial Foundations: Executive and Directors Turnover." Available at: <http://www.tifp.dk/wp-content/uploads/2014/04/The-Governance-of-Industrial-Foundations-Executive-and-Director-Turnover.pdf>

Børsting, C., Kuhn, J., Poulsen, T., Thomsen, S. (2014)3: "The Performance of Danish Foundation-Owned Companies." (unpublished working paper), in *The Research Project on Industrial Foundations*. Available at: <http://www.tifp.dk/wp-content/uploads/2014/04/The-Performance-of-Danish-Foundation-Owned-Companies.pdf>

Børsting, C. and Thomsen, S. (2017): "Foundation Ownership, Reputation and Labour", in *Oxford Review of Economic Policy*, 33 (2), 2017, p. 317–338

Hansmann, H. (1980): "The Role of Nonprofit Enterprise.", in *The Yale Law Journal*, 89(5), 835–901.

Hansmann, H. and Thomsen, S. (2013): "The Performance of Foundation-Owned Companies." Available at SSRN: <https://ssrn.com/abstract=2406055>

Kuhn, J. and Thomsen, S. (2014): "The Demography of Danish Foundation-owned Companies." (working paper), in *The Research Project on Industrial Foundations*. Available at <http://www.tifp.dk/>

Kuhn, J. and S. Thomsen (2015)1: "Foundation Ownership and Externalities: The Economic Impact of Industrial Foundations." Available at: <http://www.tifp.dk/wp-content/uploads/2011/11/Foundation-ownership-and-Externalities1.pdf>

Kuhn, J. and Thomsen, S. (2015)2: "Performance Drivers in Foundation-owned Firms." (work in progress) Available at: <http://www.tifp.dk/wp-content/uploads/2011/11/Performance-Drivers-in-Foundation-Owned-Firms.pdf>

Kuhn, J. (2015): "Research Note: Industrial Foundations in the Danish Register Data." Available at: <http://www.tifp.dk/wp-content/uploads/2011/11/FoundationsAggregates23.pdf>

Mayer, C. 2013: *Firm Commitment. Why the corporation is failing us and how to restore trust in it.* Oxford: University Press Oxford

Medicon Valley Alliance (2017): *State of Medicon Valley 2017. An Analysis of Life Science in Greater Copenhagen.* Available at: [https://mva.org/wp-content/uploads/2015/02/State\\_of\\_Medicon\\_Valley\\_2017.pdf](https://mva.org/wp-content/uploads/2015/02/State_of_Medicon_Valley_2017.pdf)

Pagano, M. and Volpin, P. F. (2005): "Managers, Workers, and Corporate Control.", in *The Journal of Finance*, 60(2), 841–68

Popadak, J. (2013): "A Corporate Culture Channel: How Increased Shareholder Governance Reduces Firm Value." Available at SSRN: <https://ssrn.com/abstract=2345384>

Purpose Foundation (2018): *Steward-ownership: Rethinking Ownership in the 21st Century.* Available at: [https://purpose-economy.org/content/uploads/purposebooklet\\_en.pdf](https://purpose-economy.org/content/uploads/purposebooklet_en.pdf)

Purpose Foundation (2019): "Want purpose-driven businesses? Rethink ownership." Available at: [https://medium.com/@purpose\\_network/want-purpose-driven-businesses-rethink-ownership-3684b9bc3ae4](https://medium.com/@purpose_network/want-purpose-driven-businesses-rethink-ownership-3684b9bc3ae4)

Thomsen, S. (1996): "Foundation Ownership and Economic Performance", in *Corporate Governance*, 4(4)

Thomsen, S. (1999): "Corporate Ownership by Industrial Foundations.", in *European Journal of Law and Economics* 7, 117–137

Thomsen, S. and Rose, C. (2004): "Foundation Ownership and Financial Performance: Do Companies Need Owners?", in *European Journal of Law and Economics*, Volume 18, p. 43–364

Thomsen, S. (2012): "What Do We Know (and Not Know) about Industrial Foundations?" Available at: <http://www.tifp.dk/wp-content/uploads/2011/11/What-Do-We-Know-about-Industrial-Foundations.pdf>

Thomsen, S. (2017): *The Danish Industrial Foundations.* Copenhagen: Djøf Forlag

Thomsen, S., Poulsen, T., Børsting, C., Kuhn, J. (2018): "Industrial Foundations as Long-Term Owners.", in *Corporate Governance. An international review*, 26 (3)

Williamson, J. Driver, C. and Renway, P. (2013): "Beyond Shareholder Value: The reasons and choices for corporate governance reform." Available at: <https://www.tuc.org.uk/sites/default/files/BSV.pdf>

# IMPRINT

## Published by

© 2022 Purpose Stiftung gemeinnützige GmbH  
Adrian Hensen (acting as Managing Director)  
Süderstraße 73, 20097 Hamburg, Germany  
Ph.: +49 (0) 40 65587898 | e-mail: hallo@purpose.ag

*The content published in this Whitepaper is protected by copyright. Third-party content and contributions are marked as such.*



We are happy to share our knowledge and information with you. Since steward-ownership is a topic very dear to us, we publish all related content under the Creative Commons license "[Attribution - No Derivatives 4.0 International \(CC BY-ND 4.0\)](https://creativecommons.org/licenses/by-nc/4.0/)." This means that you are free to share our content if you provide appropriate credit, but you can't distribute derivatives of this work. This is to make sure that information is spread correctly. However, as we generally encourage the spread of information on steward-ownership, we allow the derivation of our material under certain conditions. You can find detailed information [on our website](#). If you value our work and the benefits of free content - we'd appreciate you [giving back and supporting us](#).

## DISCLAIMER

The content of this Whitepaper does not hold an academic claim. The research and information presented in this Whitepaper intends to inform and inspire further research on steward-ownership. The content presented in this Whitepaper does not exhaust the range of research and statistics in connection with steward-ownership. Anyone interested in further research or research cooperations, please contact us.