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**Rendering the social solidarity economy:** exploring the case for a paradigm shift in the visibility of co-operative and mutual enterprises in business education, research and policy-making

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### Abstract

Theories of business are still dominated by a choice between social responsibility (altruistic communitarianism) and private business (neo-liberalism). From the start of the 1990s, this hegemony has been disrupted by research on voluntary action and social enterprise. By philosophically grounding the logics of three approaches to social enterprise, this paper explores evidence of a paradigm shift. The conclusion is drawn that there is no longer a defensible justification for rendering the social solidarity economy as a marginal choice between altruistic communitarianism and neo-liberalism. There is now a broad-based economy of unions, societies, associations (CTAs), co-operatives, mutual financial institutions, employee-owned businesses (CMEs) and socially responsible businesses (SRBs) supporting more than half the world's population. Business education needs to be reframed as a new choice between *social liberalism* and *pragmatic communitarianism* informed by 'new co-operativism' that draws extensively on theories of co-operation and mutual aid in member-controlled enterprises.

### Keywords

social enterprise, co-operatives, mutuals, solidarity, social economy, philosophy, paradigm

## INTRODUCTION

This paper seeks to narrate the case for, and then critique, a paradigm shift in the rendering of the social solidarity economy (SSE) in business education, policy development and research. It is based on an exploration of lecture slides published with the 2nd edition of *Understanding Social Enterprise: Theory and Practice* (Ridley-Duff and Bull, 2016) to ask the question ‘how can the emergence of social enterprises be rendered in a way that makes their scale, diversity and impact more visible?’ Material is included in the slides that goes beyond its companion text to render the SSE as a broad movement of charitable trading activities (CTAs), co-operative and mutual enterprises (CMEs) and socially responsible businesses (SRBs) that are receptive to arguments for sustainable development (Ostrom, 1990; Ostrom, et al., 1999).

As the slides express a narrative that is implicit rather than explicit, this paper aims to fill a gap by making its underlying logics more explicit. Particular attention is paid to an argument that there are dominant and desirable discourses guiding the field of social enterprise studies that operate in different paradigms. The dominant discourse is presented as an axis in which the key choices range from altruistic communitarianism to market-based neo-liberalism. This discourse presents social enterprise as a thin wedge of options squeezed between the primary choice of public-charitable provision or private-market provision. The desirable discourse, on the other hand, is presented as an axis ranging from social liberalism to pragmatic communitarianism. On this axis lie many member-driven approaches to social entrepreneurial action that have developed a measure of independence from state, charity and market institutions. The identification of these approaches is part of ongoing work amongst EMES researchers to map social enterprise models worldwide (Defourny & Nyssens, 2015).

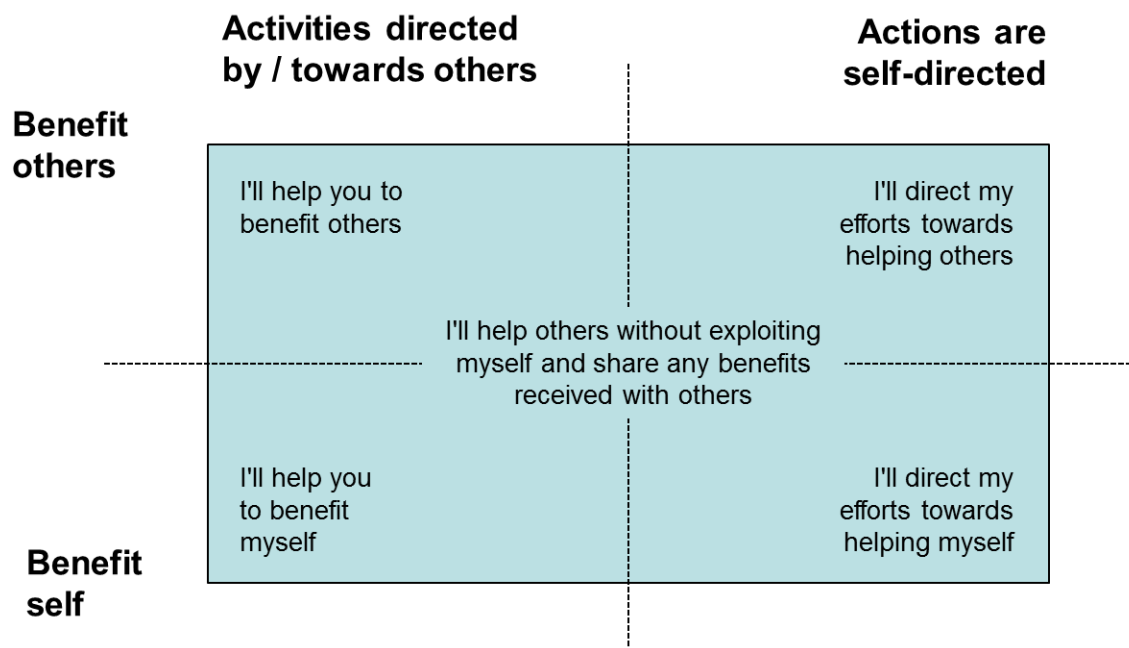
The identification of a desirable discourse underpinned by a philosophical commitment to social solidarity is – in effect – an argument that a paradigm shift is occurring (Kuhn, 1970; Sahakian & Dunand, 2014). This paper contributes to knowledge by setting out both the philosophical grounds and early evidence to test this thesis. The paper is divided into four sections. In the first section, images from the lecture slides are set out to show how they link to meta-theories of economic and

social exchange (Polanyi, 2001 [1944]; Dreu & Boles, 1998). In the second section, the characteristics of enterprises associated with sustainable development are discussed to establish the 'triple-bottom line' (Elkington, 2004) and the contribution of CMEs to its advancement. The third section is a more polemical argument for a paradigm shift in the rendering of the social solidarity economy based on new evidence. A new rendering makes its breadth, depth and scale more visible to enterprise educators, policy makers and researchers. This argument is made on the basis that a huge variety of organisations connecting *billions* of people across the world are not adequately represented in the philosophy and educational curricula of business courses. In the final section, I sum up the contribution of the paper as a more nuanced grounding for business studies. This philosophical grounding enables enterprise educators, policy makers and researchers to identify clusters of enterprises that support and oppose different institutional logics. This being the case, it offers a framework to reflexively explore both public policies and educational practices that accelerate the process of change to a more desirable discourse (Darwin, et al., 2002).

