

<b>Institution: Sheffield Hallam University</b>
<b>Unit of Assessment: 19 Business and Management Studies</b>
<b>Title of case study: Democratising Co-operatives, Charities and Social Enterprises</b>
<p><b>1. Summary of the impact</b> (indicative maximum 100 words)</p> <p>This case study describes the impact of research undertaken within Business and Management on the ownership, governance and management of co-operatives, charities and social enterprises. It describes how developing the concept of <i>communitarian pluralism</i> led to changes in the management and teaching of social enterprise locally, nationally and internationally. We show the impact on professionals, and lecturers and students in other HEIs. We provide evidence that impact activities changed the way organisations and consultancy bodies conceptualise social enterprise, and how this catalysed the formation of an association to advance communitarian pluralist design principles.</p>
<p><b>2. Underpinning research</b> (indicative maximum 500 words)</p> <p>Following recent financial crises, the concept of <i>social economy</i> (economic activity through networks of democratically controlled co-operatives, associations and social enterprises) has become a strategy for public/private sector reform. The EU's <i>Social Business Initiative</i> adopted 11 actions to enhance the social economy by 2020. The United Nations "2012 International Year of Co-operatives" supported the goal of reducing global poverty. Studies of governance by Ridley-Duff (appointed Senior Lecturer 2007-present) and Coule (Appointed Senior Lecturer 2007-present) engage directly with this area of policy development. They have developed six peer-reviewed outputs from this research.</p> <p><b>Programme of research:</b> Ridley-Duff developed a programme of research through a conceptual paper (3.1) which was followed by a series of action research projects (2008 – 2012) that have cumulatively developed knowledge on communitarian governance. These produced findings on multi-stakeholder ownership, governance and management in social enterprises (3.4, 3.5). Coule's research programme (2008 - 2010) used focus groups, surveys and follow up case studies to obtain findings on strategies for sustainability in the charity sector (3.3, 3.6).</p> <p><b>Conceptualisation:</b> The underpinning conceptualisation of this research is that a relationship orientation is fundamental to communitarian philosophy: each person's individuality and agency is seen as a by-product of their community relationships. The concepts of social rationality and economic rationality are used to differentiate behaviours that enhance community relationships from those that advance corporate goals (3.1). Where communitarian philosophy is combined with strategies to pluralise ownership, governance and management, the result is a set of communitarian pluralist design principles. This takes the form of multi-stakeholder ownership, recognition of interests and systems to promote solidarity between stakeholders (3.2).</p> <p><b>Major Findings:</b> Ridley-Duff published evidence in 2012 (3.4, 3.5) that multi-stakeholder approaches to ownership, governance and management influence the design and development of co-operative social enterprises. The argument that designing organisations to be socially inclusive increases resilience and social impact is supported by Coule's research outputs (3.3, 3.6) that crises in charities were more likely to occur when a close Chair-CEO relationship excludes stakeholders from board-executive communication.</p> <p>Ridley-Duff developed insights on how communitarian pluralist design principles influence practice. Through systematic identifying of the management choices that lead to inclusive ownership, governance and management (3.1), Ridley-Duff developed case studies of model Articles of Association that create 'socialised enterprises' where different classes of share are offered to social entrepreneurs, employees, users and investors (3.4). If capital restructuring is combined with social auditing, the result is a 'socialised enterprise' that can be distinguished from a 'social</p>

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purpose enterprise' guided by unitary design principles, a preference for executive control with restricted membership and ownership rights (3.5).

Coule's first output (3.3) presents strategy making as a social, dynamic process. She considers the implications of prevailing unitary and pluralist approaches for such processes to provide insights into bridging the divide between internal stakeholder groupings in decision-making. Her second output (3.6) offers insights into how different governance theories shed light on the prioritization and marginalization of accountability to internal and external stakeholders. Specifically, the paper delineates the implications of agency, stewardship, democratic and stakeholder theory and their links to specific forms and processes of accountability. Coule's final paper (3.6) links theories of governance to the cumulative findings of both authors' work on governance in co-operatives, charities and social enterprises.

