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From profit and purpose to profit for purpose: Towards a more progressive professional services firm ownership model

By Marc Levy



It's late 2027. A new Right Lane Consulting (RLC) associate, let's call her May, arrives for her first day at the firm. As part of her induction, like all staff, she is invited to join colleagues who've chosen to participate as members of the Right Lane Foundation (the Foundation).

Foundation membership gives May and her colleagues the right to vote for some members of the Foundation board, other directors being appointed by the initial directors. Through these elected directors, May and her colleagues have a say in the governance of the Foundation.

At the end of FY2026-27, the Foundation made its final payments to shareholders who in 2022 participated in the debt for equity swap that enabled it to acquire majority ownership of Right Lane Consulting. Soon after the final payments were made, I sold more of my shares to the Foundation, dropping below 20% ownership. That triggered a clause in the Shareholders Agreement that enabled the Foundation to take control of RLC, with the sole right to appoint and remove directors. So, now, through the elected directors, May and her colleagues have a say in the governance of RLC too.

In her first week, May is considered for two projects, one for a super fund client and the other for a small NGO doing place based collective impact work in Central Victoria. The former is to be funded by the client.

The latter is to be funded by the Foundation, from its share of the RLC dividends. In deciding what May would do, the principal in charge of staffing for May's team was largely ambivalent about whether May was staffed on one or the other as they are both at full fees.

A few days later, May is staffed on another project funded by the Foundation, to determine whether the Foundation should invest in an early-stage social inclusion tech start up or support a social sector executive capability building program.

May's hypothetical experience is emblematic of our plan and, so far, it's on track.

Here's the story of why and how this came about.

The back story

In July 2022, Right Lane became the first privately owned Australian management consulting firm, and possibly the first for-profit company in Australia, to restructure into a majority foundation owned company. The Foundation is a not-for-profit, charitable purpose, Australian public company registered with both the ACNC and the ATO, with its own board operating independently of RLC.

The push towards a new form of ownership and governance, one that would do a better job of integrating purpose and profit, started more than 10 years ago when I read 'The for benefit enterprise' by Heerad Sabeti in the November 2011 issue of the Harvard Business Review.

Most of the work we were doing at Right Lane, the management consulting firm I'd started a few years before, was in the public and non-profit sectors. That was satisfying and gave me and my colleagues a sense of purpose.

We sought to formalise the choice we'd made to focus on socially purposeful work by developing a strategy map for our firm. Strategy maps were de rigeur at the time.

Developed by Kaplan and Norton of balanced scorecard fame, they show causal relationships between objectives. Working from the bottom of the map to the top: great people and good processes and practices lead to satisfied clients and, in turn, excellent financial outcomes. We developed a double-headed strategy map, with financial and social outcomes given equal prominence at the top.

At our weekly stand up meetings, we would talk about how we would do work for clients we cared about and grow the firm consistent with our purpose.

Acknowledging the co-existence of purpose and profit motives was good, but it wasn't enough. I wanted our firm to take it further. Sabeti gave me a name and a framework to do that.

We started referring to Right Lane as an 'ethical', 'for benefit' firm (even creating a 'for benefit' logo for our external comms) and adopted Sabeti's principles of reasonable profits, inclusive ownership, stakeholder governance, social procurement and transparency. I established an advisory board of former clients and people who understood our work and our clients and started an employee share option plan.

By the early to mid 2010s, 'benefit corporations' had some legal standing in the US, but no one I ran into was talking about them here. One of my colleagues said to me: 'That for benefit thing you are doing is all very well, but how would clients know whether there is any legitimacy to it; you aren't reporting and there's no independent organisation giving you a tick.'

Then B Corp came to Australia. We became the first management consulting firm to be certified here in 2015 and recertified twice since. That certainly lent a proof point to what we were trying to do.

In recent years we also broadened our list of client exclusions. We'd always screened out tobacco and alcohol companies, gaming businesses and some policy programs that we thought were detrimental, and we added certain mining and consumer finance sectors, and the rest of the tobacco and alcohol value chain.

Our resolve on these exclusions was tested in May 2020. Revenue was down over 40% in those early months of COVID. We were fielding calls every day from clients shutting down, circumscribing, or delaying projects. We didn't have anywhere near enough work. A big wine company called asking for help with strategy.