### **THE CASE FOR STUDYING THE PHILOSOPHIES OF SOCIAL ENTERPRISE**

Every enterprise that self-defines (or is defined by others) as a social enterprise continually engages in a debate about definition that influences educational agendas, economic assumptions and social policy. Social enterprise advisers in consultancies and infrastructure bodies, and the social entrepreneurs who engage them, will be faced regularly with questions as to whether an individual or organisation qualifies for social enterprise support. Every law to regulate social enterprise, every kite mark developed to promote it, every strategy devised to support it, also requires engagement with criteria that will influence the legitimacy accorded to individuals, organisations and institutions. The definition of a social enterprise, therefore, is not an abstract intellectual exercise: it is a dynamic process unfolding on a daily basis as people apply their beliefs and develop their identities in the context of practice.

**Figure 1 – A matrix of philosophies of action**



In the first instance, the slides offer a simple matrix with two axes. In Ridley-Duff’s (2005) work on variations of individualism and communitarianism in social enterprise governance, a distinction is made between the person who direct actions and the beneficiary of the actions that are directed (see Figure 1). Individualist philosophy can vary between the presumed self-interest that underpins entrepreneurial action <“I’ll direct my effort towards helping myself”> and the willingness of self-interested individuals to join together and engage in collective action for self-benefit <“I’ll help you to benefit myself”> (Smith, 1937 [1776]; Coase, 1937; Parnell, 2011). Whilst contemporary culture is replete with images of aggressive entrepreneurship (in popular programmes like Dragon’s Den and The Apprentice), Parnell – the former CEO of the Plunkett Foundation – contents that action directed by self-interest is deeply embedded across society:

An important feature of the co-operative approach is its acceptance of people [who are] largely driven by self-interest. It also acknowledges that most people are unlikely to modify their self-centred behaviour without a sufficient incentive to do so [...]. Co-operation recognises that self-centred behaviour can be moderated when a more enlightened form of self-interest takes account of the wider mutual interest. In short, it provides the means to increased individual benefits, while at the same time providing mutual benefits. (Parnell, 2011, p. 8)

For Parnell, collectivism is not always motivated by altruistic intent (even if altruism is the *outcome*). Instead, collective action – and the desire to work with

others co-operatively – can still be motivated by the desire for individualised benefits. Examples of this can be found in trade unionism and mutual insurance schemes where individuals join to protect themselves but concurrently protect others through the regular subscription of financial capital and acts of social solidarity.

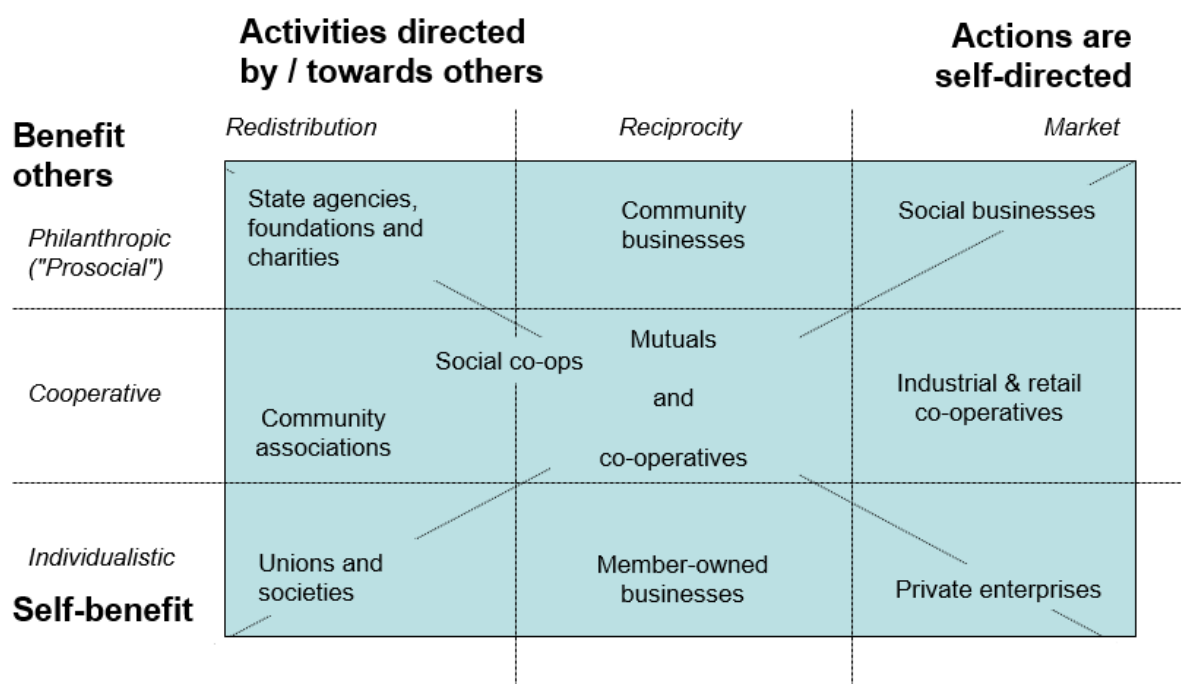
On altruistic action (i.e. actions that are motivated by a deliberate intent to help others, not the self) there is a range of underpinning logics from entrepreneurial self-directed action <I'll direct my efforts towards helping others> to working under the direction of an institution or authority (such a charity or public body) seeking to create a public benefit <I'll help you to benefit others>. However, the main argument here is that only a minority of people exist at the end point of these axes. The long-term trajectory and direction of equity theory (Huseman et al, 1987; Kilbourne and O'Leary-Kelly, 1994) leads to organisation design principles based on communitarian pluralism (Ridley-Duff, 2005; Chadwick-Coule, 2011; SHU, 2014). These both posit that people prefer balanced benefits in which neither individuals nor social groups are over or under compensated for their efforts <I'll help others without exploiting myself, and share any benefits received with others>.

