

Concept Paper

Spiritual Discernment, the Incorporated Organization, and Corporate Law: The Case of Quaker Business Method

Nicholas Burton ^{1,*} and Jonathan Bainbridge ²

¹ Newcastle Business School, Northumbria University, City Campus East 1, Newcastle NE1 8ST, UK

² Newcastle Law School, Northumbria University, City Campus East 1, Newcastle NE1 8ST, UK;
j.bainbridge@northumbria.ac.uk

* Correspondence: n.burton@northumbria.ac.uk

Received: 15 November 2018; Accepted: 6 January 2019; Published: 8 January 2019



Abstract: The purpose of this paper is to examine the extent to which practices from the spiritual traditions—in our case, spiritual discernment—may offer opportunities for management innovation in non-religious organizations in designing collaborative and participative decision-making processes. We examine the case of a spiritual discernment practice associated with the Religious Society of Friends (Quakers) in the UK—known as the Quaker Business Method (QBM)—to help illuminate the opportunities of spiritual discernment in private limited companies. Given that the majority of non-religious, trading organizations are structured as private limited companies, our paper addresses the extent to which QBM can be utilized by such entities. Thus, we bring religion and corporate law into conversation to address this under-explored terrain. We find that embedding many elements of Quaker spiritual discernment in private limited companies pose non-trivial challenges. However, many of these challenges can be overcome so long as those involved in managing and owning organizations actively engage with corporate law, and specifically consider the benefits of adopting bespoke articles of association or entering into a separate shareholder agreement to reflect the practice of spiritual discernment. We necessarily adopt a practice-orientated perspective, and conclude by proposing new pathways for future research.

Keywords: spiritual discernment; Quakers; Quaker business method; corporate governance; corporate law

1. Introduction

In the scholarship of law, decision-making is concerned with compliance and ‘good’ corporate governance, and decision-making is governed through statutes such as the Companies Act 2006. Case law will then subsequently help to interpret the legislation, and policy guidance is given to certain corporations on what they must do to comply with the rules on corporate governance. In the management literature, decisions are concerned with setting a direction others follow, creating a viable future for an organization, motivating stakeholders, attending to organizational vision and culture, monitoring the external environment, and establishing the moral tone of the organization (Narayanan and Zane 2009). Yet many business decisions in organizations are prone to failure (Nutt 1999) against one or more of these aims. For instance, Delbecq et al. (2004) argue that failure often results from issues such as committing to a decision prematurely, an over-emphasis on analysis, and an over-reliance on past practices.

In a separate stream of literature, the decision-making tradition of spiritual discernment has gained traction (e.g., Benefiel 2005; Cavanagh and Hazen 2008; Delbecq et al. 2004; Burton 2017).

Discernment is derived from *dis* meaning “apart” and *cernere* meaning “to shift” suggesting that discernment separates pieces of a decision (Trauffer 2008; Trauffer et al. 2010). Summarizing the literature, Hurlbut (2014) highlights that decision-making in the discernment tradition is experienced through introspection, imagery and imagination (Zevit 2005), by memory guidance, body awareness, and sensitivity to nature (Liebert 2008), or approached through spiritual or religious means such as contemplative silence, prayer, pursuit of community belonging, and the abiding sense of unity (Frykholm 2007). Spiritual discernment, thus, approaches decision-making as an understanding of God’s will—or “God’s law”—and not as some outcome of human rationality and authority. For example, Falque and Duriau (2004, p. 54) highlight that discernment in the Christian tradition is associated with the gift of an individual’s perception of the expression of God’s will. Delbecq et al. (2004), furthermore, argue that spiritual discernment assumes we are spiritual beings twenty-four hours a day and that ‘mundane’ activities—such as decision-making—are imbued with spiritual significance in carrying out God’s work. According to Delbecq et al. (2004, p. 147), discernment is “the call of God as it comes to us in the midst of daily life”, and for the manager or leader, “... the call of God lies in the midst of the very activity of leading one’s own organization”. Ekblad (2011) also suggests that a spiritual perspective to discernment requires being led by God in a certain direction, acting and deciding as God directs.

The relationship between religion, religious/spiritual traditions, and the law has been examined recently in this journal. For example, Garcia (2017) examined the relationship between international law and inequality; Liu (2017) examined trademark law and religious signs; and, Benk et al. (2016) highlighted the effect of religiosity on tax compliance. However, the relationship between decision-making practices from the spiritual traditions and corporate law is under-explored. Given its promise, this is rather puzzling. The aim of this paper is to bring spiritual decision-making practices into conversation with ‘secular’ organizational concerns—in our case, compliance with corporate law within which organizational decisions are made and actioned. Our starting position is that the tradition of spiritual discernment need not—indeed should not—remain within the ‘religious space’—a space already in limited conversation with corporate law through a comparison of Quaker spiritual discernment and the Charities Act, 2006 (Velayutham 2013), but rarely with wider corporate law such as the Companies Acts. However, if the practice of spiritual discernment is to be of wider interest beyond religious organizations, the research agenda must shift to examine concerns in the space of non-religious organizations/companies, e.g., to what extent can the process of spiritual discernment remain compliant within the boundaries of UK corporate law? What opportunities or tensions exist in doing so?

At first glance, this does not look too promising, and yet spiritual discernment appears similar to group consensus decision-making processes to be of potential interest beyond the religious space. In fact, the focus of this paper—the Quaker approach to decision-making (known by Quakers as the Quaker business method or ‘QBM’)—has recently received significant attention in the management literature as a spiritual practice of interest to non-religious organizations (Allen 2017; Burton 2017; Burton et al. 2018; Muers and Burton 2018). In addition, Quaker scholars such as Sheeran (1983, p. 78) argue that for those who de-emphasise its theological roots, the Quaker process of decision-making remains strongly associated with trust and a shared desire for reaching unity among a decision-making group. Pollard (1954, p. 8) also suggests that “What can be used easily in other bodies is the absence of voting, the requirement of unanimity, discussion in an atmosphere of conciliation rather than domination, the occasional use of periods of silence and the adjournment of discussion. It is more important to get the correct decision than to get a decision by a certain time”. Furthermore, Muers and Burton (2018) highlight examples of non-religious, non-Quaker, for-profit and non-profit organizations who continue to shape their decision-making processes consistent with the Quaker approach.

