Business, Faith, and the Economy of Communion

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11. Ownership and Business Succession

Considerations from Catholic Social Teaching and the Economy of Communion

Gregory Beabout, Saint Louis University

Abstract

Small to medium-sized businesses are a significant part of the economy, and play a very significant role strengthening local communities. However, few have a clear plan for succession. Business succession is important for owners committed to goods beyond mere profits, and such succession is difficult to manage. The article considers fundamental issues about ownership and owning a business, and draws from Catholic social doctrine to consider ownership as stewardship to promote communion. In response to practical questions about business succession, a series of options are considered with an eye to considering how to sustain community goods beyond profit maximization.

Keywords: ownership, business succession, community, communion, Catholic social teaching, economy of communion
A Case Study

To explain the problem I want to consider in this paper, let me begin with a case study, inspired by the experience of Kevin Lindsey (2017). Lindsey describes the following case.

**Background:** Kevin Lindsey has a background as an entrepreneur and a financial advisor, having worked at Merrill Lynch, AXA Advisors, BMA and Berthel Fisher. As an adult, Lindsey became a Catholic. During that process, a parish priest who became familiar with Lindsey’s experience and expertise asked him to meet with a group of parishioners.

**Details of the case:** The priest called Lindsey aside. “Let me be candid. I’m worried that the parish may not be able to sustain our elementary school. The school has been running a deficit budget, and it continues to worsen every year. I am asking if you would join me at a meeting with about 20 members from the parish. We have several hundred families in the parish, but it’s these families that account for most of the financial giving that supports this church. When the parish has a big need – a new roof, significant work on the parking lot, whatever big ticket item that comes up – it’s these families that I turn to. About half the families in the parish are steady givers, but these 20 families account for more than three quarters of our budget, and I always know I can turn to them when we are in a pinch. You seem to know a lot about financial advising, especially for people who run businesses. I would like you to join me in a meeting with these parishioners to figure out if there is some sort of financial solution, an endowment or something like that, so we can put the parish school on a more stable foundation. Will you meet with them?”

After agreeing to do so, and then meeting with this group of generous parishioners, Lindsey sat down for a conversation with the pastor. Lindsey suggested that the pastor had misdiagnosed the problem. The issue is not simply a concern about the financial viability of the parish school. Rather, there is a larger crisis looming: the financial viability of the parish. The biggest givers in the parish were virtually all owners of small or medium-sized businesses. Lindsey notes that when businesses are owned within a community, the owners tend to support the local community, and the community is stronger, so it makes sense that these are the cornerstones of the parish. Each has done well for themselves, and for others.

Lindsey observed two further things: all of them were over the age of 60, and, after asking them a few questions, he learned that none of them had a plan in place to pass on company ownership to a local owner who shared their commitment to the community. Lindsey concluded that the financial future of the parish is hanging in the balance. The future of the parish depends on the support of the families with locally owned businesses. In the near future, those businesses will undergo transitions. Will the tie to the parish and the community be broken?

**Issues raised by the case:** This case, as described by Lindsey, illustrates a common situation. Two features of this case stand out. First, many parishes and local communities are supported by the generosity of business owners who see it as part of their responsibility to use their gifts and talents as entrepreneurs and owners not only to produce a profit, but also to provide goods and services, to create jobs, and to share profits generously in a manner that strengthens community. A similar vision of business ownership is proposed in the “Economy of Communion” project (EoC), set forth by Chiara Lubich of the Focolare Movement. Lubich’s
EoC project proposes that business owners become intentional with regard to the purposes of ownership, and to work and jobs. On this vision, ownership of a profitable business firm is seen as compatible with communion. As Lubich puts it, “profits can be used to help those in need, to give them something to live on until they find work; to develop structures to form ‘new people’ (as the apostle Paul calls them), that is, people formed and animated by love, suited to what we call the ‘culture of giving’, and to sustain and grow the firm” (Lubich).

A second important feature of the case is worth noting: in the American context, many business owners are aging without any developed business succession plan.