In the slides that follow, the theoretical underpinnings of these positions are set out in more detail. The first dimension is theorised using Polanyi's work on the economics of redistribution, reciprocity and market exchange (Polanyi, 2001 [1944]; Nyssens, 2006; Roy, 2015). *Redistributive* actions seek to move resources from one setting to another in accordance with pre-agreed political and social priorities. This logic is used by public authorities and charities that raise funds (taxes) from one source and redistribute them to others who create public goods / services. *Reciprocity*, on the other hand, is grounded in the logic of mutual aid, whereby equitable contributions to, and drawings from, mutual funds generate both individual and collective benefits (Ostrom, et al., 1999; Restakis, 2010). In this case, action is focused on securing reciprocal exchanges and cultivating a willingness amongst people with familial, kinship or community ties to proactively support each other's well-being. The last type of economic exchange is through the *market*. Exchange is still the goal, but the mediating mechanism is no longer kinship, community ties or personal bonds. It is replaced by depersonalised system of market exchange within institutions that support commodity production and market pricing. In the market,

buying and selling goods is mediated by transaction costs that are inflated by a desire to profit from the exchange and/or minimise losses (Coase, 1937).

The second axis is theorised using works on social value orientation (the propensity and inclination of a person to help others). The concepts deployed here are drawn from works that explore altruism rather than modes of economic exchange (Dreu & Boles, 1998). The concepts distinguish a person who is individualistic (ego-centric), co-operative or philanthropic (pro-social). The term ‘individualistic’ is applied to a person thinks only of their own benefit (ego-centric), whereas the term ‘philanthropic’ is applied to a person who thinks only of the benefit to others (pro-social). In the case of co-operative behaviour, the aim is to share benefits, not keep them all to oneself or give them all away. The combination of these economic and social beliefs give rise to a much broader spectrum of enterprise possibilities than a simple choice between public and private (Figure 2).

**Figure 2 – The impact of philosophies of action on enterprise formation**



It is possible to link many of these action orientations to trajectories in social enterprise. For example, within the UK, the term ‘social enterprise’ initially gained its strongest foothold within the co-operative movement and community regeneration sector (Teasdale, 2012; Ridley-Duff and Southcombe, 2012), particularly in relation to the building of a broad movement of employee-owned businesses and

philanthropically-minded community benefit societies funded by community share issues (Brown, 2004; 2006). These sit at two of the intersections of Figure 2 (*co-operative reciprocity* and *philanthropic reciprocity*). By late 1997, a coalition of co-operatives and co-operative development agencies had formed Social Enterprise London to support participative enterprise and develop commonly-owned resources. As regional links developed, a national body – the **Social Enterprise Coalition (SEC)** – was created to lobby for co-operatives, social firms, trading charities, community and employee-owned enterprises.

At the end of the 1990s, the Social Exclusion Unit was formed by Tony Blair's **New Labour** government. This body produced a strategy for 'neighbourhood renewal' in which 'social enterprise' was used to describe community businesses and trading charities oriented towards the needs of socially excluded groups (Westall, 2001). As time passed, and particularly after a UK government consultation involving charities and voluntary groups, the CME origins of the social enterprise movement in the UK became obscured by a strengthening (US-dominated) discourse on 'earned income' and 'innovation' in charities and public services. This gradual move from *philanthropic redistribution* towards *philanthropic reciprocity*, and then *philanthropic market-action*, is found in the earliest UK research (Amin, et al., 1999; Westall, 2001). Both explored the possibilities for regeneration, neighbourhood renewal and the rebuilding of marginalised communities to inform government initiatives such as the Phoenix Fund.

The effect of this was to raise the profile of 'social businesses' as an option that is supportive of local entrepreneurship backed by - in the short term at least - *philanthropic action* by government in collaboration with private charitable foundations (Ridley-Duff & Southcombe, 2012; Teasdale, 2012; Somers, 2013). The longer-term effects are evidenced today by new legal forms that institutionalise new commitments to market-action with a social purpose, or trading firms that use market-action to generate and reinvest philanthropic capital (Yunus, 2007). In addition to foundations directly owing a large number of social enterprise subsidiaries (e.g. BRAC in Bangladesh), a plethora of legal forms have been created to support this approach: Low-Profit (L3C) and Benefit Corporations (B-Corps) in the US, Community Interest Companies (CICs) and Charitable Incorporated Organisations (CIOs) in the UK, Certified Non-Profits and Social Welfare

Corporations in Japan and the spread of social-purpose enterprise laws across EU nation states (Defourny & Nyssens, 2015; Ridley-Duff & Bull, 2016, pp. 323, Table 11.2).

US-style 'social purpose enterprises' have strong links with philanthropy, whereby money raised from wealthy individuals (and increasingly market institutions) or government-backed schemes helps to support non-profit organisations acting in the *public interest* (Dees, 1998). This combination of philanthropic intent and entrepreneurial action is evident in definitional work at Stanford Institute:

The social entrepreneur's value proposition targets an underserved, neglected, or highly disadvantaged population that lacks the financial means or political clout to achieve the transformative benefit on its own. (Martin and Osberg, 2007, p. 35)

The emphasis is on solutions *brought to* the poor by an individual or enterprise designed to fulfil a *social purpose*. There is a partial departure from philanthropy, however, in attempts to design systems that enable philanthropists to recycle their social investments again and again (Yunus, 2007). Social investment institutions are designed to enable investors to recover any loans/equity invested, but still with the expectation that they will reinvest any returns in new projects that create social impact (Nicholls, 2010).

