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**Co-operatives with Multi-Stakeholder Membership: Learning from the Experience of an Early British Experiment.**

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# Co-operatives with Multi-Stakeholder Membership: Learning from the Experience of an Early British Experiment

**Andrew Bibby**

Recent years have seen increasing interest in the co-operative movement in the concept of 'multi-stakeholder' co-operatives, open to different classes of co-operative membership. This approach, while having attractive advantages in engaging all those with an interest in the co-operative's business success, also requires mechanisms to reconcile the potentially different interests of different stakeholder groups.

This paper explores the challenges of multi-stakeholder co-operatives today by reference to a successful nineteenth century British producer co-operative, Hebden Bridge Fustian Manufacturing Co-operative, which chose to extend membership beyond the workers employed to include external investors and consumer co-operative societies. Based on newly undertaken research into this co-operative (Bibby, 2015), the paper considers how the co-operative had to face and resolve issues of establishing a fair rate of return for investors and of deciding how the profits generated should be shared between different stakeholder groups.

## Introduction

Recent years have seen increasing interest, both among researchers and practitioners, in the concept of multi-stakeholder co-operatives. This interest has been reflected perhaps most notably in the production of a comprehensive multi-stakeholder co-operatives manual for practitioners, drawn up by the Cooperative Development Centre, Kent State University, Ohio (Lund, 2010). This work offers the following definition:

> Multi-stakeholder cooperatives (MSCs) are co-ops that formally allow for governance by representatives of two or more "stakeholder" groups within the same organisation, including consumers, producers, workers, volunteers or general community supporters. Rather than being organised around a single class of members the way that most cooperatives are, multi-stakeholder cooperatives enjoy a heterogeneous membership base. (Lund, 2010: 1)

The author of this manual draws on examples of multi-stakeholder co-operatives from several countries including the US, Canada, France and Spain. She claims among other things that multi-stakeholder co-operatives are now the fastest growing type of co-operative in Québec.

Münkner (2004) has noted that the growing interest in this form of co-operative has led to new legal structures being created in Italy, Canada, Portugal and France, and existing laws adapted or amended in certain other countries. Lindsay and Hems (2004) have explored the development of the new legal form La Société Coopérative d'Intérêt Collectif in France. Others (ILO, 2011; Borzaga and Fazzi, 2011) have reported on the development of Italian social co-operatives (a form of co-operative with multiple membership classes).

The development of the multi-stakeholder co-operative brings into the co-operative sphere the extensive work undertaken around the concept of the stakeholder in the context of business organisational theory, following the publication by R Edward Freeman of his seminal Strategic Management: A stakeholder approach (1984). Freeman defined a stakeholder as "any group or individual who can affect or is affected by the achievement of the organisation's objectives" (p46).

Stakeholder theory necessarily is required to address the issue that stakeholder groups, while they can sometimes complement each other, can also compete to protect their own sectional interests (Neville and Menguc, 2006). While all stakeholders can be assumed to share a

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common interest in the success of the business or organisation, this common interest may not always be strong enough to counter competing individual interests.

In the context of multi-stakeholder co-operatives, Münkner (2004) points out that to achieve harmonisation of interests may require traditional co-operative principles to be reviewed and adapted. He writes:

> One of the central problems of [multi-stakeholder co-operatives] is to focus the interests of the different members on the common objective and to avoid that one group of members dominates the organisation. The usually applied rule of 'one member – one vote' is not applicable, because it would give the most numerous group a dominating position (pp57-58).

He states that

> harmonisation of interests of these different stakeholders and resolution of conflicts between the different groups of stakeholders require special regulations, which allow for instance a reasonable and accepted distribution of voting rights, representation on the governing bodies and power (p52).

In recent years, it has been suggested that the complexity of the governance structure of multi-stakeholder co-operatives may render this form of co-operative more likely to fail (or, alternatively, likely to revert to a single stakeholder model). This pessimistic view has, however, been subject to challenge recently (Leviten-Reid and Fairbairn, 2011). Nevertheless Leviten-Reid and Fairbairn emphasise in their paper that empirical evidence remains very limited.

