

# Book Reviews

## Understanding Social Enterprise: Theory and Practice

By Rory Ridley-Duff and Mike Bull with additional input from Pam Seanor and Tracey Chadwick-Coule

Published by Sage Publications, 2011. ISBN 9781848601994. Price £27.99 (paperback)

Reviewed by Jan Myers

The editors describe this book as a textbook and like most course-oriented books it comes with a companion website and makes use of a range of resources: instructors' manual, PowerPoint slides, additional case studies, links to websites including YouTube and access to full-text journal articles. As such, it presents an enticing package for anyone involved in teaching or learning about social enterprise. However, this book is more than a study companion. It provides a concise, informed and readable resource for anyone interested in the worlds of social enterprise. It provides food for thought and space for contention, deliberation and reflection rather than specific answers, templates and prescriptions. The breadth of literature sourced and used to support analysis brings together a number of international and historical and political perspectives that also act as a signpost to those wanting to delve further into these issues. This encouragement to move beyond the text is also encouraged by inclusion of lists of further reading and useful resources at the end of each chapter.

The book is presented in two parts. The first part (chapters 1 to 5) deals with the historical development of the third sector and the social economy. This begins with a well-grounded theoretical and historical discussion providing a useful analysis and conceptualisation of differing contexts in the development of third-sector organisations and social-economy enterprises. This discussion culminates (in chapter 3) in a contemplation on the dilemma of definition. As such, chapter 3 provides an overview of some of the consensus and difference in interpretations and definitions of a social enterprise. This reflects, for example, the many discussions in the literature about the merits and limitations of providing a concrete definition of the 'social economy'. Attempts to provide boundaries to a dynamic concept can prove difficult while at the same time there is a call for an identifiable space and boundaries to the concept in order to both promote the concept of

social enterprise and to support its development. However, as Ridley-Duff and Bull allude, we need to be flexible in our approach to some of the theoretical definitions and criteria in order to be inclusive of organisations in practice. This gives credence to the differing histories and contexts of development and the bottom-up process that is or will be largely informed by the 'social practices and institutions that are associated with, and labelled as, social enterprises' (p79).

Chapters 4 and 5 broaden the perspective of the concept of social enterprise by considering, in the first instance, social and ethical capital and associated aspects of trust, accountability, reciprocity, sustainability and effecting social, economic and political change. The concluding chapter of Part I focuses on globalisation and the international commodification of labour, land and money. The discussion is informed by Polanyi's articulation of real and fictitious commodities and describes how some social enterprises - those organising around fair trade, micro-finance and 'recovered companies' (eg the experience of Argentinean co-operatives which reclaimed abandoned factories to keep production going and to safeguard their livelihoods) - "can act to limit the effects of globalisation, and *relocalise* political and economic control" (p103, italics in original).

Part two (chapters 6 to 12) focuses on the operation and practicalities of managing social enterprises. This begins with consideration of existing management theory and its articulation in social enterprises and brings to the fore, particular characteristics of social enterprise and the appropriateness (or not) of mainstream management theory in the practice of social enterprise.

Chapters 7 to 12 follow a cycle of development looking at specific issues faced by organisations as they emerge and develop and the choices they face in thinking through and enacting structures, roles and relationships in ways which support their goals and the work

they do. Here the cases employed illustrate the concrete ways in which different organisations have approached the structure and processes of their organisations. Some follow more traditional hierarchical structures and departmentalisation; others have more dispersed leadership and democratic and participative forms. Chapter 7 looks at the aims and overall objectives of organisations and the legal forms and rules that can be adopted or enhanced/changed to support these goals and the influence this has on membership, participation and subsequent activities. Chapters 8, 9, 10 and 11 look at strategic management and planning; governance, HRM and employee relations; leadership; and income stream and social investment, respectively and Part two concludes with the central aspect of measuring social outcomes and assessing impact.

The authors dispel early on the notion, and common misapprehension, of social enterprise = community interest company (CIC) and instead present a list of legal forms and business formats (including co-operatives as *de facto* social enterprises) that third sector organisations/social enterprises can take (pp 17, 18). Here it would have been useful also to include a definition of 'legal forms' that recognises the underlying legal structure and well as the addition regulatory requirements for, for example, charities and community interest companies. However, the case example of the Scott Bader Group and Scott Bader Commonwealth illustrates both the complexity and ambiguity of definition and interpretation of legal and operational forms, plus further explanation is provided in chapter 7 (p141, including the Co-operative CIC Model, pp144-6).