Teasdale (2012) has also tracked changes in social enterprise discourse over the period 1999 to 2011, and frames the period 2002–2006 as one in which there was a transition away from a co-operative and philanthropic reciprocity towards one based on philanthropic market-action by gifting proceeds from private businesses to a charitable foundation or association. The impact of this changing philosophy is captured in the policy work of Birch and Whittam's (2008):

This conceptualization makes social enterprise distinct from the common definition used by the Department of Trade and Industry (DTI), which covers an array of different organizations with distinct and sometimes disparate objectives (e.g. charity and workers cooperative) ... Therefore, it is more useful to argue that social enterprise concerns the pursuit of particular activities rather than representing certain social forms (e.g. cooperatives, democratically run organizations) with the aim of producing collective benefits ... (Birch and Whittam, 2007, pp. 439–44)

A possible incentive for framing social enterprise *as an activity* is that it suits those who want to preserve systems of private enterprise and entrepreneurship, but link

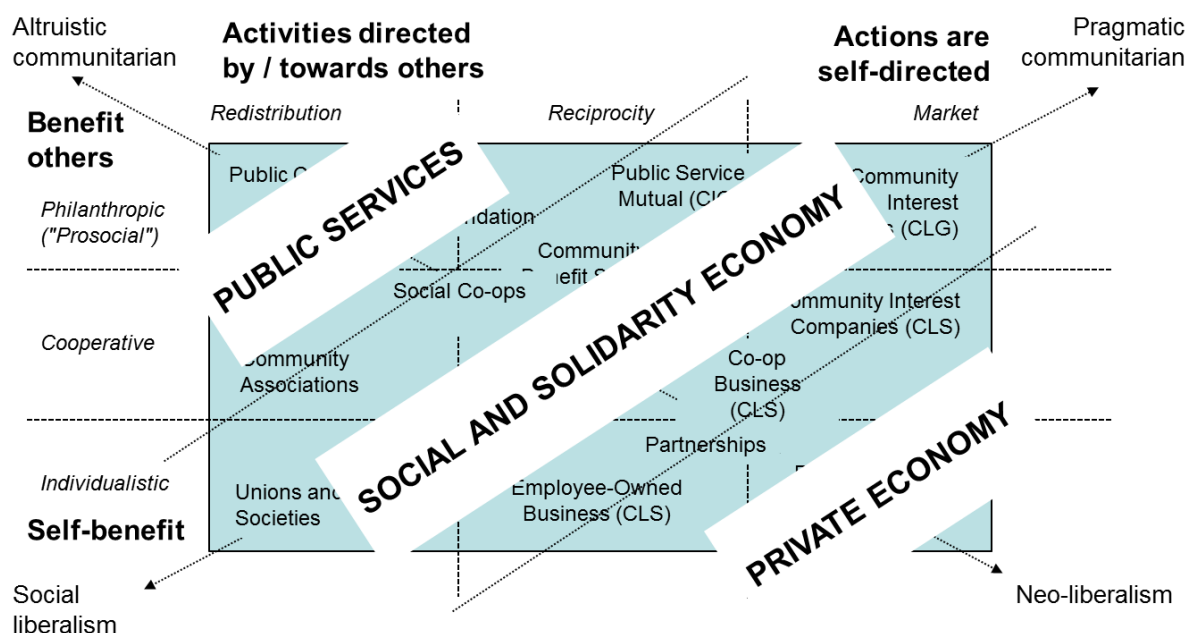


them directly (through new ownership structures) to corporate and venture philanthropy (Nicholls, 2010). This drift to SRBs, however, is resisted in EU conceptualisations of a solidarity economy rooted in the growth of social co-operatives that prioritise *co-operative redistribution* and trade unions that secure *individualised redistribution* (through joint campaigns to build social solidarity). These are still rooted in self-help co-operative principles derived from secular and Christian socialist traditions (Amin et al., 2002). Characteristic of the EU model is a growing emphasis on including multiple stakeholders in governance systems that enable workforce members and service users to participate in decisions about the design of working practices, goods and services (Moreau and Mertens, 2013). This 'socialised enterprise' approach can also accommodate the intersection of *individualistic* intent and *reciprocal* action. Employee-owned and solidarity enterprises are developing across a range of industries, with strong growth in health, social care, engineering, retailing and work integration (Connaty, 2014; Borzaga & Depedri, 2014; EOA, 2014). These new CMEs depart from the discourse of US-style solo entrepreneurial action as well as the co-operative discourse based on single-stakeholder membership. Instead, they argue that common bonds can be built through solidarity between interest groups, not just within them, through mutual action to develop a community of interest (Vieta, 2010; Lund, 2011; Ridley-Duff, 2015).

### **Switching the axis: rendering a new paradigm**

At this point, it is worth revisiting the research question 'how can the emergence of social enterprise be rendered in a way that makes its scale, diversity and impact more visible?' While the empirical evidence that supports the argument *for* a paradigm shift will be made in more detail later, it is at this point in the slides that the shift in paradigm is identified. The dominant paradigm is one that sees the world through a lens that runs from the top-left of Figure 3 to the bottom-right (showing a choice between a public service orientation, social solidarity economy and a private economy). Public services and charitable foundations are framed as altruistic communitarian institutions that provide welfare. There is a small - but highly limited - space for co-operatives and mutuals, based on self-help principles of reciprocity. Lastly, there is the private economy fashioned for the benefit of entrepreneurs who wish to pursue their own self-interest.

**Figure 3 - Identifying a paradigm shift that makes social solidarity visible**



If we draw out this cross-section of Figure 3, it looks as if the options for economic development are those shown in Table 1, with redistribution led by the public sector in collaboration with charities and non-profit organisations (NPOs), reciprocity facilitated by co-operative businesses, social co-operatives and mutual societies, and market approaches adopted by private companies, partnerships and self-employed individuals.

Framing the discourse in terms of a choice between *altruistic communitarianism* and *neo-liberal markets* (Table 1) squeezes the social solidarity economy into a small (political and institutional) space with the state and charities leading the task of redistributing resources while private businesses generate them through their desire to profit from market exchange.

**Table 1 - Dominant discourse influence on options for economic development**

Exchange Type	Redistribution	Reciprocity	Market
Enterprise approach	Public sector Fundraising Charities Non-Profit Orgs	Co-operative Sector Civil Society (CMEs)	Private Businesses Trading Charities (CTAs and SRBs)
Legal forms	Statutory / State Bodies Charitable Foundations and Trusts.	Co-operative Businesses Social Co-operatives Mutual Societies	Companies / Corporations Partnerships Self-Employment

However, if the axis is switched to one that sees the world through a lens that runs from the bottom-left of Figure 3 to the top-right (showing a choice between voluntary associations, unions and societies, co-operative and mutual enterprises, and socially responsible businesses operating in market contexts), the world looks as if there is a much wider diversity of member-controlled and member-owned institutions that can collectively handle redistribution, reciprocal relations and market transactions (see Table 2).

