

Cooperative social entrepreneurship: reflecting on a decade of embedding cooperative studies in social enterprise courses

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Rory Ridley-Duff

Co-operative Social Entrepreneurship

Reflections on a decade embedding cooperative
studies in social enterprise courses

**Sheffield
Hallam
University**

Sheffield
Business
School

PRME Principles for Responsible
Management Education



an initiative by the
United Nations Global Compact



#coopconf18



Outline

- **Issue:** People increasingly question the link between co-operators, co-operatives and social enterprises (SE). What is the link?

(see Cannell, *Coop News*, 2010; Ganz et al., 2018)

- **Education Strategy 1:** Re-examining SE history (was it co-operative in origin?)
- **Education Strategy 2:** In search of co-operative practices (in new SEs)
- **Conclusions:** Cooperative social entrepreneurship (CSE) challenges neo-liberalism

The Context and case for CSE

- ‘Solving systemic social problems takes people, politics and power – not more social entrepreneurship’

Ganz, Kay & Spicer (2018), ‘Social enterprise is not social change’,
Stanford Social Innovation Review, p. 59

- ‘But the UK is very different. Our social enterprises tend to be chief executive led and not democratic [...] we therefore see rapid growth and very large social enterprises which are ‘corporate’ rather than ‘community’ focused.

Cannell, B. (2010) <https://www.thenews.coop/32113/sector/retail/cooperatives-and-social-enterprise-europe/>

Counter-argument to Ganz et al. (2018)

- ‘SE was always, and still is, a by-product of key developments within the cooperative movement’

- Key Publications

Spreckley (1981) *Social Audit – A Management Toolkit For Cooperative Working*

Borzaga and Defourny (2001) *The Emergence of Social Enterprise*

Laville (2010) *The Solidarity Economy: An International Movement*

Teasdale (2011) *What’s in a name?*

Ridley-Duff (2015) *The Case for FairShares*

Utting (2015) *The Social Solidarity Economy: Beyond the Fringe*

Scholtz and Schneider (2016) *Ours to Hack and Own*

Ridley-Duff et al. (2017) *Methodology for Creating a FairShares Lab*

Strategy 1: Rethink History

- **Question:** Was the Rochdale Society of Equitable Pioneers both a social and cooperative enterprise?
 - It was born out of a social movement
 - It developed in the context of unemployment and poverty
 - It has a social mission (to build a cooperative commonwealth)
 - It had economic impact (surplus distribution by participation)
 - It championed democratic governance (cooperative values and principles)
 - It is a social innovation that is still spreading across the globe
- How does the Rochdale Society fair against the theory of SE developed by the EMES International Research Network?

(A perfect fit!)

