

# LIFE GIVING CORPORATIONS TO SUPPORT COMMUNITY

## What's Possible?

2014 National Native Title Conference Paper

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*“Most of the great political struggles of the past 5,000 years  
can be reduced to the simple question: who will own land, water  
and the other essentials for living --- and to what end?”*

*From David Korten's Foreword to  
Owning Our Future by Marjorie Kelly*

## 1. Introduction

Aboriginal people are increasingly involved in setting up corporations resulting from determinations, major agreements, trusts and other corporations.

The western corporation with its western governance compliance obligations, cultural values, assumptions and skill requirements is almost inevitably and necessarily the legal basis of the associations that aboriginal people are, in many cases, required to set up. The 'cultural gap' between this model and aboriginal communities can be problematic.

In this space the aspirations of traditional owners are often lost amongst the non replaceable rules or other governance expectations found in the rules of the various corporations.

This phenomenon is not peculiar to aboriginal people. Private and public company directors, not for profits and government bodies also often struggle with the tension between performance and revenue generation, and meeting stated cores values and mission statements.

In her 2012 book, **Owning Our Future: The Emerging Ownership Revolution**, author, Marjorie Kelly, argues that a primary cause of the 2008 Global Financial Crisis was the continuing dominance of the “**Extractive**” ownership model of the western corporation, focused on its fundamentally “extractive” purpose of “maximising financial profit”; privileging financial wealth generation above other purposes, values and priorities.

She argues our global future requires a fundamental shift of values and practice FROM the dominant **Extractive** model TO a more diverse range of ownership designs that are

fundamentally more **Generative**: whose fundamental purpose is “creating the conditions for life”. This involves a values shift:

- *from maximising Profit to Sustaining Life,*
- *from Growth to Sufficiency, and*
- *from Individualism to Community.*

She then elaborates five key elements of generative ownership design (described below) and uses this new Extractive/Generative distinction to describe numerous compelling examples of where this new more diverse “Generative Economy” is already emerging alive and well. In line with this shift in values, these new Generative ventures are profit making rather than profit maximising.

In this book, Kelly introduces a rich vocabulary for thinking about economic ownership models, the values they embody and purposes they serve. *Our hunch is this enriched, more explicit vocabulary (with examples) offers opportunities for those of us who are making choices and giving advice about community and economic development in the Australian Indigenous context. We think this enriched language can support us to:*

- *more clearly articulate and surface our convictions and intentions when setting up corporations (generative or extractive) and ,*
- *create entities uniquely suited to their own context and more capable and accountable to actually deliver on their founding intentions.*

For the authors, this paper is a beginning not an end point. It is an invitation to a conversation about how the ideas in this book could be life giving for the communities we belong to and/or serve. From some early conversations with colleagues we think there are real possibilities. Let’s see what you think?

In this paper & presentation we offer:

- Some observations about the current context in which we are working;
- A brief introduction to the key ideas from Marjorie Kelly’s book;
- A few of our thoughts about how these ideas might be useful.
- An invitation to talk with us more to share you own own thoughts and experience.

## 2. Context

The financial position and context of Aboriginal Corporations is diverse.

Aboriginal communities have been on a long journey to get recognition of native title and access to financial resources.

The demands around getting native title recognised, setting up agreements and benefit management structures require traditional owners to set up western corporate structures

based on legislative requirements and technical/legal advice from “technical experts” with typical western corporate and commercial assumptions and values. These are usually more implicit than explicit.

To a certain extent, this is inevitable and, indeed, necessary to assist traditional owners in relation to the agreements they make and the distribution of benefits arising from those agreements. However, the primary emphasis of much of the work done is on the technical/legal/compliance requirements and not on the more fundamental questions of Identity: of guiding purpose, principles and values.

Under the urgency and weight of these compliance expectations how much time is set aside:-

- for conversations that enable intention and purpose to be clearly articulated alongside the corporate compliance obligations.
- for reflection on what individual and collective aspirations lie in the hearts and minds of the traditional owners, the aspirations that “their” corporations are created to serve,
- to intentionally create an entity explicitly designed to deliver on those aspirations and be held accountable to do so.