The term multi-stakeholder co-operative is a recent coinage and in almost all the literature there is an implicit assumption that the concept is a new one. However as Münkner (2004) correctly points out, the multi-stakeholder concept is not totally new, and as he says can be seen as corresponding to the original mission of co-operatives.

This paper suggests that the experiences of early co-operatives which brought together different classes of member can be relevant today in our approaches to contemporary multi-stakeholder co-operatives. The paper focuses on the early British co-operative movement, where one issue in particular (whether the separate interests of investors and workers could be satisfactorily harmonised within a co-operative structure) was a much debated and highly controversial subject in the later nineteenth century. The paper will have as its particular focus the successful nineteenth century British producer co-operative, Hebden Bridge Fustian Manufacturing Co-operative, whose membership included workers employed, external investors and consumer co-operative societies.

## Case Study: Hebden Bridge Fustian Manufacturing Co-operative Society

### Background

The Hebden Bridge Fustian Manufacturing Co-operative Society was one of a relatively small number of 'productive co-operatives' trading in Great Britain in the later years of the nineteenth century. It operated from 1870 until 1918 (when it was taken over by the much larger Co-operative Wholesale Society) and was commercially very successful, reporting a profit in every one of its half-yearly trading periods. It employed at its peak over three hundred women and men who were engaged in fustian weaving, cutting and dyeing, and the making-up of the finished cloth into jackets and trousers. Hebden Bridge, a small mill town in northern England roughly half way between Manchester and Leeds, was at that time a centre of fustian production and the co-operative was a major local employer. Fustian, a coarse cotton cloth widely used particularly by the working class, had an importance in the nineteenth century comparable in some respects to that of denim in more recent times.

The Hebden Bridge fustian society was seen at the time as an exemplar for successful co-operative manufacturing. Its leaders were active in the national co-operative movement (and

later in the early days of the International Co-operative Alliance) and, over the years, its mill was visited by numerous co-operative students and supporters, among them the British social scientist Beatrice Potter (later Beatrice Webb) and the Canadian author Henry Demarest Lloyd (Webb, 1926; Lloyd 1898). The part it played in relation to productive co-operation in Britain was considered comparable by some contemporaries to the part played by the Rochdale Equitable Pioneers in relation to co-operative retailing. A Rochdale newspaper commented in 1892 that "co-operators look up to Hebden Bridge Fustian Workers in productive co-operation just as they do to Rochdale in respect to distribution" (Rochdale Observer, 1892).

The co-operative was established by a small group of fustian cutters and fustian weavers, under the leadership of a local fustian cutter Joseph Greenwood. Greenwood had been active in the Hebden Bridge distributive co-operative society and, as a delegate at the 1870 Co-operative Congress, had been inspired by the idea of co-operative manufacturing taking place under worker control, what he called 'worker self-employment'. The spur to the co-operative's formation was the death of an elderly fustian cutter in the mill where Greenwood then worked, from heart failure caused by carrying a heavy bundle of cloth. Greenwood considered his death an indictment of the way old people were obliged to carry on working; his aim, as he described it later, was to demonstrate that a fairer, more human, way of organising work was potentially possible through co-operation (Greenwood, 1891, Greenwood 1888).

## Capital

The original intention was to undertake fustian cutting and dyeing, with membership of the co-operative being limited to those actually working for the co-operative in those trades. However to establish a dyeing plant required capital (estimated by Greenwood at around £1,000), well beyond the reach of the co-operative's thirty or so members who were contributing a few pence a week in subscriptions. Together with an acute shortage of capital came initial difficulties in finding purchasers for the finished cloth pieces. To survive, the co-operative took the decision late in 1870 to accept share capital from external investors. It also resolved to commence the making-up of garments, a move which proved commercially more successful than simply selling cloth pieces.

From this point, the Hebden Bridge fustian society operated as what we would now describe as a multi-stakeholder co-operative. Rule changes in 1872 and in 1873 formalised the position. Membership of the society was made up of:

- Individual workers.
- Individual (external) investors.
- Co-operative societies.

All adult workers in regular employment, both women and men, were eligible for (and in practice applied for) membership of the co-operative. It might be noted that this was not necessarily the only possible arrangement; a small number of productive co-operatives later tried, controversially, to restrict membership to founder member-employees only.