Of the many useful examples is one of the authors' own experience of meeting with the director of Mondragón Management School. While the interview is in relation to the process of acquiring private companies, there are lessons that can be learnt in relation to the current spin-out of health and social services to employee-owned, mutual and social enterprises. The director, Mikel Lezamiz, gives a reality check to those who might think that transfer of public services is merely about doing the same thing under a different organisational structure that can be achieved swiftly (and cheaply). In the case of acquisition of previously private companies (here we can switch focus to large bureaucratic public institutions), it can, Lezamis suggests, "take between five and ten

years before a workforce develops the readiness to completely take over both the ownership and control of their enterprises (ie embed co-operative management into an organisation, and then convert to a co-operative legal form)" (p50).

The authors outline the process of conversion identified by Lezamiz:

- Employee ownership (financial participation) – Mondragon employees invest significant amounts in to the co-operative; many new social enterprises limit investment by employees to £1 per share);
- Participative management (the introduction of soft HRM practices);
- Co-operative management (putting in place elected governing and social councils to take decisions outside the executive management group); and
- Co-operative ownership (transferring assets and membership to a co-operative legal entity).

While many of the new social enterprise health providers have adopted specific legal forms – Industrial and Provident Society community benefit society; company limited by shares and registered with the CIC regulator; employee ownership trust – some have not opted for the CIC add-on and remain companies limited by guarantee or, more often because of the potential to raise finance, limited by shares. This could potentially lead to a corruption of the process of mutual ownership and control as "managers grasp the potential advantages of the new arrangements and exploit them for their own advantage" (p50). To date, one way around this as the authors identify is establish a trust or to engage an external party to safeguard employees' interests. The example given is Loch Fyne Oysters' arrangement with Baxi Investment Trust. However, this may no longer be a foolproof plan. Since publication, news on another case example included in the book, Eaga plc (p48), demonstrates this. The Eaga Partnership Trust, set up as with John Lewis Partnership to look after the long-term interests of the employees, has recently agreed to a takeover by Carillion. The Trust agreed to Carillion shares rather than cash payment arguing that "its assets do not belong to the beneficiaries, but are owned by the trust for their benefit" but has since "bowed to pressure from disgruntled employees of the green services company ... and has agreed to

pay them cash and shares worth up to £9,000” (Tighe, 2011); a dilemma that could be explored in the book’s next edition.

While it is relatively easy to theorise and discuss democratic work processes, participatory decision-making, negotiated leadership and networked governance, it is far harder to see how these can be put in to practice. This is particularly so given the legal and regulatory frameworks that impact on how we organise and structure work organisations and how we ensure employer and employee rights and responsibilities through compliance with legal codes and codes of practice. As the authors point out, “[t]raditional notions of investor ownership, management control and ‘employment’ are so deeply embedded in the consciousness of investors, managers and

employees that it should not be a surprise that it takes years to relinquish and replace them with new ways of thinking” (p50). However, while the authors do not provide best practice solutions, they do, throughout Part two of this book, raise a range of questions and provide examples that support the move from theory to practice (as well as practice supporting the development of theory). This again has implications for the educational institutions and infrastructure organisations this book is intended to influence. Finally, the authors do indeed achieve their aim of informing and providing a resource for the development of curricula relevant to the needs and demands of existing and new social enterprises provided through universities and professional bodies. It will be on my book list!

## The Reviewer

Jan Myers is senior lecturer in individual and organisational development at Westminster Business School. She is also part of Cardiff Institute for Co-operative Studies and the Social Economy and Sustainability Research Network (Atlantic Canada).

## Reference

Tighe, C (2011) ‘Eaga agrees to give employees pay-out’, *Financial Times*, March 16 available at <http://www.ft.com/cms/s/0/4f10683c-500b-11e0-9ad1-00144feab49a.html#axzz1SNRK69XV>

## **The Story of HF Holidays**

By Harry Wroe

Published by HF Holidays, 2007.

## **Voices of Wortley Hall, The Story of 'Labour's Home', 1951-2011**

By John Cornwell

Published by Wortley Hall, 2011.

Reviewed by Nick Matthews

These are amongst that substantial library of celebratory self-published co-operative society histories but none the worse for that. HF Holidays can trace its lineage back over a century whilst at sixty Wortley Hall is just a youngster. They have in common the quest for working-class educational holidays.

The Holiday Fellowship (now HF Holidays) was registered as an Industrial and Provident Society in 1913 when it was a fundamentalist breakaway from the Co-operative Holiday Association (CHA) formed in 1897. The origins of the CHA can be found in the teachings of Dr J B Paton, principal of the Nottingham Congregational Institute, who believed that, "The wealth of a country does not consist in the number or exchangeable value of its agricultural or manufactured or artistic products, so much as in the strength and intelligence and virtue of the men and women whom it rears" (quoted in Speake, 1993).