Beyond the compliance obligations:-

- What is the corporation’s fundamental purpose (s) and guiding values and principles and, therefore
- What particular form of economic development/ ownership design might actually enable and nurture these ends/values?
- How do we ensure that dealing with the necessary Company, legislative and trust compliance expectations serves and doesn’t stifle the core purpose and spirit of the corporation and community.

This tension is ever present and many readers will be familiar with the challenges associated with corporate design and its implementation. Our hunch and hope is that ideas and approaches described in Kelly’s book have something to offer here.

*QUESTIONS:*

- *How would you describe the context in which you are working?*
- *What’s similar and different to what we describe here?*

### 3. Summary of Key Ideas from Owing Our Future

*“Redesigning the models of ownership that form the base of our economy isn’t a mechanical, legal exercise. Ownership designs embody a worldview and a set of values. The dominant designs of our day are built around values of individualism, growth and the pursuit of maximum financial wealth. An emerging ecological sensibility is shaping a new set of core values, such as sustainability, community, and sufficiency. This value shift creates the seedbed for new kinds of generative ownership and a profoundly new kind of economy. Instead of being rooted in the ethereal world of finance, this new economy finds fertile soil in the living earth and in human community.”*

*Marjorie Kelly*

By introducing us to the distinction between **Extractive** (maximizing financial profit) and **Generative** (creating the conditions for life) ownership design Marjorie Kelly provides us with richer, more explicit language to observe, think and talk about the forms of social and economic development that might best serve, might bring most life and sustainability to Indigenous communities.

She argues for and describes a fundamental shift of values and practice that she sees is already occurring on a significant scale around the world: This is a shift FROM the dominant **Extractive** model of ownership design TO a diverse range of ownership designs that are more **Generative**. This involves a values shift:

- from maximising Profit to Sustaining Life,
- from Growth to Sufficiency, and from
- Individualism to Community.

Based on the many and varied examples she describes, she then elaborates five key elements of generative ownership design that she notices are present to varying extents in the many compelling examples she describes. Each of these is an imperfect “work-in-progress” each evolving and adapting to suit their own unique and particular context.

#### The Architecture of Ownership - The Design of Economic Power

EXTRACTIVE OWNERSHIP	GENERATIVE OWNERSHIP
1. <i>Financial Purpose</i> : maximising short term profits in the short term	1. <i>Living Purpose</i> : creating the conditions for life over the long term
2. <i>Absentee Membership</i> : ownership disconnected from the life of the enterprise	2. <i>Rooted Membership</i> : ownership in human hands

3. <i>Governance by Markets</i> : control by capital markets on autopilot	3. <i>Mission-Controlled Governance</i> : control by those dedicated to social mission
4. <i>Casino Finance</i> : capital as master	4. <i>Stakeholder Finance</i> : capital as friend
5. <i>Commodity Networks</i> : trading focused solely on price and profits	5. <i>Ethical Networks</i> : collective support for ecological and social norms

(from *Owning Our Future*, page 18)

In<sup>1</sup> *Owning Our Future*, Kelly develops this distinction and framework around Extractive and Generative ownership design out of a long professional history of working in the corporate social responsibility/ethical governance field, and from extensive research and case studies from the field. She is not creating a blue print theoretical framework that ‘should be’ imposed on all, but a “pattern language” that supports us to observe, see what is already emerging in our own context, and support the further development of unique forms of economic development and governance that work in each particular context.

The diverse forms of what she calls *generative ownership* are most often private ownership, but with a purpose of serving the common good. Generative ownership models include cooperatives, employee owned firms, community land trusts, community banks, credit unions, foundation-owned companies, and many other models that root control in the hands of people who have a natural interest in the health of their communities and local ecosystems. These are in contrast to the dominant ownership models of capitalism, which Kelly calls *extractive*.