External investors included some upper- and middle-class supporters of co-operation. However the bulk of the investors were local, and were motivated primarily or exclusively by the prospect of financial returns.

Co-operative societies, who bought the made-up clothing, comprised the primary group of customers for the Hebden Bridge fustian society; only a minority of sales were made outside the co-operative movement. Co-operative societies also, increasingly, became investors in the business as well.

As can be seen from Table 1, the decision to accept external investors increased considerably the capital available to the business; indeed, this move can be seen as securing its long-term

financial sustainability. By 1873, the co-operative had reached the point where it was able to purchase its own mill premises and to commence a dyeing operation (the mill purchase was funded by short-term loans from the Co-operative Wholesale Society and a local co-operative society, rapidly replaced by share capital).

**Table 1: Share capital, Hebden Bridge Fustian Manufacturing Society 1870-1875**

Source: Bibby 2015

| Half year ending | Share capital (individuals) | Total share capital (individuals, co-operative societies, workers) | Loans |
|---|---|---|---|
| December 1870 | 83 | 83 | 3 |
| June 1871 | 111 | 111 | 35 |
| December 1871 | 410 | 523 | 95 |
| June 1872 | 1,160 | 1,513 | - |
| December 1872 | 1,281 | 1,806 | - |
| June 1873 | 1,302 | 2,331 | - |
| December 1873 | 1,648 | 3,194 | 7,000 |
| June 1874 | 1,882 | 5,298 | 7,000 |
| December 1874 | 2,305 | 6,421 | 7,000 |
| June 1875 | 3,233 | 8,158 | 6,000 |
| December 1875 | 3,953 | 9,060 | 6,000 |

Nevertheless, external capital brought a number of issues for the co-operative, particularly in relation to the share of the profits which should go to investors. Shareholders received a 10% dividend on their investment in the first half of 1871 and 12½% for the remainder of 1871 and the whole of 1872. Even accepting the risks inherent with investments in new businesses, this was generous (long-term government bond yields were averaging around 3.2%-3.3% during this period). Despite some resistance from individual investors, it was agreed at general meetings in 1873 to restrict interest to 7½% in future.

**Table 2: Membership, Hebden Bridge Fustian Manufacturing Society 1870-1875**

Source: Bibby 2015

| Half year ending | Worker members | Co-operative society members | Individual (non-employee) members |
|---|---|---|---|
| December 1870 | - | - | 95 |
| June 1871 | - | - | 96 |
| December 1871 | 17 | 3 | 112 |
| June 1872 | 23 | 9 | 158 |
| December 1872 | 23 | 12 | 172 |
| June 1873 | 24 | 43 | 178 |
| December 1873 | 34 | 52 | 170 |
| June 1874 | 50 | 63 | 164 |
| December 1874 | 54 | 70 | 170 |
| June 1875 | 59 | 91 | 172 |
| December 1875 | 71 | 99 | 167 |

As Table 2 shows, individual investors outnumbered workers considerably in the early years of the co-operative and, as members with one vote apiece, could wield significant influence when they chose to use it. There is evidence that the admission of co-operative societies as members was initially seen as a mechanism for counteracting this power. Later, by contrast, it was to

be claimed that co-operative societies themselves had too dominant a role, reducing workers' power and influence (Greening, 1881).

Although the share list was quickly closed to new individual investors, existing holders of at least one share were permitted under the rules to increase their holding to the maximum of £100, and shares were transferable. This led to speculation: in particular, external investors put pressure on employees to sell on their single £1 shares, enabling the purchaser to buy the remaining 99 shares at £1 par. £1 shares were at one stage changing hands for as much as two pounds ten shillings (£2.50) (Greenwood, 1888). This practice was stopped by a rule change in 1877.

As the co-operative became well established and commercially successful, 7½% interest on shares was increasingly out of proportion to interest rates offered by other co-operatives. By the 1880s local co-operative societies were typically offering between 3¾% and 5% on share capital. An attempt at the fustian society's general meeting to reduce the interest to 6% was outvoted in 1881 but a solution of a kind was agreed in 1884, with interest maintained at 7½% for existing (Class A) shares but set at 5% for any new (Class B) shares issued in the future.

