

**Cooperative social entrepreneurship: reflections on a decade embedding cooperative studies in social enterprise courses**

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# Learning for a Co-operative World

Education, social change and the  
Co-operative College

Edited by

Tom Woodin and Linda Shaw



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# Co-operative social entrepreneurship: Reflections on a decade embedding co-operative studies in social enterprise courses

*Rory Ridley-Duff*

## Introduction

As I write this, an article in *Stanford Social Innovation Review* (Ganz *et al.*, 2018) is provoking debate within my academic networks. The charge the authors make is that ‘solving systemic social problems takes people, politics and power – not more social entrepreneurship’ (p. 59). They argue that civil society and the state should act together *against* social entrepreneurship (SE) because the latter is a creature of, and vehicle for, the advance of neo-liberalism. This ahistorical and empirically unsound assessment of SE is something I will challenge in this chapter.

My counterargument is that SE was, and once again is, a by-product of developments within the co-operative movement (see Borzaga and Defourny, 2001; Teasdale, 2012; Ridley-Duff, 2015; Ridley-Duff *et al.*, 2018). Specifically, I will set out how UK SE was initially brought into existence by co-operative educators and practitioners who looked beyond consumer ownership to broaden the reach and relevance of the UK co-operative movement. Initially, education initiatives introduced worker co-operatives to social auditing, a multi-stakeholder approach to governance that integrates co-operatives within their host communities (Spreckley, 1981, 2008). Later, the action learning of a new generation of co-operative entrepreneurs catalysed the creation of solidarity and platform co-operatives suited to sustainable development (Ridley-Duff, 2015; Scholz and Schneider, 2016).

It is an appropriate time to reflect on the state of the art for two reasons. First, it is the 100th anniversary of the Co-operative College. Its

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archive has enabled co-operative historians to examine the blurred line between worker and consumer co-operation in the development of early co-operatives (Toms, 2012; Balnave and Patmore, 2012; Molina, 2012; Paraque and Willmott, 2014). Second, it is ten years since Mike Bull and I began work on *Understanding Social Enterprise: Theory and practice* (Ridley-Duff and Bull, 2011, 2016). As we work towards a third edition, we encounter rhetoric such as that published by Ganz *et al.* (2018) that misinforms and misleads students about the connections between co-operators, co-operatives and SE development.

While it is possible to agree with Ganz *et al.* (2018) that ‘solving systemic social problems takes people, politics and power’ and that this cannot be achieved through the adoption of neo-liberal doctrine (Klein, 2007; Scholz and Schneider, 2016), I challenge Ganz *et al.* by asserting that co-operative development and co-operators inspired the formation and development of key institutions for SE development. This catalysed a distinctive type of entrepreneurship – co-operative social entrepreneurship (CSE) – that is more mutual, more favourably disposed towards multi-stakeholder design principles (Ridley-Duff, 2018) and gives wider scope to implement co-operative principles 1, 2, 5, 6 and 7 (open membership, democratic member control, education, inter-co-operation and concern for community).

There are good grounds to counter antipathy to co-operative studies in both SE and mainstream management education (MacPherson, 2015; Audebrand *et al.*, 2017). CSE identifies a subset of social entrepreneurship that draws on and applies co-operative values and principles during venture creation. It is characterized by a collective ability to build enterprise networks that emphasize voluntary co-operative action. Such action develops new communities of practice (Wenger, 1998) that favour direct democracy and group ownership over public administration and private ownership (Ostrom *et al.*, 1999). In contemporary debate, co-operative values (self-help, self-responsibility, democracy, equality, equity and solidarity) are advanced both to prevent a ‘self-employed precariat’ from developing (Conaty, 2014; Conaty *et al.*, 2016: 3) and to oppose neo-liberalism by offering alternative approaches to (enterprise) education (see van de Veen, 2010; Neary and Winn, 2017). CSE, therefore, is a form of entrepreneurship in the social solidarity economy (SSE) that connects co-operation with solidarity action. Since Ostrom (2009) received a Nobel Prize for identifying principles of collective action, it has become easier to argue that CSE is a legitimate lens for studying the field of SE (Utting, 2015).

