

"Nothing ever becomes real, 'til it is experienced," John Keats

“At NRG Circles, we have gone through different Power Shift stages, that have organically evolved into a For-Purpose Enterprise, making Purpose the only “boss” of our organization. The For-Purpose Enterprise model creates a clear framework for us to live interdependence as an enterprise on all levels; work, people, as well as within the legal context. This pioneering model supports our business world by providing a clear framework during this purpose revolution.”

Tine Bieber, Partner at NRG Circles, The Netherlands

“It is time for us to leave things behind and begin to shape more meaningful futures in the world of work. In my view the author nails it, by placing purpose at the heart of all doing and providing practical insights into how we can all create collaborative organizations that matter not only for people, but for society as a whole today and in the long-term.”

Julia von Winterfeldt, Founder and CEO, SOULWORX, Germany

“To make their organizations agile as well as resilient against crises, leaders must develop and implement purpose as central guiding principle. This clever book shows how the fundamental transformation towards a “For-Purpose Enterprise” can succeed.”

Prof. Dr. Barbara E. Weißenberger, Chair of Management Control and Accounting, Heinrich Heine University Düsseldorf, Germany

"In her Book, Jo describes the new work landscape succinctly and accessibly allowing the reader to develop a comprehensive understanding of the topic. Extensive yet concise Jo covers all major content, from "purpose" as the supreme principle of order, to various forms of decision making, legal structures and remuneration. A practical introduction that urges the reader to get started rather than dwelling on the theory.

Axel Schmidt, Head of Crowdinvesting at GLS Bank, Germany"

Jo Aschenbrenner

The For-Purpose Enterprise

A Powershifted Operating System to Run Your Business

Foreword by Thomas Thomison

Translation by Jennifer Benson

Power & Purpose

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Foreword by Thomas Thomison

Rules in Service of Freedom

Be forewarned dear reader, that this is not just another business book. While it deals with work, capital, legal structures, and work culture, it will not deal with these topics in the way a conventional business book might. For example, it's not directly about becoming a better boss or leader, or a "how-to" for building better teams or a "five ways" for increasing operational effectiveness. No, it's more a book about falling in love. Really! Falling in love with rules. Rules that fundamentally transform how you work, invest, and maintain professional relationships; rules so profoundly different they might even rekindle a newfound love for the great game of business itself. A reinvented game that may inspire you, enliven you, and maybe even bring back delight in the work you do. So, in that sense dear reader, yes, this is a book about business.

It is a sign of the times, I think, learning to love new things in new ways. The very well-worn, 2500-year-old saying, "The Only Thing That Is Constant Is Change" still rings true of course. We live in a world where it seems everything is perpetually new. And, whether we realize it or not, new rules, possibly more than at any other time in recent memory will profoundly and permanently change the way we live, work and relate in the most fundamental ways. Think this too bold, too hyperbolic, too abstract? It is already happening.

Rules in the form of software code now influence almost every waking moment (and for some of us even near-waking or mid-sleep moments). There are an estimated 2.5 billion smart, mobile devices in the hands of humans today. Nearly half the world's population is connected via the Internet. Algorithms (or rules) decide for good or for bad what's on offer for a vast majority of humans on the planet. Rules today already influence and impact everything from the relationships you maintain on social networks, to the news you consume (or the news that consumes you), to the movies you watch, and the places you travel. More sophisticated rules in the form of "bits of intelligence" are already impacting human transportation, autonomous passenger vehicles

are here and freight distribution will soon follow. The world is becoming more interconnected, more autonomous yet interdependent, more networked, and complex. This is a truism, not a prediction.

“We are morphing so fast that our ability
to invent new things

outpaces the rate we can civilize them.”

— Kevin Kelly, author of *The Inevitable: Understanding the 12 Technological Forces That Will Shape Our Future*

So why all the fuss about rules? Frankly, because we rarely pay attention to the most fundamental governance structures underpinning business entities. We mostly kind of ignore them because they are perceived as “too complicated,” or “not really relevant,” or simply taken as a given, just another “box to check” so saith your lawyer. And this is exactly the problem!