**Table 2 - Desirable discourse influence on options for economic development**

Exchange Type	Redistribution	Reciprocity	Market
Enterprise approach	Unions, Societies and Associations (CTAs)	Co-operative and Mutual Enterprises (CMEs)	Social / Responsible Businesses (SRBs)
Legal forms	Unions and Societies Community Associations	Social Co-operatives Community Benefit Societies Co-operative Societies Mutual Financial Institutions Public Service Mutuals Employee-Owned Businesses Co-operative Partnerships	Social Purpose Businesses (e.g. B-Corps) Community Interest Companies (CLG / CLS) Industrial Co-operatives Co-operative Retail Societies

Voluntary associations, trade unions and societies are framed as socially liberal institutions that involve large numbers of people who campaign to secure political rights and welfare changes that redistribute power and wealth. There is now a much broader political and social space for forms of co-operation and mutual association (social co-operatives, co-operative societies, community benefit societies, co-operative partnerships, employee-owned businesses, public service mutuals) who commit to the self-help member-ownership principles of the social economy. The institutions of the public and private sector are not excluded, but from this perspective they are conducive to neither social liberalism nor pragmatic communitarianism. They have a supporting, not a leading role. This paradigm shift makes visible the full breadth and range of the alternative economy (Parker et al., 2014).

To sum up this section, I have identified a range of motivations for taking actions that are rooted in desires to help oneself and/or others, and to self-direct actions

and/or allow others to direct them. I have argued that the dominant discourse is one based on an axis of thought ranging from altruistic communitarianism through charity and public service to neo-liberalism based on private accumulation through market trading. In this dichotomy, the principal choice is between the public and private spheres, in which there is a small space for outlier organisations practising reciprocity and mutuality. However, if we change the axis of thought to one that ranges from social liberalism to pragmatic communitarianism, a much larger array of member-driven and member-owned organisations come into view, all aligned with mutual principles, achieved by a wide range of social enterprises that exist primarily for-purpose, rather than for-profit. In the next section, the axis that represents an alternative economy is linked to arguments for sustainable development.

### **Adding Arguments for Sustainable Development**

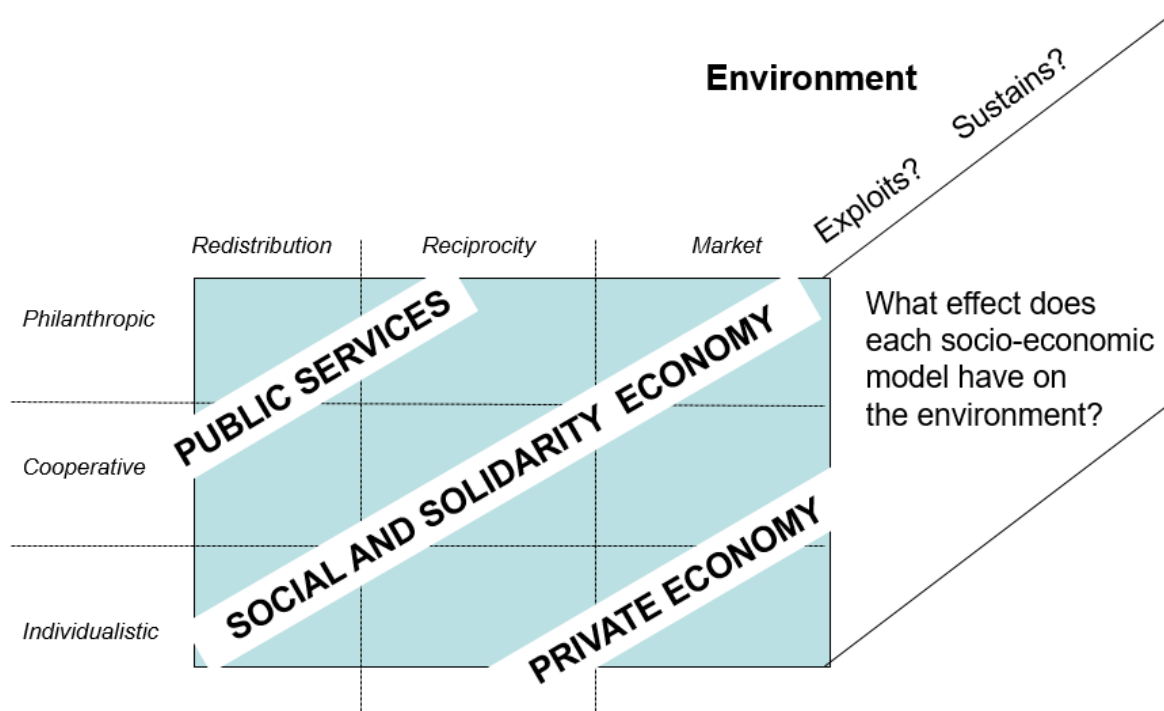
Ostrom et al. (1999) contended that there are *four* property systems at play within an economy. There are not just two (public, private) or three (public, private, third), but four based on the following types of ownership and control:

- open access (no regulated control)
- local group property (group rights, can exclude others)
- individual property (individual or firm rights, can exclude others)
- government property (state regulation and/or subsidy).

Forty years ago, political and economic discourses focused on only the public and private sectors. The rise of the third sector (as a concept) was helpful in elucidating that much of an economy is under the control of trustees rather than property owners. However, even this helpful advance did not distinguish property that has no identifiable owner (and is part of an indivisible commons, sometimes under the control of trustees) from property that is co-operatively owned and inclusively managed by *groups* of owners. Ostrom (2009) received a Nobel Prize for her work on the evolution of institutions that manage common pool resources through collective action. Her findings identify important limitations in Hardin's (1968) contention that there was a 'tragedy of the commons' that meant common pool resources had to be owned and managed by either private or state institutions to be sustainable. It overturns the orthodoxy established by Hardin's work on which the dominant discourse is based.