Attempts were made from 1888 onwards to bring interest on Class A shares down to 5%. It was claimed that the high cost of servicing the co-operative's share capital was potentially making the business uncompetitive. It was also alleged that large payments to investors were at variance to the professed co-operative principles of the concern:

> The individual shareholders in the Hebden Bridge Manufacturing Society are evidently under the mistaken impression that the co-operative motto is "Each for himself" instead of "Each for all", if we may judge from some of their utterances at the half-yearly meeting," an editorial in the Co-operative News put it at the time. One committee member of the fustian society complained that, despite talk of worker empowerment, in reality "the practice had been that the capitalists got all the honey" (Co-operative News, 1889; Co-operative News, 1888b).

Two further attempts to reduce interest from 7½% to 5%, proposed unsuccessfully at general meetings in 1889, were stubbornly resisted by investors who took to organising their own private meeting late in 1889. Nevertheless the change was eventually voted through in January 1890.

The relationship between capital and labour, and the share of the fruits of business success which should go to each, was a live issue in the British co-operative movement in the later nineteenth century. As the veteran co-operative advocate George Jacob Holyoake put in in 1887:

> The co-operator is not against capital. Capital is exactly like fire – an excellent servant when it warms the inmates but a bad one when it burns down the house (p4).

Greenwood himself believed that the most satisfactory arrangement for productive co-operatives was for the employees themselves to contribute all the capital, but he accepted that this had not been possible in Hebden Bridge. He warned, however, of the potential imbalance of power which could be created: "Capital is necessary, and should be valued by workmen in co-operative production … if labourers are about to ally themselves with it they should take care that it has its due and no more … If it be left open to capitalists to claim more they will probably strive to get the utmost return upon their capital." (Holyoake, 1887; Greenwood 1877, px).

## Profit distribution

The decision on how the Hebden Bridge fustian society shared out the profits every half-year had been largely resolved in the rule changes of 1872-3. After allowances for reserves and depreciation, investors would have first call. The remaining profit would be shared between the two other classes of stakeholder, the co-operative's customers and its workers. As regards the customers, co-operative societies (provided they were also members of the fustian society) would receive a dividend calculated at a percentage of their total spend. Co-operative societies who were not members received a half-dividend. The co-operative's workers also received a dividend, calculated at the same percentage rate on their earnings.

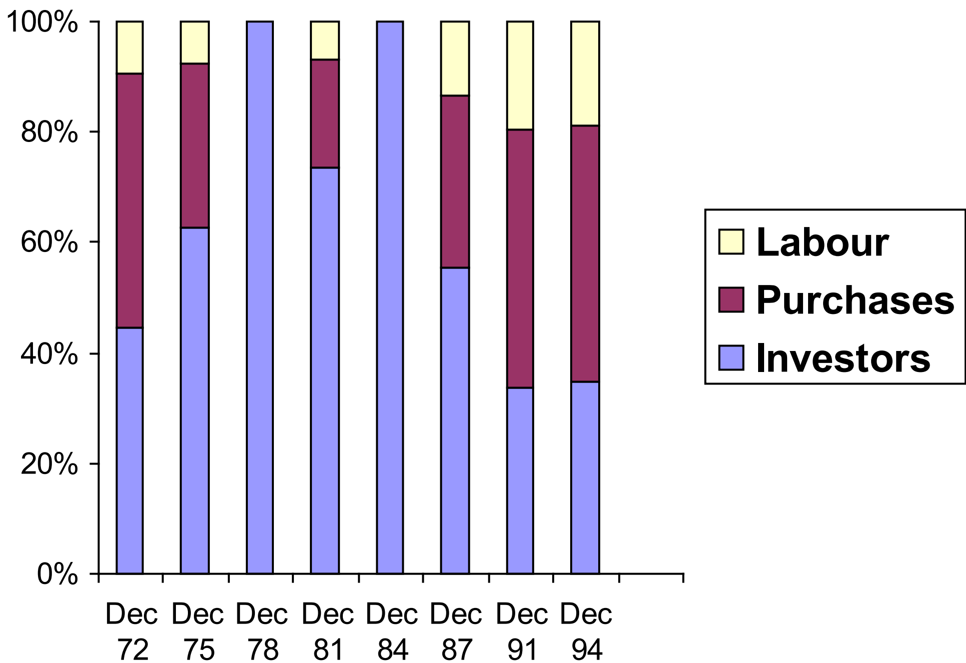
When put into practice, this rule meant that 'labour' and 'purchase' received 2½% dividends for five of the seven half-years from July 1872 to December 1875 and 3¾% for the two half-years when profits were somewhat higher. Thereafter dividends varied between 0% (in poor years) and 3¾% (in good years) until the early 1890s when, for several years thereafter, 'capital', 'labour' and 'purchase' all received 5%.