Despite these contributions, embedding spiritual discernment as a decision-making approach in non-religious organizations presents non-trivial challenges and provides a direct challenge to

Pollard's view that 'it can be easily used in other bodies'. For these non-trivial challenges to be over-come, we argue, organizations need to actively engage with corporate law. To examine these issues, we consider the case of the Quaker business method to illuminate our argument. The paper is divided into five sections. The next section provides a review of the theological and management literature in relation to QBM, and we characterize silence, clerkship, voting, and conflict resolution, as key features of the method. The third section identifies the relevant UK corporate law that governs *private limited companies*, the focus of this paper. In section four, we bring together the key characteristics of QBM and UK corporate law with respect to private limited companies highlighting tensions and proposing possible solutions. Finally, in section five, we offer some concluding remarks.

2. Quakers and QBM

The Religious Society of Friends (Quakers) have a history of about 370 years in Britain. Quaker theology (or -ies) developed originally from the ministry of George Fox and others in the mid-seventeenth century. The international community of Quakers, including substantial populations in the US and throughout parts of Africa, currently stands at about 350,000 (Dandelion 2008). The Quaker testimonies to peace, truth, simplicity, and equality are guiding and inspiring ideas that are used to direct Quaker behaviour. Testimony relates to the pattern of life to which Quakers subscribe; an outward expression of an inner orientation to God (spirit); what Quakers do is more a statement of faith than words (Scully 2009). Although Quakers in Britain have issued various 'advices' since the seventeenth century to its members about the dangers of being involved in business and commerce—it may 'obscure the Light Within'—nonetheless, during the nineteenth and early-twentieth centuries, Quakers made a significant contribution to industrial development in the UK (e.g., Angell and Dandelion 2017; Burton and Hope 2018; Child 1964; King 2014; Walvin 1998; Windsor 1980). Another significant contribution of Quakers was the *practice* of management, such as initiating (unusual for the time) policies which promoted acting ethically and with integrity towards the organizations' stakeholders. One of distinctive management practices of Quakers to have recently received renewed attention in the management and organization literature is the Quaker approach to decision-making that lies at the heart of Quaker corporate governance (Velayutham 2013). Today, most Quaker businesses that are 'Quaker-connected' are largely run by non-Quakers—and by people with no religious beliefs or affiliations.

To make the central claim of this paper—that spiritual discernment can be effectively utilized—within the boundaries of UK corporate law—in Quaker-connected, non-Quaker, and even non-religious organizations requires us, first, to set aside an assumption that a spiritual or religious practice requires a shared set of core spiritual or religious beliefs. As the main author has discussed elsewhere (see Burton 2017; Burton et al. 2018; Muers and Burton 2018), the Quaker community itself does not share a common theology or share belief content. Rather, Quaker theology is plural, and the diversity of individual belief content is widely celebrated (Dandelion 2004). Despite belief plurality, the most important text for Quakers is the Book of Discipline, known as Quaker Faith and Practice (Quakers in Britain 1995). Quaker Faith and Practice (QF&P) constitutes the discipline of Britain Yearly Meeting and assembles the writings of Quakers and documents procedures for governance and decision-making¹. According to QF&P and other theological and management literature², QBM comprises two distinct elements: (1) a theology informed by early Quakers, and (2) a decision-making practice—or a set of process and behavioral components (Burton 2017). QBM is used consistently by Quakers to make decisions on both 'worldly' and 'religious' matters (Mace 2012).

¹ This paper contains a number of footnotes regarding the practice of QBM which have been taken from the current UK edition of Quaker Faith and Practice.

² For an in-depth analysis (see Bradney and Cownie 2000; Burton 2017; Eccles 2009; Mace 2012; Muers 2015; Sheeran 1983).

In QBM, Quakers have a theologically-framed process for decision-making—at a local, area or national level—which have similarities to a Quaker meeting for worship. Muers and Burton (2018) highlight the key characteristics of QBM: a process framed in silence, spoken contributions are presented as vocal ‘ministry’ to the meeting, rather than as advocacy³, an absence of votes⁴; and contemporaneous minutes are proposed⁵ and agreed that reflects the shared spiritual discernment of the meeting⁶ (see also Muers 2015; Anderson 2006). Michaelis (2010, p. 16) highlights that “Contributions are normally offered without strong emotion, making space for alternative points of view. However, sometimes a passionate contribution based on personal experience can be valuable, enabling participants to grasp some new significance or perspective in their deliberation”. Contributions also tend to follow a few other simple behavioral rules, listen deeply⁷, limit repetition⁸, limit oratory, rhetoric or politically-charged contributions⁹, be prepared to take time over decisions¹⁰, but live adventurously¹¹, and only contribute once to an agenda item, unless called again to do so (Muers 2015; Muers and Burton 2018; Mace 2012; Quakers in Britain 1995).

The spiritual tradition of discernment is a key dimension of QBM. Quakers understand that anyone involved in the decision-making process may experience an individual ‘leading’ of the Spirit and feel led to contribute to the decision at hand. The individual’s contribution to the group is then subject to ‘testing’ by the ministry of others (e.g., collective ‘testing’), until the group arrives at a collective unity around the way forward—or, as Quakers’ say, the ‘sense of the meeting’¹². In other words, the individual leadings of members of the group are ‘tested’ in a process of collective discernment to arrive at a decision that represents a shared understanding of the ‘will of God’. Niyonzima (2013, p. 16) writes of this process:

³ QF&P 2.90. What is required is a willingness to listen to what others have to say rather than to persuade them that one’s own point of view represents what is right and proper.

⁴ QF&P 3.06 We do not vote in our meetings, because we believe that this would emphasise the divisions between differing views and inhibit the process of seeking . . . We must recognise, however, that a minority view may well continue to exist.