Ostrom rejects this thesis on the basis of findings that *group ownership* (largely ignored in Hardin’s argument) is the form of property *most strongly correlated with sustainable development* (Bruntland, 1987; Ostrom et al. 1999). This is a view (see Figure 3) that also underpinned the earliest arguments for social enterprise in the 1970s (Ridley-Duff and Bull, 2014), ably captured in Westall’s (2001) discussion of a ‘fourth space’ for social value creation. Westall contributes to our understanding of Ostrom’s argument by clarifying that member ownership and control is distinct and different from ‘no ownership’ (trusteeship), ‘private ownership’ (by individuals and firms) and ‘public ownership’ (by state authorities). It sets up a critique of three-sector models of the economy and makes it possible to discuss both ‘new co-operativism’ and the specific proposition of a ‘social solidarity economy’ (Vieta, 2010; Sahakian and Dunand, 2014).

**Figure 4 – The link between social solidarity and sustainable development**



In Ostrom’s Nobel Prize acceptance speech, she outlines how thousands of cases led her research colleagues toward principles that underpin sustainable management of common pool resources by local member-controlled organisations. The initial five principles (see below) were published in 1990, and three more were added over the next two decades:

- **Principle 1** – clear definitions of the resource and the resource users (members responsible for creating and appropriating a shared resource).

- **Principle 2** – ensure that appropriator rights (rights to use) are proportional to provider obligations (labour, materials and money necessary to sustain the resource).
- **Principle 3** – local appropriation rules / rights are decided, partially or wholly, by those with rights of appropriation.
- **Principle 4** - User / resource monitoring is subject to the principles of democratic accountability (officials who monitor use report findings to users of the resource).
- **Principle 5** – low cost conflict resolution systems in which sanctions are graduated with clear links to the extent of resource / rule violation.

These principles set economics on a path back towards the logics of reciprocity, co-operative and mutual business models, but with a renewed recognition that different types of users can be bound together by democratic institutions that accommodate their interests. When based on the above institutional norms, Ostrom argues that performance against each bottom line (social, economic, environmental) becomes superior to both private corporations and state bodies. Numerous examples of land management, water irrigation and food production are offered by Ostrom to demonstrate that sustainable management of natural resources thrives under this approach to managing the commons (Ostrom, 2009).

## THE EVIDENCE FOR A PARADIGM SHIFT

It is one thing to assert that a paradigm shift is desirable, but quite another to evidence that it is occurring. Ostrom's (1990, 2009) work alone is not sufficient to convince sceptical educators, researchers and policy makers that there is a large scale shift to an alternative axis of thought. To further this argument, I draw on addition sources: firstly, contemporary global reports on the size and scale of the co-operative movement; secondly changes in the market share of co-operative and mutual financial institutions alongside the growth of new mutuals in the field of crowdfunding and investing; lastly, the rapid rise of a commons-based approach to sharing knowledge and intellectual property using the internet.

Avila and Campos (2006) published a report for the European Commission on employment in the social economy. In some EU countries, employment is dominated by associations (Belgium, Netherlands and the United Kingdom) while in others co-operatives and mutuals dominate (Italy, Spain and Poland). Across the EU as a whole, 36 per cent of social economy employment (3.7 million jobs) was provided by

co-operatives and mutuals, while the remaining 64 per cent (7.4 million) was provided by associations (and charities). Their report highlighted that employment in the social economy was growing faster than in the private and public sectors (at 5–9 per cent a year) but that overall employment remained under 10 per cent across the whole economy (Avila and Campos, 2006: 109).

Table 3 suggests that this growth forecast for social economy employment has not only been sustained but could be accelerating. In CICOPA’s global report on co-operative employment, the much larger figure of 16 million jobs is estimated for Europe (Roelants et al., 2014). Has there been a four-fold increase across Europe between 2003 and 2013? Moreover, the 2010 global estimate of 100 million jobs has been revised upwards to 250 million following this new research by CICOPA (with 160 million now based in China). Four OECD countries with high GDP growth (China, India, South Korea and Turkey) now have more than 10 per cent of their populations working ‘within the scope of’ co-operatives. Only Italy among developed OECD nations has a similar rate of social economy employment (Italy – 10.9 per cent, Germany – 6.5 per cent, France – 5.9 per cent, UK – 1.4 per cent, US – 1.3 per cent) (Roelants et al., 2014: 31).

**Table 3 – Co-operative employment worldwide by continent and category**

Region	Employees	Worker-Members	Producer-Members	Total
Europe	4,627,953	1,231,102	10,132,252	15,991,207
Africa	1,467,914	237	5,715,212	7,183,363
Asia	7,734,113	8,200,505	204,749,940	220,684,558
Americas	1,762,797	1,409,608	3,048,249	6,220,654
Oceania	26,038	No data	34,592	60,630
	15,618,715	10,841,452	223,680,245	250,140,412

Source: B. Roelants, presentation to International Co-operative Summit, Quebec, 6 October 2014.

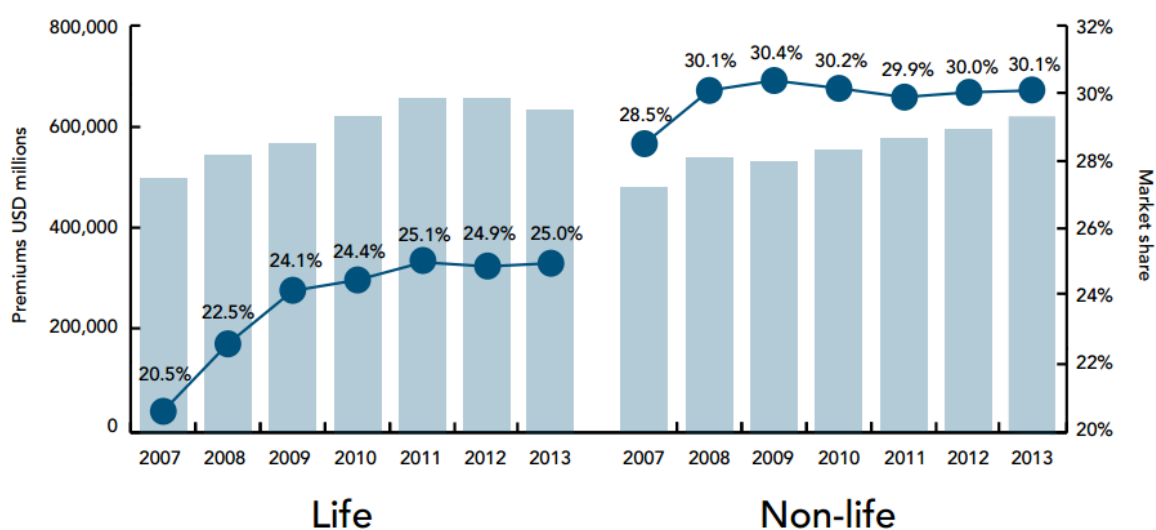
The above figures *exclude* associations and social enterprises that are not owned by a co-op or mutual.