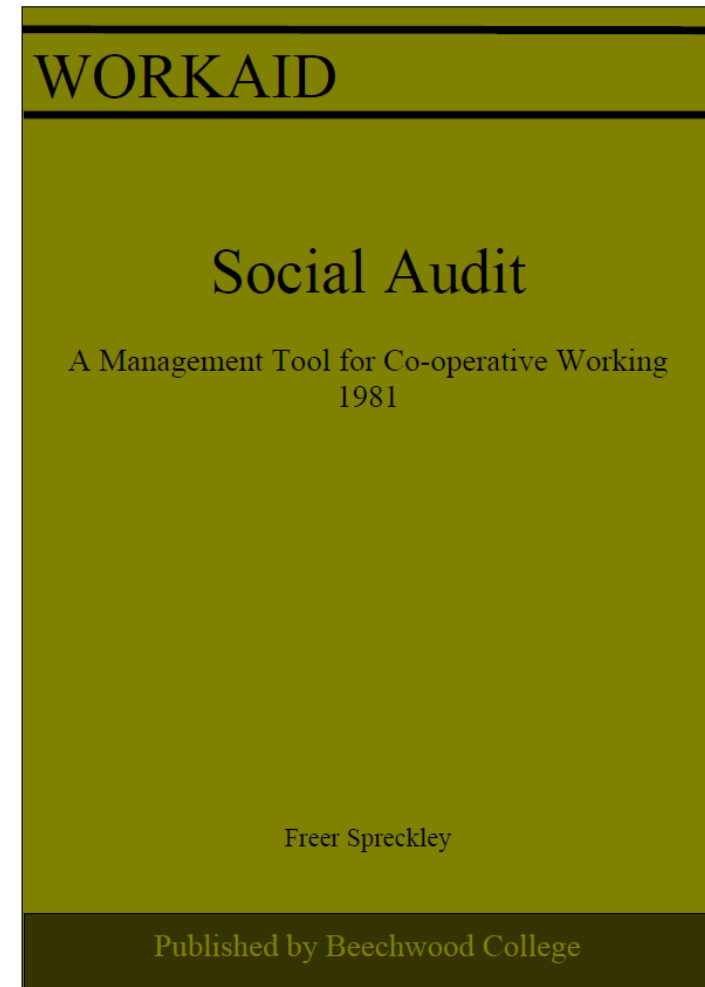
Strategy 1: Rethink History

- **Question:** Was the first (UK) definition of social enterprise created by cooperators?

An enterprise that is owned by those who work in it and perhaps reside in a given locality, is governed by registered social as well as commercial aims and objectives and run co-operatively may be termed a social enterprise. Traditionally, 'capital hires labour' with an overriding emphasis on making a 'profit' over and above any benefits either to the business itself or the workforce. Contrasted to this is the social enterprise where 'labour hires capital' with the emphasis on personal and social 'liberation' from exploitation by capital.

- Yes – Freer Spreckley worked at Beechwood College with worker cooperatives

p. 3



Strategy 1: Rethink History

- **Question:** Was the first (UK) social enterprise support organisation created by cooperators?

SEJ
8,3

178

- Yes

The Social Enterprise Partnership was created by:

Freer Spreckley
(after leaving Beechwood College)

Cliff Southcombe
(former Chair of Greater Manchester CDA)

The Social Enterprise Mark: a critical review of its conceptual dimensions

Rory Ridley-Duff

Sheffield Business School, Sheffield Hallam University, Sheffield, UK, and

Cliff Southcombe

Social Enterprise Europe Ltd, Robin Hood's Bay, UK

Social Enterprise Partnership (1994)

Being bound to a set of beneficiaries or community

Having a democratic structure

Having common and shared values

Being open and accountable

Concerned with empowering members

Using and developing volunteers

Offering workers ownership

Creating social wealth

Emphasis on co-operation and networking

Strategy 1: Rethink History

- **Question:** Was the first (UK) social enterprise regional network created by cooperators?
- Yes – four of the first five directors and all founding subscribers were part of the cooperative movement.