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This chapter is divided into two main sections. In the first, I highlight a strategy for challenging Ganz *et al.*'s (2018) ahistorical account of SE. Building on a previous debate (Voinea, 2016), I explore the origins and history of SE in the UK. This leads into a discussion of the way Ostrom's (1990) work on collective action can inform the development and study of mutuality beyond sharing financial risks to encompass governance, resource management, social reporting and conflict resolution. In the second section, I introduce six examples of collective action from outside the formal co-operative movement to develop a new conversation about the principles of 'new co-operativism'. Vieta (2010) argues that new co-operativism has several characteristics: first, it is a response by working people to recent crises in neo-liberalism; second, it is 'uninhibited' by the institutions of previous co-operative movements; third, there are new approaches to allocating surpluses that are more egalitarian and emphasize horizontal labour relations; and, lastly, there is a stronger community orientation with social objects and community development goals. To complete the chapter, I argue for the value of SE scholars studying co-operatives and of co-operative scholars studying SEs. It represents a viable strategy for countering neo-liberal doctrine by offering new co-operativism within the SSE as an alternative (Ridley-Duff, 2018). Taken together, the two strategies represent separate strands in a course curriculum on SE. The first curriculum strand focuses on the history of SE while the second challenges students to consider how SE can counter neo-liberalism.

### **Strand 1: Rethinking history**

In recent years, Sheffield Hallam University and the Co-operative College have worked together to deliver a course to students from the co-operative university at Mondragon. To start, we study first-hand accounts of the conditions among weavers that led to the formation of a co-operative at Rochdale. The co-operative behind the global movement (the Rochdale Equitable Pioneers Society) was initially run by volunteers. Members gave up two hours each evening to run a shop. This operated without a clear distinction between worker and consumer until the introduction of paid employment (Wilson *et al.*, 2012). The situation they faced, of wage cuts and deteriorating social conditions in Rochdale in 1844, was similar to the contexts that trigger SE development today. By today's standards (see Ridley-Duff and Bull, 2016; Defourny and Nyssens, 2017), the members of the Rochdale Equitable Pioneers Society were social entrepreneurs engaged in social innovation – practitioners of CSE.

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While it is tempting, politically, to assert that co-operatives are ‘businesses’ (see Co-operatives UK, 2018), International Co-operative Alliance (ICA) guidance avoids the word ‘business’ altogether (ICA, 2015). Instead, a co-operative is presented as a voluntary association of members who form an enterprise to meet their economic, social and cultural needs. Their enterprise is jointly owned and democratically controlled. The absence of the word ‘business’ in the official statement of co-operative identity cannot be accidental. It reflects ongoing contestation about the core characteristics, social and economic contribution, and legal expressions of SE. While Peattie and Morley’s (2008) UK review emphasizes business activity for a social purpose, wider European and Asian debates problematize the relationship between SE and ‘business’ (Teasdale, 2012; Kerlin, 2013; Ridley-Duff and Wren, 2018). Within the EMES International Research Network, there is an emerging consensus on economic activity within and beyond formally constituted businesses, the primacy of social purpose(s), and inclusive governance and/or trading practices that empower marginalized groups (Defourny *et al.*, 2014; Defourny and Nyssens, 2017).

### *The co-operative origins of English and Scottish social enterprise*

While researching a ‘hidden history’ of SE development, Mike Bull and I received an email from Cliff Southcombe (former Chair of Greater Manchester Co-operative Development Agency and co-founder of the Social Enterprise Partnership).<sup>1</sup> His account of early SE development provides clues to the movement’s early dynamics:

For me, social enterprise emerged from the community enterprise movement that had rejected capitalist, state and charitable solutions to problems caused by the collapse of traditional industries chiefly in the north of England and Scotland [in the early 1980s]. I probably include a rejection of traditional community development in this – seeing the community economy and the ownership of assets as key ... It came too from a frustration with the co-operative movement not being able to give us the models or tools to work with – and so we had turned to creating Companies Ltd by Guarantee and holding companies to increase the democratic nature of our enterprises. This allowed communities to own the assets but workers and volunteers to own the enterprises. The community could use the power of landlord to impose social goals – hence the start of social auditing. (Email, 5 August 2014, reproduced with permission)