We were staring into the abyss in those early months of COVID, weighing the need for redundancies; but how could we serve the Foundation for Alcohol Research and Education on the one hand and big alcohol on the other.

Around this time, I was influenced by the work of Aaron Hurst who wrote a book on the purpose economy. Our advisory group, particularly former McKinsey senior director John Stuckey, encouraged us to more deliberately and clearly identify the purpose economy sectors that would be our focus. Reinforcing our focus on the social and public sectors, the caring economy, social justice and workers capital, and developing missions for our work in each of those sectors, certainly strengthened our resolve about the impact we wanted to have.

The driving sentiment for all of this was that purpose and profit needn't be traded off. There had been support for this idea in the management literature for some years (see for example Prahalad & Hart 2002). However, we found that there were trade-offs, an obvious one relating to pro bono work for clients low on resources. These projects were sometimes done the way they frequently are in professional services, with spare capacity in the quieter months.

Foundation antecedent

By June 2020, we'd started meeting people face to face again. I met a new client Jacob Varghese, the CEO of Maurice Blackburn, at the Richmond institution, Chimmy's. He wanted to know whether there was a governance model, like a for purpose trust, that would achieve a better balance between purpose and profit and enable efficiency and long-term investment.

Doing research on Jacob's question opened my eyes to different ownership structures I'd never thought about, including 'steward ownership' and in particular 'foundation ownership', which was popular in northern and central Europe.

I was inspired by the Scott Trust, which owns the Guardian and Observer newspapers. The Trust, a non-profit dedicated to securing the financial and editorial independence of the Guardian in perpetuity, owns the Guardian Media Group (GMG), which is a 'for profit'. Each entity, the Trust and GMG, has its own board.

The world's leading foundation ownership academic, Professor Steen Thomsen from the Copenhagen Business School, explained to me the research on the favorable outcomes of foundation ownership. He and his colleagues had shown that conventionally-owned companies had a survival probability of 10% after 40 years, while foundation-owned companies had a 60% survival probability. Foundation-owned companies had higher staff longevity and levels of profitability similar to non-foundation-owned companies. They also had strong reputations.

Perhaps foundation ownership was an antidote to the short-termism that had become such a serious concern for corporate governance. Foundation ownership might offer a way to transcend the profit-purpose trade off too. What if there was a model where you could pursue profit ethically and use those profits for good? We were already '(creating) economic value in a way that also creates value for society by addressing its needs and challenges', as Michael Porter and Mark Kramer put it, but what if there was a way to do that which was scalable rather than circumscribed by inevitable tradeoffs between full fee-paying clients and those doing great work but without the resources to pay our fees.

Steen introduced me to Flemming Bligaard Pedersen, the former CEO and chair of Ramboll, a big Danish foundation-owned engineering firm. At Ramboll, the Foundation owns most of the shares in the for-profit engineering business (the staff own a minority). Staff fill some positions on the foundation board. The Foundation invests the dividends it receives from the engineering business to promote the sustainability of the group, employ the directors of the commercial business and support research, education and humanitarian projects.

I had earlier discovered that thousands of businesses in northern and central Europe were foundation-owned, from Bosch to Bertelsmann, Lego to Lidl, Rolex, Tata and Zeiss. Speaking with a colleague from another professional services firm, one that had been foundation-owned for more than 50 years, and hearing about how the model had withstood recessions and mergers, expansion into new geographies and personal conflicts, gave me confidence that it could work for us.

Right time for Right Lane

Learning about Foundation and steward ownership coincided with other imperatives for change at Right Lane. I wanted to step back from my executive leadership role and appoint a CEO to run the firm. Our employee share ownership plan had been a more sustainable footing, and to continue and extend the work we were doing in the purpose economy, with a different ownership structure.

I shared three options with our shareholders: sell to a global firm, further diversify the shareholding by making it easier for other staff to acquire shares; or head down a path towards foundation ownership.

While potentially lucrative, the first option would have potentially diluted our purpose, tied me to an executive role for some years and precipitated an exodus of some key staff. The second option was appealing, but it had taken 10 years for me to sell a little over 30% and I wanted to move much more quickly.

I also didn't believe that simply adding more shareholders would further our purpose, and there are other ways for colleagues to share in the firm's profits.