Paton was born in Galston in Ayrshire in 1830, where his father had been a hand-loom weaver before becoming the manager of the town's co-operative store. He was an advocate of the National Home Reading Union (NHRU) dedicated to spreading adult literacy and his teaching inspired Thomas Arthur Leonard, a Congregationalist minister originally from Stoke Newington. Driven by a spirit of temperance and Christian Socialism Leonard felt the workers of Colne deserved to escape the usual trips to Blackpool or Morecombe with their "perverse or corrupt conceptions of life and conduct". To this end he formed a rambling club which, in June 1891, took thirty participants to Ambleside, in the Lake District. These became annual affairs attracting large numbers using properties belonging to the NHRU and their supporters. In 1894 a committee was elected with Leonard as General Secretary and in 1896 they acquired their first property in Whitby. Then in 1897 they formalised the loose organisation as the

Co-operative Holiday Association.

By 1913 the CHA had grown to eighteen centres but despite its working-class origins it had become "rather middle class in spirit and conservative in ideas". It had gained support from rich industrialists such as Sir William Mather of the Manchester firm Mather and Platt who helped "balance the books". Leonard wanted to return to the idea of "strenuous and simple" holidays and the Holiday Fellowship was born and a headquarters was acquired at Bryn Corach at Conwy in North Wales, purchased for £5,096, quite a sum in 1914, and in HF hands until the end of 2010. When the first holiday-makers arrived in Easter 1914 (not the best year to form a working-class holiday organisation), a week at Conwy would set you back 32s 6d with an extra 4s 6d for the walking excursions.

It is quite remarkable that despite two world wars, a depression and huge social upheavals the Holiday Fellowship is approaching its centenary in rude health. The basic idea has remained the same throughout. The development of HF follows a common co-operative trajectory. Firstly you need a charismatic individual or small group who see a clear market opportunity that requires more than a commercial rationale ie it has to be driven by more than the pursuit of profit. Co-operative businesses often grow out of strong communities and this is clearly the case here. Leonard was certainly charismatic he also had a role in the formation of the Youth Hostels Association and with Canon Rawnsley in the Lake District the early years of the National Trust.

HF has, in modern times and after a couple of sticky patches, managed both to take on professional management including using modern marketing techniques including the innovative use of the internet and to renew the business model by a strong return to co-operative values and principles. This has been achieved according to the current Chief Executive, Brian Smith, by strengthening the

co-operative nature of the business and making membership more than just a loyalty scheme – by making member ownership a reality. This strategy has included a significant increase in member communications and in their role as investors in the business.

This takes me onto Wortley Hall and the things they could perhaps learn from the renewal of the mission of HF holidays. The story of Wortley Hall is also that of the vision of one man, Vin Williams (1893-1970). He had been a lecturer with the National Council of Labour Colleges. The NCLC had grown out of the Central Labour College which had been created following the strike at Ruskin College and the formation of the 'Plebs' league in 1908. What the Plebs had realised is that, "If the education of the workers is to square with the ultimate object of the workers – social emancipation – then it is necessary that the control of any such an educational institution must be in the hands of the workers" (Craik, 1964).

This principle was very important to Williams who whilst having been imprisoned during the General Strike for sedition was an ecumenical socialist, embracing, Trade Union, Labour Party and Co-operative views. William's NCLC district covered Sheffield and the North Midlands and he ran schools across the region, mainly in hotels and when he saw Wortley Hall he realised its potential as a permanent home for workers educational holidays. Williams used every contact he had in the Labour Movement to get support for the Hall.

Williams spent a considerable amount of time fund raising around the labour movement. The story of how he assembled a huge army of volunteer skilled labour, needed for restoration, has become part of the Wortley Hall folklore. The hall was opened by Sir Frank Soskice MP KC in front of "3,000 rain drenched enthusiasts". That year the syllabus of lectures at the Hall could be booked through your trade union branch or through Co-op Travel Services. The Hall had been established as an Industrial and Provident Society in 1952 and took its part in the Co-operative Union and Co-operative Party. It was sadly an incident with the Co-operative bank that bought Williams's involvement with the Hall to an end. The purchase of some new furniture in 1958 saw Williams's signature on the cheques. As he was an un-discharged bankrupt the Bank refused to honour the cheque. Other members of the management committee could sign cheques but he could not he was mortally

offended that his integrity had been questioned and he left the Hall never to return: a sad end to his engagement with the Hall.