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It is the existence of ‘frustration with the co-operative movement’ and the responses to it that represent the umbilical cord between the (old) co-operative movement, new co-operativism and SE development. According to Parigi *et al.* (2005), social auditing has a mixed history that began in the field of medicine, then evolved in corporate, public and third sector evaluation work to understand the impacts of an organization on wider society. The common thread has been a principle that in a democratic culture ‘decision makers should be accountable for the use of their powers and that their powers should be used as far as possible with the consent and understanding of all concerned’ (ibid.: 15). Social auditing, therefore, is a good vehicle for (re-)establishing the co-operative principles (CPs) of ‘education’ (CP 5), ‘inter-co-operation’ (CP 6) and ‘concern for community’ (CP 7) that the UK’s leading trade body has regarded as ‘more of an aspiration’ than a fundamental requirement (compare Spreckley, 1981 with Atherton *et al.*, 2011: 10).

It is this socially entrepreneurial attitude among co-operators (placing more emphasis on outcomes for labour, citizens and the environment) that spawned new co-operativism (Vieta, 2010). It offers a critique of the way that the market orientation of consumer co-operatives allowed commercial drivers to weaken investments in associational life and wider community benefit. While new co-operativism remains closely connected at a conceptual level with co-operative values and principles, it refocused attention on four things: the needs of *working* people to build a social solidarity economy (SSE) (De Peuter and Dyer-Witthford, 2010; Laville, 2015; Utting, 2015); the wider benefits to society of an enfranchised workforce engaged in co-operative enterprise (Gonzales, 2010; Ridley-Duff, 2015); online technologies that support co-operative action (Paterson, 2010; Scholz and Schneider, 2016); and links between co-operatives and sustainable development (Gertler, 2004; Wanyama, 2014).

By reintegrating co-operative principles 5, 6 and 7 with 1, 2, 3 and 4 (open and voluntary membership, democratic member control, member economic participation, and autonomy and independence), Jim Brown, author of *Co-operative Capital*, and Freer Spreckley, author of *The Social Audit Toolkit*, defined and developed the concept of SE between 1981 and 1984 at Beechwood College, Leeds, UK, through social auditing courses for members of worker co-operatives. Concurrently with John Elkington’s (1978, 2004) corporate work developing the triple bottom line concept, Brown and Spreckley articulated this as SE in early editions of *The Social Audit Toolkit* (subtitled ‘a management toolkit for co-operative working’).

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Such frustrations were not confined to England. Pearce (2003) set out his vision for co-operative communities in Scotland in a book called *Social Enterprise in Anytown*.<sup>2</sup> He too had deep connections to the co-operative movement through revitalizing worker co-operatives (through the Industrial Common Ownership Movement) and designing financial support for them (through Industrial Common Ownership Finance).<sup>3</sup> Later, he participated in the Scottish Co-operative Development Committee. Further south (in London), my own worker co-operative (Computercraft Ltd) joined with other worker-co-operatives (Poptel and Calverts Press) and London-based co-operative development agencies in Hackney, Lambeth, Tower Hamlets and Greenwich to bring about the incorporation of Social Enterprise London Ltd (see Table 9.1). It would take another four years (after the Co-operative Commission reported in 2001) for UK worker-co-operatives to secure board representation at Co-operatives UK.

**Table 9.1:** Directors and subscribers of Social Enterprise London Ltd, at incorporation

Initial directors	Occupation	Employer
Sipi Hameenaho	Project Co-ordinator	London Co-operative Training
Manuela Sykes	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 organization	Classification
Anthonia Faponnle	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

Source: Social Enterprise London Ltd (1998),  
Memorandum of Association.

Previously published in Ridley-Duff and Southcombe (2012), Appendix A, Table AII.