⁵ QF&P 3.14 Do not be afraid to ask the meeting to wait while you prepare your minute. You will then usually be able to complete it and have it accepted in that meeting. In some cases you may need to have time for reflection and to bring in a minute after an interval in the meeting, and QF&P 3.15. Acceptance of a minute must be a deliberate act. Even if it is not thought necessary to read out the whole of an agreed draft minute again at the moment of acceptance, the meeting must be sufficiently aware of its terms from the preceding exercise to be conscious of uniting to accept it. It is at the moment of accepting each minute that the united meeting allows you to record it as a minute of the meeting. It is good practice for the rough minutes to be signed at the meeting’s conclusion. This also gives the clerk authority to sign any fair copy once it is certain it has been correctly transcribed . . . It is undesirable that minutes should be prepared afterwards for presentation to a later meeting when the membership may not be the same as that which originally deliberated.

⁶ QF&P 2.90. What the meeting must learn to discern is its rightness, not how many people support it, QF&P 3.02. In our meetings for worship we seek through the stillness to know God’s will for ourselves and for the gathered group. Our meetings for church affairs, in which we conduct our business, are also meetings for worship based on silence, and they carry the same expectation that God’s guidance can be discerned if we are truly listening together and to each other, and are not blinkered by preconceived opinions. It is this belief that God’s will can be recognised through the discipline of silent waiting which distinguishes our decision-making process from the secular idea of consensus. We have a common purpose in seeking God’s will through waiting and listening, believing that every activity of life should be subject to divine guidance, and QF&P 3.06. The unity we seek depends on the willingness of us all to seek the truth in each other’s utterances; on our being open to persuasion; and in the last resort on a willingness to recognise and accept the sense of the meeting as recorded in the minute, knowing that our dissenting views have been heard and considered.

⁷ QF&P 2.90 What is required is a willingness to listen to what others have to say rather than to persuade them that one’s own point of view represents what is right and proper.

⁸ QF&P 2.90 The reiteration of one point by several Friends each in their own way lends no weight to the point. What the meeting must learn to discern is its rightness, not how many people support it.

⁹ QF&P 3.04 We have learned to eschew lobbying and not to set great store by rhetoric or clever argument. The mere gaining of debating points is found to be unhelpful and alien to the spirit of worship which should govern the rightly ordered meeting.

¹⁰ QF&P 2.90 Postponement and delay settle minds and assist the process of coming to a united mind. Above all, those who take opposing views come to find that the discipline of waiting has mysteriously united them.

¹¹ QF&P 3.04 and 2.90. We should neither be hindered from making experiments by fear or undue caution, nor prompted by novel suggestions to ill-considered courses. New possibilities for a way forward which nobody has thought of emerge out of discussion.

¹² QF&P 3.06 The unity we seek depends on the willingness of us all to seek the truth in each other’s utterances; on our being open to persuasion; and in the last resort on a willingness to recognise and accept the sense of the meeting as recorded in the minute, knowing that our dissenting views have been heard and considered.

“Friends [Quakers] are not fundamentally opposed to democracy . . . Rather, the process is based on the understanding that God’s followers understand that they operate within a theocracy, not a democracy. The goal when Christians gather to make decisions is to listen to God’s voice: not to find what the majority can support, but find what those present understand to be God’s will.”

The use of silence is another important characteristic of QBM. Silence is, of course, very unusual in non-Quaker settings, where ‘talk’ is often more characteristic of the decision-making process (Brigham and Kavanagh 2015; Molina-Markham 2014). QBM begins and ends with periods of silence, allowing those present to ‘Come with heart and mind prepared’. As a community-forming practice (Molina-Markham 2014), silence is also used during the proceedings to moderate the process. For example, silence is used to create a ‘space’ for those present to reflect on the ministries offered to the group, to reduce the risk of an ego-based debate, and to create a calming effect on those present¹³. Silence at the end of the process may also help to provide a reflective closure to the proceedings (Law 1998).

Quakers often argue that unity and consensus are not the same thing (e.g., Sheeran 1983; Burton 2017)¹⁴. The ‘secular’ notion of consensus is based on the privileging of human authority and rationality in decision-making, and is often characterized as requiring mutual compromise or ‘horse-trading’ to reach an agreement (Anderson 2006). Pollard (1954, p. 5) rejects the notion of consensus, arguing that “Quakers reject debate on account of a number of defects: its assumption that man is a wholly rational being, its disregard of the unconscious, its tendency to establish controversial speech habits as fixed attitudes, its accentuation of antagonism and differences and the desire to beat the opponent”. Anderson (2006, p. 30) highlights a similar observation: “. . . consensus is not simply a factor of compromise, wherein some give a little in one way, and others give a little in another. Modification of one’s understanding will indeed happen on the basis of one another’s input, but the goal is not to sort out one’s opinion by means of forcible jostling back and forth until the path of least resistance produces an outcome. Nor is it a quid pro quo exchange: “You come my way, and I’ll go yours.” Such are products of creaturely activity, not submission to the Divine Will.”

A further important characteristic of QBM is the role of the Clerk. The clerk is appointed by the group to facilitate the spiritual discernment process. The Clerk is not there to ‘lead’ or chair the process, nor to present motions/resolutions or vote. According to Velayutham (2013, p. 229), “The Clerk is similar to the general secretary, but with some additional duties”. In addition to convening the meeting, the Clerk also chairs the meetings, takes the minutes and follows up on decisions that need to be implemented. The Clerk’s leadership is “. . . provided by the spirit, by God; and this leadership comes through the clerk” (Reis-Louis 1994, p. 48). The task of the Clerk is to serve the discernment process by laying business before it in an orderly way, managing the discipline of the process, sensing the emergent unity, proposing contemporaneous minutes, asking for approval of the minute and/or revising it, and recording the business in written minutes that are action-oriented (Mace 2012; Muers 2015). Quaker minutes rarely reflect the details of the contributions made by individuals in the group and instead reflect the unity of the outcome (e.g., Mace 2012). Cranmer (2003, p. 187) similarly highlights that “The clerk combines the roles of convener and secretary, sharing with the elders responsibility for the ‘right ordering’ of the meeting. Right ordering has overtones of seamliness, dignity, and respect for tradition as well as ‘doing things by the book.’”

Once the Clerk discerns that there is unity on an issue, a contemporaneous minute is proposed to reflect the sense of the meeting. Following the minute, those present may then deliberate further on whether it adequately reflects the sense of the meeting, and if not, this may lead the Clerk to suggest an

¹³ QF&P 3.04 Instead of rising hastily to reply to another, it is better to give time for what has been said to make its own appeal.