### 3. References to the research (indicative maximum of six references)

- 3.1 Ridley-Duff, R. J. (2008) "Social enterprise as a socially rational business", *International Journal of Entrepreneurial Behaviour and Research*, 14(5), 291-312. Journal ABS 2\* in 2013). From 2012, adopted as the official journal of the ISBE Research Conference. DOI 10.1108/135525508.
- 3.2 Ridley-Duff, R. J. (2010) "Communitarian governance in social enterprises: case evidence from the Mondragon Cooperative Corporation and Social Trends Ltd." *Social Enterprise Journal* 6(2) 125-145 DOI: 10.1108/17508611011069266 (Assessed as 2\*/3\* by independent assessors.
- 3.3 Chadwick-Coule, T. M. (2011) "Social Dynamics and the Strategy Process: Bridging or Creating a Divide between Trustees and Staff", *Non-Profit and Voluntary Sector Quarterly*, 40(1): 33-56. DOI: 10.1177/0899764009354646 (ABS 3\* in 2013).
- 3.4 Ridley-Duff, R. J. (2012) "New Frontiers in Democratic Self-Management", in McDonnell, D. and Macknight, E. (Eds.) *The Co-operative Model in Practice: International Perspectives*, Glasgow: Co-operative Education Trust, pp. 99-117. URI: <http://hdl.handle.net/2164/2780> (Peer-reviewed contribution to an ESRC Funded KTP involving Aberdeen University and the Co-operative Education Trust Scotland)
- 3.5 Ridley-Duff, R. J. and Southcombe, C. (2012) "The Social Enterprise Mark: a critical review of its conceptual dimensions", *Social Enterprise Journal*, 8(3), 178-200. DOI: 10.1108/17508611211280746 (Winner of 'Best Research and Knowledge Exchange Paper' at the 34<sup>th</sup> Institute of Small Business and Entrepreneurship Awards in 2011),
- 3.6 Coule, T. M. (2013) "Governance in non-profit organisations: accountability for compliance or legitimacy?" paper to BAM Conference, Liverpool, 10-12<sup>th</sup> September. (In final stages of peer-review for *Non-Profit and Voluntary Sector Quarterly*, (ABS 3\* in 2013).

### 4. Details of the impact (indicative maximum 750 words)

Between 2008 and 2013, Ridley-Duff and Coule developed an impact strategy using knowledge exchange projects, teaching support and dissemination activities that contributed to professional development.

**Impact 1 - Catalysing Insights in Social Enterprises:** Voluntary Action Rotherham (VAR), a lead voluntary organisation in Rotherham, Yorkshire was an organisation that participated in a SHU funded knowledge exchange project ("Bridging the Divide: A Corporate Governance Pilot Project" (Mar – July 2008)). VAR *trustees* used governance diagnostic tools created by Ridley-Duff and Coule to reach a view that their governance practices were pluralist with a stakeholder orientation. In contrast, VAR *executives* used the same tools to form a view that their organisation's governance was unitary with a managerialist orientation. A dialogue was established between trustees and executives and "within one week, the CEO of the partner organisation requested [internal] follow up actions related to...board maintenance and development, board/staff communications, and involving members in governance" (5.1).

Viewpoint Research CIC was one of five social firms who used the same governance diagnostics

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during a Business Link Innovation project ("Workforce Participation" (Reference IV-18-18 June-July 2009)) (5.2, 5.3). Viewpoint (which has 15 staff in Leeds, Sheffield and Doncaster) enhances the employability skills of people disadvantaged in the labour market. As the MD of Viewpoint explained:

*To actually have discussion - not just around the difference between entrepreneurial and managerial [governance], but also democratic and co-operative structures and ways of making decisions - it changed my view [and] led directly to the workforce participation project [...]. There was a tangible outcome [...] that led to the development of a staff council which is the vehicle by which staff now have a say and influence in the running of the company. (5.2)*

In September 2012, a case study of the follow up workforce participation project (Sept 2010 – Feb 2011) and its impact on Viewpoint was presented to the UK Society for Co-op Studies (5.3).

**Impact 2 - Embedding Insights in other HEIs' Curricula:** Ridley-Duff's and Coule's findings profoundly influenced the writing of *Understanding Social Enterprise: Theory and Practice* (Ridley-Duff and Bull, 2011, Sage Publications). They contributed case studies based on their research, their governance diagnostics and numerous learning materials to the book's companion website (5.4). By 2013, there were 1791 sales from Sage's UK office (of which over 200 went to the 'Far East'), 217 from its US office and 47 from its India office. There have been adoptions for 14 UG and 12 PG courses in the UK, Ireland, Austria, Germany, France, Greece and Switzerland. It is the core text for nine, recommended for 11 and supplementary for six (5.4).

### **Impact 3 - Embedding insights and impacts through knowledge exchange**

The governance diagnostics and case studies underpin the workshops on day 2 of the "Co-operative and Social Enterprise Summer School" (run annually since July 2010). These summer schools are organized by SHU in collaboration with Social Enterprise Europe, Social Enterprise Yorkshire & Humber, Co-ops Yorkshire & Humber and Co-op Business Consultants. The workshops attract co-operative and social entrepreneurs, British Council workers participating in a *Skills for Social Entrepreneurship Programme*, HEI support staff and lecturers embedding social entrepreneurship programmes in HEIs in the UK, Asia and Africa. Ninety-six people have attended the school. Impact 3 evidences the link between research outputs, learning activities at the summer school, and changes in professional practice.