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The objects of Social Enterprise London Ltd were as follows:

- (i) To promote the principles and values of the social enterprise economy in Greater London and its environs.
- (ii) To promote co-operative solutions for economic and community development.
- (iii) To promote social enterprises, in particular co-operatives and common ownerships, social firms, and other organisations and businesses which put into practice the principles of participative democracy, equal opportunities and social justice.
- (iv) To promote, develop and support local and regional economic resources and opportunities.
- (v) To address social exclusion through economic regeneration.
- (vi) To create a regional framework to support and resource development of the social enterprise sector. (Companies House, 1998)

Just as the Rochdale Equitable Pioneers Society had a vision to build links between producers, consumers, housing providers and educators to develop a politics of social transformation, so the pioneers of SE in the UK engaged in a way that made it possible to (re)diversify the co-operative movement and re-enfranchise a wider range of co-operative projects. The first SE agencies did not just support enterprise creation; they promoted the concept through a still-existent academic journal and a degree programme at the University of East London that catalysed other degree programmes that are still going. In short, they gave both an academic and a political voice to a previously disenfranchised group of co-operators.

Given the information in Table 9.1 and the objects of Social Enterprise London Ltd, it is clearly ahistorical to argue that co-operatives and co-operators were not part of the formation of the SE movement within the UK. I would go further, however, and argue that the theoretical and conceptual separation of SE and co-operatives is seriously misleading, given that increasing interest has created more public spaces in which to discuss and develop co-operative business models. Co-operatives are increasingly studied by scholars identifying themselves as either SE or co-operative scholars, and are positioned as key actors in sustainable development policy within the United Nations and B20 business advisory group that makes recommendations to G20 governments (Mills and Davies, 2013; Voinea, 2015).

While the umbilical cord feeding the SSE has been progressively obscured by the rise of neo-liberalism (see Teasdale, 2012; Ridley-Duff and

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Southcombe, 2012), this does not change history: co-operators registered the most important development agencies (Social Enterprise Partnership, Social Enterprise London, Social Enterprise Coalition), created the first educational courses at the University of East London<sup>4</sup> and edited the first academic journals (*Social Enterprise Journal*, *Journal of Social Entrepreneurship*). The editor of the *Social Enterprise Journal* from 2007 to 2017 previously worked at Divine Chocolate/Twin Trading, a co-operatively owned fair trade producer. The current editor of the *Journal of Social Entrepreneurship* previously worked as a purchaser at the John Lewis Partnership (listed in the global ‘Top 300’ co-operatives at <https://monitor.coop/en>). During their academic careers, both worked on and studied fair trade in which 75 per cent of produce is organized through co-operatives (Lacey, 2009).

Revisiting history in this way provides students with a better understanding of the links between several SE subfields. In particular, it is an effective strategy for engaging scholars on the connection between co-operatives and other forms of SE (including the antagonisms between them). In teaching activities, students can investigate and critique how SE in the UK emerged out of: (1) the rejection of state, market and charitable responses to the rise of neo-liberal doctrine, and (2) the search by co-operators for something new beyond consumer co-operatives to revitalize and re-enfranchise worker and community co-operatives.

That search for ‘something new’ informs Strand 2 (see below). While Strand 1 invites students to investigate how those inside the co-operative movement contributed to the development of SE, Strand 2 flips perspective to explore the contribution of those in the wider SSE to the development of the co-operative movement. Using Ostrom’s principles of collective action to delve deeper into mutuality, and using ICA principles as a theoretical lens, I now investigate six cases of co-operative practice in growing SEs.

### **Strand 2: Showcasing platforms for co-operation**

Until the 2002 government consultation on the community interest company, the discourse of heroic social entrepreneurs and SE champions highlighted by Ganz *et al.* (2018) had little traction (Ridley-Duff, 2007; Bull, 2015). Even today, its traction remains relatively weak because practitioners show a clear preference for identifying with ‘social enterprise’, not ‘social entrepreneurship’ (Dey and Teasdale, 2016). Nevertheless, terminology that distinguishes collective and mutual approaches to SE from more individualized approaches has not established itself successfully (see Spear, 2006; Scott Cato *et al.*, 2008). Strand 2, therefore, places emphasis on helping students to understand mutuality as the route to CSE.

