BOOK REVIEW by Peter Davis

Rory Ridley-Duff and Mike Bull, (2016) 2nd Ed., *Understanding the Social Enterprise*, Sage, London, Los Angeles, New Delhi, Singapore, Washington DC. ISBN 978 1-44629-552-6

Overview

This book is one of the best resources one can find, if one is a student or teacher engaged in any area concerned with the social economy and social entrepreneurship. It contains an excellent review of this very extensive literature, identifying its many themes and conflicting definitions, contexts and categorisations. The book's analysis commences with a review of the social enterprises various macro theoretical perspectives and their political, social and economic contexts. It then moves into what is, at the books heart, an advocacy of that model of the social enterprise the authors identify as most likely to promote the Social Solidarity Economy, (SSE) in short, a project destined to transform the economy into one that is both sustainable *and* grounded in community and distributive justice for all stakeholders.

The major part of the book contains sections which focuses on the practical management of social enterprises, by critically reviewing the extensive literatures concerned with measurement, marketing, finance, social and ethical capital, strategy, management, leadership, entrepreneurship, governance, legal identities and human relations in the social enterprise in its many forms. *Understanding Social Enterprise Theory and Practice* contains a useful glossary and is packed with websites, forming a very comprehensive resource for teaching and student research. Its various chapters are supported by engaging and helpful exercises and the bibliography is an ideal starting point for any serious student looking to identify the leading authorities in this field.

One criticism, or at least warning note, *this book is one of advocacy* and indeed, the authors make no secret of this. As such, there is less critical content concerning the sector's failures and under performance, particularly that of the co-operative and credit union sectors. This is a significant omission because co-operatives are the one sector of the social economy that is closest to the author's political and economic aspirations to create an SSE – a concept, which in many ways, is a very close fit with what was, and in some circles still is, called the *Co-operative Commonwealth*. The co-operative enterprise still massive with around three quarters of a billion members' world-wide is easily the biggest and oldest manifestation of a social enterprise. Yet, it is today a sector with serious challenges. These failures and weaknesses find little discussion in the pages of this work and those authorities seeking to make some analysis of these failures are not well represented.

However, this criticism is a small one - the authors advocacy is more than justified, in the context of a business school mentality, which largely is a single advocacy in the opposite direction. The business school model almost everywhere assumes the joint stock company to be the only business model worth teaching and outside of the business ethics 'options' the joint stock corporation is generally treated with almost uncritical acceptance. *Understanding Social Enterprise Theory and Practice* is a book to be highly recommended to anyone who recognises the failure of this standard business school model. Globalisation, led by liberalism and its claims to be 'lifting people out of poverty', is based on a reality of questionable statistics and police state politics.

This brings me to my second criticism. The book is strong on practical solutions, models, definitions and what to do's and the failures of capitalism. It is, however, far less clear about the *threats* capitalism poses to those who attempt to replace it. It is also rather silent on the reality of the condition of the people at the bottom of the labour market. The people who are most in need of this book will never read it and many will be the very people most immediately challenging for those who are trying to mobilise and help them. The cover of the book has groups of young people in garb that looks like they are just heading for a yoga class, but all walking towards the books' title *Understanding*

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Social Enterprise Theory and Practice. Unfortunately, these young people only represent a fraction of the demographic that the social economy enterprise must mobilise, if it is to be truly transformative.

The need to find an alternative business model that addresses the real world of poverty, inequality, human rights abuses, environmental degradation, species and resource depletion and climate change is essential. What I write below challenges some of the ideas found in *Understanding Social Enterprise Theory and Practice* and points to gaps in its analysis, but I hope the authors' recognise that these comments are meant to be constructive additions to their hard work and let me conclude this overview by unreservedly recommending the book's scholarship and coverage as providing an excellent starting point for persons concerned to change the direction and models by which business and economies are currently fashioned.