Roughly 52% of all U.S. businesses are owned by individuals aged 50 to 88. One sub-group of small business, family owned businesses, account for 64% of U.S. GDP, 62% of U.S. employment and 78% of new job creation and face an expected retirement rate of 40% in the next five years . . . Less than 30% of [small businesses] surveyed have a succession plan. Only 15% of U.S. family businesses have a succession plan in place. Further, while 70% of family businesses desire to pass ownership to the next generation, only 30% expect to be able to do so (Lindsey et al.: 2).

For business owners committed to using profits to support non-financial goods of community, questions of business succession are particularly important, and more complex than a succession plan where the primary goal is measured solely in financial terms. Given the widespread nature of this problem, my goal in this paper is to turn to Catholic social teaching to consider the question of the transfer of the ownership in small to medium-sized businesses. Business succession matters.

This paper proceeds in four parts. First, having established that issues of succession are important for any small to medium-sized business, I suggest that the question of succession is particularly important for values-based businesses, and perhaps even more difficult to manage than for conventional businesses if the owners wish to see the business continue to realize the non-financial objectives of the firm. Second, I raise several puzzles about ownership, including questions about owning property, owning the means of production, and owning a business. Third, I turn to the social doctrine of the Church in order to draw out principles for thinking about ownership as stewardship. Finally, I consider a series of options that allow business owners to consider more than profit maximization in the succession plan.

Business Succession for Values-Based Businesses

Issues of business succession are important, but especially so for small to medium-sized businesses in which the owners want to see the business continue in order to realize the firm’s non-financial objectives. Family businesses almost always operate this way: part of the goal of the business is to make it possible to sustain a good life for the family; the goal of profitability for the business is connected with but not identical to the goal promoting a healthy and happy life for the family. Because a healthy and happy life for a family is tied up with a healthy community beyond the family, it is sensible for business owners to recognize the complex relationship between the goal of profit and non-financial goals, such as supporting one’s local community, one’s church, the employees of the firm, the families of the employees, and other
worthwhile purposes which are non-financial in character. Is it possible for business owners to continue those non-financial objectives when it comes time to transfer ownership?

To work toward an answer to this question, I want to consider a company deeply committed to social concerns, fair trade, and ethical entrepreneurship: the British chocolate company, Green and Black’s. Green and Black’s was founded in 1991 by organic food pioneer Craig Sams and journalist Josephine Fairley. The company’s name was derived from a wordplay: “Green” refers to the environmental concerns of the founders, and “Black” refers to the high cocoa solids of the rich, dark chocolate, sourced from the Central American nation of Belize. In the early 1990s, Green and Black’s developed a relationship with a group of Mayan farmers in Belize; they established an agreement, and began purchasing Fair Trade cocoa. At that time, fair trade was developing as an institutionalized practice for producers of coffee. Fair trade coffee aimed at stabilizing markets, improving the quality and consistency of coffee beans, and establishing fair wage standards for coffee farmers. Green and Black’s extended the fair trade concerns from coffee to chocolate. Their chocolate bars were marketed as the world’s first organic chocolate, with cocoa beans sourced according to fair trade agreements. In 1994, the Maya Gold chocolate bar was awarded the “Worldaware Business Award” for good business practice, as well as the UK’s first “Fairtrade mark.” In 1999, entrepreneur William Kendell bought a sizable portion of the company. That infusion of cash allowed Green and Black’s to expand its operations while retaining its emphasis on fair trade.

In 2005, the owners of Green and Black’s sold the company to Cadbury’s for an undisclosed sum, believed to be around £20 million, the equivalent of $25 million. The terms of the sale included a clause that would maintain fair trade practices. Within a few years, Cadbury was sold to Kraft, which was sold to Mondelez. Mondelez is a multinational American company headquartered in Chicago, previously National Dairy Products; Mondelez is a nonsense word, a name made up to give the sense of a world (monde) that is delicious. By 2017, Green and Black’s largely dropped its organic and fair-trade labels.

The owners reportedly lament selling up. “I regret selling Green and Black’s to Cadbury. It was a mistake. A great shame. I wish I’d kept hold of it” (Burn-Callander). The sale of Green and Black’s has been discussed in the British media, including controversies, typically focusing on the question of whether Green and Black’s current trade agreements should count as fair trade.