This arrangement (particularly from the 1890s) gives the impression of fairness between the stakeholders. In reality, however, the scheme was heavily weighted against the workers. The element of equity of treatment involved was spurious: treating money spent on purchases with money earned in wages is not a like-with-like comparison.

The way that the profits were divided between the three stakeholder groups becomes very clear when illustrated in graphical form (Figure 1).

**Figure 1: Proportion of distributed profits going to investors, co-operative stores and workers for selected half-years 1872-1894 (excluding money retained in reserve funds)**

Source: Bibby 2015




It would of course have been possible to have divided up the cake differently. Simply splitting the excess profit beyond the investor's share 50:50 between 'labour' and 'purchase' would have immediately made a considerable difference as regards the workers' share, a point made in a report presented to the 1874 Co-operative Congress.

It is however important to note that in a co-operative the concept of 'profit' is to an extent flexible. The Hebden Bridge fustian society could have chosen to reduce the size of the profits it declared by, for example, paying higher wages to its workers or investing in better working conditions for them, or by reducing the prices it charged its co-operative society members for their purchases.

Evidence that workers' wages were greater than those paid to other local workers is sketchy and somewhat contradictory, although one reliable study found in 1899 that the fustian society's workers were on average better off by 10% than workers in non-co-operatives nearby (Halstead, 1900). It also seems clear that the co-operative tried to protect its workers' incomes by restricting the amount of short-time working, a regular feature of the fustian trade at that time. The co-operative's declared profits were certainly reduced by the policy of offering a 2½% discount on invoices issued to co-operative stores, a measure introduced around 1878. It can

also be argued that the Hebden Bridge fustian society's very prudent approach to depreciation – the significant amounts it wrote off each accounting period for its machinery, buildings and other fixed assets - particularly protected the investors' interests and could be seen as an implicit extra reward to capital.

### Bonus to labour

The share of the profits given to employees was, proportionate to their overall pay, relatively insignificant, adding no more than about 2%-3% to individuals' total employment income for much of the 1870s and 1880s. Nevertheless, for Greenwood and his supporters in the wider co-operative movement it had a talismanic importance in demonstrating that, at heart, the fustian society remained a business run in the interests of its workers.

An attempt made in 1876 to abolish this so-called 'bonus to labour' (leaving profits to be shared just between capital and 'purchase') was therefore a highly controversial occasion. The proposal was brought before a special general meeting by the co-operative's elected committee and was backed by, among others, the Co-operative Wholesale Society's delegate. He declared bonus to labour to be a "mere sentiment, a sham and a delusion". The motion was passionately opposed by Joseph Greenwood, manager of the society. The meeting was by all accounts very acrimonious, but when the vote was taken Greenwood's argument in favour of bonus to labour narrowly won the day (Co-operative News, 1876a).

The Hebden Bridge fustian society was caught up in a much broader dispute in the British co-operative movement over the principle of bonus to labour, which was centred on a decision by the Co-operative Wholesale Society to stop the profit-related pay bonus it had experimentally paid to employees in its manufacturing works. The CWS's decision to operate its factories effectively on the same lines as commercial non-co-operative employers was seen by some as a treacherous denial of early co-operative idealism. The CWS in response maintained that, by paying profit dividends to those local co-operative societies who were its members, it was supporting the whole movement and not simply a few fortunate employees. It should be noted that the CWS's smaller sister organisation in Scotland did pay a bonus to labour, as did a minority of distributive co-operative societies to their own employees.

This issue, later to be extended to the wider concepts of profit-sharing and 'co-partnership' (employee participation in management), created in the last quarter-century a major schism in the British co-operative movement which also spilled over into the International Co-operative Alliance in its early years. An account of this dispute is beyond the scope of this paper. However, it is appropriate to note here that the debate encouraged those who supported profit-sharing to ponder how precisely co-operative profits could in principle be shared between the different stakeholders.