Some more detailed reflections

Introduction: Mondragon, social enterprise models and the SSE Social Enterprise as the radical transformative business model

What follows is this reviewer's more detailed consideration of some of those areas in the Ridley-Duff and Bulls' book that I have briefly questioned in my overview of their work. I must recognise that considerations of time, space and editorial deadlines make this a rather selective dip into such a wide-ranging work and I apologise to the authors for missing important areas. I want to focus on the themes of models, strategy and politics in this work and raise issues around how social enterprise is defined, in so far as it may create barriers to alliances within the social economy that may be critical for the sector's success and its transformation into a social movement, rather than a sector. I will then focus on globalisation, where I feel the books treatment is deficient in its failure to present clearly the threats this poses. My third and final strategic issue is food security, where the book is silent, apart from a rather ambivalent section on Fair Trade (pp.17, 107–8, 114 and 368) and a small section on fishing (pp.128 – 129). The word agriculture is not in the index, yet the delivery of affordable food is the most critical issue for the poor.

Other areas I would like to comment critically on are those sections dealing with management and leadership and human relations management. For those who might be interested in a perspective that is concerned with the importance of professional management for co-operatives, I have included a reference to my latest contribution on this subject. The role and significance of professional management gets rather passed over by most academics writing within the social economy literature, which is dominated by critical management theorists (see pp.229, 237, 243, 279 and 366), who are grounded in critical theory philosophy, by authors such as Foucault, whose insights into the potential problems posed by professional managers and business administration in larger co-operatives is not really explored in *Understanding Social Enterprise Theory and Practice*. (see pp.279 and 386).

Ridley-Duff and Bull start with a brief discussion of the celebrated case of the Mondragon Group of Co-operatives in the Basque region of Spain. The Mondragon case becomes a foil for the identification of three schools of social entrepreneurship, which the authors wish to subject to a critical appraisal for the purpose of defining the book's underlying purpose to present a model of the social enterprise as an essentially radical project to reform the economic system, in terms of its ownership, levels of distributive justice and sustainability.

The first school's model challenges the very basis of the modern firm as a capital-centred investor-led organisation by insisting the social enterprise is an essentially people-centred business. In the Mondragon case, people not capital is its driving ethos and its' 'inspiration is Catholic Social Doctrine. *People not capital is the overriding focus* in this school, as the dignity of the individual person is the first principle of Catholic Social Doctrine followed by its second principle - the assertion that individual freedom should not undermine the Common Good.

The second school's model focuses on the social enterprise as an organisation driven by its social purpose, which itself is grounded in value propositions leading to the organisations adopted social objects. Here we see in the Mondragon case a clear social mission – that of *social transformation though education*. Of course, both these co-operative ideals – people-centred business and social transformation *predate both* Mondragon and Catholic Social Doctrine going back to the movements very foundations in the 1830s and 40s (Webb K, 1904, 'Fundamental Rules' pp 58-59). However, this detracts nothing from the achievement of Mondragon as perhaps the best example of a people-centred business that has successfully transformed the society it is embedded in (the Basque region of Spain)

and no one can challenge Catholic Social Doctrines spiritual and social inspiration for the adoption of the cooperative model in the Basque country.

The third school emphasises *socialised ownership and control* where the bigger the decision, the more likely it is to be taken at the general assembly. Social ownership and control are seen as central to the maintenance of the integrity of the governance and social purpose of the enterprise. Here, we meet the third principle of Catholic Social Doctrine - the principle of Subsidiarity – that decisions should be taken as close to those affected as possible. This also fits the Mondragon Co-operative Model and challenges the centralisation and secrecy that dominates decision-making in the modern for-profit organisation. Here, Mondragon's 1000 elected local boards controlling the Group are contrasted to the unitary boards of the modern corporation. *Mondragon incorporates all the three models defining elements and the authors correctly argue it is essential for a social enterprise to meet the radical agenda of establishing the SSE*. We need to be careful, however, not to be so concerned with establishing radical credentials that we miss the need for strategic alliances and collaborations with organisations sharing and or sympathetic to some, at least, of the goals of the SSE.