Williams was succeeded by Alf Hague, a very different character, a long-standing member of the Communist Party who shaped the Hall for the next thirty years and managed to buy the Hall outright for £10,000 by October 1959. For years the model worked well with Trade Union and political schools and working class holiday weeks. They generated record surpluses, which thanks to the Co-operative Bank connection were wisely invested. By 1970 the building had been Grade II listed and by 1976 the Historic Buildings Council valued the Hall and its 27 acres of grounds at £3.75 million.

However following its 25<sup>th</sup> anniversary celebrations the cracks began to appear in its offering. As tastes changed the Hall had become dated this came to a head when following the tough year of 1983 the FBU demanded improvements. Alf Hague was cautious, he saw improvements that some advocated as self-indulgence and had built the business generating considerable surpluses but his frugal style was out of the fashion of the times.

Eventually it was realised that if the Hall was to renew its purpose for a new era he would have to go. His successor in 1991 was Brian Clarke, who saw through a complete change in the basis of operations despite a huge financial black hole opening up. For the trade-union movement these were difficult times with a fundamental change in working class culture. In 1994 they renewed their links with the wider Labour movement by hosting the now annual South Yorkshire Festival in the grounds of the Hall. This has been followed by a steady upgrading of the offer to the point in 2005 when they appointed their first professional hotel and catering manager.

In the last decade the gardens as well as the Hall have undergone considerable restoration, the restoration of the stained glass windows cost £35,000, the fountain was restored, the house gained four stars from the English Tourist Board, and the gardens gained the gold award from Yorkshire in bloom. Even the kitchen garden came back into use with organic status, generating 4 tonnes of produce in 2010.

The first conference in the Hall in 1951 was of the British Federation of Young Co-operators many of the participants ended up having significant political careers like Ted Graham, later National secretary of the Co-operative Party and

MP and Betty Boothroyd who famously became the first women speaker of the House of Commons. Last year thirty four organisations had conferences in the Hall and despite the fact the Hall continues to provide a space for working-class education it has also proven itself as a four-star country-house hotel.

Today the debate within the co-operative movement about co-operative education is very much alive. Can genuine co-operative education take place in mainstream institutions or do we need independent co-operative spaces for co-operative education to take place? If spaces like Wortley Hall are to survive and prosper then

there is a responsibility for the Hall to engage with the whole movement and the whole movement to engage with it.

In many ways the arguments of Vin Williams and the 'Plebs' are unresolved. It maybe that the transmission of culture is as important as formal education and perhaps that is what Wortley Hall could learn from the Holiday Fellowship. After all as William Morris said: "Fellowship is heaven, and lack of fellowship is hell: fellowship is life, and lack of fellowship is death: and the deeds ye do upon the earth, it is for fellowship's sake that ye do them" (Morris, 1886-1887).<sup>3</sup>

## The Reviewer

Nick Matthews teaches at Coventry University, is Chair of the UK Society for Co-operative Studies, a Director of the Heart of England Co-operative Society and of Co-operatives UK.

## References

- Craik, W W (1964) *Central Labour College*. London: Lawrence and Wishart, p63.  
Morris, William (1886-1887) "A Dream of John Ball" *Commonweal*. 13 November 1886 to 22 January 1887.  
Speake, Robert (1993) *One Hundred Years of Holidays 1893 to 1993, A Pictorial History of CHA*. Manchester: Countrywide Holidays.

# Co-operatives in a Global Economy: The Challenges of Co-operation Across Borders

Edited by Darryl Reed and J J McMurtry

Published by Cambridge Scholars Publishing, 12 Back Chapman Street, Newcastle-upon-Tyne NE6 2XX, 2009. ISBN 9781443801898

Reviewed by James Beecher

This book is an outcome of an annual meeting of the Canadian Association for Studies in Co-operation (CASC) entitled *Co-operating in a Global Economy: Challenges to be Faced, Lessons to be Learned* held in 2006. The book is made up of eight chapters, with an even split between those focusing on specific examples (Mondragon, the Fair Trade movement, Argentinean worker-recovered enterprises, and the social economy in Quebec), and those with a more general or theoretical purpose, which works nicely. It is worth emphasising that removing the word 'Lessons' from the subtitle seems to have import: the focus is much more on the challenges raised by the forces pulling and pushing co-operatives to internationalise, and, particularly with regard to the implications for co-operative values and principles.

Despite the plural 'challenges', these largely boil down to that of increasing competition from non-co-operative firms. As McMurtry states, "this challenge is nothing new for co-operatives", "the co-operative economic structure is always engaged in embedding economic activity within a social framework-but ... this is always challenged by more economically focused competition from traditional firms operating from within a strictly economic perspective" (p69). Hence the book is probably of most interest to those interested in the subjects of the example chapters, though McMurtry's chapter (pp54-77) stood out for me, and his contribution to establishing a "co-operative economic framework in theory" (p58) will be of interest to all.