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Ridley-Duff and Bull (2016: 7) contend that:

Mutuality implies a bi-directional or network relationship in which parties help, support and supervise each other. This is qualitatively different from the uni-directional relationship between owner-manager and employee in a private enterprise, or the chain of control (philanthropist to trustee [...], trustee to manager, manager to worker, and worker to beneficiary) in a charity. While charity can be present in mutual relations, it is normally framed in law and practice as a financial and managerial one-way relationship in which trustees give and direct while beneficiaries accept and obey. This asymmetry in obligations (i.e. the lack of reciprocal inter-dependence) clearly distinguishes mutuality from charity.

Mutual societies share some of the characteristics of co-operatives (for example, member ownership, community orientation), but – according to Weishaupt (2018) – they are organized to share financial risks, not organize production. Mutuality in financial ventures was established through the case of *Municipal Mutual Insurance Ltd v. Hills* (1929–32):

... the cardinal requirement is that all the contributors to the common fund must be entitled to participate in the surplus and that all the participators in the surplus must be contributors to the common fund; in other words, there must be complete identity between the contributors and the participators. If this requirement is satisfied, the particular form which the association takes is immaterial. (HMRC, 2013)

Mutuals, therefore, can be formed using a variety of legal forms when a common fund is created for a given shared purpose. As such, mutuals can be good vehicles for building the co-operative economy where laws recognize the value of permitting them to invest in SE networks, not just property and insurance schemes (see Foote Whyte and King Whyte, 1991; Restakis, 2010). However, mutuality need not be confined to financial risk sharing.

Ostrom's (1990) first five principles for collective action provide a lens through which to examine mutuality. In her work, she extends mutual principles to resource management, governance rights, social reporting and conflict resolution. She observed that sustainability is strengthened where: members have both rights and obligations to maintain shared resources (principle 2); members have governance rights linked to their active use of, or contribution to, a resource (principle 3); the results of resource

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monitoring are defined by, and reported to, users (not remote government regulators) (principle 4); and members organize low-cost conflict resolution systems that are graduated, equitable and respectful of members' rights and obligations (principle 5).

### *Six examples of mutuality in the social solidarity economy*

These mutual principles will now be used to investigate six cases from the wider SSE: Kiva; Creative Commons; Loomio Co-operative Ltd; FairShares Association Ltd; Kickstarter; and Change.org. The case studies were developed as follows. In the first phase, materials from websites, articles and public documents were gathered together and organized into tables to investigate their commitment to mutuality using Ostrom's (1990) first five principles of collective action (for the tables, see Ridley-Duff and Bull, 2018). Using this information, a second phase of analysis was undertaken by further deconstructing the cases using the ICA's seven co-operative principles as a theoretical lens. In doing so, insights were generated regarding the level of commitment to mutuality as well as the seven co-operative principles.

Kiva ([kiva.org](http://kiva.org)) and Creative Commons ([creativecommons.org](http://creativecommons.org)) were established as non-profit associations. They illustrate how mutuality can be practised in charitable organizations. Kiva has a mission to alleviate poverty by connecting lenders and borrowers (entrepreneurs and field partners) through a web platform. It establishes that lending does not have to be based on the choice of gifting money (charity) or charging interest on loans (commerce). Kiva lenders have their money returned, but do not charge interest. Returns are social, not financial. Even so, around \$2.5 million is raised *each day* through the web platform to enable individuals and organized networks to allocate funds to field partners who support local projects. Lenders can join [kiva.org](http://kiva.org) with an initial capital contribution of \$25.