The authors suggest that another important contribution of this third school, with its emphasis on socialised ownership and control, is its insistence on the *reciprocal interdependence underpinning mutual aid* as a clear line in the sand dividing the social economy, not for profit sector from the non-profit charity sector. They suggest mutuality of service, support and supervision are seen as the essential elements in maintaining the integrity of the social enterprise, as opposed to the one-way top-down managed charity. I feel this definition of the defining feature of the social economy enterprise underpinning it as a radical transformative business model is flawed. Why? The concept of *reciprocal interdependence* (see page 6) lacks inclusivity. I will pick this criticism up in my first question 1. below on what is, I feel, an under-developed issue in the book's discussion of strategy and politics. I will also criticise the Ellerman definition of a social enterprise as social, when it *rejects private property rights as a rationale for participation in management and governance* (see page 105) as unnecessary and divisive being only fully applicable to one sector of the co-operative economy. I will return to this in the third strategic issue I raise, dealing with Food Security, which given its importance, needed a considered treatment in the discussion of strategy in *Understanding Social Enterprise Theory and Practice*.

My view of chapter 8 on Strategy is that it has much to recommend it, in terms of methodologies for the strategic management of an enterprise and has a very comprehensive coverage of the literature in this area. However, the danger lies in the chapter not engaging sufficiently with the threats and challenges to social enterprise and makes little contact with the challenges faced by those social economy enterprises organising among impoverished communities. Finally, the issues around developing strategic alliances and joint ventures, challenges of direct investment overseas, and mergers and acquisitions needed more discussion. These criticisms have implications concerning management and leadership of the SSE that I maintain requires a greater emphasis on professional management, if the shadow of globalisation and monopoly control is to be confronted and the further collapse and degradation of co-operative assets, demutualisation and privatisation averted. (1)

Strategic issue 1. Organising the poor: the challenges and threats

I feel the authors have been too quick to exclude charity from the social transformation process of the SSE enterprise. Some charities at least *do* act to encourage and even depend on the active co-operation and collaboration of the client (the client has to take ownership and control of the support for it to be effective). I would also want to assert that charities surely do have social purpose (the re-integration of the client back into society), so on two out of the three dimensions of what it takes to meet the author's criteria as a genuine social enterprise with transformative capacities, some charities appear to me to be able to conform to a significant degree. Then, there are so many charities whose aims compliment and even look to the SSE. NGOs, like Amnesty International, Friends of the Earth, Green Peace, Global Justice Now, and many others are at least essential allies and sources of data of real importance for those making the case to the electorate and civil society activists for the SSE.

Other charities dealing with individuals in crisis are critical on the ground in communities, where many co-operatives and credit unions organise. Often, they function within contexts where loan sharks, drug dealers and other criminals are active. Organising the poor often involves being confronted by organised criminals and the latter's ability to thrive within the very underclass and impoverished community capitalism leaves in its wake. Trade Unions are referenced once (p29) in *Understanding the Social Economy Theory and Practice* and do not appear to be recognised

as a form of labour supply co-operative and part of the social economy. These bodies historically have often had mafia, as well as employer hostility, to confront often with lethal consequences for their organisers and leaders from both sources. (Fusfeld, R. Daniel, 1992)

The authors insist on the principle of *mutual* reciprocal exchange and supervision as the *defining characteristic* of the social enterprise, if it is to retain its radical credentials and agenda. This excludes many of the poorest and most vulnerable. I wonder whether a far more inclusive, radical and transformative formula for the SSE enterprises would not be 'from each according to his abilities and too each according to their needs'? Is this statement not showing greater solidarity than the insistence on reciprocity of exchanges? We are all equal in dignity and humanity certainly, but human beings are not equal in our capacities, competencies and personalities. Some of us need help and the common bond of our humanity surely is the only warrant needed to ensure we get it in a movement committed to the philosophy and practice of human solidarity and fairness.