SOCIAL ENTERPRISE LONDON LTD

A COMPANY LIMITED BY GUARANTEE

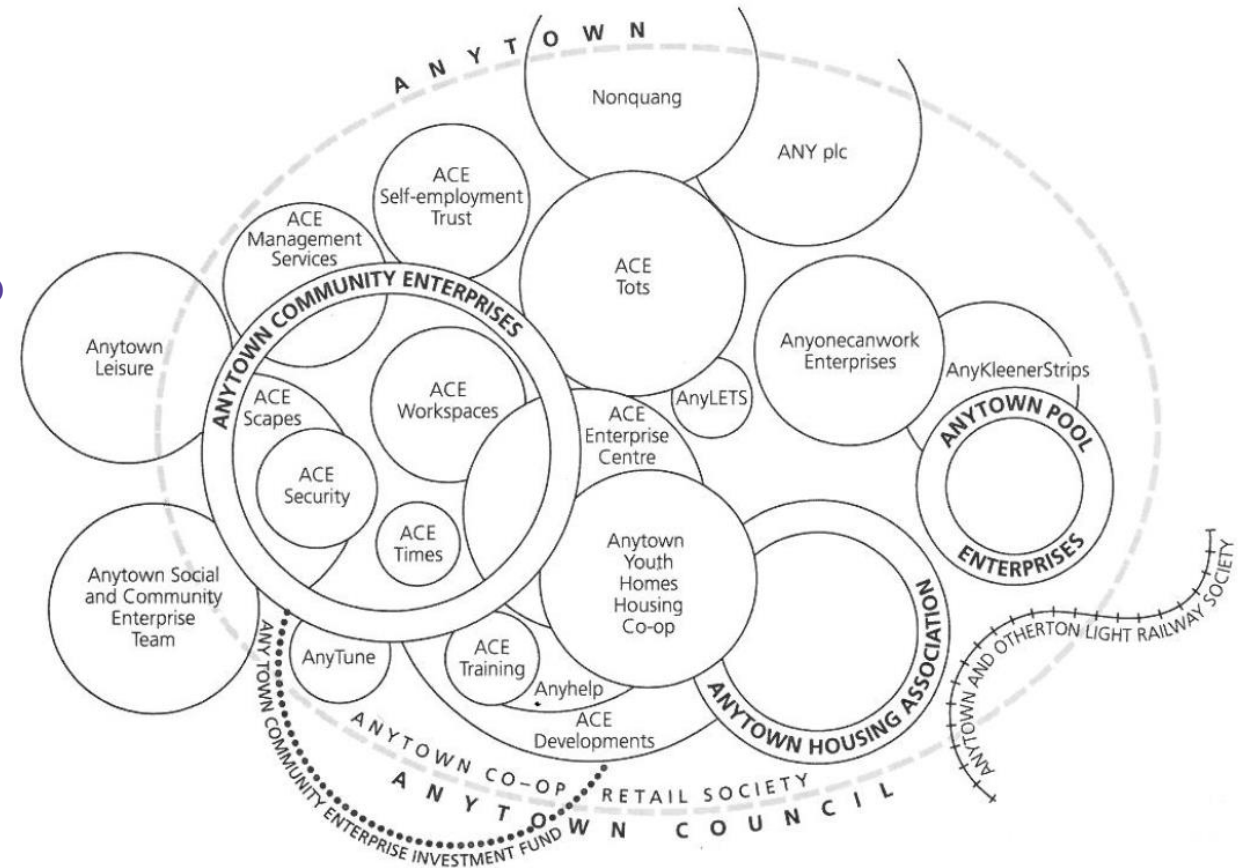
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Initial Directors	Occupation	Employer
Sipi Hameenaho, Director	Project Co-ordinator	London Co-operative Training
Manuela Sykes, Director	Director	Doddington & Rollo Community Association
Jean Whitehead	Policy Officer	Co-operative Union
Gregory Cohn	Manager	London Co-operative Training
Malcolm Corbett	Sales Director	Soft Solution Ltd (Poptel)
Signatory Name	Subscribing Organisation	Classification
Anthonia Faponlle	Hackney Co-op Developments Ltd	Co-operative Development Agency
S. M. Kelly	Lambeth CDA	Co-operative Development Agency
Malcolm Corbett	Poptel	Worker Co-operative
Rory Ridley-Duff	Computercraft Ltd	Worker Co-operative
Robert Smyth	Calverts Press	Worker Co-operative
J. Whitehead	The Co-operative Party	Political Party
I Saray	Artzone Co-operative Ltd	Worker Co-operative
Gregory Cohn	Tower Hamlets CDA	Co-operative Development Agency
Sipi Hameenaho	Greenwich CDA	Co-operative Development Agency

Strategy 1: Rethink History

Social Enterprise

- **Question:** Was the first UK social enterprise 'key text' created by a cooperator?
- “From around this time John was deeply involved in the Industrial Common Ownership Movement and chaired its lending committee ICOF. He helped to found the Scottish Co-operative Development Committee [...] There are countless reports and research documents that bear his name and six books – perhaps the most celebrated being 'Social Enterprise in Anytown' published by the Calouste Gulbenkian Foundation in 2003.”
- Source:
<http://www.socialauditnetwork.org.uk/john-pearce/>
- Yes – AnyTown includes worker, housing and retail co-operatives in its envisaged mixed economy of social enterprises.



Strategy 1: Rethink History

- **Question:** Were the first (UK) social enterprise journals edited by cooperators?