Creative Commons, on the other hand, creates a system for mutualizing intellectual property in a 'commons' by facilitating the legal sharing and distribution of creative works using six open-source, machine-readable licences. This approach challenges the dominance of private sector copyright and patent laws. Authors retain copyright while permitting others to adapt and benefit from replicating their works. Over half of the 1.2 billion works issued with Creative Commons licences have been published using either 'BY' (Attribution) or 'BY-SA' (Attribution-ShareAlike) licences (see <https://stateof.creativecommons.org>). The 'BY' tag indicates that any derivative works must give an attribution to the author of the original work. The 'SA' tag indicates that derivative works must be shared using the same licence as the original. This effectively prevents privatization of intellectual

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property (IP) by ensuring that new works have the same Creative Commons licence as the original. Importantly, both licences permit users to benefit commercially from building on existing works, but do so by *sharing* (not transferring) property rights.

Loomio Co-operative Ltd and FairShares Association Ltd are examples of ‘new co-operativism’ (Vieta, 2010) that illustrate how mutuality can be extended through multi-stakeholder governance. Loomio Co-operative is a New Zealand company that creates safe, secure, searchable websites for democratic discussions and decision-making (see [loomio.org](http://loomio.org)). FairShares Association is a UK company that mutualizes IP to support solidarity co-operatives, social enterprise incubators and related knowledge transfer initiatives (see [fairshares.coop](http://fairshares.coop)). Both are registered companies that secure their co-operative identity through the Co-operative Marque<sup>5</sup> rather than their legal form. Although Loomio Co-operative is run as a worker co-operative, it has a multi-stakeholder board that reflects its history of crowdfunding and working with a patent investor. Its open-source software facilitates the making and storing of deliberations and decisions in searchable archives on cloud-based network servers. FairShares Association has founder, labour and user members within its network of academics, educators and consultants. Both co-operatives use Creative Commons to publish IP. Loomio Co-operative publishes its handbook on co-operative management using a Creative Commons licence (see [loomio.coop](http://loomio.coop)). Similarly, FairShares Association publishes the FairShares Model using a range of Creative Commons licences so it can be adapted and developed by social/blue economy incubators called FairShares Labs (see [fairshares.coop/fairshareslabs](http://fairshares.coop/fairshareslabs)) and researchers at the FairShares Institute for Cooperative Social Entrepreneurship ([fsi.coop](http://fsi.coop)). Lastly, both Loomio Co-operative and FairShares Association use [loomio.org](http://loomio.org) to promote mutuality in governance. In both cases, any member can propose ideas and initiate a vote without first securing board support. Decisions are made on a one-member, one-vote basis.

Kickstarter and Change.org are both companies that illustrate how mutuality can be organized through benefit corporations (B Corps), a new legal form originating from the USA. Kickstarter’s mission is to bring creative projects to life through rewards-based crowdfunding. Change.org expresses its mission as ‘empower[ing] people to create the change they want to see’. Kickstarter.com enables site members to raise funds for artistic projects and innovative products. Charity fundraising and private sector financial investment are both barred from the platform – each project is geared towards catalysing direct mutual relations between producers and

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users based on non-financial (product-based) rewards. Change.org enables site members to petition for social change. Interestingly, their dispute resolution guidelines suggest that members can start *counter*-petitions if they object to another's campaign. The B-Corp legal framework enables organization members to prioritize mission and impact over financial returns, and promote member participation in social change by offering technology for social campaigning free at the point of use. Importantly, the platform does not encourage dependence on charities, foundations, governments or private institutional investors.

### *Deconstructing the six cases using co-operative principles*

Table 9.2 shows how these cases can be meaningfully evaluated using co-operative principles (CPs). All projects offer 'open membership' (CP 1) of their platforms and/or the legal entity that controls them: Kiva.org offers open membership of its investment platform; Creative Commons offers free use of its products; Loomio Co-operative offers free membership of its decision-making platform (and the ability to create new sites); FairShares Association offers free (non-profit) use of its documentation, diagnostic tools and rules generator, plus enhanced commercial rights for members; Kickstarter and Change.org both offer platform membership that is free at the point of use supported by a business model that recovers funds after a successful campaign.