My question is can the social economy sector wanting to move to a democratically owned and governed business model committed to fair shares and a sustainable economy afford to ignore the casualties of monopoly capitalism; the drug addicts, the alcoholics, the abandoned street children, trafficked exploited women, the homeless, and the mentally ill? If the casualties of capitalism are left to a 'charitable sector' *seen as outside the social economy* are we not missing a vital part of our strategic mission to raise the labour market, as a whole, by raising it from the *bottom up*? The under-class and the criminals that feed off it represent a real threat to those organising the poor and the SSE enterprise needs to work closely with those organisations that are in support of the weakest and most vulnerable in the community.

While definitions and boundaries can help sharpen the analytic focus, we must be careful not to over emphasise them and certainly the SSE enterprise needs to emphasise and support charity, as a key outreach strategy supporting its own goals in marginalised and impoverished communities. An essential element in the organisation of free trade unions, co-operatives and the campaign for the right to vote in the 19th century was the *Temperance Movement* and here we see the Labour Movement's main target was the gin palace. The reality of unequal capacities is a point which also has implications for how we understand leadership and management in the SSE enterprise.

Strategic issue 2. Globalisation, liberalisation and authoritarianism. The super state and the technology of surveillance and monopoly

If there is a question mark over the Mondragon achievement, it is the shadow cast by globalisation, itself led by forces whose values and objectives are the very antithesis of Mondragon's social purpose. Globalisation is the strategic goal of this phase of monopoly capitalism and gives it access to vast resources and the ability to reconfigure its structures into networks that dominate small states and infiltrate the power elites of the superpowers. *Amnesty International,* for example, is one charity that certainly should be seen as vital to the development of the SSE across the globe. Particularly when today, at least one third of the world's working classes find themselves imprisoned in police states that deny basic human rights, let alone a socialised economy.

The concluding section of the introduction in *Understanding the Social Economy Theory and Practice* draws on what to this reviewer is Polanyi's abstract overemphasis on exchanges to typify different stages of economic development. Abstract because Polanyi's models, as presented by Ridley – Duff and Bull, ignore the significance of power underpinning economic relationships. Exchanges, since the first cities at least, has always taken place under the shadow of the Pyramid, the Norman Castle, Navel supremacy, Imperial preference, etc. Slaves packed in below the decks of ships crewed by pressed men, whose discipline was the lash or the noose, was replaced in time by the more 'enlightened' market exchanges of labour for wages. Technology and 'scientific' management have continued replacing, regimenting and deskilling labour constantly undermining any 'balance' in the exchange between the worker and the capitalist. The latter grounded often on desperate need and hunger by a working class in constant 'oversupply'.

The role of the state in management of exchange in its various models and stages cannot be overemphasised. To argue, as the authors do, that by the 1970s '....social democracy was just finding its feet...' is highly questionable. The three Wilson governments had been totally bereft of strategy or direction. Social democracy was losing its way and not finding its feet, as a resurgent global capitalism was insisting on greater monetary disciplines. Ted Heath's attempted reforms, based on corporatism, failed as did Wilsons 'In place of strife'. Force was soon back centre

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stage demonstrated in the UK by the Thatcher government's turning labour legislation back to the 19th century; it's doubling of unemployment and it's violent crushing of the miners. The impact of technology and the role of the state in crushing organised labour, insisting on monetary discipline for the poor, while giving billions away to preserve capitalism from its own internal destructive capacities is surely a much more realistic context for any analysis of today's globalised socio-economic political system than Polanyi's models of exchange.

The academic literature, which informs the two pages on socio-economic systems (pp8-9), seems to this reviewer, to be an exercise in burying one's head in the sand. The existence of a network across the political, economic technostructure and its concentrated organisation of capital, in so few hands, are not exactly irrelevant to the achievement of the SSE. The danger is well documented and recognised from C. Wright Mills (1956) onwards even including Republican US President Eisenhower (*NPR Moring Edition* 17.01.2011). Today, monopoly, duopoly and monopolistic competition represent the norm, as far as the core economy of engineering, energy, technology, communications and finance are concerned.