The third option would foster 'mission authenticity'. But we had to find a way to have the Foundation buy some of the firm's shares so that it could use dividends to fund consulting engagements for clients who couldn't normally afford them.

I also thought foundation ownership would foster firm sustainability, as demonstrated by Steen. We would get and keep the most talented staff if we could create a virtuous cycle of profit and purpose.

There was some skepticism and resistance to option 3 at first. It helped when the person I chose to succeed me, Chiara Lawry, made it a condition of her taking the job that we proceed towards foundation ownership. Chiara saw the potential of the model. Foundation ownership, and Chiara's appointment, spoke of renewal.

It was not the simplest of the three options. My colleague, Jo Bradley and I, supported by the architect of our employee share ownership plan, Adam Rich from Wisewould Mahoney, would have to create the founding documents from scratch, there being no precedent in Australia. I decided not to use my 'drag-along' rights, so shareholders were able to decide whether to sell to the new foundation. Not everyone wanted to sell, so I would have to agree terms with those who did.

Jo, Adam and I would also be starting from scratch in our discussions with the Australian Charities and Not-for-profits Commission (ACNC), whose approval we needed to establish the Foundation and have it acquire shares in RLC. They had apparently never seen the likes of what we were proposing and we would have to change our model to satisfy their requirements. No RLC shareholders could be on the Foundation board. No one could sit on both the Foundation and RLC boards.

Jo agreed to be the inaugural Executive Director of the Foundation, joined on the board by our colleagues Chloe Mitchell, as chair, and Aaron Richards, all three deeply trusted colleagues, with shared personal values, who believed in what we were trying to do with the Foundation.

There was a vast amount of documentation and activity: developing the objects; writing the IM to shareholders laying out a proposition and plan; drafting and redrafting the Foundation Constitution; incorporating the Foundation as a new public company limited by guarantee; preparing applications to the ACNC for registration as a charity, and to the ATO; drafting the share sale agreements and the security deeds, the deed of waiver and consent and the deed of assumption to the shareholders agreement, the accession deed, the share transfer forms and the PPSR verification statements, the director appointments and resignations, the director resolutions and the share certificates. Jo and I exchanged more than 200 emails with Adam.

We also had to strike a sale price and work out how to have the Foundation buy the shares at that price. Our bank didn't want to provide debt to fund the purchase on terms we found acceptable and so, guided by transactions adviser Gary Higgins, we chose what's called vendor finance and worked our way through the legal and tax issues. The value of the shares being sold by the selling shareholders was converted to a debt to be paid down, with interest, over the next 3 or 4 years, depending on the profitability of RLC.

After that, the Foundation will invest dividends that it receives from its shareholding in RLC into supporting charitable organisations and their projects across a range of sectors including health, education, social welfare, human rights, environment and public benevolent institutions.

The Foundation will seek to fund their access to quality consulting and professional services that would not otherwise be affordable to them; advance knowledge of charitable organisations in the fields of strategy, growth and organisational effectiveness; build capabilities within charitable organisations by working with current and future leaders; and provide forums for charitable organisations to discuss and learn about best practices.

I am proud of what we have achieved at Right Lane, having helped hundreds of organisations that do good to do better – in aged care and aboriginal enterprise; childcare and cancer prevention and support; drug and alcohol research and education and disability services; public parks and public health; place based philanthropy and plaintiff law; rare diseases and radiation protection; refugee settlement and responsible investing; sustainability and social justice; workers' rights and workers' capital.

As I enter the final years of my career, I feel that the firm is in very good hands and has a bright future, under the leadership of Chiara, and the CEOs that follow her, and those stewarding the Foundation. Should our plan come to fruition, by the time May starts at Right Lane, we should be doing at least 5 times the work we are currently doing for organisations low on resources that do good.