- **Prof Bob Doherty**, “five years as Head of Sales and Marketing at the Fairtrade social enterprise Divine Chocolate Ltd”

Source: <https://www.york.ac.uk/management/staff/bob-doherty/>

(fair trade is 75% cooperative (Lacey, 2009))

- **Prof Alex Nicholls**, “[Alex] Nicholls held senior management positions at the John Lewis Partnership, the largest mutual retailer in Europe”.

Source: <https://www.sbs.ox.ac.uk/community/people/alex-nicholls>

- Yes - editors of key journals started in the UK are known for working on cooperative supply chains, and research on the social solidarity economy.



Editor
Prof Bob Doherty
York Management
School
University of York



Editor
Alex Nicholls
Skoll Centre for
Social Entrepreneurship
University of Oxford

Strategy 2: In search of co-operative practice

- **Question:** Do new non-profits, co-operative companies and B-corporations apply co-operative values and principles?
 - Ostrom (1990) – Principles as a lens for exploring mutuality
 - ICA CVPs (2015) – Principles as a lens for exploring co-operation
- **Sample:** Six SEs with an international reputation for building the infrastructure of the SSE through new co-operative practices

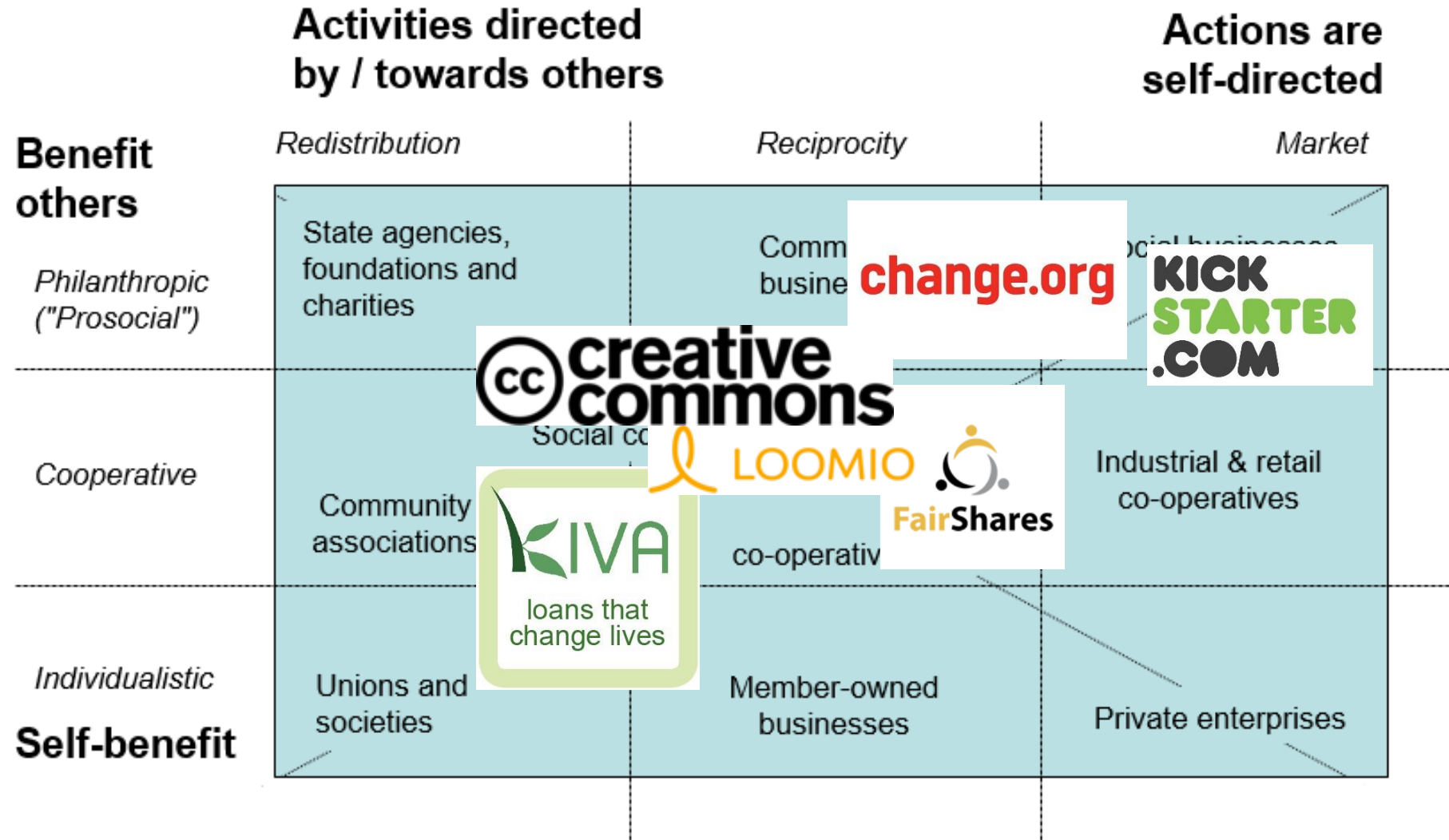
In search of (new) co-operative practice