¹⁴ QF&P 2.90 When conflict comes, as it does, and the temptation to compromise—to seek consensus—is resisted, the sense of divine guidance is unmistakably registered.

amendment to the minute before it is finally agreed by the Meeting. Contemporaneous agreement of minutes benefits the QBM process in terms of participant understanding and ownership of the decision. Anderson (2006, pp. 42–43) suggests that “Decisions that are both understood and collectively owned have a far greater chance of being carried out with missional success than do quickly made decisions that are mandated by a dominant individual or group”. In other words, decisions reached with unity and recorded contemporaneously are often more likely to be implemented effectively with less likelihood of revisiting and reworking the decision at subsequent periods. As Adrian Cadbury (2003) recalled “in industrial relations . . . it often meant considerable time spent in debate and argument, but it also meant that decisions once arrived at could be implemented quickly and with commitment”. Thus, minute-writing and minute-taking are crucial to the successful operation of QBM.

However, that is not to say Quakers remain silent for the sake of unity. Conflicts can and do arise, but the way in which they are handled and resolved are ‘peculiar’. An approach to conflict resolution is offered by Sheeran (1983) who argues that when in doubt, wait. Despite the intuition that more time should help unity be achieved, it is possible that where it is difficult it should be taken as a sign that God’s will has not been discerned (Grace 2000, 2006). Sheeran (1983, pp. 66–70) identifies three different types of ‘dissent’ to unity: (1) ‘I disagree but do not wish to stand in the way’; (2) ‘please minute me as opposed’; and, (3) ‘I am unable to unite with the proposal’. Burton (2017) argues that the first two types of disunity are most common, but recognizes that the objection should not stand in the way of the decision. Refusing to unite is a more severe form of objection. However, Grace (2006, p. 51) highlights that those present in the meeting should consider the spiritual dimensions of the process and submit to it if conscience allows, being recorded in the minutes as standing aside. Where someone present is unwilling to stand aside, the Clerk will often delay the decision, and those with ‘informal roles’ in the community, such as Elders and/or other experienced and respected members of the group, may wish to discuss the disunity with the objector. As Burton (2017) highlights, this may result in a way forward being reached as the objector stands aside, or it is feasible that the rest of decision-making group themselves reflect, in fact, whether they were the ones mistaken. Ultimately, the Clerk may disregard any option to block the sense of the meeting by objection, reflecting the theocratic rather than democratic principles of the process. There is, of course, the risk that participants in the decision can feel marginalized or silenced by a decision taken without them. Thus, spiritual discernment methods are by no means immune from human manipulation or conflict.

We now turn to the key characteristics of QBM as it relates to the decision-making of UK private limited companies.

3. UK Private Limited Companies

Good corporate governance has been a recurring theme in Government policy in the UK (e.g., The Cadbury Report 1992) and its recommendations form the basis of the current UK Corporate Governance Code, 2016. Despite such high-profile policy work, the concern over corporate governance in the UK has continued to dominate the headlines in recent years. For instance, the collapse of the Carillion Group, quickly followed by the collapse of British Home Stores¹⁵, have indicated continuing problems with regard to corporate governance and decision-making.

Private limited companies are the most important corporate entity to the UK economy, both in terms of their size and their economic impact. Thus, it is in this area we shall consider the extent to which the practices of spiritual discernment—which we illustrate through QBM—can be implemented by director’s and shareholder’s of a private limited company within the current corporate law framework.

¹⁵ Reports available at <https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/769/769.pdf> and <https://publications.parliament.uk/pa/cm201617/cmselect/cmworpen/54/5402.htm> (accessed on 15 November 2018).

Some within the UK Quaker community view the private limited company as representative of the individualistic and capitalistic nature of UK corporate law, and therefore those who wish to pursue QBM should follow cooperative, community or social enterprise models of business association. In fact, Quakers in Britain recently published a booklet entitled “Principles for a New Economy”¹⁶, in which the Society has argued that “Businesses are structured and owned in a variety of ways. Cooperatives and community-owned enterprises form a large part of the economy as well as private and national ownership” (p. 2). The resistance to the use of the private limited company as a trading vehicle has a historical context that is relevant to our argument. In the 19th and early 20th century when many of the large Quaker businesses embraced the private limited company as a corporate legal structure, opening up new opportunities up to seek external, non-family finance for their expanding business operations. At the same time, creating opportunities to access share capital also exposed the family Quaker businesses to outside influences and control. The Quaker families, who values had guided the principles of the business, thus became answerable to non-Quaker shareholders and financiers, whose interest were often more aligned to the maximization of profit. The Cadbury story—originally a Quaker firm—is an example of how, after adopting a private limited company structure, Quakers lost control of the businesses they had created (Cadbury 2010). There are likely still many in the Quaker community who view the adoption of a private limited company as an unsuitable form of business association. However, as the private limited company is the most popular form of corporate legal entity, it strikes us that there is nothing within the concept of the private limited company that precludes a corporate culture reflective of a more ethical business model.

Both private (and public) limited companies owe their existence to one of the various Companies Acts that have been enacted over the last two centuries, the most recent of which is the Companies Act 2006. The incorporated company needs to appoint directors. The directors run the company on behalf of the shareholders, who are the ultimate owners of the company. The board of directors are primarily responsible to the shareholders of the company, but they must also give due regard to the interests of other stakeholders (e.g., Section 172). Giving ‘due regard’ to the interest of the wider group of stakeholders, rather than a solitary focus on maximization of shareholder wealth, has developed from the concern of Company Law Steering Group who expressed that “... in many companies there was not sufficient appreciation (either by directors or by shareholders) of the importance of running businesses with a strategic balanced view of the implications of decisions over time, with proper emphasis on the long term. Due recognition was also needed of the importance in modern business of fostering relationships over time, with employees, customers and suppliers, and in the community more widely.” (para 2.11)¹⁷. This would seem to fit in within the literature on stakeholder theory and was known in the Companies Act as ‘enlightened shareholder value’ (ESV).

The decision-making powers of the directors and shareholders are governed by the Companies Acts, but also by the company’s own constitutional documents, such as its Articles of Association. The decision-making powers are thus split between the board of directors and the shareholders of the company, and this is often reflected in two types of company meeting where decisions are made: (1) a board meeting of directors, and (2) a general meeting of shareholders.