One impact of the summer school is demonstrated through activities by members of Social Enterprise Europe (SEE) which is an international network of social enterprise educators who attended (and later co-delivered) the summer schools. After the 2011 summer school, SEE's consultants redefined social enterprises as organisations that "are governed, owned and managed as democratic **socialised** enterprises". As the MD explains:

*"Directly after the discussions we had about socialisation and stakeholders, we changed our slides to include 'socialisation' [...] The definition we put forward prompted emails from Indonesia and Malaysia saying 'this will be our definition of social enterprise from now on'...we [also] got emails from Vietnam and Korea where they said they [...] would use it as their standard." (5.5)*

Reach was increased after a blog on Social Enterprise Yorkshire & Humber's website was reproduced on the Guardian Social Enterprise Network in August 2011 (5.6). This attracted the CEO of the Social Enterprise Mark Company to the International Social Innovation Research Conference in London (Sep 2011). Her debate there with Ridley-Duff triggered further blogs and public debate (5.7). Reach also grew after Ridley-Duff's visit to Indonesia in 2012 (brokered by Social Enterprise Europe / British Council). Impact is evidenced by a British Council project worker using Ridley-Duff's materials to explain 'socialised enterprises' to local entrepreneurs (5.7).

Three summer school participants drew directly on case studies in Ridley-Duff's work (3.3) to create the *FairShares Model* (5.8). This not only creates a set of brand principles to facilitate the auditing of communitarian pluralist design principles, but also advances new model Articles of

Association to embed these principles in social enterprise start-ups and conversions. The *FairShares Model* integrates multiple-stakeholders by offering: *Founder Shares* to entrepreneurs; *User Shares* to customers; *Labour Shares* to employees; and *Investor Shares* to represent the capital created by them.

In March 2013, five management consultancies backed the creation of the *FairShares Association* to support the use of the *FairShares Model* in their work (5.8). This has attracted a further 34 educators and consultant members who now contribute to a *FairShares Wiki* (5.9). The FairShares Association LinkedIn Group had 216 members (as at 26/4/2013).

Social Enterprise Europe's MD, a co-founder of the association, explains how it has changed their work with enterprise educators in the UK and overseas (5.5):

*"We are writing a step by step guide for teachers to set up a FairShares Company in schools... [British Council contacts] in South East Asia...are much more comfortable with the politics of it than we are....[We organize placements for] the very prestigious Hong Kong Business School [and] are meeting one later this month who has graduated and is now a practising lawyer who wants to talk to us about the FairShares Model."*

#### 5. Sources to corroborate the impact (indicative maximum of 10 references)

- 5.1 Voluntary Action Rotherham. Final Project Report (fax dated 18<sup>th</sup> July 2008).
- 5.2 Interview with the MD of Viewpoint Research, 25<sup>th</sup> May 2013. See also Case 8.2 in *Understanding Social Enterprise* (5.4) (<http://www.sagepub.co.uk/ridleyduff>).
- 5.3 A conference paper written with Viewpoint's MD describes the second Business Link project: Ridley-Duff, R. J. & Ponton, A. (2012) "Workforce Participation: developing a theoretical framework for longitudinal study", paper to UK Society for Co-operative Studies Conference, Lincoln, 2<sup>nd</sup> Sept 2<sup>nd</sup>, <http://shura.shu.ac.uk/id/eprint/6551>. Following revisions, this paper has now been accepted for publication in the Journal of Co-operative Studies.
- 5.4 Sage Publications – publisher's record of adoptions (8/10/12), royalty statement (31/03/13) for Ridley-Duff, R. J. and Bull, M. (Eds.), *Understanding Social Enterprise: Theory and Practice*, London: Sage Publications.
- 5.5 Interview with the MD of Social Enterprise Europe, 6<sup>th</sup> June 2013. See also <http://www.socialenterpriseeurope.co.uk/pages/what-is-social-enterprise/>.
- 5.6 Discussions on the *Guardian Social Enterprise Network* took place at <http://socialenterprise.guardian.co.uk/social-enterprise-network/2011/sep/01/social-enterprise-mark-cooperatives>. The ISIRC conference is reported at <http://beanbagsandbullsh1t.com/2011/09/15/lack-of-co-operation/> (15<sup>th</sup> Sept 2011)
- 5.7 A British Council worker reports 'socialisation' to Indonesia's social entrepreneurs: <http://socentindo.wordpress.com/2012/05/17/cooperatives-socialised-enterprises/>. Evidence of embedding materials in slides for INSEAD (an Indonesian Social Enterprise network) is also available on request.
- 5.8 See <http://www.fairshares-association.com/blog.html> for evidence of the launch, practitioner engagement, and the formation of the first FairShares Company.
- 5.9 *The FairShares Model* ([www.fairshares.wikispot.org/background](http://www.fairshares.wikispot.org/background)). The interview with the MD of Social Enterprise Europe (SEE) attests to its influence in the UK and overseas (see. 5.5)