



## **Understanding Social Enterprise Theory and Practice (2nd edition). By Rory Ridley-Duff and Mike Ball**

Reviewed by Dan Crowe

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# Understanding Social Enterprise Theory and Practice

By Rory Ridley-Duff and Mike Ball

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Social enterprise is a curious construct. Whilst proponents of free enterprise and markets will argue that business activity in general is a net contributor to the wealth and welfare of society and its members, social enterprise is promoted as something qualitatively different. Indeed, its very name suggests that those enterprises that are not social might therefore be asocial at best, or anti-social at worst. Many critics of the capitalist model of enterprise would subscribe to this view, and indeed big businesses often seek to defend against such accusations through Corporate Social Responsibility policies. Some businesses are going further than this, seeking to reinvent the very purpose of for-profit business through the B Corps movement, which it claims “is to business what Fair Trade certification is to coffee” (B Lab, 2016).

One reason that social enterprise can be difficult to pin down is that it can mean different things to different people. In our consumer culture, this alternative way of doing business was popularised by “hippy capitalists” such as Anita Roddick who mixed make-up, money and morals (The Economist, 2006). During the heyday of the halcyon New Labour years, social enterprise also served as the poster child of public service reform. Seen as a route to improved productivity and outcomes through innovation by non-state, market-based actors, it encompasses models ranging from charities contracting to deliver public services to employee-led mutual spin-outs freed from the control of alleged monolithic government bureaucracies.

Here social enterprise represents a way to a way to marry the perceived caring ethos of the public sector with the efficiency of the private sector. Arguably it came to embody the third way, something that reached its apotheosis in the creation of a specific legal form for its corporate personification: the Community Interest Company or CIC. Yet a great deal of confusion still surrounds what a social enterprise is — and is not. Informal anecdotal evidence conducted for this review suggests that there is a popular conception of social enterprises as small scale, local, community-run businesses that “do some good”. This might reflect recent success and cut-through in the promotion of models that, for example, allow fans to buy into their sports clubs and communities to take ownership of their local shops and pubs or generate their own electricity.

However, whether large organisations such as John Lewis or even the Co-operative Group would be seen as social enterprise is a moot point. And what of social firms, or the current Whitehall flavour of the month, mission-led businesses? (Wilson, 2016). Going further afield, how does social enterprise fit with other concepts often in and out of fashion that are prefigured by the term ‘social’, such as ‘economy’, ‘value’, ‘investment’ and ‘capital’?

Fortunately, help is at hand. *Understanding Social Enterprise Theory and Practice* presents the critical thinking, theoretical arguments and practical evidence base needed to try to unpack just what exactly a social enterprise is. In this highly readable and accessible textbook to the social enterprise business form the authors guide the reader through the social enterprise landscape. Help with navigation is provided in the form of very visual diagrams that aid an understanding of the concepts involved, and a series of illuminating case studies enable the reader to accurately appraise and apprise oneself of the distinguishing features and characteristics of the model.

For a content-rich publication that comes in a pleasingly chunky handbook format, it packs a lot into its 410 pages. Due to its comprehensiveness it could most aptly be described as the ultimate social enterprise compendium, and as such must surely be an essential resource for students of business, management and various disciplines of the social, political and economic sciences. That this is the book's target market is clear from its construction, with each chapter featuring a set of "Learning objectives" at the start and "Class exercises" and "Questions and possible essay questions" posited at the end.

Such features, whilst possibly jarring for the general reader may also serve to clarify and support wider thinking around the subject, together with the "Further reading" and "Useful resources" sections. Additional online content to accompany the book also adds value, and makes it a key reference for current and aspiring social entrepreneurs and practitioners, officers and commissioners across the public sector, politicians and policy wonks, and of course the reader, as an interested citizen and a consumer.

For co-operators, much of the terrain is a familiar one. Indeed, a picture emerges of co-operatives being at the heart of both the development of the social enterprise concept and the propagation of its proposition. Robert Owen pops up early on, with the revelation that it was the Father of Co-operation himself to whom the term "social entrepreneur" was first applied in 1972. (The first use of "social enterprise" came a few years later, in 1975.) Mondragon is presented as an exemplar case study, and of course the Rochdale Pioneers also feature.

One can argue that the original statement of co-operative values and principles — and later reiteration by the International Co-operative Alliance (ICA) — represents the best formulation and codification to date of what it means to be engaged in market activity for purposes other than private profit. Furthermore, it is clear that without co-operatives there would be no organised conceptualisation of social enterprise as we know it. It was a coalition of co-operatives and co-operative development agencies that established Social Enterprise London in 1997, and Co-operatives UK that led in the creation of the Social Enterprise Coalition five years later.