The default constitutional document for companies forming under the Companies Act, 2006, are the Model Articles of Association¹⁸. However, as we shall highlight later, the directors and shareholders of a private company do not need to adopt the model articles, and instead they can amend the model articles to reflect practices such as QBM. Under these circumstances, the company

¹⁶ Principles for a New Economy, available at: <https://quaker-prod.s3-eu-west-1.amazonaws.com/store/9740c93365a184f18e0d6859233be9a0beab725cb8dc84a3b2e44c832565>, downloaded 2/1/19.

¹⁷ Company Law Review Steering Group comments (cite Modern Company Law for a Competitive Economy: Developing the Framework (URN 00/656 (London: DTI, 2000), para 2.11)

¹⁸ Companies Act 2006, section 19(1) under this the Secretary of State has power to make regulation prescribing model articles, the most recent of which are *The Companies (Model Article) Regulation 2008 (2008/3229)*.

elects to adopt a ‘bespoke’ set of Articles based upon their own needs, but the adoption of a bespoke set of articles must be set out upon incorporation, or altered after incorporation by shareholder agreement. Thus, modifying the model articles to a bespoke set of articles requires shareholder consent, and cannot be actioned by the directors alone. In terms of decision-making, it is the company’s articles of association—whether model articles or bespoke articles—that set out the relationship between the board of directors and the shareholders, and the relationship between the shareholders themselves.

We now move on to consider the key characteristics of QBM—the use of silence, clerking meetings, voting, resolving conflicts—to examine the extent to which the practice can be used within the constraints of (1) the model articles (and the wider requirements of the Companies Act 2006), and, (2) any bespoke articles.

4. Use of Silence

Under the model articles, it states that directors can communicate to others any information or opinions they have on any particular item of the business of the meeting. In terms of communication, the model articles go on to state that in determining whether directors are participating in a directors’ meeting, it is irrelevant how they communicate with each other. Thus, the model articles give the directors wide scope on how board decisions are made and whether contributions to the meeting are framed in silence or not. Given that the model articles appear to permit board meetings being framed by silence, this would suggest that no changes are required to the model articles to practice this characteristic of QBM. However, general meetings are governed by Article 37 of the model articles which does not explicitly address the extent to which shareholder meetings can or cannot be framed in silence. In sum, it would appear that framing board and general meetings in silence are permissible within the model articles.

5. Clerking

In any meeting, a chairman¹⁹ will usually be elected by those present. The model articles state that the directors may appoint a director to chair their meetings, and that if the directors have appointed a chairman, he or she shall chair general (shareholder) meetings if present and willing to do so. There are statutory requirements to keep minutes and records of resolutions as evidence that can be inspected. There is no specification within the model articles as to who can write the minutes. Thus, the role of the clerk appears to fit comfortably within the definitions set out by the model articles. The model articles, however, require the directors to ‘appoint’ a chair. This is often widely interpreted as a majority vote, but, in fact, the model articles are ‘silent’ on exactly how the appointment should be made. Thus, appointment of the chair/clerk by spiritual discernment would also appear to be in line with the model articles.

Given the wide-ranging duties of directors set out in Sections 171–177 of the Companies Act, individual directors must ensure they comply with their duty of reasonable care, skill and diligence. Thus, the principal challenge for each individual director is to evidence how she or he has fulfilled her or his general statutory duties. Given that QBM is often associated with minutes that are written as action-orientated and unitive, and typically exclude the specific details of contributions by individual (directors), then should an individual director’s care, skill and diligence be called into question, the typical minute may not allow individual directors to evidence compliance. Thus, it may be prudent for the clerk/chair of a private limited company to adapt the traditional ‘Quaker’ approach to minute-writing to reflect the substantive, individual contributions of those present, in addition to unitive statements of action.

¹⁹ The legislation explicitly refers to a chairman. As a result, we use the term chairman rather than chairwomen or chairperson, despite the unfortunate gender bias.

A final characteristic of clerking is the writing of contemporaneous minutes. The Companies Act, 2006 requires companies to keep minutes of its meetings. However, it is silent in respect of 'when' the minutes are written, and by whom. Thus, contemporaneous minutes would appear to fulfil these obligations within the model articles, and contemporaneous minutes should arguably be encouraged as a form of good governance.

6. Voting

The model articles state that decision-making by directors at board meetings must be either a majority decision or by indicating to each other 'by any means' that they share a common view. Thus, while the model articles state that voting is a general form of agreement, they can also discern the sense of the meeting by other means and this would appear to be adequate for the purposes of the model articles.

For shareholders in a general meeting, the position is somewhat different. Shareholders are offered two forms of voting in the model articles: a show of hands or a poll. On a show of hands, every member present in person has one vote, whereas on a poll each member is given one vote per share that they own. Thus, the model articles are inappropriate for any private limited company wishing to practice QBM or other forms of voteless decision-making. The model articles could be amended to try to reflect the desire to follow QBM in general meetings but it would require the adoption of bespoke articles to achieve this. However, the bespoke articles adopted are still subject to the statutory requirements of the Companies Act and this poses non-trivial issues in respect of voteless decisions in general meetings.

Under the Companies Act 2006 there are two types of resolution in a general meeting—'ordinary resolutions' and 'special resolutions'. An ordinary resolution of the shareholders is a resolution that is passed by a simple majority of votes cast at the general meeting, either on a show of hands or on a poll. On the other hand, a special resolution of the shareholders means a resolution passed by a majority of not less than 75% of votes cast at the general meeting, either on a show of hands or a poll. It is hard to see how the statutory requirements for ordinary, and more particularly, special resolutions can be reconciled with QBM. So, can this apparent contradiction be accommodated?

There are two possible ways to proceed. First, if the shareholders come to a unanimous agreement (the *Duomatic Principle*) the decision can proceed without holding a general meeting and can be an effective and binding agreement (note that this method of reaching unanimity is not a 'resolution' within the meaning of the Companies Act). This approach to unanimity would appear to offer a way around the holding of a general meeting at which ordinary and special resolutions would be normally required. A second way to proceed would be to enter into a shareholders' agreement which would then set out the bases upon which the shareholders would reach decisions among themselves. The shareholder agreement is then separate to the model/bespoke articles and therefore does not fall under the direct jurisdiction of the Companies Act. A fuller discussion of shareholder agreements falls outside the scope of this paper.