I want to point to a different set of questions, that is, questions about fair ownership. In a company committed to interacting in a fair and responsible manner with its various stakeholders, who should benefit from the proceeds of the sale of the company? Should the stakeholders, especially those with whom the company had entered into fair trade agreements, have a say, or participate in the proceeds of the sale? After all, one important part of what made Green and Black’s a successful company was its Mayan cocoa; another important part of its success was its fair trade agreement with the farmers who produced and harvested the cocoa. Could we raise questions about fair ownership? Is it fair that the proceeds of the sale apparently went to the owners in Britain, and perhaps not at all to the Mayan farmers in Belize? Would it be better to have a model of ownership in which the benefits of ownership (along with the risks) could be shared with more stakeholders? Is it fair to use a model of ownership in which entrepreneurs and investors benefit from selling a company, while stakeholders and
fair trade farmers who provide the key ingredients do not participate in the benefits of the sale?

We might ask whether it would be better to be more intentional about fair ownership. After all, returning to the case of Green and Black’s, it might seem curious that entrepreneurs who pride themselves on their commitment to fair trade and ethical sourcing sold their company for a tremendous profit (perhaps more than $25,000,000) apparently without any of the proceeds of the sale going to the cocoa growers who were a key to company’s success. One might ask: Is fair trade enough? Should we be thinking about practicing and institutionalizing fair ownership? What is fair ownership? Which form of ownership is best?

If we turn to business sources or legal sources for answers to these questions, we are likely to get responses that presume that a potential owner is motivated primarily by financial self-interest, or by a framework that presumes an emphasis on equal rights with fair rules. Some of the responses will be rather technical in nature, with answers that vary by political jurisdiction. In the context of the United States, we might ask if a sole-proprietorship is better than a C-corp, S-corp, or LLC? Each of these forms of ownership have various advantages and disadvantages, in administrative simplicity, ability to transfer ownership, ability to raise capital, ability to shelter income from various taxes, ability to shield the owner from liability. However, if we recognize that the questions at hand – What is fair ownership? Which form of ownership is best? – raise both technical and moral issues, we will need to turn to resources beyond business and legal sources for answers.

What should a company do as the owners reach an age when it is prudent to consider a plan that allows the owner to step away from running or owning the company? For companies in which the owners have particular moral commitments, what can be done to ensure that the next generation of owners continue the nonfinancial goals of the company? In some cases, leadership or ownership in the company is transferred to another senior member of the business, or to a family member. In some cases, businesses are sold to other businesses (as in the case of Green and Black’s), or to an investor or a private equity firm. The sales agreement may include stipulations that the business would continue to be practiced in a manner that honors the ethical commitments of the original owners (as in the case of Green and Black’s), though it is less clear that those commitments will continue to be honored if a company is resold again.

Puzzles about Ownership, Owning the Means of Production, and Owning a Business

To respond to questions about the transfer of business ownership, it may help to pause to raise fundamental issues about ownership and the responsibilities of owning a business by considering a series of puzzles and questions about ownership. A first thing to note when we consider puzzles about ownership is that, at the popular level, there is comparatively little discussion about the ethics of owning property or a business. Of course, one might respond

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1 It is far more common, at the popular level, to engage in debates about the ethics of income or the ethics of trade. With regard to income, there are ongoing disputes about the minimum wage, and about the gap between the income of those who are wealthiest compared with those who are poor or middle class. Within discussions about income, the distinction between ownership and income is rarely drawn or made explicit. Turning to questions about trade, there are many ongoing disputes. Beyond the disputes about tariffs, I note below the way
that this is because, in the debate between capitalism and communism, capitalism won. To which several responses could be made: certain features of the debate seem to persist. Among each generation of young people, there seem to be many who are drawn to the view that ownership, especially owning a business, is morally objectionable.

Further, we should note that there are various ways to understand the meaning of ownership. In section three (below), I focus on the account of ownership found in Catholic social teaching. For now, I turn to a fundamental question stated in very broad terms: Is it ethical to own property? On the one hand, most of us own some things, such as clothes and personal belongings. Many of us own many other things, too, including computers, automobiles, and perhaps a house, along with items that we have been given, or which we have purchased. On the other hand, we have all heard reasons to call into question whether it is just to own things, especially when we are told of people that own massive amounts of wealth at the same time that there are so many people in the world who have so little, or almost nothing.