Extractive ownership features **Absentee Membership** and the rapid speculative trading of **Casino Finance**, built around the purpose of maximizing the extraction of financial wealth. This creates a disconnect between the common good and the global banks, corporations, and financial markets that control the means of living.

For Kelly: “Ownership [design] is the gravitational field that holds our economy in its orbit, locking us all into behaviours that lead to financial excess and ecological overshoot.”

**Generative** ownership, by contrast, has the purpose of creating the conditions for the flourishing of life. It features **rooted membership**, in the living hands of employees, families, communities, and others connected to the real economy of jobs and homes and human life. It features **Mission-Controlled Governance** that keeps firms focused on social mission, **Stakeholder Finance** that allows capital to be a friend, and **Ethical Networks** that provide collective support for social and ecological norms. Most of these enterprises are profit making, but they’re not profit maximising.

Just three amongst the many case studies Kelly explores are:

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<sup>1</sup> The following paragraphs summarising Kelly’s ideas a significantly drawn from David Korten’s excellent Foreword to the book.

- The *Community Forests of Mexico*: a global leader in forest stewardship by granting ownership rights to local communities, many of them indigenous, tribal people - like the Zapotec Indians of Ixtlán de Juárez in southern Mexico. Community members have incentive to be stewards of the forest, since forest enterprises employ 300 people doing work such as harvesting timber, making wooden furniture, and caring for the forest.
- The **Manufactured Housing Park Program**, first devised in New Hampshire and later spread across the United States: this uses a cooperative ownership model to help people in mobile homes and other kinds of manufactured houses purchase the land on which their homes stand.
- The **North End Lobster Co-operative**, one of more than 20 Lobster cooperatives found in the US state of Maine: Started in 2002 Coastal Enterprises, Inc (CEI), a *community development corporation* (CDC) helped a group of 5 lobster fishermen obtain \$380,000 in financing to secure shared waterfront property to give them access to the sea. The co-op now has 24 lobstermen as members, and activity from this property that supports more than 40 families.

*Please see Attachment 2 below for further information on these examples and for more information about different categories of generative design.*

In this book, Kelly's central theme is that the architecture of ownership defines the purpose of the enterprise and largely determines whether it will operate in an extractive or generative mode.

#### QUESTIONS:

- *Where do you see more GENERATIVE and EXTRACTIVE economic ownership models happening in the Australian Indigenous context?*
- *What's most useful or significant for you about Kelly's ideas? What do you agree/disagree with and why? What do you want to find out more about?*

## 4. So what? The Power of New Language & Different Conversations

*“Language was the first technology of humans - but like other technologies not fully understood.*

*People thought it was merely a tool for describing the world, and didn't know that it was a tool for creating it.”*

*Walter Truett Anderson - The Future The Self*

As citizens and practitioners there are some things about this book that resonate strongly with us. In this section, we attempt to describe what some of these “things” are, and then, offer some initial thoughts about how, where and why these things might make a practical difference in the way we all might work.

## **The Power of New Language**

Language is powerful. We use it to describe reality and to create new realities and possibilities. It can reveal new ways of seeing things and conceal or limit what we can see and create.

By naming and exploring the differences between Extractive and Generative Ownership designs, *Kelly introduces us to a significantly richer vocabulary for observing, thinking and talking about ownership design and economic development*, the values they embody and purposes they serve.

This new language is “revealing”: *it gives us richer language and vocabulary for observing, understanding, and making sense of what’s happening around us in the global, national and local economy and why. It helps us see things more clearly and, perhaps, assists us with the choices we make.* It helps us see more clearly what is and is not working in the dominant growth/maximising financial profit driven economic worldview; and the assumptions and models that underpin it. It also helps us understand what are the prevailing unconscious assumptions and models at work in Indigenous economic development.

It potentially gives us a common language to think and talk with others about appropriate models for economic development. It allows us to think and talk about these issues with greater rigour and clarity.