7. Conflict Resolution

The model articles set out that any objection during meetings must be referred to the chairman of the board whose decision is then final. Thus, the chairman has significant power during such meetings. At board meetings, being minuted as standing opposed to a decision would be good practice under the duties of directors outlined in the Companies Act, 2006, and should arguably be encouraged. At general meetings, shareholders are also encouraged to speak on motions, however, individual shareholder disunity with a decision would not normally be minuted, although there is nothing in the model articles or Companies Act to suggest this could not happen. The minutes, however, should provide sufficient detail to enable a shareholder not present to understand what was decided at the meeting.

The model articles make it clear that an individual director cannot stand in the way of a decision. Nonetheless, the model articles could be adapted to a bespoke set of articles to reflect unanimity in decision-making as a requirement and thus reflecting the general bases of QBM. In contrast, standing in the way of a decision is not possible in general meetings given the majority-vote requirements of the model articles and the Companies Act. Nonetheless, resolving the conflict of an individual member ‘standing in the way’ and the related process of involving Elders to reach unity could be incorporated into a shareholders agreement in order to circumvent the restrictions that corporate law imposes.

The key characteristics of QBM and dimensions of related compliance with UK corporate law are summarized in Table 1.

Table 1. Quaker spiritual practice and corporate law.

Matter	Private Limited Company	QBM
Regulation of the company	Companies Act 2006 The company’s articles of association (for private companies these are Model Articles 2008 (“MA”)) Any special resolutions or agreements between the shareholders	In meetings, the model articles of association can encompass many key characteristics of QBM, or QBM can be encapsulated within a bespoke set of articles and/or shareholder agreement.
Day to day management of the business	Split between the directors and the shareholders The directors are there to run the company on behalf of the shareholders. They are also in a fiduciary relationship to the company as they handle property on its behalf.	QBM may require the adoption of bespoke articles and a shareholder agreement for use in shareholder meetings
Board meetings of directors		
Directors’ general authority	MA 3. Subject to the articles, the directors are responsible for the management of the company’s business, for which purpose they may exercise all the powers of the company	QBM does not interfere with these duties
Directors to take decisions collectively	MA 7. The general rule—any decision of the directors must be either a majority decision at a meeting or a decision taken in accordance with article 8.	Spiritual discernment allowable within MA 8 as “any other means”, or encapsulated within bespoke articles
Unanimous decisions	MA 8. A decision of the directors is taken when all eligible directors indicate to each other by any means that they share a common view on a matter.	
Participation and communication in directors’ meetings	MA 10 Directors participate in a directors’ meeting, when— (1a) the meeting has been called and takes place in accordance with the articles, and (1b) they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting. (2) In determining whether directors are participating in a directors’ meeting, it is irrelevant where any director is or how they communicate with each other.	Silence as a framing for board meetings allowable, or encapsulated within bespoke articles
Directors’ discretion to make further rules	MA 16. The directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to directors.	Bespoke articles can accommodate any aspects of QBM in board meetings the directors see fit.

Table 1. Cont.

Matter	Private Limited Company	QBM
Decision making and meetings of shareholders at general meetings		
Attendance and speaking at general meetings	MA 37 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.	All shareholders can contribute to the meeting in line with principles of QBM
Voting at general meetings	A person is able to exercise the right to vote at a general meeting when— (a) that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and (b) that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.	
Voting: general	MA 42 A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the articles.	Bespoke articles cannot overrule the requirement for shareholders to exercise a vote. There are two possible ways to proceed. First, if the shareholders come to a unanimous agreement (the <i>Duomatic Principle</i>) the decision can proceed without holding a general meeting A second option would be to enter into a shareholders' agreement which would then set out the bases upon which the shareholders would reach decisions among themselves. The shareholder agreement is then separate to the model/bespoke articles and therefore does not fall under the direct jurisdiction of the Companies Act.
Types of formal share resolutions	Ordinary resolutions require a simple majority of the shareholders present (or their proxies) at the meeting and entitled to vote. Special Resolutions is carried by at least 75% of shareholders present (or their proxy) at the meeting and entitled to vote.	
Informal unanimous agreements between all shareholders	The 'Duomatic' principle: if all of a company's shareholders are in agreement, the validity of a decision cannot be subsequently challenged, even if the correct procedure was not followed. This is preserved in the Companies Act 2006 s281(4)	
Shareholders' agreements	Shareholders can agree amongst themselves how certain matters will be determined—such as how decisions are reached within the company.	
Administration	It is optional for private companies to have a secretary (Companies Act s270(1)). For smaller companies the role is likely to be administrative in nature. There is no statutory definition of the company secretary's role and few limitations on who can act in this role.	Role of company secretary and chairman consistent with the role of Clerk

8. Conclusions

Spiritual discernment—and QBM in particular—may offer advantages to non-Quaker and non-religious organizations in terms of a more collaborative and participative approach to making decisions. As we have illuminated, embedding QBM and remaining compliant with the requirements of corporate law presents non-trivial challenges. The extent to which these challenges can be overcome will depend upon the enthusiasm, resources, and commitment of the directors and shareholders to embed new ways of managing board practice.

We have shown that embedding QBM in board meetings of directors provides few obstacles. The model articles would appear to offer few, if any, insurmountable barriers to adopting QBM.

However, directors would be encouraged to consider adopting bespoke articles, either at incorporation, or by shareholder consent thereafter, so that the particular features of spiritual discernment can be accurately reflected in the articles.

General meetings of shareholders, however, present more difficult challenges. Bespoke articles can be used to partially reflect QBM at general meetings, however the voting rights of shareholders are enshrined in the Companies Act which bespoke articles cannot reverse. In this paper, we have highlighted two possible ways forward—the first is that shareholders can avoid proposing a shareholder resolution—and hence triggering the statutory requirement by vote—by reaching unanimity in a decision, or the shareholders can agree to enter into a shareholders agreement setting out explicitly the bases upon which they will reach decisions. Thus, the shareholder agreement could reflect the practices of QBM.

