INTUITION | COURAGE | EMPATHY

HEART LEADERSHIP CASE STUDY #6

REGAINING SELF-DETERMINATION AND AUTONOMY

"At the beginning, I focused mainly on the product and less on the foundation of the company. In retrospect, there is much that could have been optimized at the shareholder level and ownership structure in order to grow the company in an uncomplicated way in the long term."

Stephan Schenk and Hannah König

Stapelstein

SECTOR :
TOY INDUSTRY

SMB
MISSION-DRIVEN COMPANY

NUMBER OF STAFF:
29 employees
in 2024

TURNOVER 2023:
15 MILLIONS EUROS

STRATEGIC CASE STUDY AREA:
GOVERNANCE

The decision-making framework

The company

Founded in 2016 by Stephan Schenk and co-founder Hannah König, Stapelstein® was set up to provide children with a playful, creative and moving space for holistic development.

The company was named after and revolves around its flagship product: the Stapelstein®, a simple, stackable, colorful and robust stacking element. The company produces these play elements for children and adults with 29 employees in Korntal-Münchingen (Stuttgart region) in Germany.

Background to the decision

Stapelstein® was founded with support of **two business angels**, who in return for their investment each received 1/3 of the company's ownership rights. This became problematic when conflicts arose between the two founders and the business angels over priorities and decision-making (purpose vs. profits).

When the company turned profitable in 2019, the business angels were more interested in increasing shareholder value and dividend payouts than in reinvesting in the purpose of the company. This showed the **discrepancy** between the founders' vision for the company, its **founding purpose** and the business angels' interest in **shareholder value** and dividends. The majority of voting rights was with individuals not actively involved with or connected to the company whilst the founders only held a minority of voting rights. This endangered the purpose and impact of the company.

Stapelstein® was already very profitable and apart from the initial investment of the business angels wasn't in need of additionally financing.

This made the company even more attractive for the business angels, who initially didn't want to be bought out at all. Later, they agreed to **be bought out for the valuation of their shares** – an exceedingly high multiple of their initial small investment.

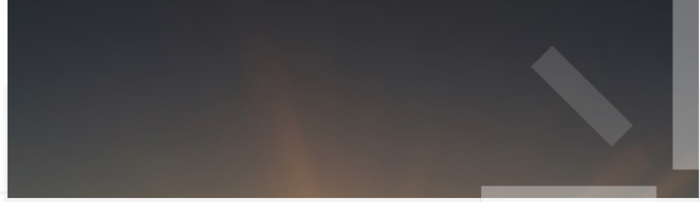
The founders' questioning

"How could Stapelstein® regain autonomy and self-determination?
What ownership and financing model fits our vision of a purpose-oriented company steered by people actively involved in the business?"

The decision

In 2022, Stephan and Hannah decided to (1) regain control over Stapelstein® and (2) set up the company as a steward-owned business. In an emotional, lengthy and costly process, Stapelstein® bought back the shares from the business angels, hereby reclaiming its autonomy.

The decision-making process



Hannah and Stephan handled two parallel and interlinked processes:

Buy out investors and reclaim the full control over the company

After long and ongoing negotiations, Stephan and Hannah bought out the first investor in 2019 using company profits. The second investor was bought out in 2022 using company profits (42%) and new investment capital (58%) from Purpose Evergreen Capital, a capital provider for steward-ownership businesses through aligned, redeemable capital without voting rights.

Design a more aligned ownership and financing structure

In a soul-searching process looking at what they wanted for the future of the company and themselves, Stephan and Hannah decided on implementing steward-ownership.

They have had **the intuition** that it was the legal solution to what they had been trying to build all along. They enshrined these principles into the statutes of the company and legally secured them in the long run.

New, aligned financing partner

With Purpose Evergreen Capital, Stephan and Hannah found an **aligned financing partnership**. Stapelstein® will pay back the investment over the next years with clear conditions and the freedom to do so when the economic development allows it.

Once the full investment plus multiple is paid back, Purpose Evergreen Capital will have no remaining financial rights to Stapelstein®. The company will be **independent** from financial interests of shareholders.

Principles of steward-ownership

Steward-ownership is a corporate ownership structure that legally enshrines two principles:

- **Self-determination:** Voting rights are always held by people directly connected to the company's operation and mission: currently Stephan and Hannah.
- **Capital-lock:** Profits and value created in the company serves the company's long-term development and purpose. This means that the funders have had the **courage to give up the right to the future value** of the company.

Decision impacts

A self-determined future

The buyout of the prior investors and the transformation to steward-ownership held deep emotional significance for Stephan and Hannah, **gaining back control** over their company.

If they would have taken this step earlier, it would have saved them a lot of energy, time, and effort for the transformation.

Today, they are relieved and content with the improved legal framework of the company both in terms of ownership and financing structure. It gives them and their employees **the freedom and motivation** to take Stapelstein® into the future.

The principles of steward-ownership will be anchored in Stapelstein® for **the long run**, ensuring its **purpose-orientation** and self-determination of the company.

The ownership structure is secured in the long term

The founders enshrined the principles of steward-ownership using a **"golden share model"**. They wrote the principles into the company's statutes and secured them with 100% of the voting rights. The founders hold 99% of the voting rights and can make all entrepreneurial decision. 1% of the voting rights is held by the Purpose Foundation to secure the principles in the long run – for the next generations of entrepreneurs.

The unexpected benefits of the decision

- More clarity in role of investors not as owners but as financial supporters and sparring partners.
- Employees know that they are not working for shareholder value of owners, but for the purpose of the company.
- Increased media interest.