### **Connecting Ends & Means - Aspirations, Purpose & Values with the Mechanism**

Kelly’s language, system, purpose, values and design elements provides us with a frame for talking about what is most important to us (aspirations and values) and helps us link these explicitly with economic development models that serve our most deeply held human values.

For communities this creates a framework for ensuring that economic development serves their deepest aspirations.

For Advisors, it offers a framework that moves us beyond compliance. It gives us a way of clarifying what communities really want and co-designing ownership design that genuinely serve these more fundamental ends.

Kelly’s language provides us with a language “bridge” through which indigenous communities and advisors can better understand and articulate what is of most fundamental importance and how we get there (what technical form it takes).

### **Conserving & Transforming Culture**

Kelly’s description of purpose, values and five key elements of the generative model provide a potentially useful framework for indigenous communities to clarify amongst themselves what they really want. Kelly’s language could potentially provide a helpful

“bridge” between “conserving” traditional values and “transforming”: identifying appropriate and necessary cultural adaptations that need to be embraced to sustain life for the future.

The question then is to what extent the values of the Generative Economy (Sustaining Life, Sufficiency and Community) provide a starting point that is more naturally aligned with “traditional” indigenous values. From that starting point, the values of the Extractive model vs the Generative model and the five elements of both provide a framework for thinking and talking about what is important and wanted in the current context: what needs to be preserved and what might need to change and to clarify what choice traditional owners want to make.

### **Hope, Alternatives & Possibilities**

Beyond the new language for thinking and talking, Kelly demonstrates and give us hope that there IS an alternative to the Extractive Ownership model (if that what is wanted). It is NOT the only game in town, and more than that, there are many diverse, partial and imperfect global examples of generative alternatives emerging in this new economy.

It is not just pie-in-the-sky idealism.

For some the answer may also lie in first understanding, and then looking beyond an either/or discussion around the extractive vs the generative models. For example, can Directors of publically owned companies instill generative principles alongside the desire to maximise profit?

#### *QUESTIONS:*

- *Which of these ideas could be useful for you?*
- *How else might these ideas be of use to you?*

## **5. Conclusion & Next Steps**

In these few pages we have tried to give:

- An overview of what we see in the current context of Indigenous social and economic development;
- A brief introduction the key ideas from Kelly’s *Owning Our Future* book;
- Some initial thoughts about how these ideas might be useful to those of us working in these field: those in leadership roles in indigenous community and corporations, and those of us providing advisory and consulting services to communities and organisations.

As we said at the start, for us, this paper is a beginning not an end point. It is an invitation to anyone interested to further conversation about how the ideas in this book could be life giving for the communities you belong to and/or serve.

So, if this has triggered some energy and interest, please contact and speak with us; let's have a conversation.

During the writing of this paper we had conversations with a range of experts who work in the native title or connected fields. We invited them to read Kelly's book and offer their thoughts about the potential relevance and usefulness of her ideas to our field.

Some of their initial thoughts are included on the following couple of pages, along with their contact details in case you want to have further conversation with them.

Finally, in closing, let me again quote from David Korten's Foreward to Marjorie Kelly's book:

*“Behind the workings of our economy lies the invisible issue that few of us focus on --- the issue of ownership. ... Our well-being, indeed our future as a species, depends on restoring our relationships to one another and with the land, the water, the sky, and the other generative resources of nature that indigenous people traditionally considered it their obligation to hold and manage in sacred trust. The architecture of ownership is key.”*

Thank you, and we look forward to picking up the thread of this conversation with those of your who are interested.

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## Attachment 2

### Generative Ownership Design - Categories & Examples

As she explores and describes her many examples, Kelly suggests it may be helpful to think in terms of a single *family* of generative design, within which we can describe a number of different (and at times overlapping) *categories* and *subcategories*. She tentatively offers the following four broad categories of generative ownership design as a possible a starting point for further work by others.