Our contribution is therefore four-fold: First, our paper discusses an important topic at the nexus of religion and corporate law. We highlight that spiritual discernment may offer opportunities for organizations to improve decision-making. Given the continued increase in corporate governance scandals, such an improvement is pressing. Second, we bring, for the first time, spiritual discernment and corporate law into conversation showing the extent to which corporate law presents obstacles to the implementation of spiritual discernment practices such as QBM. We contribute to practice by illuminating the extent to which QBM can be implemented within the boundaries of corporate law and the Companies Act 2006. Often, organizations fail to adequately engage with corporate law which inevitably leads directors and shareholders to adopt model articles—the path of least resistance—which then subsequently limits their ability to reflect spiritual discernment in decision-making in their Articles. This paper emphasizes the importance for Quaker and non-Quaker organizations to consider adopting bespoke articles upon incorporation or thereafter in order to specifically reflect their preferred decision-making practices. Where the company has separate directors and shareholders, we also show how they can also reflect their preference for voteless decisions by reference to entering into a shareholder agreement.

As noted previously, there is some evidence to suggest that non-Quaker and non-religious organizations have successfully adapted QBM, or elements of it, in a range of different for-profit and non-profit contexts (see [Muers and Burton 2018](#)). There is also further evidence to suggest that QBM works well within the Quaker community, even in very large meetings such as Britain Yearly Meeting. For example, British Quakers in 2009 approved marriages for same-sex couples (before this was legal in the UK) and highlights movement from controversy to clear approval (see [Robson 2013](#)). Despite these attestations to its positive effects, the extension of spiritual practices to unfamiliar or perhaps unusual settings is not without its risks. [Burton \(2017\)](#), for example, noted the challenges associated with time and dealing with individualism and egoism. QBM undoubtedly takes time and patience. QBM also appears to be an uneasy bedfellow with forced deadlines and time pressure. Indeed, perhaps one of the greatest challenges in transferring QBM to non-Quaker, non-religious organizations is the time commitment of participants to discern the ‘best’ decision or outcome together. In commercial trading settings, simply ‘waiting’ for unity to be achieved may not be viable—at least to directors or shareholders. Conflict may also arise where individualism and ego—arguably prevalent in many corporate settings—stand in the way of reaching unity. After all, QBM is a collective sense-making process, where the individual is a constituent of, but subservient to, the group. This suggests that QBM will not be universally transferable to all private limited companies. It is probable that a firm’s strategy, its culture, and other endogenous characteristics will impact its interest in spiritual discernment practices. Quakers have also traditionally de-emphasized technical ‘expertise’. In complex decision-making, the tension between acknowledging distinctive and ‘human’ expertise and the shared search for the spiritual—‘God’s will’—is as yet unacknowledged ([Burton et al. 2018](#)). A further challenge highlighted by [Burton \(2017\)](#) is the way in which technology is adopted to facilitate meetings among a geographically-dispersed group. Many contemporary board meetings are often characterized

by technology, such as Skype or other technologies, and one question that arises is whether the absence of physical presence significantly reduces the sense of spiritual and participative collectivism.

This paper also highlights further areas for future research. Private limited companies, while being the most 'popular' form of corporate entity, are not the only structure potentially amenable to embedding spiritual discernment. Public limited companies, charities, cooperatives, mutual entities, and others offer exciting and important opportunities to bring spiritual discernment and corporate law into further conversation.

Author Contributions: Conceptualization: N.B.: 60%; J.B.: 40%; Original Draft: N.B.: 60%; J.B.: 40%; Writing—Review & Editing, N.B.: 80%; J.B.: 20%.

Funding: This research received no external funding.

Conflicts of Interest: The authors declare no conflict of interest.

References

- Allen, Stephen. 2017. Learning from Friends: Developing Appreciations for Unknowing in Reflective Practice. *Management Learning* 48: 125–39. [CrossRef]
- Anderson, Paul. 2006. The Meeting for Worship in which Business is Conducted: Quaker Decision-Making as a Factor of Spiritual Discernment. *Quaker Religious Thought* 106: 26–46.
- Angell, Stephen, and Pink Dandelion. 2017. *Quakers, Business and Industry*. Philadelphia: Friends Association in Higher Education.
- Benefiel, Margaret. 2005. The second half of the journey: Spiritual leadership for organizational transformation. *The Leadership Quarterly* 16: 723–47. [CrossRef]
- Benk, Serkan, Tamar Budak, Bahadır Yüzbaşı, and Raihana Mohdali. 2016. The impact of religiosity on tax compliance among Turkish self-employed taxpayers. *Religions* 7: 37. [CrossRef]
- Bradney, Antony, and Fiona Cownie. 2000. *Living without Law: An Ethnography of Quaker Decision-Making, Dispute Avoidance and Dispute Resolution*. Aldershot: Ashgate.
- Brigham, Martin, and Donncha Kavanagh. 2015. The sense of the meeting: Silent organisation. Paper presented at European Group of Organizational Studies (EGOS), Annual Conference, Athens, Greece, July 2–4.
- Burton, Nicholas. 2017. Quaker Business Method: A Contemporary Decision-making Process. In *Quakers, Business and Industry*. Edited by S. Angell and P. Dandelion. Philadelphia: Friends Association for Higher Education.
- Burton, Nicholas, and Alex Hope. 2018. Responsibility in business: What can we learn from the Quakers? In *Quakers, Politics and Economics*. Edited by D. Ross and M. Snarr. Philadelphia: Friends Association of Higher Education.
- Burton, Nicholas, Juliette Koning, and Rachel Muers. 2018. Organizational ethnography and religious organizations: The case of Quaker decision-making. *Journal of Management, Spirituality & Religion* 15: 349–67.
- Cadbury, Adrian. 2003. A Talk in the 'Faith Seeking Understanding' Series. Available online: <http://www.leveson.org.uk/stmarys/resources/cadbury0503.htm> (accessed on 1 February 2018).
- Cadbury, Deborah. 2010. *Chocolate Wars: From Cadbury to Kraft—200 Years of Sweet Success and Bitter Rivalry*, 1st ed. London: HarperCollins Publishers.
- Cavanagh, Gerald, and Mary-Ann Hazen. 2008. Sustainability, spirituality, and discernment or discernment upholds sustainability. In *Spirituality in Business: Theory, Practice, and Future Directions*. Edited by J. Biberman and L. Tischler. New York: Palgrave Macmillan, pp. 35–50.
- Child, John. 1964. Quaker employers and industrial relations. *The Sociological Review* 12: 293–315. [CrossRef]
- Cranmer, Frank. 2003. Regulation within the Religious Society of Friends. *Ecclesiastical Law Journal* 7: 176–94. [CrossRef]
- Dandelion, Pink. 2004. Research Note. Implicit Conservatism in Liberal Religion: British Quakers as an 'Uncertain Sect'. *Journal of Contemporary Religion* 19: 219–29. [CrossRef]
- Dandelion, Pink. 2008. *The Quakers: A very Short Introduction*. Oxford: Oxford University Press, vol. 177.
- Delbecq, Andre, Elizabeth Liebert, John Mostyn, Paul Nutt, and Gordon Walter. 2004. Discernment and strategic decision-making: Reflections for a spirituality of organizational leadership. *Spiritual Intelligence at Work: Meaning, Metaphor and Morals. Research in Ethical Issues in Organizations* 5: 139–74.