The founder of the Economy of Communion movement, Chiara Lubich, faced these sorts of questions during her youth when her father lost his job during Italy’s period of fascism because of the socialist ideas that he held. From the socialists who influenced his views, he would have heard the view expressed by Karl Marx: “from each according to his ability, to each according to his needs” (1). Some versions of socialism go so far as to claim that ownership is unjust, or that ownership of the means of production by a private individual is unjust.

Or consider the view expressed in the Acts of the Apostles: the fellowship of believers sold all of their possessions and goods, sharing whatever they had with others, even “sharing their meals with gladness and sincerity of heart” (Acts 2:45-46). Does not this suggest that it is better not to own property, or perhaps that it is wrong or selfish to own property?

When it comes to business ownership, what about the morality of owning massive capital investments, such as those that are required for many kinds of industrial production? Is it wrong for an individual, or a group of individuals, to own the means of production? And what about the ethics of owning a company? Is it wrong for an individual, or a group of individuals, to own a company? Does this imply that the non-owners who work at the company are, in a sense, enslaved by the owners?

Were we to engage in a conversation the aim of which is to respond in detail to these and similar questions, we would need to determine what would count as a better or worse answer to these sorts of questions. We would need to investigate whether there are principles that could be appealed to in order to guide determinations as to whether a particular action or policy is right or wrong? Further, we would need to determine which moral grammar would be used to engage in this sort of conversation. And in taking up such questions, we would be
working toward a more fine-grained way of engaging in shared reflection about the ethics of ownership.

One initial conclusion that can be reached is straightforward: rather than thinking in sharp dichotomies, as if ownership is either right or wrong, a conversation about fair ownership would require working toward a more graduated and nuanced understanding of fair ownership, with distinctions and qualifications that would make possible a more subtle discussion of what makes some forms of ownership better or worse than others in some circumstances.

Catholic Social Teaching on Ownership as Stewardship

Catholic social teaching proposes a distinctive and well developed account of ownership, articulated especially in a series of modern papal encyclicals. Pope Leo XIII, in his 1891 encyclical on the condition of the working class, advanced an argument directed against the socialist’s claim that the solution to the social question will come about by abolishing private property. Leo’s argument is detailed and subtle; it takes up almost a fifth of the encyclical. The heart of his argument has the form of a natural law argument. What is good for humans is revealed in the nature of human flourishing. Like the other animals, each of which flourishes by living in a manner that makes possible the actualization of one’s given powers over the course of one’s life, human beings flourish when we live in a manner that actualizes our human capacities. Like the other animals that establish a sense of territory for living and raising one’s young, humans flourish by forming families that dwell in a particular space and at a particular time. To provide for the goods of our lives and our families, we have been given the power to plan ahead, and to engage in labor. The exercise of one’s human powers, “linking the future with the present, and being master of his own acts” (§7) allows the human being to discern an order in the world by which one can guide one’s actions. The material goods of the earth are created for “the use and enjoyment of the whole human race” (§8), but two qualifications need to be added. First, in order to transform the earth into productive goods that respond to human desires and needs, humans need to engage in labor. Second, the goods of the earth, which are here for all, do not carry within them a set structure for how we should exercise our intelligence and freedom to divide up those goods in a manner that allows fair distribution. As Pope Leo put it, “no part of it was assigned to any one in particular, and that the limits of private possession have been left to be fixed by man’s own industry, and by the laws of individual races” (§8).

To further understand this point, it is worthwhile to reflect upon the wide range of differing structures that humans have used in the exercise of intelligence and freedom to divide up the material goods of the earth in a manner that makes the fruits of the earth available to everyone. Consider the widely different systems of property used in North America. Focusing briefly on those communities in Midwestern parts of the United States, we see in our place names a hearkening back to Native American communities, which practiced a very loose system of property. Many of those people lived semi-nomadic forms of life, even as they practiced some sense of property and belonging. The name of almost every state in the middle part of America, along with countless cities, towns, and villages, comes from the languages of native people, either from the name used by native tribes to designate those people, or from
their description or name used to reference that place. So, in that sense, they had a sense of property.