Democratic control (CP 2) is stronger in the non-profit associations and co-operative enterprises that admit members to governing bodies that make strategic decisions. This is less transparent in the B Corps organizations (Kickstarter and Change.org), despite a legal requirement to engage with stakeholders and consider stakeholder interests. However, the products available from the B Corps go furthest in facilitating member-determined allocations of time, energy and money to bring about civic and economic change.

All the platforms catalyse opportunities for economic participation (CP 3) by making it possible to accept capital contributions and offer rewards that create the value that members wish to see. Creative Commons and Kiva ask only for donations towards the costs of maintaining systems for sharing their IP. Loomio Co-operative and FairShares Association both offer ways for members to subscribe capital (either through subscriptions to use the products, or subscriptions to cover the cost of maintaining web resources) alongside shared (member) control over the way surpluses are reinvested. As B Corps, Kickstarter and Change.org can offer shares to members and pay them dividends.

Table 9.2: Deconstructing six SSE cases using ICA principles

Co-operative principle (CP)	Kiva	Creative Commons	Loomio Co-operative	FairShares Association	Kickstarter	Change.org
Open membership (1)	√ (Product)	√ (Association) +Open product	√ (Co-op) +Open product	√ (Co-op) +Open product	√ (Product)	√ (Product)
Democratic member control (2)	At level of use	At level of use +Affiliate network	√ (Use and board)	√ (Use and board)	At level of use	At level of use
Member economic participation (3)	√ (Product)	(Funded by donations)	In capital, surplus and dividends	In capital, surplus and dividends	√ (Product)	(Funded by purchases)
Autonomy and independence (4)	√	√	√	√	√	√
Member and public education (5)	√	√	√	√	√	√
Inter-co-operation (6)	√ (Field partners)	√ (Affiliate network)	√	√	In campaigns	In campaigns
Concern for community (7)	√	√	√	√	√	√

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The organizations protect their autonomy (CP 4) through carefully crafted legal structures and operational norms. Notably, Kickstarter bars the listing of charity fundraising projects as well as private investment opportunities. The non-profit association status of Kiva and Creative Commons protects them from overzealous regulatory control by either the state or private financial institutions. Similarly, the co-operative structures at Loomio Co-operative and FairShares Association encourage democratic member control that protects them from regulation by the institutions of private investors (CP 2).

There are transparent reporting activities by Kiva, Creative Commons, Kickstarter and Change.org to educate the public about their impacts (CP 5). Kickstarter, Loomio Co-operative and FairShares Association publish educational materials for public benefit (CP 5) using Creative Commons licences that produce a further level of community benefit (CP 7). By offering specific features for members to form subgroups that support collective efforts at social change, Kiva, Loomio Co-operative, FairShares Association and Change.org all promote inter-co-operation (CP 6). Indeed, the observed use of each other's products (such as FairShares Association using loomio.org, and Loomio Co-operative raising funds through crowdfunding, and active use of Creative Commons by FairShares Association and Loomio Co-operative) is further evidence of the way the SSE promotes inter-co-operation through both market and non-market exchange mechanisms (CP 6).

To summarize, Strand 2 invites students to study organizations using Ostrom's design principles for mutuality and the ICA's CPs. These enhance students' understanding of mutuality and co-operation and provide them with a lens through which to judge both formal co-operatives and co-operative practices in the wider SSE. The results do two things: first, they problematize the definition of 'true' (bona fide) co-operatives as they may not need to be constituted under co-operative law provided that they are structured to ensure mutuality; second, co-operative principles can be enacted through any legal form that provides legal defences for mutuality, member control, democratic participation and social trading activity. The six SEs chosen demonstrate how the *infrastructure* of the SSE is developing and challenging neo-liberal doctrine through the creation of cultures that support mutuality and the enactment of CPs.