1. **Commons Ownership and governance.** Here, assets are held or governed in common. The ocean, a forest, land, a park, a municipal power plant (like Hull Wind) is held or governed indivisibly by a community.
2. **Stakeholder ownership.** This is ownership by people with a *human stake* in a private enterprise - as opposed to a purely speculative, financial stake. It includes cooperatives, partnerships, credit unions, mutual insurance companies, employee-owned firms, and family-owned companies. But for these to be generative, their purpose must be life serving (not all mutual, employee, or family ownership can be considered generative).
3. **Social Enterprise.** These organisations have a primary social or environmental mission and use business methods to pursue it. They can be nonprofits, subsidiaries of nonprofits, or private businesses. Social enterprises sometimes blur the line between for-profit and non-profit.
4. **Mission-controlled corporations.** These are corporations with a strong social mission that are *owned* in conventional ways (often with publicly traded shares, yet they keep *governing control* in mission-orientated hands. They include the large foundation-controlled companies common across northern Europe. A family or a trust can also be in control.

For Kelly, “these different enterprises use different ownership designs toward similar ends - to create the conditions for life. Generative design, in essence, means kinds of ownership that have a Living Purpose, with at least one other design element/pattern that serves to hold that purpose in place (otherwise, what you have is not a design but only good intention).”

Just three examples of some of these categories are:

- The ***Community Forests of Mexico***: a global leader in forest stewardship by granting ownership rights to local communities, many of them indigenous, tribal people - like the Zapotec Indians of Ixtlán de Juárez in southern Mexico.

*Over the last 30 years, the problems that bedevilled other forests in Mexico, like deforestation and illegal logging, have become relatively unknown at Ixtlán because members*

*have incentive to be stewards of the forest, since forest enterprises employ 300 people doing work such as harvesting timber, making wooden furniture, and caring for the forest. In this design of commons governance, the forest is not walled off as a pristine preserve, nor is it clear-cut to enrich absentee owners. It's a working forest, with control in the hands of those with an incentive to look out for the long-term interests of both the human community and the natural world.*

*This is Rooted Membership at work - operating hand in hand with Living Purpose.*

*In Mexico today, I discovered, community forests represent an astonishing 60 to 80 percent of all forests. Worldwide, more than a quarter of forests in developing nations are managed by local communities, with environmental sustainability working hand in hand with the economic and social wellbeing of communities*

- **The Manufactured Housing Park Program**, first devised in New Hampshire and later spread across the United States: **This uses a cooperative ownership model to help people in mobile homes and other kinds of manufactured houses purchase the land on which their homes stand.**

*The process works a legal transformation in the nature of their property. Manufactured homes previously viewed by banks as personal property (like a car or a boat) became real estate. That means they get better loan terms. It also means, as studies show, that residents plant more flowers, attend school conferences, enjoy higher property values, and move less often. Here again is rooted membership at work - bringing a transformation in a human community, through locally rooted, collectively held ownership.*

*At the heart of it is Living Purpose. And the design is fed by Stakeholder Finance, where capital becomes a friend, not a master. This resident-owned community model was devised by a financial institution. This loan fund has nearly \$70 million under management. And it pays investors up to 4 and 5 percent interest annually, at a time when bank certificates of deposit are paying a fraction of that.*

- **The North End Lobster Co-operative**, one of more than 20 Lobster cooperatives found in the US state of Maine: Started in 2002 Coastal Enterprises, Inc (CEI), a *community development corporation* (CDC) helped a group of 5 lobster fishermen obtain \$380,000 in financing to secure shared waterfront property. The co-op now has 24 lobstermen as members, and activity from this property that supports more than 40 families.

*“A lot of these guys used to fish on the town wharf,” they tell me. They had to haul their own bait and fuel every day. When they went to buy bait, he continues, “they’d be taken advantage of by wholesalers.” Owning land gives them guaranteed access to the water, as well as a secure place for winter storage of boats and traps. They’ve built a bait cooler on-site allowing them to store a ready supply. Buying bait collectively, they get better prices. They’ve also arranged for a lobster buyer to come regularly to the co-op - in the busy season, every day - so that lobsters are moved efficiently.*