Five design principles for the sustainable development of commons resources are based on open group control - group-ownership of property with particular characteristics (Ostrom, 1990).







1. Clear definitions of the resource and the resource users
(mutualised membership)
2. Rights to use are proportional to obligations
(mutual obligation in resource maintenance)
3. Appropriation rules/rights decided, partially or wholly, by members
(mutualised governance)
4. Monitoring impact through democratic accountability
(mutualised reporting systems, democratic accountability to users)
5. Low cost conflict resolution systems
(mutuality in dispute resolution – through graduated sanctions)

(based on Ostrom, 1990, p. 186)







In search of (new) co-operative practices



Ostrom Principle	New approaches to redistribution	New approaches to reciprocity	New market-based trading
Principle 1 – Clear definitions of the resource and the resource users (mutualised membership)	KIVA.ORG: 501(C)3 US non-profit with a mission to alleviate poverty by connecting lenders and borrowers (entrepreneurs and partners) through a web-platform. 	LOOMIO.COOP: NZ company operating as a worker co-op that creates safe, secure, searchable websites for democratic discussions and decision-making. 	KICKSTARTER: Reincorporated as a B-corp (2015) to bring creative projects to life through rewards-based crowdfunding. 
	CREATIVECOMMONS.ORG: 501(c)(3) US non-profit organisation that facilitates the legal sharing and distribution of creative works through six Creative Commons licences. 	FAIRSHARES.COOP: UK company operating as a solidarity coop to support incubators (fairshareslabs.org) and research (fsi.coop) on solidarity enterprises. 	CHANGE.ORG: A certified B-Corp (social enterprise) that empowers people to create the change they want to see. 
Principle 2 – Rights to use are proportional to obligations (mutual obligation in resource maintenance)	KIVA.ORG: Anyone with \$25 or more can lend. \$1bn has been lent by 1.6m lenders to 2.6m borrowers through 327 field partners (as at October 2017).	LOOMIO.ORG: Open source software, price bands for users, free to fee, community groups, co-operatives and civic authorities as main target groups.	KICKSTARTER: Any artist or innovator can join to raise funds, subject to a 5% fee and 3-5% payment processing fees (if successful).
	CREATIVECOMMONS.ORG: Licences are freely available online. Anyone who uses them is encouraged to donate to costs.	FAIRSHARES.COOP: Supporters and members have more IP rights than public; contributing members get commercial rights.	CHANGE.ORG: Open platform with 234m people (April 2018). The platform enables anyone to petition for social change.
Principle 3 – Appropriation rules/rights decided, partially or wholly, by members (mutualised governance)	KIVA.ORG: Field partners approve projects then post them to Kiva so that lenders can choose which to support. Groups of investors can collaborate to support social projects of their own choosing.	LOOMIO.COOP: Management rules decided by worker members and a part-elected board (min. 40%). The members' handbook is published online at www.loomio.coop .	KICKSTARTER: Open platform, subject to sharing rewards with contributors (not equity). Transparency, trust and honesty are stated values, but members not formally part of the governance system.
	CREATIVECOMMONS.ORG: Producers decide which license to apply to their work, and users are bound by the licence. There is a published strategy for community-led updating of licences.	FAIRSHARES.COOP: Rules are decided by members in Loomio groups (see clauses 17-32). Creative Commons IP licences are chosen by their authors (see clause 53).	CHANGE.ORG: Encourages all users to speak out, mobilise and be open without causing harm or violating others' rights. Site members are not formally part of an internal governance system.