At the same time, we can notice the rather different understanding of property presumed by the early Jesuit missionaries who were among the first European settlers in the middle part of America. As an example, consider Fr. Gravier, the Jesuit missionary who lived with the Kaskaskia people (Thwaites). Like so many of the early Jesuit missionaries who settled along the rivers of the upper Midwest, he brought with him an understanding of property that was shaped by the habits of village life in France, especially as this was practiced in Quebec. The communities that he and others developed, typically alongside the communities of native Americans, practiced a system of property with a great affinity to village life in sixteenth century France: residential life clustered in a village with a church at the center, agricultural crops grown in longlots tended by particular families (typically two-plough-lengths wide, so that one pass could be made in each direction), and common fields in which the members of the village had animals put out to pasture in shared land (Ekberg: 6).

Consider briefly a tension faced by Fr. Gravier and other Jesuit missionaries who lived in the area we now call the American Midwest (see Thwaite; Ekberg and Pregaldin). The Kaskaskia people, with whom Fr. Gravier lived, were occasionally attacked by members of other tribes. In retaliation, members of the Kaskaskia people would carry out violent counter-attacks. A significant number of the Kaskaskia people became Christian during the time that Fr. Gravier was working at the mission, and he taught them to reflect on their own actions, including their acts of retaliatory violence. When encouraged to ask, “Who owns this act?”, the members of the community were invited to reflect more deeply on the meaning of ownership, responsibility, and stewardship.

Geographers point to the remnants of medieval conceptions of property, imported by French Canadians, in the material culture of the old French villages that dot rivers in the American Midwest. After the War of 1812, when the land in the Midwest more decisively became governed by the laws of the United States, the sense of property and the cultural practices of French village life were rather swiftly replaced by the American system of property, influenced by British law, especially as practiced in Virginia, with its emphasis on clear deeds and individual ownership or unambiguous designations of joint ownership. In some places, the eye of an attentive cultural geographer still can see in a single place echoes of multiple systems of property: native American, medieval French, and U.S. American.

Catholic social teaching does not express a preference for one system of property over another, but it does affirm that it is a feature of human flourishing that a people are called upon to exercise intelligence and freedom to devise a system of ownership that makes it possible for the material goods of the earth to serve the flourishing of all in a manner that promotes the common good.

Forty years after the promulgation of the encyclical Rerum Novarum, Pope Pius XI clarified the church’s teaching on property and ownership by pointing to “twin shipwrecks” that should be avoided (§46). One error can be named “individualism,” especially the view that asserts that ownership means “I can do whatever I want with my own property” or that the only limits to the use of property are the rights of other individuals. This type of individualism denies or minimizes “the social and public character of the right of property” by failing to recognize
that owning property means being as steward. Stewardship is a responsibility to care for property, treating it as one’s own while recognizing that in another sense, it belongs to someone else. So, the flaw of this sort of individualism is the laissez-faire attitude in which one acts without regard for others. The other error can be named “collectivism,” especially the view that asserts that all private ownership is wrong or unjust, or that the means of production should be owned only by the state, and never by a private individual.

Returning to Pope Leo’s natural law argument in defense of private property, we can hear the echoes of arguments advanced by Thomas Aquinas. A system of private property is best suited as a way to divide up the material goods of the earth because it promotes better care for material resources, because it promotes more orderly conduct, and because it promotes greater peace (II-II.66.2). At the same time, St. Thomas adds an important qualification: property ownership comes with the responsibility to ensure that one’s property is used in a manner that promotes the common good, and in cases of extreme need, the claim of ownership might be overridden by urgent particularities (II-II.66.7).

Thus, Rerum novarum teaches that humans are, in one sense, like the other animals, who work to get food or a place to sleep, making nests or dens, but in another sense, quite different from the other animals, in that we have been gifted with language and a sort of intelligence that allows us to foresee, to some extent, into the future, to plan, and to work together with others on very complex tasks. Accordingly, humans can possess property, not merely for temporary and momentary use, as other living things do, but to have and to hold them in stable and permanent possession. As Pope Leo puts it in Rerum novarum,

Private ownership is the natural right of humans, and to exercise that right, especially as members of society, is not only lawful, but absolutely necessary. “It is lawful,” says St. Thomas Aquinas, “to hold private property; and it is also necessary for the carrying on of human existence.” But if the question be asked: How must one’s possessions be used – the Church replies without hesitation in the words of the same holy Doctor: “One should not consider material possessions as one’s own, but as common to all, so as to share them without hesitation when others are in need” (§22).

