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ERNEST BADER'S QUIET INDUSTRIAL REVOLUTION

by Martyn Drayton

The Scott Bader Company Ltd. is a modern firm based in Wollaston, Northamptonshire, producing plasticisers and synthetic resins for the chemical industry. It was founded by Mr. Ernest Bader, a Swiss born in Regensburg, 81 years ago, who decided to give it away to his employees by creating a co-ownership and community organisation, the "Scott Bader Commonwealth Ltd.", controlling the company.

In 1920 a young Swiss set up in business in the City of London. Over the next thirty years he built up a plastics manufacturing company which made him a rich man with a personal fortune of over £½ million. In 1951 he gave it all away in an attempt to create a workers' community free from the inflationary wage-earner/profit-seeker conflicts of the capitalist system.

Today, more than twenty years later, his success is manifest. Ernest Bader, Swiss, Quaker, and now an octogenarian, has seen the practical implementation of his ideals grow steadily from a turnover of £625,000 in 1951 to a turnover of nearly £5 million in two decades, and this growth has been achieved with none of the labour/management confrontation that has typified much of the British industrial scene.

The community which he founded, the Scott Bader Commonwealth is based on the principle of common ownership. The Commonwealth owns the Scott Bader Company, the opera-

tive manufacturing organisation, and the staff of the Scott Bader Company own the Commonwealth on a community basis. The result of this is, in Bader's own words: "The employees and workers know that the business cannot be disposed of or sold over their heads or come under a different management overnight. The business is theirs and it is their responsibility".

Why did he do it? What moved a wealthy man to gamble a successful, prosperous business on an experiment in industrial democracy which many of his contemporaries saw as a colossal exercise in wishful thinking? The reason seems to be twofold. Bader was a Quaker; he believed in the equality and dignity of men. "The wealth of all the earth," he wrote recently, "is a common heritage to all humanity . . . We must have hearts and brains big enough to embrace all humanity, and not merely think of the interests of our particular nation or personal well-being."

At the same time, he was growing increasingly disenchanted with the practical, economic problems caused by the general devotion to the terrible twins of Mars and Mammon: "It is not only the deadly blow of re-armament but also the cumbersome bureaucratic machinery, combined with the stranglehold of stocks and shares on our national economy, that are our trouble. The futility of the above activities is clearly shown in the rise

of unemployment, throwing on the scrapheap valuable human resources. Economic war has now reached its ultimate contradiction."

The solution, he was convinced, lay in the application of Christian principles to the world of business, in the creation of a working community with common aims reinforced by common ownership. The difficulties involved were great: in attempting his economic revolution Bader was faced with potential enemies both inside and outside his system. But, as he wrote twenty years after the revolution, "The clash of ideas and personalities can be overcome if our schemes are sufficiently generous and of obvious advantage to all."

So, in 1951, Bader transferred 90 per cent of the shares in his company to its employees although, at this stage, the Bader family retained ultimate control by keeping a tenth of the shares which carried majority voting rights. Simultaneously, changes were made in the structure of the company with the creation of consultative machinery and an independent judicial body, and employee representatives were included on the board of directors.

The revolution had begun. In the first twelve years the turnover of the company increased by more than two-and-a-half times, and the number of staff went up from 161 to 262. But, as was to become clear to those inside and outside the company, it was only a partial revolution. Bader had relinquished the managing directorship in 1956, but the Bader family still controlled, although they did not completely own, their company. There was still room for the growth of tension the very incompleteness of the revolution meant that there was even within the new system at least a partial divergence of interest. And so long as there was this divergence there remained the threat of conflict which Bader had set himself to eradicate.

Accordingly, in 1963, the remaining shares in the company held by the founders were transferred to the community, and the residual powers the Baders had retained were vested in a newly-created board of trustees. The revolution was complete, and, with a number of subsequent refinements, this same structure remains today.

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Council, the Board of Directors, the Managing Director and his committees and the Trustees.

The Board of Directors is the policy-making body. On it sit the Chairman, six executive directors, two outside, part-time directors and two employee directors. The Managing Director and his committees implement the policy laid down by the Board. The Community Council is an elected body of sixteen representing all sections of the company. Members are chosen by secret ballot. The Council approves the appointment of the chairman and any company directors, elects from its members the two Scott Bader Commonwealth directors who sit on the operating company Board, has the power to discuss any matter and make recommendations to the Board and is the final arbiter in all disputes or disciplinary matters. It meets every two weeks.