This brings me back to Mondragon, the book's flagship social transformative enterprise, to point out just how small it is, in global terms, in both its resource base and its productive capacity. Fagor may have failed for various specific management errors and unexpected market upheavals, but the Group's decision not to sustain and rebuild it to take advantage of the next market up-turn was likely to be a recognition of the scale of the competition, as it is a lack of resources. Why the Mondragon group only had the capacity in 2009 to absorb 3% of its bank's lending resources (Bajo and Roelants, 2011, p195) should be a matter for critical analysis and concern to anyone wanting to replace capitalism with the SSE.

Certainly, crowd funding can do great and exciting things, at the level of the small scale. In Leeds in the 1840s - 50s, it was 'crowd funding' via door to door collections of donations that supported the longest lasting co-operative community on the land collected by the Leeds Redemption Society, in support of the Garmlywd Estate in Carmarthenshire between 1848- 1856 (Garnet, 1972). However, in the context of globalisation, without the mobilisation of the largest co-operative financial services and agricultural sectors in co-operation with the very biggest co-operatives in production and distribution, co-operative production will be undermined by a combination of cheap labour and the high-tech economies of scale that monopoly capital can mobilise.

These big co-operatives, mutuals and credit unions do not fit the defining characteristics of a radical social economy enterprise, as defined by Ellerman (p105) in *Understanding Social Enterprise Theory and Practice*, yet their engagement and commitment to the goals of the SSE will be critical to its achievement.

Strategic issue 3. Food security

Another strategic challenge globalisation and technological revolution poses for the SSE enterprise, which is of central strategic importance for the agenda of socio-economic transformation is food security. The UK co-operative movement's historical experience testifies to how important this topic is. To read some accounts, you could think the idea of local economies and local currencies was new, but it's not. It was a popular strategy used by the Owenite Labour Exchanges in the early 1830s and, as far as goods are concerned, operated with some success. Cole and Postgate note that Labour Notes were in some places even accepted by other trades people in the locality (Cole, GDH and Postgate, Raymond, 1966, ppp263-264). As local banks and big firms often issued their own tokens and notes, public opinion was prepared in advance for the idea of a *Labour Note valued by the hours of labour it represented* as a local medium of exchange. (ibid, p264)

However, the primary commodity needed by all urbanised working people, having been separated from the land, is food. Then as now, food has always taken the largest proportion of workers income for all but the most affluent segments of the global labour market. The inability of the Labour Exchanges to offer food in exchange for goods was one important reason for their failure, as the patrons of these exchanges needed to use cash or a mix of labour notes and cash, if they wanted to purchase food. (ibid, p264)

Food distribution remains today, an effective oligopoly in every industrialised and post-industrialised economy across the globe. Climate change represents, for capitalism, more of a business opportunity than a threat. It presents an opportunity to grasp monopoly control of the food chain through the application of developments in plant biology and genetics. The threat of the monopolization of food production is real and, without the co-operative agribusinesses, almost impossible to stop. Any strategy for the achievement of the SSE that ignores the large co-

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operative agri-businesses is set up for failure, yet the model of SSE business established by Ellerman (1990) at p105 in the chapter *The Politics of Social Enterprise* effectively excludes them.

The implications for strategy are huge and ought to be obvious. These large agri-businesses are most vulnerable to demutualisation and privatisation and we need to engage with them, but big as they are, they need to be helped to consolidate further and gain increased leverage, if they are to stand up to the monopoly power of the capitalist food chain. The insistence on abolition of private property will not be a defining characteristic here and while common ownership of the co-operative and its democratic governance will be essential, the politics of farmer autonomy and the need for food security for the world's growing urban population will need to be the primary arguments of remaining outside the capitalist system. If we lose control of the food chain, we lose - full stop. Co-operative agribusiness is an essential element for the SSE project and models that eliminate them or distance them from that project are misguided.

Conclusions

Let me conclude by admitting that it's easy to criticise and point to the gaps and weaknesses, but the solutions are a lot harder to find. There is a global institutional framework that still encompasses all the various segments of the social economy that calls itself co-operative. The International Co-operative Alliance, the Raiffeisen Union, the World Council of Credit Unions, the Asian Confederation of Credit Unions has been often painfully constructed across many decades, although most of the new SSE enterprises whose virtues are presented in *Understanding Social Enterprise Theory and Practice* are not part of these associations. There are also international trade union associations, which also need to be included.