Rules, rule of law for example (criminal, civil, and common), literally structure society, nations, and culture at large. Rules civilize us. Our civil agreements set boundaries, enable the creation of contracts, and coordinate business affairs at foundational, financial, and governmental levels. And yet for the last century, these basic elements governing how we run, structure, and control businesses big and small, public and private, have largely escaped any meaningful technological advance. Oh sure, there have been many noble attempts at incremental improvements. Some of the more notable ones include: agile, lean, self-directed teams, leadership development programs, and deliberately developmental organization models. I could go on, of course, and many of you probably could, too. It is a long list—the things we’ve tried. But no matter how clever or innovative these incremental improvements might be, they really haven’t materially impacted status quo power structures. The stark reality is that until very recently the underlying power systems, the fundamental organizing principles or rules have basically gone unexamined and unchallenged. The rules we use today to coordinate 21st-century work is heartbreaking. Embarrassingly, they are mostly the same as when the first automobiles rolled off the assembly line in the early nineteen hundreds. Work is

basically broken, as Aaron Dignan puts it in his recent book, *Brave New Work*. It is indeed time for an upgrade.

So how do we make things better? Thanks to the seminal work of Frederic Laloux in *Reinventing Organizations*, we can see a pattern of how organizational systems evolve with time—a developmental trajectory of hope, if you will. I take comfort knowing there is an inevitable evolutionary march toward a bigger embrace of purpose, self-organization, and human wholeness. We can also now see a path forward from the work of the early pioneers in self-management (Gore, Morningstar, etc). Those companies demonstrated that it was possible to structure work in radically new ways with different rules of engagement and underlying assumptions. And we have awesome inspirational movements such as Conscious Capitalism, Responsive.org, and the Teal/Reinventing communities beating the drum for change and pointing the way toward a better future. Yet as valuable and necessary as the early pioneers and movements have been (and still are!) they mostly inspire us to think differently. However, that doesn't inform us how to act at scale. And thinking differently can only take us so far as Dan Pink puts it in *To Sell is Human*, "Clarity on how to think without clarity on how to act can leave people unmoved." Rules, on the other hand, provide clarity on how to act. Rules coordinate action and gameplay. What we need now are new rules encoding the lessons and wisdom from the early pioneers and movements. The good news is we now have model rulesets emerging. There are now mature and concrete alternatives to least one power system: management hierarchy. Practices like Sociocracy and Holacracy® give us a fundamentally different approach to coordinate work with clear, concrete written rules.

So, what's next? Yep, you guessed it—even better rules. The For-Purpose Enterprise represents a continued effort to upgrade every aspect related to expressing purposeful work into the world. The For-Purpose Enterprise is a compound structure with new rules for legal, liability and capital matters; linked to an organizational operating system to express the work itself; and at long last, a clear set of agreements for the people doing that work. The story that follows dives into the mechanics of how it all comes together and what it feels like to work and live in such a power-shifted purposeful environment.

I cannot think of a better person to compose the first book on the For-Purpose Enterprise. Jo Aschenbrenner brings heart and passion to everything she does. An attorney; educator; committed partner and mother of three; an entrepreneur and mediator, Jo is a renaissance woman of unbounded energy. She makes complex legal and business topics accessible and has a knack for focusing on the essence of what really matters.

I hope you enjoy her story. Maybe you will start by being just a bit curious and somewhere along the way become seduced into loving new rules too. Rules in service of more purpose, healthier relationships, and ultimately more freedom!

Onward!

Thomas Thomison
Co-founder HolacracyOne, LLC
Founding Member, encode.org, LLC
Houston, Texas USA
2020

Introduction

Around the globe humanity deals with the subject of the future of work. The increasingly complex, ambiguous, uncertain, and volatile environment of our time calls for new courageous answers to how we work, earn, collaborate - and live our lives as a whole. While the prevalent modern company form has brought innovation, accountability and meritocracy to us, "corporate greed, political short-termism, overleverage, overconsumption, and the reckless exploitation of the planet's resources and ecosystems" are among their poisonous byproducts.¹ To counter these effects, humanity needs a new holistic approach adding purpose, connectedness, and a new understanding of power to the way organizations function and people energize their work. This reconnection of organizations and human beings with a greater whole is what is needed for the economic success of our enterprises and the future of our planet.