Crowell and Reed's chapter on the Fair Trade movement (pp141-177) comes closest to offering the lessons, most notably that "a commitment to values can serve as a competitive advantage in internationalisation" (Reed: p42). However, Crowell and Reed suggest this advantage is under threat as the expansion of Fair Trade leads to certification being licensed to multinationals with questionable commitment to values, such as

Starbucks, who use the mark on selected lines and do not alter their basic model of production, and because of a shift to accepting plantation production (not to mention the role of competing certification by organisations such as Rainforest Alliance).

In their chapter on whether co-operative values and principles are a "Guidance or Hindrance for the Globalization of Co-operative Firms?", Carruthers, Crowell and Novkovic write that while local co-operatives linked in global networks and new global co-operatives are likely or able to use co-operative principles as a guide, local co-operatives that expand to become global face an 'identity crisis' as they grow, resorting to traditional capitalist models of doing business as they expand (p104). According to the authors, Mondragon Corporacion Cooperativa (MCC)'s pursuit of international expansion through foreign businesses (subsidiaries or joint ventures) that are not co-operatives (hence employees are not members), and Sunkist's expansion of their range of suppliers to include non-co-operative sources put the two co-operatives in "clear conflict with the ICA values and principles" (p105), and raise a fear that such co-operatives may convert to investor owned in the future.

McLeod and Reed's chapter looks at the MCC in more detail – specifically at the Irizar Group of coach manufacturers that is one of the 120 co-operatives that make up the MCC – and offers a more optimistic vision of the future. Irizar has been successful in a narrow business sense, increasing efficiency by 18.4% annually between 1993 and 2000 and the authors suggest that the "basis for this increased efficiency appears to be linked directly to the organisation's unique participatory and democratic management structure" (p131). Although subsidiary firms are not officially co-operatives, management are apparently committed to running them as if they are – for instance, 30% of profits are shared with workers whether they are members or not. In the parent group, General Assemblies of worker-members

occur 3 times a year and are attended by 80% of workers on average (p129). McLeod and Reed also note that the MCC apparently has plans to extend membership to around 30% of workers in currently non-co-operative subsidiaries – though I am aware that this plan has since been put on hold as a result of the economic crisis.

Elsewhere in the book, in a chapter titled “Co-operative Globalization: corporate globalisation’s unheralded other” McMurtry notes, and laments, the existence of a paradox during the years when anti-globalisation protests pushed the debate about globalisation to the top of the agenda, whereby co-operatives were conceptually marginalized even as they appeared ‘most relevant’ (pp54-5). It occurs to me that the book offers an example of the explanation for this paradox, presenting co-operatives not as a clear and obviously attractive alternative, but as messy and frequently compromised one – in a further example from the MCC, only 38% of workers are currently members (down from 80% in 1990).

In the final chapter, Mukherjee, Reed and Reed note that the alternative globalisation movement brings its own challenges, including the “relationship of the co-operative movement to the political realm” (p263). For me, the alternative globalisation movement was concerned as much with issues of political power and democracy as it was with economic policy and form, and it is here where the co-operative movement has much to offer. As such, the book could have benefitted from a

greater emphasis on the principle of democratic member control and the different ways in which it is put into practice – particularly at the level of global networks.

It would seem that this is a principle of particular importance as co-operatives negotiate the challenges of a global economy, for, as Carruthers, Crowell and Novkovic note, co-operatives have traditionally been defined by an unstated further principle – an emphasis on the local that ‘enables direct democracy’ (p86). Indeed, MacLeod and Reed mention in passing that in the past Mondragon split co-operatives in two in cases where membership grew above 500 in order to maintain personal relationships and the ability to make democratic decisions.

McMurtry argues that “co-operatives, rather than ‘getting bigger’ or becoming ‘multinational,’ must organise in such a way as to facilitate the growth of their form at the level of a movement, from the bottom up”. While he states that “This is best facilitated through the principles of co-operation amongst co-operatives” (p74), I would add that the lessons of successful participation and the challenges of democratic member control at large scales will require greater emphasis if this movement is to flourish. This edited collection is valuable in presenting examples from the diversity of co-operative experiments alongside each other and as McLeod and Reed put it, “it is only on the basis of such dialogue and experiments that the question of internationalization of co-operativism will be finally resolved” (p136).

## The Reviewer

James Beecher is a PhD student, researching the resilience of UK building societies at Cardiff Institute for Cooperative Studies, University of Wales Institute, Cardiff.