The Trustees are the trustees of the constitution, although they have

lost most of the powers of veto which they held formerly. One of their main functions now is to arbitrate between the Council and the Board on fundamental policy matters.

The Scott Bader Commonwealth was started as an experiment and has proved itself successful by the criteria of the capitalist system it rejects—money. Since its inception, the size of its staff has more than doubled, but organic growth is not its goal. It wants to remain small enough for each employee to comprehend, for it believes that this ability on the part of each of its members to view the organisation as a whole is vital for its continued success. Ironically, this ingredient necessary for its success automatically imposes a limitation upon its scope. The Scott Bader revolution would be difficult to pull off within a giant capitalist group. But, as Ernest Bader says, "We wish to cut ourselves adrift from the snares of capitalism."

Martyn Drayton

The Scott Bader Company is profitable. Last year it made a net profit of six per cent on sales over eight times greater than in 1951, and it has never made a loss. But it distributes its profits very differently from conventional companies, and even its sales policy is governed by the same Christian principles which inspired its foundation. Says Bader: "The State cannot be allowed to force us to do what we consider a crime, namely to participate in war and the 'rat race'. In any case, we detest the idea of making profits out of the misery of others, and while supplying goods which also have a peacetime purpose, we refuse orders for the manufacture of weapons of war."

The distribution of the company's profits is decided by the whole staff in General Meeting. Before the meeting, all members are shown the company's Balance Sheet. The current arrangement is that 60 per cent at least of the profit after tax is ploughed back into the company, and the balance is split equally between the employees in the form of cash bonuses and charitable objects chosen by the Meeting. The founders maintain "that it is wrong to exploit the possession of money by demanding interest or dividends." Last year, 8 per cent of after tax profit was distributed as cash bonus, another 8 per cent allotted for charitable purposes and 49 per cent ploughed back.

The current organisation of Scott Bader is complex, but it bears examination. The Scott Bader Commonwealth is the co-ownership body, and holds all the shares communally. Its Board of Management controls the distribution of money to charity, the acceptance of new co-owners and long-term development policy. The operating company comprises four main executive centres: the Community

COMMENT

NO TO THE SPEED BAN

On 1st January, 1973, a speed limit of 100 k.p.h. will take effect on all Swiss roads, with the exception of motorways. These new regulations will last for a trial period of three years.

The decision was taken by the Federal Council earlier this year and seems to have faced little opposition from Parliament. On the other hand, all motoring organisations complained that they had not been consulted and deplored the principle of a speed limit. A petition organised by the Swiss Touring Club gathered several hundred thousand signatures expressing overwhelming opposition to the speed ban.

It would thus appear that the federal decision, which being taken as a Decree did not have to be submitted to the people, went precisely against their will. It is surprising that the population will be consulted on, say, adding a sentence to the Constitution, with minor effects on the lives of the common man, whereas something as important as speed limits on roads should be decided without popular consent. It must also be noted that the future limit of 100 k.p.h. is equivalent to 62.5 m.p.h., which is considerably lower than the 70 m.p.h. limit enforced in Britain.

Many will argue that imposing a general speed limit will not have a great impact on everyday life. It seems clear however that, considering the importance of the motor car in our existence, the speed ban will spoil an important element of the life of count-

less people. The millions of motorists who enjoy driving, and this usually means driving with zest, will be deprived of a pleasure which is psychologically and mentally invaluable. Driving eases off the tensions which build up in modern life. Who knows—a man who comes home after a 100 m.p.h. jaunt will perhaps be kinder to his wife than if he were made to crawl at an intolerable legally enforced snail's pace.

What will arguably be worse for the mental health of the population will be the rising rate of licence confiscation and denunciations among motorists that can be expected from the new regulations. A 70 m.p.h. ban has been applied on British roads. It is more tolerable, not only because it allows an extra 12 k.p.h., but also because the law is not implemented with the same general thoroughness as in Switzerland. Although fines and sanctions meted out to offending motorists are at least as heavy in Britain as they are in Switzerland, if not more so, the chances of being caught are actually much smaller. Once a driver has passed his test and obtained a licence in Britain, he can then abide by the 30 m.p.h. limit with some degree of slackness without taking an undue risk. Non-observance of the 60 k.p.h. law in Swiss towns and villages will lead to a much more probable retribution by the police.

This means that the impact of the new regulations will be stronger in Switzerland than they are at present in Britain. Drivers will be haunted by the hidden presence of radar traps and prowling police cars.

A foretaste of how the police intend to implement the new law was given earlier this month when police