



Patagonia

Not woke capitalism but the future of business

In a nutshell

In 2022, Yvon Chouinard and his family transferred their ownership of Patagonia, valued at around \$3 billion, to a specially designed trust and a non-profit organization – effectively setting up a steward-ownership structure. Through the two-entity structure of the Patagonia Perpetual Purpose Trust and the non-profit Holdfast Collective voting and economic rights are separated in a legally-binding way. With that, Patagonia safeguards the company's independence, the founder's vision and the direction of profits toward its mission, stating that "each year, the money we make after reinvesting in the business will be distributed as a dividend to help fight the [environmental] crisis."

Patagonia primarily adopted steward-ownership as a succession model. As neither passing the shares directly to Chouinard's children nor selling the company was a legitimate option for them, they went to design their own path – and ended up with a steward-ownership model.



FOUNDED: 1973



CALIFORNIA, U.S.



SALES: \$1.5 BILLION
(2022)



3,000 EMPLOYEES
(2024)

STEWARD-OWNED SINCE: 2022

STEWARD-OWNERSHIP MODEL:
Double-foundation

Benefitting the planet but not at all cost

The iconic outdoor apparel and gear company has been committed to high-quality products as well as environmental activism since its foundation. The billion-dollar global brand has time and again demonstrated that business can both be radically responsible and profitable.

Patagonia offers a wide range of upscale products – ranging from hiking and climbing gear to surfing and skiing equipment. Known for its innovative designs and sustainable materials, their products illustrate core values that the company has subscribed to: quality, integrity, environmentalism, justice and not being bound by convention.

At the heart of Patagonia's mission is its deep commitment to the planet and its people. The company's mission statement, "We're in business to save our home planet," reflects Patagonia's dedication to environmental conservation and activism. Through different initiatives and an innovative business design, Patagonia is a lighthouse company in sustainable business practices.

How can the purpose be upheld?

When founder Yvon Chouinard was approaching retirement age, he knew he needed a solution for his succession: How could he ensure that his company would stay true to its mission after he wasn't personally involved in the company anymore?

If he sold Patagonia and donated the resulting money, there was no guarantee that new owners would maintain its values. Going public would have resulted in financial pressure to extract money for shareholders from the company, instead of combating the climate crisis. Yvon struggled with this question of what to do with the business for decades. So he knew that he needed an unconventional solution.

Greg Curtis, current Executive Director of the Holdfast Collective, remembers how they had regular in-depth meetings with the owners to understand the needs and wishes of everyone. "In a typical kind of Patagonia fashion, we ended up having bi-weekly phone calls with the whole family about, well, what are we really trying to achieve here? What's really important to you?"

As Patagonia was always drawn to disruptive ideas, Greg, a lawyer by profession, kept a close eye on innovative succession models for a while. In 2017, he first heard of purpose trusts in an article about Portland-based Organically Grown Company (check their story on [p. 92](#)). Through conversations with lawyers involved in the ownership transition as well as open source materials on steward-ownership, Greg collected inspiration and ideas about alternative corporate structures and steward-ownership. This knowledge, the family's wishes and creativity came together to establish the succession model which felt right to Yvon and Patagonia: the double-entity model.

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Instead of ‘going public’, you could say we’re ‘going purpose.’

– Yvon Chouinard, founder of Patagonia

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Patagonia's new ownership structure

The Patagonia Perpetual Purpose Trust and the nonprofit Holdfast Collective were created to preserve the company's independence and ensure that all distributed profits are used for climate protection and the preservation of undeveloped land around the globe.

In setting up this two-entity structure, Patagonia separates voting and economic rights: 98% of the economic value of Patagonia is held by the Holdfast Collective, 2% by the Patagonia Perpetual Purpose Trust. However, this value cannot be liquidated by either entity and does not influence the distribution of dividend rights or voting rights – this is called a disproportionate distribution. While the ultimate control over Patagonia in the form of 100% of its voting rights lies with the Patagonia Purpose Trust, the dividend rights remain in the nonprofit entity, the Holdfast Collective. This way, if dividends are distributed after reinvesting in the business, they are used to help fight the climate crisis.

The Patagonia Purpose Trust

The Patagonia Purpose Trust is a Perpetual Purpose Trust that was established to protect the company's purpose-orientation, independence and values. It holds all voting rights of the company, but no right to receive dividends. These shares will be held by the Trust in the long run. The non-charitable Patagonia Purpose Trust cannot access the value or profits of the company. This way, the board of the Trust, which has control over Patagonia in the last instance, is not financially incentivized to maximize shareholder value or profits.

While CEO Ryan Gellert and the employees of Patagonia are responsible for the operation of Patagonia, the Patagonia Purpose Trust is where the last instance of control and accountability for the company's long-term development lies.



The Holdfast Collective

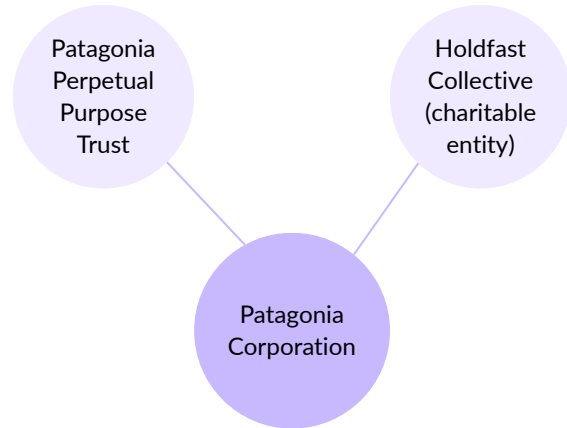
Dividend rights are held by the charitable Holdfast Collective, which focuses on activities that protect the environment and climate. When Patagonia distributes profits that are not needed for reinvestment in the company, they are paid out as dividends to finance the Holdfast Collective's charitable activities.