On the hundredth anniversary of Pope Leo’s teaching about owning property in Rerum novarum, John Paul II applied that teaching to the context of 1991. With the collapse of communism in Eastern Europe, he asked whether capitalism is the way forward. In his answer, John Paul II drew an important distinction:

If by “capitalism” is meant an economic system which recognizes the fundamental and positive role of business, the market, private property and the resulting responsibility for the means of production, as well as free human creativity in the economic sector, then the answer is certainly in the affirmative, even though it would perhaps be more appropriate to speak of a “business economy,” “market economy” or simply “free economy.” But if by “capitalism” is meant a system in which freedom in the economic sector is not circumscribed within a strong juridical framework which places it at the service of human freedom in its totality, and which sees it as a particular aspect of that
freedom, the core of which is ethical and religious, then the reply is certainly negative (§42).

In other words, the pope is suggesting that it is possible to engage in the practice of owning property, including the ownership of capital in a free economy, especially when the market sphere is circumscribed by a polity with a strong juridical framework and a moral cultural sphere that upholds the dignity of every human person.

As we recall the church’s teaching on the economy, it is worth noting how much the central question is the issue of ownership, not income or trade. What is fair ownership? What does it mean to be a good business owner? From the teaching of Pope Leo in Rerum novarum and the other social encyclicals promulgated on the anniversaries of that encyclical, a broad answer begins to come into focus. An individualistic attitude toward ownership which says “what’s mine is mine” or which sees the responsibilities of ownership only in terms of respecting individual rights is inadequate, as is an attitude that proposes that private ownership of property or of the means of production is unjust, as if these are only to be left to the state.

Between these two mistaken views of ownership, there is a more adequate conception that accords with the grammar of stewardship.

Human beings legitimately exercise a responsible stewardship. On this earth there is room for everyone: here the entire human family must find the resources to live with dignity, through the help of nature itself – God’s gift to his children – and through hard work and creativity. At the same time we must recognize our grave duty to hand the earth on to future generations in such a condition that they too can worthily inhabit it and continue to cultivate it. This means being committed to making joint decisions “after pondering responsibly the road to be taken, decisions aimed at strengthening that covenant between human beings and the environment, which should mirror the creative love of God, from whom we come and towards whom we are journeying (Benedict: §50).

Accordingly, the social doctrine of the church is a teaching that emphasizes the responsibilities of stewardship. While this has implications for questions of fair income and fair trade, those are not central issues in Catholic social teaching. I have tried to show that the theme of property, and questions about what it means to be a responsible owner of property, is a much more central feature of Catholic social teaching.

In the social teaching of the Catholic encyclicals, ownership is understood in terms of stewardship. Stewardship involves holding something in trust for another. Historically, stewardship was a means to protect a kingdom while those rightfully in charge were away, or, more often, to govern for the sake of an underage king (Beabout: 175). As Peter Block has put it, the task of the steward is to “choose service over self-interest” and to “reside over the orderly distribution of power” (xx). In order to do this, Block points to the importance of systematically moving decision-making and resources “closer to the bottom and edges of the organization” (xx). Understood this way, stewardship is “the willingness to be accountable to the well-being of the organization by operating in service, rather than in control, of those around us” (18).
Ownership (understood as stewardship) is thus a responsibility that involves recognizing that, in owning something, one has the responsibility to exercise one’s intelligence and freedom as a wise steward. As Pope Leo put it, “the earth, even though apportioned among private owners, ceases not thereby to minister to the needs of all” (§8).

Succession Plans for Wise Stewards

What options are available to business owners in their succession plan, especially for those who desire to consider more than profit maximization? For owners who want to do more than cash out, what are the strengths and weaknesses of various options for business succession?