The Co-operative Union's general secretary Edward Vansittart Neale, for example, identified four constituencies with a direct interest in a successful co-operative business, in a speech in 1876 which can be seen as prefigurative of modern stakeholder theories. He argued in favour of a scheme which shared the benefits of co-operative production four ways: to meet "the interest of the residents round any centre of manufacture, the interest of the workers engaged in it, the interest of those who own the capital employed, and the interest of those who consume the articles produced" (Co-operative News, 1876b) .

His assistant (and later successor as General Secretary) J C Gray approached the question twelve years later by attempting to quantify the value added to the business by each constituent stakeholder (Gray, 1886). In a speech at the Co-operative Congress he gave a detailed illustration of his thinking:

> A society pays £850 per year to capital, being interest at the rate of 5 per cent; it also pays £6,000 as wages to its workers, which amount we must take as the interest on the labour employed. The society does a trade, say, of £20,000 per annum, and the net profits, after paying the wages of capital and labour, are, say, £750. By this rule of proportion we obtain the following figures:

| | |
|---|---|
| Value of money capital | £17,000 |
| Value of labour capital | £120,000 |
| Value of trade | £20,000 |

> Which gives a total of £157,000 having an interest in the profits which have been obtained (£750). If we divide this £750 into 157,000 parts it gives the following result, namely to capital £82; labour £573; and trade £95.

Later on, at a time when productive co-operatives in Britain had increased in both number and confidence, other ways to divide profits were tried out elsewhere. In the Midlands, where several strong boot and shoe co-operatives grew deep roots, the standard approach was to pay 5% to capital and then divide the remainder to each worker in proportion to his or her earnings. In some cases the bonus could be as high as 25% of wages. Later still a set of model rules produced for producer co-operatives by the Labour Association proposed a very precise formula: 10% of profits for an employees' provident fund, 5% to education, 3% to special service, 1% to each management committee member, 20% to customers and the remainder (about 42%) to labour.

## Governance

The sovereign body of the Hebden Bridge fustian society was the general meeting of members, held every half-year. Employee members and individual external investors had one vote apiece, regardless of the size of their shareholding. Co-operative societies in membership were also entitled to one vote for the first £100 of shares held; somewhat unusually, they were entitled to additional votes for each further £100 or part thereof held. In this respect, the fustian society can be seen as combining elements of both a primary and a secondary co-operative.

Members, whatever type of membership they held, voted together at general meetings. There was no separation into constituencies to reflect different stakeholder interests.

The members elected a management committee, comprising a President and nine committee members. The committee met weekly, and (as was the norm for co-operative societies at that time) played an actively operational as well as a strategic role in the business. Joseph Greenwood as Manager of the co-operative, a role he performed until 1909, was not a committee member.

Although the rules did not specify this, there was an unwritten rule that approximately half the committee would be delegates of local co-operative societies; the other half would represent the individual external investors. The rules did specify, however, that employees were not eligible to stand for the committee.

Since this is at variance with standard practice in today's worker co-operative movement, this restriction requires comment. Co-operatives in Britain had faced and found ways to overcome a host of practical problems in the development of the movement from the 1840s onwards. One issue was how to guard against individual self-interest and indeed outright fraud. In this respect, restricting the rights of employees could be seen as an appropriate safeguard. When in 1870 the fustian society had become legally incorporated it had used standard model rules designed primarily for distributive co-operatives, dedicated rules for productive co-operatives not at that time being available.

Co-operative managers were regularly described as the 'servants' of the membership. Offering them, or other employees, the possibility of participating in their societies' strategic management could be seen as giving them power to pursue their own interests: it could turn them into masters.

The Hebden Bridge fustian society did consider removing the restriction on employees on the management committee at a general meeting in 1894, but no rule change was made.

Increasingly, the society became out of step with other, more recently established, productive co-operatives. The UK government's Board of Trade reported that in 1899 there were 88 trading productive co-operatives in Britain which between them had 334 employees serving on their management committees; employees made up slightly more than 40% of committee membership on average (Board of Trade, 1901).