I think, in this crucial moment in time, mankind is called on to radically rethink the premises, structures and rules upon which today's organizations are built. In this book, I present one possible way forward: The For-Purpose Enterprise.

The Origins of the For-Purpose Enterprise

With its inception in 2015, the company encode.org has developed and tested a company model that reinvents work – systematically and for purpose: **The For-Purpose Enterprise**.² Encode.org's purpose in 2015 was coined as: "Going beyond employment. Liberating purposeful work". Its current purpose statement evolved and is now: "To connect power, purpose, and work".

The For-Purpose Enterprise is purpose-driven, transparent, dynamic, and based on a new understanding of power called distributed authority.³ It reorganizes the three core areas of a company from scratch:

- work,
- ownership,
- and social interactions.

The For-Purpose Enterprise is based upon three important rulesets that make up the operating system:

- the Holacracy® Constitution⁴,
- the foundational legal documents, and
- an Agreement of Association.

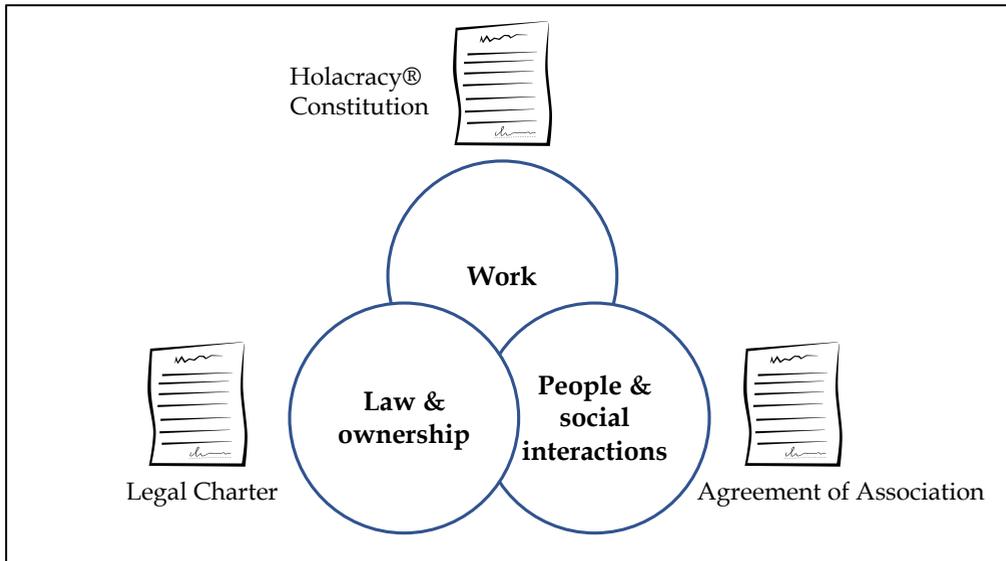


Figure 1: The Three Rulesets of the For-Purpose Enterprise making up its operating system

Together these rules redesign the above-mentioned three areas of a company: work, ownership, and social interactions (chapters 3, 4 and 5). The For-Purpose Enterprise introduces an **"ownerless" company**, in which the working members and investors put into effect the company's purpose. They are the Purpose Agents of the enterprise and know that fixed personal notions about the "right" business model, the "correct" purpose, and the "best" strategies are more likely to jeopardize the company's development toward its purpose than fostering it. Purpose Agents regard companies as living systems that have their own creative potential and cannot be owned by anyone. Purpose Agents give birth to this potential without defining or limiting it.

With respect to the organization of work, the For-Purpose Enterprise is based on the **Holacracy® practice of self-organization**. In this book, I describe the Holacracy practice only insofar as it is necessary for the understanding of the other chapters of the book and does not go into too much detail. However, I urge you to further familiarize yourself with the practice if you decide to implement the For-Purpose Enterprise in your organization.