The book is very well constructed, enabling readers to find those areas that are of the most interest or relevance to them. It comes in three parts and twelve well-defined chapters. Part One details the theoretical perspectives on social enterprise, Part Two the relationships and interdependencies between it and the fields of sustainability and community development, and Part Three a focus on management. The starting point to understanding the building blocks or DNA of social enterprise comes when the authors outline three schools of social entrepreneurial thought from the academic literature. These are:

- Social innovation, with the entrepreneurs as heroes, a la Mondragon's Father Arizmendi — or indeed the Rochdale Pioneers.
- Social mission, encompassing purpose and impact, epitomised perhaps by Cornwall's Eden project, with moorings in the world of charity and philanthropy.
- Socialisation of ownership and control, and associated commitment to mutuality and internal democracy, as practiced by the co-operative movement.

All social enterprises are seen as "socially driven organisations with social and/or environmental objectives combined with a strategy for economic sustainability". The differences between them lie in whether the emphasis is placed on the distinguishing characteristics that can be broadly grouped under: the rights and responsibilities of (democratic) socialised ownership; social responsibility and business ethics; or enterprises driven by a social purpose. This leads the authors to draw on the tripartite typology of social enterprise developed by Social Enterprise Europe. For the casual reader this highly useful framing device is just one of the excellent takeaways to be had from the book. It serves as a handy heuristic which one can use to analyse any social enterprise one encounters by distinguishing them between:

- 1) Co-operative and mutual enterprises (CMEs).
- 2) Socially responsible businesses (SRBs).
- 3) Charitable trading activities (CTAs).

Moving on from the theoretical, Part Two explores how, amongst other things, social enterprise can contribute to the sustainable development of communities. Relevant concepts here include social value, a still under-explored and under-used way of how to commission for social purposes and outcomes other than simply a narrow focus on price. Social enterprises have a key role to play in providing such social value through the public sector commissioning process, and this chapter is a very good primer on measuring this wider impact.

Dealing as we are with trade and market activity there are several chapters on financial matters which are significant, delving into the world of how social enterprises access finance, create capital and account for their profits. The section on social investment and crowdfunding is particularly thought-provoking, as one can see how in age of FinTech (financial technology) the growth of digital communication tools represents a way of rebooting the community shares model of generating co-operative and community-controlled capital. The potential here for co-operatives and mutuals is significant, with the book outlining how they could play a leading role in reshaping social investment, eg through community ownership of our social, economic and cultural infrastructure, such as “renewable energy companies, football clubs, housing projects, press, railways and banking”.

For those advocating such social entrepreneurial models the availability of cash is not really the issue — the book quotes the Social Economy Alliance of UK households sitting on £1.2 trillion in cash holdings. Not all of this will be down the back of the nation’s sofas, but the money is there. In this reviewer’s opinion what is lacking is making the ‘what’, the ‘how’, the ‘why’ and the ‘who’ a more attractive investment and ownership proposition — together with the help and resources needed for all the stages on the journey ranging from initial inspiration through to investment readiness.

Key to underpinning the development of an infrastructure to support this is building trust and a sense of shared purpose amongst people, and it is clear that there is a big role for co-operatives to play here, as such activity is an inherently co-operative endeavour. The chapter on social and ethical capital develops this proposition, sketching out the role social enterprise has to play in forging the sorts of bonding, bridging and linking social capital that can strengthen solidarity between and within communities. In the age of Brexit this is a beneficial outcome in itself, and will be critical in underpinning and sustaining the ways that communities can come together to take greater control of the things that matter most locally and to the lives of local residents.

In Part three the authors explore social enterprise through the lens of management theories and practice, and how the approach in some social enterprises can be at odds with traditional ways of working. The Eden Project is given as an exemplar case study of an organisation operating without traditional corporate management structures. After being challenged by his Chair of Trustees as to why he didn’t have any Key Performance Indicators (KPIs), Eden’s founder Tim Smit first had to ask what KPIs were. Upon being told he couldn’t understand “why — if you’ve employed the right people — would you want them?” Questioning the efficacy of traditional hierarchical systems Smit instead set about creating something that might be recognised as “vaguely plausible” by his trustees but which was a far cry from the corporate mainstream.

Certainly, some social enterprises do represent a challenge to business orthodoxy, particularly if that orthodoxy is not in the least bit social, ie anti-democratic and non-participatory, authoritarian and dictatorial, with structures, processes and systems dedicated to the monomaniacal pursuit of profit-maximisation. In the case of those co-operatives committed to the creation of the Co-operative Commonwealth by co-operating capitalism out of existence this threat — in theory at least, if not in practice — is an existential one.

The book's chapters on Strategic Management and Planning; Management Ideologies and Leadership; and Social and Eco-entrepreneurship seek to explore some of this, in particular the issues around practice and culture. These chapters are meaty sections, steeped in academic theory and using perspectives from fields such as "critical management studies" (how strategic management is used as a vehicle to exert the owner's control over others), and liberally peppered with unavoidable management-speak and jargon.

This does not detract from their interest, as the issues involved are core to what being 'social' actually means for an enterprise, eg exploring ideologies and ways to strategise and lead that are fit for purpose and aligned with the various models and their missions, many of which seek to tackle complex or 'wicked' problems. The chapter showcases emerging radical alternatives to traditional thinking. Examples include challenges to management control through collaborative decision-making tools such as Loomio, as used in the Occupy movement, or how the Social Enterprise Mark and Co-operative Marque can build a framework for developing the social economy in opposition to 'unitary' ideologies.