Part of this rise can be linked to the popularity of fair trade amongst both producers and consumers. Lacey (2009) reports that 75% of fair trade produce is sourced from co-operatives, and notwithstanding the encroachment of multi-national corporations into industry accreditation bodies (Doherty, et al., 2013), there are still

reports of extraordinary growth in ‘small producer organisations’ (SPOs) within fair trade networks (Fairtrade International, 2013). Sales by SPOs rose by 41% in 2012 to €822 million, with fairtrade premiums to SPOs rising by 52%. In contrast, fair trade sales by ‘hired labour organisations’ were unchanged at €91 million, and fair trade premiums to them fell by 3%. The trend towards mutual models of organising in this growing, global trading system is still clearly evidenced.

Secondly, despite demutualisations in the UK during the 1980s and 1990s, the global market share of co-operative and mutual financial organisations had continued to grow since the financial crisis in 2007. The ICMIF (2013) report gives details of a rise in market share from 23.0 per cent to 29.8 in Europe, from 28.7 per cent to 34.8 per cent in North America, and from 8.6 per cent to 11.2 per cent in Latin America. In Africa, there is low take up (but still growth from 1.2 to 2 per cent). Asia is the only region where market share fell from 20.7 to 19.6 per cent. Globally, CMEs market share rose from 23.8 to 27.3 per cent.

**Figure 5 – Worldwide mutual life and non-life premiums held in CMEs**



Alongside this growth at the ‘top end’ of the co-operative economy is the growth of micro-finance at the ‘bottom end’. Kiva.org provides an online platform for micro-finance providers. Starting in 2005, there are now 305 field partners enabling 1,375,985 lenders to provide \$800 million in loans to micro-businesses across the globe.<sup>1</sup>

<sup>1</sup> <https://www.kiva.org/about/stats> on 25<sup>th</sup> Jan 2016.



Kiva is not alone. Kickstarter formed in 2002 and went live in 2009. By its fifth birthday, it has been supported by over 8 million people who have made more than 20 million pledges totalling \$1.56 billion towards 79,074 'creative projects'. Similarly, Indiegogo currently reports 15 million visitors *per month*, with 150,000 funded projects in 224 countries (Ridley-Duff & Bull, 2016). Both Indiegogo and Kickstarter mostly provide 'rewards' rather than 'returns' to funders, making the capital donated philanthropic in the sense that investors do not buy a financial stake or get a traditional financial return. But these systems are not confined to philanthropic engagement. Whilst writing this article, the Funding Circle website in the UK reported that 46,351 people had lent £1.05 billion to 12,000 businesses,<sup>2</sup> whilst Zopa UK reported that since 2005 they have helped 63,000 people lend more than £1.28 billion in peer-to-peer loans.<sup>3</sup>

Thirdly, there is a switch to mutual models in the management of intellectual property. Creative Commons<sup>4</sup> is a global movement for licencing intellectual property (IP) in a way that gives, rather than denies, public access. Its 2015 *State of the Commons* report (Creative Commons Foundation, 2014) reported 1.1 billion items of IP have been licensed using its property system. In 2015, new licences were being requested at a rate of 761,643 *a day*. All of these items can be shared freely, and many (about 37 per cent) can be exploited commercially so long as the user follows the licence terms. The world's most popular encyclopaedia – Wikipedia – uses Creative Commons to license its articles. Its own annual report (Wikimedia Foundation, 2014) claims it was funded in 2012–13 by 2 million people, and that its editors added 5 million new articles and made 160 million edits to existing articles.

This activity is transforming institutional logics for obtaining funds not only in the market economy (e.g. Funding Circle) but also the voluntary sector (e.g. Kiva). Indiegogo and Kickstarter suggest that web-based mutual models can harness new kinds of philanthropy by linking supporters to producers through web-based platforms. The future that Westall (2001) envisaged of a 'fourth space' in which

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<sup>2</sup> Data found at <https://www.fundingcircle.com/uk/> on 25<sup>th</sup> January 2016.

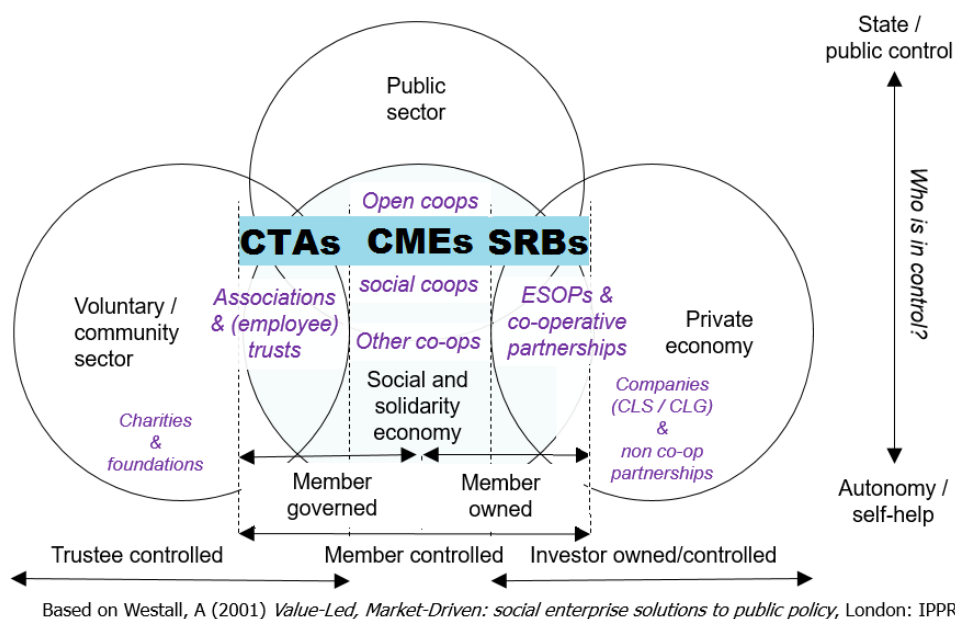
<sup>3</sup> [www.zopa.com/about](http://www.zopa.com/about) on 28th January 2016.