This company model is not about incremental improvements to the current modern organizational forms. It is not about “hybrid company models” either in which the old world and the new world are mixed. The For-Purpose Enterprise model presented in this book deliberately distinguishes itself from these ideas. It is a self-contained system whose success depends on bidding farewell to old power structures mirrored in conventional management concepts and ideas, in legal contracts, and in common corporate social interactions. As you will soon learn, the positive effects of the for-purpose operating system will only unfold if applied in its entirety (chapter 2).

“We shape our rules and the rules shape us,” Thomas Thomison

Box 1: Quote Thomas Thomison

The current paradigm shift towards purposeful powershifted corporate governance recognizes **value creation as a result of the pursuit of purpose**. Daniel Pink, former editor-in-chief of WIRED and speechwriter of the former US Vice President Al Gore, describes this in his book *Drive: The Surprising Truth About What Motivates Us*: “The aims of these Motivation 3.0 companies are not to chase profit while trying to stay ethical and law-abiding. Their goal is to pursue purpose – and to use profit as the catalyst rather than the objective.”⁵

A For-Purpose Enterprise should not be confused with a non-profit company. Clear for-profit enterprises also align themselves with the objective "for purpose". Such a purposeful company pursues its defined (and constantly evolving) purpose (which is distinct from the individual purposes of its members) whilst generating revenues.

Reinventing Organizations and Beyond

Around the globe, modern entrepreneurs are dealing with the subject of "Reinventing Organizations". In his book by the same name, Frederic Laloux studied the different types of organizations over the last millennia describing their paradigm, using a specific metaphor for each and assigning them a color. He analyzes their breakthroughs and the shadows they brought humanity. Through his work, we can see a pattern of how organizational systems evolve with time – “a developmental trajectory of hope, if you will” (Thomas Thomison, Introduction).

<i>Paradigm</i>	Achievement	Pluralistic	Evolutionary
<i>Metaphor</i>	Machine	Family	Living System
<i>Color</i>	Orange	Green	Teal
<i>Breakthroughs</i>	Innovation, accountability and the principle of achievement (meritocracy)	Empowerment, Values-driven culture and inspirational purpose, multiple stakeholder perspective	Self-organization, wholeness, evolutionary purpose

Box 2: Characteristics of Orange, Green and Teal Organizations (F. Laloux)

Most of us have a conceptual idea of the **paradigm** that prevails today in global corporations, which Laloux describes as the “Achievement Paradigm”. He also referred to them as **Orange** organizations. The company functions according to the predominant **metaphor** of a machine, with people as the gears. Important aspects within these companies are competition, tangible achievements, and socially recognized success. People strive to be better than their colleagues, and the primary goal of the company is to grow and increase profits. The advantages are innovation, accountability and the principle of achievement (meritocracy).⁶ The shadows are profit maximization, greed, overconsumption and lack of purpose and identification with the company.

Frederic Laloux then described organizations that act like a **family** (metaphor) (including the advantages and the dysfunctions of a family). He calls

these organizations the **Pluralistic - Green** organizations. These companies emphasize the culture and power of collaboration, teamwork, and co-creation. The underlying worldview within these companies strongly emphasizes the feelings of the people and that everyone deserves equal. In addition, connectedness and the feeling of belonging are of utmost importance. Its shadows are the dogma of consensus and the power plays behind the scenes (that no one mentions even though they exist).

The three breakthroughs of evolutionary organizations according to Frederic Laloux (Reinventing Organizations)

- **Self-organization:** a system with new hierarchies and distributed authority that replaces traditional management.
- **Wholeness:** all members of the company are invited to bring all sides of themselves into the work and not only the socially accepted ones like strength and determination. In evolutionary companies, it is no longer just the known, externally defined success indicators that count (turnover, profit, effectiveness, or productivity). Instead people use their inner compass to determine what is right.
- **Evolutionary purpose:** companies are living systems that have their own purpose in the world. The task of all members of the company is to recognize and implement this company purpose. Their own individual purpose has to be in alignment with the company purpose (and not the other way around).