For those interested in the nuts and bolts of how power is distributed and exercised throughout an organisation, and the details of its internal governance arrangements, the final two chapters represent a saving of the best for last. These feature a dissection of various constitutional forms, legal identities and model rules, together with an analysis of their differences and the implications that arise as a result. Barcelona football club's mutual status is contrasted with Arsenal's majority ownership by two big shareholders as a case in point. As the book makes clear, "the key issue is how the legal form contributes to social and economic outcomes."

This is an excellent publication and treasure-trove of knowledge, and is already proving useful in my personal and professional promotion of our co-operative business model. I have only a couple of minor quibbles, which whilst not detracting from the overall impact of the book represent a niggle in how popular culture can be appropriated in support of an argument, and could perhaps do with being revisited in a future edition. For example, Robert Tressell's *Ragged Trousered Philanthropists* is described in a case study as

a powerful analysis of the influence of ideology among working people who view their own employment as the 'philanthropy' of their 'betters'.

They may well do that, but I had thought it was the labourers in their ragged trousers who were the eponymous philanthropists, ie by gifting the fruits of their labour to their employers.

My second query cuts to the heart of the debate of what exactly a social enterprise is. In a case study featuring Frank Capra's movie *It's A Wonderful Life* the financial institution that George Bailey runs is described as a 'credit union'. Under the tripartite typology deployed in the book, this would make the Bailey Building and Loan a CME (co-operative and mutual enterprise) form of social enterprise. As the longer teaching piece on the companion website puts it,

in most European Countries, the Bailey Building and Loan would be called a 'credit union' or a 'mutual society'.

Whilst it undoubtedly features many of the markers of a mutual, even advertising itself as an 'Association' on its premises and serving in effect as a building society for Bedford Falls, evidence in the film suggests, however, that using the typological heuristic might mean it is more appropriate to categorise the fictional financial firm as a SRB — a socially responsible business.

As its full name suggests Bailey Bros. Building and Loan Association was established by Peter Bailey, George's father and Uncle Billy as a family business — albeit latterly with a Board of Directors comprised of businessmen. Indeed the Board is adamant that on his father's death it is George who must inherit the running of the businesses, one which has a clear social purpose. George admits to Henry Potter, the arch local capitalist, competitor to — but also a Director of Building and Loan — that Peter was no businessman but a "starry eyed dreamer." He had set up the "measly one horse institution" to enable the townsfolk to escape Potter's slums and own their own homes. In the film we see how he ran the business in what one would consider to be

an ethical and socially-responsible manner. For example, when urged by Potter to foreclose on those borrowers who are having difficulty paying their mortgages he resists as “times are bad ... a lot of these people are out of work” with children to look after, but Potter asks whether he is “running a business or a charity ward”.

Potter’s line here sums up exactly what social enterprise is: market activity that sits betwixt for-private-profit business and charity. That such activity takes three broad forms is clear from the book, and whilst it may seem pedantic to dispute (without a detailed knowledge of the governance arrangements of the American financial firm and its regulatory environment in the inter-war years) whether Bailey Bros is a SRB rather than a CME, engaging in such a debate represents an affirmation of the value of the book and of reading it. So in today’s context, and from a UK perspective, given that a credit union is a savings and loan co-operative, run democratically according to one member one vote, regardless of the number of shares held, it would appear that despite its ethos of mutuality in both its business practices and purpose Bailey Bros. Savings and Loan would not qualify as a co-operative.

What is most important is that the enterprise exists as a competitor to a rapacious capitalist model, driven by a social purpose that benefits the community. That the institution is the bedrock of the town is clear, and that is why it is able to draw upon the goodwill of the community in times of crisis. Peter and George Bailey are certainly hero figures epitomising the social enterprise way of doing business, but as co-operators we have a particular interest in models that seek to equip people with the ability to take greater control and responsibility themselves over their own lives. An organisation that is a SRB or a CTA means that it is under the control and at the whims or mercy of their hero-owners or trading philanthropists as much as market forces — and not accountable to their members or the communities where they trade.

This is not a debate about labels or organisational purity, akin to the number of Angels like Clarence on a pinhead, but rather ensuring how co-operative values and principles are safeguarded and implemented. This is through economic and social models where ownership and stewardship is vested democratically in the hands of consumers and producers, citizens and communities, and where those who share in the rights and rewards of ownership are also able to meet their responsibilities.

Like Peter and George Bailey, social enterprise is a good starting point — but co-operative endeavour is our ideal. This book is a go-to guide to what that amounts to in twenty-first century Britain.

## The Reviewer

Dan Crowe is a freelance researcher, writer and actor. He is currently serving as Vice President of the Co-operative Group’s National Members’ Council and represents the Co-operative Group on the Board of Co-operatives UK.

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