<sup>4</sup> For further details, see <http://www.creativecommons.org>.

social enterprises build a SSE through innovations in member-driven/owned enterprises is now becoming a reality, and it is growing at a rate that business educators, policy makers and researchers can no longer ignore. We urgently need to adjust our philosophy of business to match the rise in multi-stakeholder approaches to enterprise development, and the solidarity co-operative models that underpin new methods of engagement by producers and users to secure mutual interests (Birchall, 2009; 2012; Ridley-Duff and Bull, 2014; Connaty, 2014).

The paradigm shift proposed in this paper provides a framework for understanding the logics behind the changes in local and global institutions that support social enterprises deploying Ostrom’s design principles. These already enable hundreds of millions of people to secure their livelihoods in a different way. The 2014 International Co-operative Summit in Quebec repeated a previous claim at the United Nations that 59% of people globally depend on the co-operative economy to secure their livelihood. New systems for co-operation (like Creative Commons, Wikipedia, Kiva, Funding Circle and Zopa), plus the re-emergence of mutual finance, plus innovations in open-source software (like Linux, Apache, Wordpress and Wikimedia) are more than passive attempts to ‘mitigate failures in the state or market’ (Alter, 2007). They represent a paradigm shift in the direction of ‘new co-operativism’ (Vieta, 2010) that builds on, but is not a slave to, past traditions in co-operation and mutuality.

**Figure 6 – Social enterprise approaches and the social solidarity economy**



Westall's model (Figure 6) also makes it easier to theorise *transformations* that use mutual principles to forge new hybrid CTAs and SRBs. This includes: CIO associations and co-operative CICs (UK); social co-operatives (EU); solidarity enterprises (US/Latin America) and all manner of approaches to 'spinning out' public service mutuals. All these activities diversity the fourth space.

## CONCLUSIONS

Some time ago, Dees (1998) suggested that the complex structure of social enterprises, and variance in their definition, make any generalisations problematic. There is no single, agreed set of words that clearly defines social enterprise. Such debate is inevitable, not only because many parties are competing to influence the definitions that are used on the ground, but also because it takes time for a social movement to learn which forms and activities work sufficiently well in practice to warrant institutional support.

Over time, there has been some convergence regarding the 'lowest common denominator' of *trading* to support *social aims* (Peattie and Morley, 2008) even if the social aims themselves vary so greatly that no broader consensus is possible. The identification of different approaches and underpinning logics linked to trading for social aims advances theory. It helps to answer the question 'how can the emergence of social enterprises be rendered in a way that makes their scale, diversity and impact more visible?'

Going forward, the nascent ideology of 'new co-operativism' has now created a range of new institutions to establish the viability of the design principles that underpin a SSE committed to sustainable development. I have presented evidence that the growth of the SSE is rooted not simply in a desire to 'solve problems' but also to proactively create a more open, shared, democratically organised economy that secures its stability and realises its potential. In this space, there is a 'defining cluster' of for-purpose actions that generate a SSE:

1. New approaches to redistribution using unions, societies and associations that organise charitable trading activities (CTAs)
2. New approaches to reciprocity through co-operative and mutual enterprises (CMEs) that use online platforms to generate solidarity between producers and consumers.

3. New market-based trading activities in socially responsible businesses that proactively pursue sustainable development (SRBs).

The alternative axis (and economy) theorised in this paper, supported by evidence from multiple sources, lends greater credibility to the claim made in 2012 that the co-operative economy as a whole enables 3 billion people to secure their livelihood. These claims can be traced to reports prepared for the United Nations (1994), repeated in 2001 when the International Labour Organisation (ILO) was debating the adoption of recommendation 193 on the promotion of co-operatives. Claims were grounded in the ICA's own membership and employment data (ILO, 2001), and were republished for the launch of the 2012 UN International Year of Cooperatives (Co-operatives UK, 2011).

A few years ago I regarded these claims as 'tenuous' on the basis that they were derived from a creative interpretation of the UN (1994) report that 59% of the working age population have a 'close relationship' with a co-operative (Ridley-Duff, 2012). Today, however, those claims do not look so tenuous. The ICMIF (2013) report includes credible information that 915 million people worldwide have life and non-life insurance with co-operative and mutual providers, and that many life insurance products protect several people. When this finding is added to those found by Roelants et al. (2014) that co-operative employment has been under-reported by about 150 million, then added to evidence of mass engagement in mutual aid through web platforms (Kiva, Kickstart, Indiegogo, Funding Circle, Zopa) the age of social co-operation seems much more advanced than it did 20 years ago. If well over one-quarter of financial products worldwide are now sold by CMEs, and approaching two thirds of people depend on CMEs to 'secure their livelihood', why do we not get daily news reports on the health of the social solidarity economy alongside news about stock market prices?

There is no longer an argument that justifies ignoring the SSE's alternative economy in textbooks on business and economics, nor is there a justification for the lack of public infrastructure and policy development to support *collective* entrepreneurship by CMEs. The evidence suggests that within a generation the choice will not be between altruistic communitarianism (through charitable organisations and public service) and neo-liberal doctrine (in 'free' markets). Within our lifetime, there will be a new set of choices between social liberalism that is

advanced through new forms of union and association, and the pragmatic communitarianism of employee-owned businesses, mutual financial institutions, co-operatively-owned and social businesses that pursue sustainable development goals. It is time for a paradigm shift in business education, public policy and research funding.

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