For a variety of reasons, many owners of small and medium-sized businesses tend to avoid the question of succession. Yet business owners who practice stewardship in a way that promotes non-financial objectives of healthy community have the responsibility to consider whether and how the business will be sustained when it comes time to transfer ownership, and whether the business succession plan will include a way to sustain a commitment to non-financial goals, including supporting the community. The particularities of each such business make it so that it is impossible to treat this topic in an abstract, one-size-fits-all manner. Instead, it is worthwhile to consider a range of options, along with the strengths and weakness of each.

Since many small and medium-sized businesses began as family businesses, a common consideration is to pass on the business to the next generation in the family. However, in practice, most family businesses do not pass on to the next generation, and this for a variety of reasons. Many families do not have children with the interest or skill level to continue the firm. The roles in a family, where each child is loved unconditionally and equally with a recognition of personal gifts and talents, may be different from what is required in choosing who is best suited to lead a company, as it may be that one child is better suited than others for the role of owning and running the company. Further, the founder’s goals, vision, passion, engagement, and years of experience may differ quite significantly from that of the next generation. Thus, family succession may be suitable in some instances, but not others.

Perhaps the most common path for a small business, when the owner decides to retire or discontinue running the business, is simply to go out of business and liquidate the company’s assets. Any real estate, equipment, or inventory is thus converted to cash. If the proceeds generated from liquidating assets is significant, these (finite, one-time resources) can be used, in part or in whole, to advance the non-financial goals of the owner. Much is lost when a business closes; many assets, both tangible and intangible, quickly evaporate, including the steady stream of cash flow, jobs, customer relationships, and brand recognition.

In some cases, a successful small or medium-sized business may have an opportunity to sell, whether to an individual, to another business, or to a private equity firm. Each has advantages and disadvantages. Selling to an individual may make sense in some cases, though the new owner may do things with the business that the founder finds surprising or objectionable. Selling to another firm may yield significant proceeds, though this typically involves stepping away from the firm and giving up influence.

Some successful small companies may be suitable candidates for sale to a private equity firm. Assets for such investments have reached record levels, and there is a large amount of
capital available and raised each year for the acquisition of businesses (Lindsey 2018: 3). As in the example of the sale of Green and Black’s, some of these transactions may seem quite attractive to business owners; these also may include agreements to honor ethical commitments of the firm’s original owners. However, it is also the case that the sale of a company typically changes a company’s culture. Features of the sale may incentivize an overemphasis on short-term efficiencies, and the new owners may feel reduced ties to the local community following an acquisition.

What can be done when the controlling owners value non-financial and community-related outcomes? Is it possible to find a stewardship-based exit strategy? Is it possible to balance the financial aspects of the sale of the business with agreements that strengthen an ongoing sense of concern for the well-being of other stakeholders? In the case of Green and Black’s, the sales agreement included stipulations that the business would continue to be practiced in a manner that honors the ethical commitments of the original owners, though those commitments seem not to have been honored when the company was resold again. In some cases, it may be sensible for a business owner to work with a private equity firm like the one founded by Kevin Lindsey: Social Impact Sustainable Private Equity. This sort of private equity firm connects investors and business owners preparing to sell where all the parties are committed to sustaining community ties. Such transactions may require a range of commitments and virtues. Part of what is needed is the patience to find investors interested in supporting the next generation of business owners as they acquire and build stable businesses that are long-term members of a local community. The goal of these sorts of private equity firms is to provide financial vehicles that allow the transfer of ownership of companies “for investors who appreciate how enduringly profitable small to mid-sized businesses are the bedrock of local communities” (Rerum Novarum Capital). Their philosophy is based on the belief that “if more businesses are owned within a community and support a community, the community is stronger.”

The question of transferring ownership of a business is complicated in part because there are multiple forms of ownership practiced by small and medium-businesses. Many small firms begin as a sole proprietorship. However, as a firm grows and develops, and especially as a firm reaches a point where the original owner is ready to sell the firm, it may be appropriate to consider which form of ownership is best for this firm, if it is to go forward under new ownership. This may involve raising questions such as those previously mentioned: Is a sole-proprietorship better than a partnership, a merger, a C-corp, S-Corp, or LLC?

In addition, business succession may give rise to other questions: Should the company consider an employee ownership model? Are there enough employees in the firm who have a sufficiently stable relationship with the company that it would be appropriate for them to consider a cooperative ownership model? Are there ways to transfer ownership from a sole proprietor to an employee owned business cooperative in which the employees become the new owners?