Box 3: The Three Breakthroughs of Evolutionary Organizations

Organizations which have left this stage behind, are what Laloux calls **Evolutionary-Teal** Organizations. They are currently evolving around the world and get a lot of traction. Their metaphor is that of a **living system**. Members of such companies regard the company as similar with nature, cells of the human body and the ecosystem, which is constantly changing, without anyone giving orders and making decisions from above and without ownership in its classic meaning.⁷ Laloux named three breakthroughs that characterize them: self-management, wholeness, and evolutionary purpose.⁸

A **For-Purpose Enterprise is an evolutionary organization**. Yet it goes beyond anything known in the global movement around the new world of work with respect to the concreteness of its rules securing the implementation purpose, transparency, dynamic steering, and a new understanding of power (see chapter 1). At the same time, the For-Purpose Enterprise is one possible way to realize purpose-drive, powershift and self-organization in your company.⁹ There are others around to answer the question of “what is next and what is needed in the world of work?” However, the For-Purpose Enterprise is the purest answer I have come to know. "It sounds to me like you are going to promise a form of salvation in your book," Konrad Bechler, a friend and lawyer in Berlin, said to me when we talked about my ambition for writing the book. "I am skeptical about this. As a lawyer I often have to reverse new forms of cooperation, when clients afterwards conclude that they had a different point of view of the cooperation, that once seemed the perfect outcome." Here, he addressed a truly important issue, something that has been a difficult balancing act for me. In this book, I would like to present this new approach to you, in as neutral, structured, and informative a way as possible. At the same time, this new way of working has most definitely inspired me as a person and changed the way I work, earn, and live. This book is therefore both a management and personal book and my goal is to strike a good balance between the two.

The PowerShift Network

“The evolutionary wind is blowing in a new direction. All over the world the forces of complexity and continual disruption force societies, organizations, and individuals to rethink their approaches to power and decision making - away from “power over” towards “power with”. Decentralization, autonomy, and transparency are at the core of this PowerShift. Power increases by sharing - we’re more powerful together.” (<https://encode.org/powershift>, as of June 2020).

“Unite: with 100+ leaders around the world advancing the PowerShift.
Share: your greatest challenges or tensions.
Give Generously: Exchange strategies and resources to help each other.”
(<https://powershiftnetwork.carii.pro/Login>, as of June 2020).

Box 4: PowerShift Network

Through its PowerShift Network, encode.org invites you to join this movement.

Overall, I would like to emphasize the following: the implementation of the four principles of the new operating system and the introduction of the organizational model of the For-Purpose Enterprise are important milestones on the journey of changing the world of work and saving our planet. However, there is still much to learn, to change, and to improve. At encode.org we sometimes use the image of the first automobiles that had to be cranked until the engine started.

My Personal Journey

My journey to find purpose in my work began in the fall of 2016. On a sunny October day in Amsterdam after an intensive discussion with Thomas Thomison about my personal purpose as a lawyer I signed the Membership Grant Agreement and became a member of encode.org. With this signature I committed myself to working in the living laboratory of a For-Purpose Enterprise. As a member I contributed to the development of the rules of the For-Purpose Enterprise (legal, social, and financial) and to spreading its message to the world. In addition, I signed up for a personal adventure trip to discover my core self, my purpose, and a greater connectedness with myself, with others, and with nature.

On this trip, overcoming my ego-driven fears were key. Moreover, working in a power-shifted, purposeful, evolutionary organization entailed leaving my comfort zone of what I knew and how I usually behaved in the corporate domain (and in my personal life). The For-Purpose Enterprise and the community of encode.org's members offered a safe space for me to grow and to stay "in tune" with my purpose. I started to become truly honest with myself, to explore my individual purpose, to let go of control, to invest in self-care, to question my need for power over others and to assume my own power.¹⁰ It was hard inner work! I also implemented Mindfulness-Based Stress Reduction (MBSR) to keep paddling. On this journey I felt a sense of freedom and positive energy like I had never experienced before in my life. It is exactly this energy, that is the fuel for the success of a For-Purpose Enterprise.

In a nutshell, the For-Purpose Enterprise is a safe space full of creativity and entrepreneurial energy. It is an expression of an explicit openness for everything human, emotional, and spiritual, and it was designed to provide a warm home for all members and their personal growth – along with efficiency at work and profit in pursuit of purpose.

In this book, the flow is as follows and I hope you are inspired to join the journey!