However, the obstacles to the utilisation of this global framework are huge. Many of the members of these associations are, in fact, under the thumb of their national ruling elites and are not really nearly as autonomous as their affiliation would suggest. The organisations themselves are under-funded by their members, whose leaderships see no need for strategic action at the global level or may fear the consequences of taking such action. These organisations seem, to this reviewer, to be more concerned with celebration than innovation and strategic intervention to establish the SSE and show little interest in any joint activities at all. Notwithstanding the institutional barriers awakening these sleeping giants and the mobilisation of their members ought to be a serious strategic focus, if we are to act globally.

However, if we do this, we must continue to 'act local' in civil society where we can make a difference, and in this respect, *Understanding Social Enterprise Theory and Practice* has a lot of good information. While we try to build the SSE from the bottom up, we must always 'think global'. We must not give up on the established co-operative and credit union movements, as challenging as its institutional frameworks are to mobilise. The message of this reviewer to the authors of *Understanding Social Enterprise Theory and Practice* is simple. Don't emphasise definitions which may create barriers between legitimate sectors of the social economy and don't ignore the reality that global monopoly capitalism possesses the technology and the recruits to supplement its extensive economic resources with a growing ability for repression and destabilisation. The local new SSE enterprises and movements need to recognise the realities and dangers, in both the current global and local contexts and to reach out to the older established movement, the trade unions, to our natural allies in NGOs and those 'men and women of goodwill' in our wider society that the secular Catholic Social Doctrine seeks to address, along with other progressive faith communities like the Quakers address. However difficult in practice to achieve, we need to seek out and emphasise *inclusive strategic alliances*, not analytic definitions if we are to achieve an SSE. We must transform 'the sector' into 'the movement' if we are to defeat the forces that seek our destruction and to overcome the crisis we can all see coming.

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Note

1. I note here that professional management, with its value-based leadership, plays an essential role in Mondragon's achievement and does, in fact, enhance not oppose the ultimate rights of the workforce to determination of their organisation's governance. Indeed, the Mondragon workforce agree, while their managers themselves are equally clear that it's the workforce that is the key to success (see p 4). In practice, the humility and transparency of a co-operative value-based servant leadership model, professional management engaged in a listening partnership with workers, members and their communities is the key to success in large co-operatives. Co-operative market research combined with learning organisation models of employee engagement and member and other stakeholder relationship, communications can most effectively develop and mobilise co-operative social capital for competitive advantage and the building of SSE in the wider civil society. (Davis, 2004 Ch 3) The professional managers commitment to the values and ethos of Mondragon is perhaps best demonstrated by the executive pay policy of ratios ranging from top to lowest paid of between 3.1 to 9.1, depending on the co-operative, with a group average of around 5.1, as compared with ratios reported from lows of 55.1 to highs of 333.1 in a recent sample of US Corporations (Washington Post, 2nd Feb, 2018).

Additional references*

* A simple bracketed page number is a reference to the text of *Understanding Social Enterprise Theory and Practice* which is fully referenced at the top of this review.

Bajo, Claudia Sanchez and Roelants, Bruno (2011) Ch 8 The Mondragon Co-operative Group, in *Capital and the Debt Trap. Learning from Co-operatives in the Global Crisis*. Palgrave/Macmillan, Basingstoke and New York, pp176 -211.

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Further reading

Davis, P. (2018) Ch 6 Leadership as a Profession: A Special Case Dependent on Ownership, Governance, Mission and Vision, in *Professionalizing Leadership. Debating Education, Certification and Practice*. Editor Anders Ortenblad, Palgrave Macmillan, pp109 -124. ISBN 978-3-319-71784-5

For a full bibliography and a select bibliography of Davis and Davis and Donaldson on Co-operative Management, Leadership and Organisational Development go to <u>www.newharmonynetwork.coop</u>