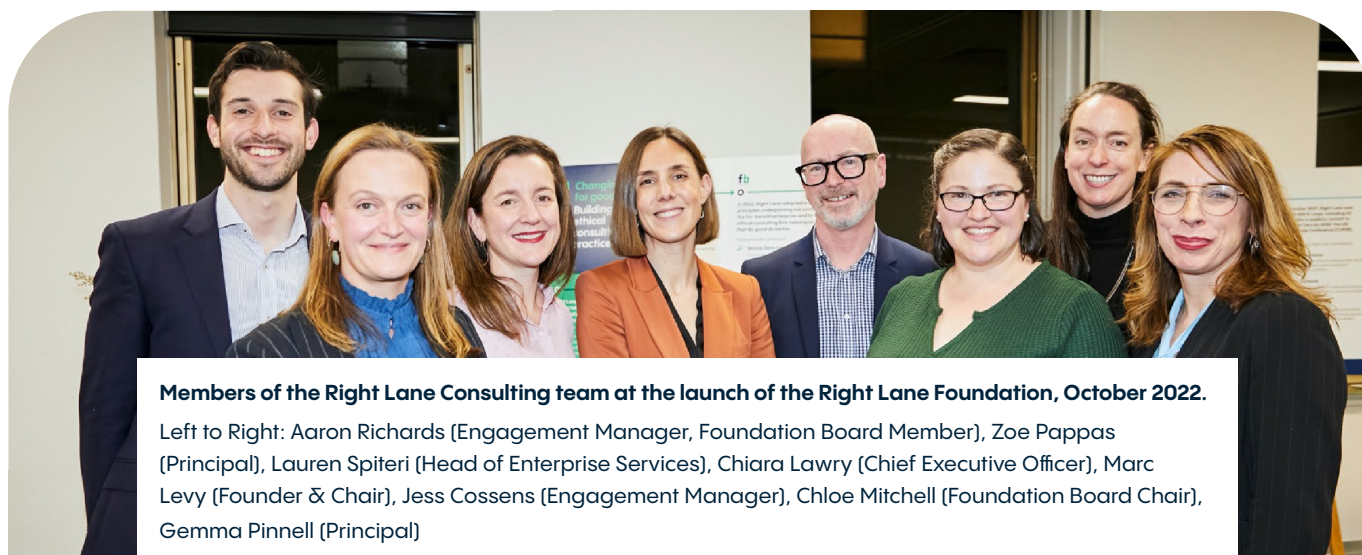
Want to know more?

If you would like to discuss this article in more detail, please contact

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Members of the Right Lane Consulting team at the launch of the Right Lane Foundation, October 2022.

Left to Right: Aaron Richards (Engagement Manager, Foundation Board Member), Zoe Pappas (Principal), Lauren Spiteri (Head of Enterprise Services), Chiara Lawry (Chief Executive Officer), Marc Levy (Founder & Chair), Jess Cossens (Engagement Manager), Chloe Mitchell (Foundation Board Chair), Gemma Pinnell (Principal)

About Right Lane

Right Lane is a flourishing, purpose-driven, management consulting firm serving the purpose economy. Our vision is to create and lead a new, disruptive, ethical consulting category that reflects a more sustainable balance of interests between Right Lane, our team, our clients and society.

We employ our distinctive ideas and processes, and our absolute commitment to delivery, to help clients we care about pursue their inspiring missions.

We work alongside clients who do great work within the sectors they operate, and we are excited to be involved in creating outcomes that truly make a difference.

Right Lane was established in 1997 to help private, not for profit and public sector clients to clarify and accelerate their future plans. Over the past 26 years, we have helped the executive teams and boards of around 400 organisations to define and adapt their direction and strategy, identify and clarify their priorities, align their efforts with their aspirations, get their major projects started and finished, and measure and improve their performance.

Right Lane became the first strategy consulting firm in Australia to be B Corp certified in 2015. Right Lane has since recertified as a B Corp in 2017 and 2021. Certified B Corporations meet higher standards of social and environmental performance, transparency, and accountability.

Taking this commitment one step further, in July 2022, we transitioned to majority Foundation ownership – the first Australian consulting firm to adopt such a structure.

B Corp certified

What does it mean?



Right Lane became the first strategy consulting firm in Australia to be B Corp certified in 2015. Right Lane has since recertified as a B Corp in 2017 and 2021.

This follows Right Lane's decision in 2011 to adopt 'for benefit' principles, including reasonable returns, inclusive ownership, stakeholder governance, keeping transparency, and social and environmental responsibility. Keeping our return on shareholder funds at reasonable levels, rather than seeking to maximise financial returns, has allowed our firm to pursue our purpose to contribute to a better society by helping organisations that do good, do better.

B Corporations are a new kind of company that uses the power of business to solve social and environmental problems. Certified B Corporations meet higher standards of social and environmental performance, transparency, and accountability.