Ostrom Principle	New approaches to redistribution	New approaches to reciprocity	New market-based trading
Principle 4 - Monitoring impact through democratic accountability (mutualised reporting systems, democratic accountability to users).	KIVA.ORG: Performance published online at: https://www.kiva.org/about/where-kiva-works - every field partner is listed. 	LOOMIO.ORG: Loomio users can join Loomio's own group to monitor and contribute to developing new features. 	KICKSTARTER: Impact is published daily. Currently, \$3.6bn pledged to 141,532 projects by 14.4m people. 
	CREATIVECOMMONS.ORG: Public reports and audits published on a Wiki. The State of the Commons 2016 is available to the public 	FAIRSHARES.COOP: Community / sub-groups allow members to contribute IP and run the association Community Forum (public), member groups (private). 	CHANGE.ORG: Impact published daily. Currently, 178,939,210 people had been involved in petitions, with 21,486 'victories' in 196 countries. 
Principle 5 – Low cost conflict resolution system. (mutuality in dispute resolution – through graduated sanctions).	KIVA.ORG: Use of Kiva.org is covered by 'Terms of Use' which include binding arbitration for disputes under Californian Law.	LOOMIO.ORG: Part-elected board. Loomio groups have one or more coordinators. Group members participate equally in proposal-making and voting.	KICKSTARTER: team of 121 people, half designers, half community facing. 'Creator Handbook' but no information on dispute resolution.
	CREATIVECOMMONS.ORG: the project relies on a network of CC reps with regional approaches to licensing. Dispute resolution procedures are unclear.	FAIRSHARES.COOP: Constitution includes mediation clauses to lower cost of conflict (both labour and member disputes). Three-step escalation process.	CHANGE.ORG: Free speech balanced against community guidelines. Users asked to report policy violations to Help Center (with supporting evidence), or create a petition to contest an existing petition.

In search of (new) co-operative practices

Cooperative Principle	 KIVA loans that change lives	 creative commons	 LOOMIO	 FairShares	 KICKSTARTER.COM	 change.org
1 – Open Membership	✓ (Product)	✓ (Association) +Open product	✓ (Coop) +Open product	✓ (Coop) +Open product	✓ (Product)	✓ (Product)
2 – Democratic Control	At level of use	At level of use +Affiliate network	✓ (Use and board)	✓ (Use and board)	At level of use	At level of use
3 – Economic Participation	✓ (Product)	Donations	In capital, surplus and dividends	In capital surplus and dividends	✓ (Product)	Purchases
4 – Autonomy	✓	✓	✓	✓	✓	✓
5 – Education	✓	✓	✓	✓	✓	✓
6 – Inter-cooperation	✓ (Coop field partners)	✓ (Affiliate network)	✓	✓	In campaigns	In campaigns
7 – Concern for Community	✓	✓	✓	✓	✓	✓

Conclusion: CSE is a challenge to neo-liberalism

Case evidence shows of the application of Ostrom's design principles: each case is creating a co-operative culture through loosely bounded networks of practice.

- **kiva.org** challenges the assumption that investors always seek financial returns (mutual philanthropy).
- **creativecommons.org** challenges the practice of transferring property rights to publishers through licences for mutual benefit (mutualised IP).
- **loomio.org** challenges the idea of management hierarchy by normalising co-operative democracy (mutualised day-to-day management).
- **fairshares.coop** challenges unitary governance by offering IP for polycentric governance and commons-based IP management (mutualised governance)
- **kickstarter.com** challenges the idea that artists and innovators must pitch their ideas to 'the great and good' to fund projects (mutualised funds).
- **change.org** challenges the idea that political change depends on the lobbying power of political parties (mutualised politics)

CSE is entrepreneurship that deploys mutuality, member-control, democratic governance and trading activity to meet the needs of members, the wider community and host environment.

Thank You

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References are in the supporting paper (sent to Nina).

(This paper, after further revisions, will appear as a chapter in the book to celebrate the centenary anniversary of the Co-operative College)