Employee owned business cooperatives typically retain local ownership, with a structure where management decisions are accountable to their employee members and communities. The cooperative model helps promote a balance between people and profit. There are many models of these sorts of successful community owned businesses, and many indications that
such firms can be sustainable and resilient while strengthening local economies and communities.

In order for a company to convert through a sale to become an employee owned cooperative, beyond questions about the financial vehicle appropriate for the sale, there are many other related questions. Is the business owner willing to consider this alternative? Who are the potential member owners? Will the current owner stay on as a member? Is the business viable and sustainable? How would the sale transaction be financed? What would be the details of such a sale? What plans would need to be put in place for ongoing education and training in the responsibilities of cooperative ownership? Is there a support system in place to help the potential new cooperative owners learn from existing co-ops and networks? In order to answer these questions, it is worthwhile to become introduced to the subculture of worker-owned cooperatives, and to the resources in place to help companies transition to adopt an employee owned cooperative model.

As a company is sold, there are also questions about management and culture after the sale. Does the upper management have adequate financial literacy, governance experience, and management experience to sustain the transition? Will management operate in a manner that is transparent and supportive of the goals of the firm? A firm has many day-to-day decisions that must be made: organizing, scheduling, problem-solving, etc., along with other larger strategic decisions that involve planning and leading. How will those roles be carried out during and after the transition to the new ownership? Who will get to participate in making those decisions? Will there be transparency? If so, how much will be made open, and to whom? Will the costs and profits associated with running the business be shared with the employees? If so, will this include employee pay? Who will be involved in making personnel decisions to hire and fire members of the firm?

For many small and medium-sized businesses, the cooperative model of employee ownership may be unsuitable, as most employees have neither the skills nor the motivation to be owners. Many employees do not desire the commitment, risks, or responsibilities of ownership, and they may lack the stomach to make the sorts of decisions that business owners have to make, involving hundreds of thousands of dollars, or perhaps millions of dollars. Further, the employees may not share the commitment of the owners to worthwhile non-financial goals.

Another viable alternative is for the owner of a small business to transfer ownership through something like mentorship. In some instances, an employee within a small firm may be well-suited to take over ownership; a period of mentorship may be needed to help with the transition, and this may include financial agreements about the financial transition of ownership. In other cases, a person outside the business may enter into an agreement involving a non-standard buyout along with a period of learning relevant details about the business. There is no simple formula for successful relationships of mentoring, as there are particularities that vary with each person and relationship; certainly some relationships can be fraught with difficulties, and some individuals are not well suited for learning from others: most of us get along better with some than others. Further, there is no single plan for the best way to arrange the financial transfer of ownership, and such a plan may go awry in various
ways. Still, in some cases, a mentoring relationship may be part of the financial transfer of company ownership from founder to successor.

Different firms obviously need to be attentive to the particularities of each circumstance. Reviewing these options for transferring ownership is intended to bring into focus some of the issues involved in engaging in thoughtful reflection about the responsibilities of ownership.

Conclusion

The important role that small and medium-sized businesses play to support communities is frequently unnoticed. The Economy of Communion project proposed by Chiara Lubich includes an invitation for members of the Focolare movement to bring their spirituality into the practice of business organizations, including those with a calling as founders and sustainers of for-profit businesses. Embedded within this invitation are two opportunities. First is the occasion to acknowledge the important role played by such business owners in promoting and sustaining healthy communities. Second is the opportunity to recognize the difficult questions for such owners when it comes time to consider business succession. Starting and owning a business is sometimes described as exciting, daring, exhilarating, and purposeful. Owners of small and mid-sized businesses frequently sense personal responsibility for the activities of the business while developing an eye for the health of the community in which the business is situated. Such owners sometimes become quite generous and committed to the flourishing of the community. When it comes time for such a business owner to make a decision to scale down, scale back, or sell the business, it is necessary to consider how to make wise decisions that serve the common good when it comes time to for them to sell their business. A consideration of the responsibilities of ownership informed by Catholic social teaching and awareness of the advantages and disadvantages of various business succession plans is crucial for ownership as a wise steward.²

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