While the fustian society's formal governance arrangements might seem to poorly serve the interests of its employees - by whom and for whom, after all, the co-operative had originally been established - there is evidence that the informal structures within the co-operative worked well in ensuring their interests as stakeholders were respected. Several contemporary commentators claimed that working conditions were better and the culture in the mill more worker-friendly than at non-co-operative mills. One weaver with experience of working for many years at a privately owned mill before moving to work for the co-operative reported that:

> I was greatly impressed with the change. First as to what one might call the general atmosphere in the two sets of conditions, and secondly as to the effects in particular directions. There was a much greater sense of security of employment and more considerations for incidents of life outside those of business in a Co-partnership workshop than in an ordinary factory (Halstead, 1915).

Joseph Greenwood's comments before the Royal Commission on Labour in 1892, when asked why employees were prevented from holding management committee positions, are also relevant. He responded,

> I think it is more in regard to custom than to anything else. It is not a very sore point with the workers. I believe if it was a sore point and they asked and agitated for its removal among the members they would obtain it, but it was the custom at the beginning of our society … that servants should not be on the Committee (Royal Commission on Labour, 1893).

## Conclusion

The Hebden Bridge Fustian Manufacturing Co-operative Society's experience in bringing together three distinct types of membership reminds us that the idea of multi-stakeholder co-operatives is not a new one, but one which has been tried out in practice by previous generations of co-operators. The fustian society's experience, it is argued here, is still of value to us today for a number of reasons: it was very long-lived, it was commercially successful and it was of a significant size, giving work to several hundred employees.

The pioneering status of the fustian society as an early exemplar of productive co-operation meant that it had to overcome some particular challenges: for example, its constitution was drawn up at a time when there were no model rules available to suit its own particular circumstances. The practical challenges and difficulties in bringing together the interests of the three stakeholder groups had to be worked through from scratch — there was little or no past experience to draw on.

The fustian society's chief issue of contention related to the role of investors within the co-operative. External capital ensured that the fledgling business could survive and prosper, but from the early 1870s until 1890 there were recurrent disagreements, focused primarily on what comprised a fair return on investment. There is a strong argument that investors enjoyed a higher rate of return than could objectively be justified.

Some of these pressures diminished in later years as employees increasingly came to be investors themselves, in part because the co-operative developed mechanisms for accepting workers' savings (by 1918, £17,332 of the fustian society's total capital of £38,917 was held by employees). However the fustian society's early experience should serve as a warning that co-operatives today which bring in investor stakeholders as members need to do so with care. They might want to reassure themselves either that investors are putting their money in primarily out of a sense of commitment or — if not — that governance structures are suitably robust.

The other, related, area of difficulty at the fustian society was associated with the way that the fruits of the co-operative's success were shared between the stakeholders. As we have seen, there are grounds for argument that the employees were the least well served of the three membership groups in this respect.

The way that profits are divided in a co-operative hides a more fundamental question which needs answering: for what purpose, and for whose benefit, is the business ultimately being run? Joseph Greenwood himself recognised that practice at his society had become out of step with original intentions and he had on one occasion to remind his fellow co-operators that

> the first object of the Hebden Bridge Society was the redemption of the working people and not simply to serve distributive societies (Co-operative News, 1888a).

The way profit is distributed can be seen as one of the key indicators as to how well a multi-stakeholder co-operative is successfully reconciling the potentially diverging interests of its constituents. However, it should be borne in mind that as has been seen there is considerable flexibility in a co-operative in establishing what constitutes the bottom line; profit can be lowered by reducing income (selling goods or services more cheaply to customer-members, for example) or by increasing expenditure (paying higher wages to employee-members, for example).

The discussions which took place within the British co-operative movement in the later nineteenth century around equitable practices in these areas deserve revisiting. The early attempt by the co-operative leader J C Gray to bring a value-added approach towards calculating the contributions to profit made by different stakeholders could also usefully be developed further.

## The Author

Andrew Bibby is a professional writer and journalist. He works as an independent consultant for a number of international and national organisations, including the International Labour Organisation and the International Co-operative Alliance. As a journalist his work has appeared in among other places, *The Observer*, *The Independent*, *The Guardian* and *Financial Times*. He is also the author of a number of books, including the latest — *All our own Work* — published in June 2015.

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