The Holdfast Collective doesn't hold any voting rights and can therefore not influence the company's strategy and decision-making. As a result, the Holdfast Collective cannot force the company to maximize profits for charity.

Patagonia's ownership structure

Dividend rights: 0%
Voting rights: 100%

Dividend rights: 100%
Voting rights: 0%



Also profits with purpose should have limits

While Patagonia's distributable profits are used to combat the climate crisis, the team is well aware of the risk of overprioritising these donations. On the website, Patagonia states that they will not maximize sales to give more money to charity: "This is not an excuse to ignore the real tension we'll continue to face between growth and the environmental impact of our operations.

But the new ownership structure provides a way to put the value that comes with responsible growth to work fighting the climate crisis." Patagonia has been a pioneer on rethinking the deep design of business. Through implementing



Yvon's a craftsman. The way he thinks about products, you're always refining things, you're always improving things: lighter, more insulation, more durable. He really thinks about the company in that way, too. And all of these choices that we made along the line are really examples of how we were thinking about it from a legal, structural business perspective, too.

– Greg Curtis, Executive Director
Holdfast Collective

a steward-ownership model, they have tackled the ownership layer and solved their succession struggle. Patagonia has always been a role model for many entrepreneurs worldwide. With this transition, they have also become a lighthouse case for steward-ownership, ensuring that the mission-orientation of Patagonia is always upheld.

With the global popularity of Patagonia, this transition also increased media attention on steward-ownership, making a headline on how succession can be handled differently than through inheritance or selling the company.

Yet, initially, the public debate did not entirely portray the depth and meaning of the step Yvon Chouinard and his family took – and revolved around many misunderstandings, like "Patagonia was donated to charity" or "all profits will be used for climate protection." This is to show the unfamiliarity of media outlets as well as the public with other forms of ownership than shareholder ownership, state ownership or nonprofit ownership. Redesigning corporate ownership as steward-ownership in a complex and unfamiliar structure goes far beyond transferring the entire company to nonprofit ownership – or to "only" dedicate profits to climate protection. They have fundamentally rethought the function of ownership and shareholders for Patagonia as well as the role that Patagonia will play in society going forward. They have created a different type of ownership – not based on maximizing shareholder value, but on stewarding the purpose and independence of the company for the future.

Now, hear directly from Yvon what motivated him to take this step and how he experienced the process:



A letter from Yvon Chouinard

*Giving Patagonia away is the best
business decision I've ever made.*

I've always said I never wanted to be a businessman, but if I had to run a company, it was going to be on my own terms. You could say that philosophy was key to giving the business away.

This would be unthinkable at a company solely focused on dollars and cents. When the only role a company's leadership has is making money, we know how the story ends. Shareholders put pressure on corporate leaders to bloat the company's stock prices. The principals cash in, the company is sold off, absorbed or becomes a shell of itself. It's all too common now. When Patagonia was founded in 1973, the average lifespan of an American company on the S&P 500 was around 30 years. Today, it's less than 18, and the downward trend shows no sign of stopping.

The pursuit of short-term profit and mindless consumption are destroying the planet. Corporate leadership and ownership can play a part in turning that around.

Patagonia is not a perfect company by any means, but the fear of getting things wrong in the process has never stopped us from trying to get things right in the end. Any company claiming to be

purpose driven needs leaders – including owners – to buy into whatever that purpose may be. Without top-to-bottom support, forget about it. The moment purpose becomes unprofitable is the moment we see just how important corporate leadership is in keeping it alive.

The responsible route is often not the fastest or most profitable option. It is rarely the easy way. We are still figuring things out ourselves, and I've been working more than I ever have before.

*Now that the planet is our sole
shareholder, I feel an even
deeper responsibility to help the
company succeed to provide a
counter to the prevailing
extractive model of capitalism.*

I'm getting back to my roots, working on product quality and design, but the stakes feel higher.



Photo: Patagonia

To prove that a company does not have to sell its soul to succeed, we have to keep succeeding. To help save places like the Vjosa River in Albania, we have to make money. If we want to continue helping grassroots activists fighting the Pebble Mines and protecting the Okefenokees of the world, we have to be profitable. If we want to inspire change in the business world with our practices and products, we can't just be scraping by making low-quality junk. But that is the responsibility of a company that behaves in an examined way. It's something everyone in the organization has to commit to, or the intention dies on the vine.

I spent years thinking about how Patagonia could continue after I'm not around. My adult children understandably had no interest in the burden of running a company, and all the other options had pretty serious drawbacks. Selling the business and giving away the profits? There was no guarantee the new owners would commit to our values and purpose for as long as the company existed. We thought about going public, but there aren't any public companies that I admire. Offering the company to employees might have been an option, but that would have left out employees outside the U.S., and a lot of employee-owned businesses end up incurring huge debt.

So what do you do when there is no good answer to such a simple but vital question? You come up with something new. In September 2022, my family and I transferred the voting stock of the company to a purpose trust to ensure that Patagonia's founding values would stay intact beyond our lifetimes.

The rest of the stock was transferred to a new nonprofit called the Holdfast Collective that uses the profits not reinvested into the company to fight the climate and ecological crisis. We created a new ownership model that enshrined Patagonia's values and devoted its value to saving our home planet.

It falls on every Patagonia employee to support our purpose in their own way. Each team and individual finds ways to contribute, and together the company improves. Just as the Zen approach to archery focuses not on the bullseye but on each individual movement before releasing the arrow, we identify our targets then turn all focus to the process. While profit is tied to our impact and influence, it is not the goal. As a Zen master might say, it is the natural outcome if we manage to do everything else right.

Yvon Chouinard, founder Patagonia