### **Conclusions: CSE as a challenge to neo-liberalism**

While none of the six SEs discussed are registered using laws exclusive to co-operatives, they show evidence of commitment to CPs that constitute a



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coherent challenge to neo-liberalism (Table 9.2). This adds to Macpherson's (2015) and Auderbrand *et al.*'s (2017) arguments for co-operative studies in both SE and mainstream management education. For example, by raising \$2.5 million a day without paying any interest, Kiva challenges the assumption that you cannot raise money for private and co-operative ventures without offering investors a financial return. By creating a licensing system for the sharing of IP, Creative Commons challenges the assumption that property rights must be transferred by labour providers to capital owners to gain recognition and/or make a living. By creating a decision-making platform that normalizes co-operative democracy, Loomio challenges the idea that efficiency depends on the creation of a management hierarchy. Similarly, by showcasing and offering IP that advances polycentric ownership, governance and management (Ostrom, 2009), the FairShares Model undermines that argument for unitary boards in the UK Corporate Code of Governance (Combined Code). By creating a funding system for artists and creative projects, Kickstarter challenges the notion that creative ideas must be pitched to the 'great and good' or professional investors to get funded. Lastly, by providing platforms that facilitate direct democracy across social movements, Change.org challenges the idea that social change comes only through parliamentary (liberal) democracy.

When all these examples are taken together, they show that the rise of SE creates opportunities in a wide range of university courses to enrich discussions of both the history of co-operatives and their future potential as well as their operating models and organizing principles. However, to take advantage of that opportunity, scholars of co-operatives first need to accept two arguments: that co-operators built important parts of the SE movement and contributed substantively to SE theory; and that co-operative practices within the wider SSE are informing new co-operativism (Vieta, 2010). In this chapter, I have presented evidence to support both arguments.

Strand 1 illustrated how studying the history of SE development in Scotland, the North of England and London exposed the deep connection between co-operators and SE. Furthermore, it shows that co-operators developed CSE through the application of co-operative values and principles absent from mainstream co-operative institutions at that time. Strand 2, on the other hand, deployed Ostrom's (1990) and the ICA's principles to deconstruct six SEs. While none were incorporated under co-operative law, their commitment to co-operative values and principles provides a starting point for studies of new co-operativism (Vieta, 2010; Ridley-Duff, 2015).

There is a need to re-establish the umbilical cord that joins co-operators and co-operatives to the wider field of SE. First, the findings

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suggest that educators identifying as SE scholars can legitimately introduce the study of co-operatives into curricula to problematize and challenge Ganz *et al.*'s (2018) contention that 'social enterprise is not social change'. Based on the material in this chapter, I argue that SE *is* social change when it is driven by CSE. Second, educators identifying as scholars of co-operation and co-operatives can productively engage with SE by introducing the social innovations of co-operators into curricula. By identifying and studying how they overcame their 'frustrations with the co-operative movement' through social auditing (Spreckley, 2008), solidarity co-operatives (Ridley-Duff, 2015) and platform co-operatives (Scholz and Schneider, 2016), curricula will be enriched. Furthermore, such social innovations show that co-operators challenge, rather than reinforce, neo-liberalism. CSE is a commitment to mutuality, member control, democratic governance and trading activities characteristic of new co-operativism that gives more active consideration to the interests of labour, the local community and wider society. It offers a new path for people to reclaim power, infuse their enterprises politically through trading for a social purpose and building resilient alternatives to neo-liberalism.

### Notes

<sup>1</sup> Cliff Southcombe is now Managing Director of Social Enterprise International Ltd, a partner in the European FairShares Labs for Social and Blue Innovation Project (see [www.fairshareslab.org](http://www.fairshareslab.org)).

<sup>2</sup> See [www.socialauditnetwork.org.uk/john-pearce](http://www.socialauditnetwork.org.uk/john-pearce) (accessed 12 April 2018).

<sup>3</sup> ICOM (Industrial Common Ownership Movement) produced model rules for worker co-operatives in 1976. Over the next decade, over 1,000 new worker co-operatives formed (Cornforth *et al.*, 1988). ICOF trades today under the name Co-operative and Community Finance.

<sup>4</sup> SEP (Social Enterprise Partnership), SEL (Social Enterprise London), SEC (Social Enterprise Coalition) and UEL (University of East London) offered a BA in Social Enterprise.

<sup>5</sup> See <http://identity.coop> for information on the Co-operative Marque.

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