- Eccles, Peter. 2009. *The Presence in the Midst*. London: Quaker Books.
- Ekblad, Bob. 2011. Reading Scripture for Good News that Crosses Barriers of Race/Ethnicity, Class, and Culture. *Interpretation* 65: 228–48. [CrossRef]
- Falque, Laurent, and Vincent Duriau. 2004. Managerial Discernment: An Examination in the Case of Employee Appraisal. *Journal of Management, Spirituality & Religion* 1: 51–76.
- Frykholm, Amy. 2007. Out of silence. *The Christian Century* 124: 34–38.
- Garcia, Frank. 2017. Globalization, inequality & international economic law. *Religions* 8: 78.
- Grace, Eden. 2000. An introduction to Quaker business practice. Paper presented at the Subcommittee Meeting of the Special Commission on Orthodox Participation in the World Council of Churches, Damascus, Syria, March 6–8.
- Grace, Eden. 2006. Voting not to vote: Toward consensus in the WCC. *Quaker Religious Thought* 106: 48–54.
- Hurlbut, Bryan. 2014. Toward the Establishment of Discernment Theory: A Phenomenological Study of Discernment in Strategic Leadership Decision Making. Unpublished thesis.
- King, Mike. 2014. *Quakernomics: An Ethical Capitalism*. London: Anthem Press, vol. 1.
- Law, John. 1998. After meta-narrative: On knowing in tension. In *In the Realm of Organization: Essays for Robert Cooper*. Edited by R. Chia. London: Routledge, pp. 90–111.
- Liebert, Elizabeth. 2008. *The Way of Discernment: Spiritual Practices for Decision Making*. Louisville: Westminster John Knox.
- Liu, Wenqui. 2017. Protection of Religious Signs under Trademark Law: A Perspective of China's Practice. *Religions* 8: 246. [CrossRef]
- Mace, Jane. 2012. *God and Decision-Making*. London: Quaker Books.
- Michaelis, Laurie. 2010. *Transforming Impasse: The Way through Conflict with Quaker Listening Processes*. Brussels: Quaker Council for European Affairs (QCEA).
- Molina-Markham, Elizabeth. 2014. Finding the “sense of the meeting”: Decision making through silence among Quakers. *Western Journal of Communication* 78: 155–74. [CrossRef]
- Muers, Rachel. 2015. *Testimony: Quakerism and Theological Ethics*. London: SCM Press.
- Muers, Rachel, and Nicholas Burton. 2018. Can We Take the Religion Out of Religious Decision-Making? The Case of Quaker Business Method. *Philosophy and Management*, 1–12. [CrossRef]
- Narayanan, Vadake, and Lee Zane. 2009. Inventing a future for strategic leadership: Phenomenal variety and epistemic opportunities. *Journal of Strategy and Management* 2: 380–404. [CrossRef]
- Niyonzima, David. 2013. Transcending the Cultural and Socio-Political Conditions in Friends Decision-Making Processes: Case of Burundi. Unpublished Doctor of Ministry. Available online: <http://digitalcommons.georgefox.edu/dmin/56/#> (accessed on 13 March 2018).
- Nutt, Paul. 1999. Surprising but true: Half the decisions on organizations fail. *The Academy of Management Review* 13: 75–90. [CrossRef]
- Pollard, Beatrice. 1954. Quaker group procedures. *Health Education Journal* 12: 4–11. [CrossRef]
- Quakers in Britain. 1995. *Quaker Faith and Practice: The Book of Christian Discipline of the Yearly Meeting of the Religious Society of Friends*. London: Quakers in Britain.
- Reis-Louis, Meryl. 1994. In the manner of Friends: Learnings from Quaker practice for organizational renewal. *Journal of Organizational Change Management* 7: 42–60. [CrossRef]
- Robson, Susan. 2013. *Living with Conflict: A Challenge to a Peace Church*. London: Scarecrow Press.
- Scully, Jackie. 2009. Virtuous Friends: Morality and Quaker Identity. *Quaker Studies* 14: 108–22. [CrossRef]
- Sheeran, Michael. 1983. *Beyond Majority Rule*. Pennsylvania: Philadelphia Yearly Meeting of the Religious Society of Friends.
- Traüffer, Hazel. 2008. Towards an Understanding of Discernment: A 21st-Century Model of Decision Making. Unpublished Ph.D. dissertation, Regent University, Virginia Beach, VA, USA.
- Traüffer, Hazel, Come Bekker, Mihai Bocârnea, and Bruce Winston. 2010. A three-factor measure of discernment. *Leadership & Organization Development Journal* 31: 263–84.
- Velayutham, Sivakumar. 2013. Governance without boards: The Quakers. *Corporate Governance: The International Journal of Business in Society* 13: 223–35. [CrossRef]
- Walvin, James. 1998. *The Quakers: Money and Morals*. London: John Murray.

Windsor, David. 1980. *The Quaker Enterprise: Friends in Business*. London: Muller.

Zevit, Shawn. 2005. Unlocking divine sparks: Creative approaches to decision-making in the spiritual life of a community. *Congregations* 31: 10–14.



© 2019 by the authors. Licensee MDPI, Basel, Switzerland. This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (<http://creativecommons.org/licenses/by/4.0/>).