How do social enterprises operating in commercial markets reproduce their organisational values?

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Abstract

The degeneration thesis suggests that value-based organisations operating in commercial settings will face an inevitable decline (Webbs 1930). Organisational values have been seen as a key component of third sector organisations (Paton & Cornforth 1992; Drucker 1994) and many social enterprises arose from grass roots initiatives or social causes with embedded values while an explicit set of values is part of the organising framework within the international co-operative movement.

Current policy imperatives in the UK are variously encouraging the identification, emergence, transmutation or invention of third sector organisations that will have a social enterprise orientation with a particular focus on them as vehicles for the delivery of public services (Audit Commission 2005).

This paper reports on case-study research which asked: how can established value-based social enterprises reproduce their key organisational values? The findings suggest that the decline of values for social enterprises is not inevitable and factors which appear to aid their reproduction are identified.

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Introduction

The commercial and policy environment around not-for-profit organisations of the third sector has been changing rapidly in the UK and other European Union states as well as in parts of Asia. There have been pressures to reduce the direct delivery of public services by the state for reasons of cost, efficiency and the reach of these organisations into disadvantaged communities (NAP 2004). Social enterprises in particular are seen as organisations that ‘tackle a wide range of social and environmental issues and operate in all parts of the economy’ and they use ‘business solutions to achieve public good’ and ‘have a distinct and valuable role to play in helping create a strong, sustainable and socially inclusive economy.’ They have an important role to play delivering ‘on many of government's key policy objectives’ (Dti 2006). They also have the potential to offer local partners more involvement and greater ‘community ownership and control’ and may develop a more distributed form of governance and local accountability for services (Spear 2001: 261). In addition, the growth of these enterprises can build the capacity of local organisations’ business and community development skills which can ‘build institutional capacity’ to have a long term benefit in the area (Taylor 1995:61). This has brought third sector organisations, particularly social enterprises and large voluntary organisation, to the centre of the policy stage as delivery agents for public services (Audit Commission 2005) or as members of nearly 5,000 partnership bodies (Stoker 2004). An emerging cross-party consensus in the UK, and latterly in other European Union states, suggests this is part of a long term international shift in thinking about how people receive services which were previously state delivered. This is occurring across a diverse set of fields: health and social care, leisure services, recycling and transport, employment advice and support to disadvantaged groups, and regeneration in neighbourhoods.

This environmental change is pushing third sector organisations towards a more market orientated approach which emphasises financial sustainability and competitiveness as they bid for contracts for work. Mergers, strategic alliances, deep partnerships, rapid expansion, and even closures are becoming a familiar part of the life for people working or volunteering in these organisations. In a sector which employs over half a million people and represents a bigger share of GDP than either the agricultural or media sectors this represents a major shake-up (Kendall 2003).
entrepreneurs, leaders, and activists within the not-for-profit sector the expectations created by these changes pose major challenges. How do they balance the demands of the market and public contracts with the needs or the cause they were created to address? Do they become passive agents of the state delivering what is asked for? Do they morph into mini-state bureaucracies or quasi-commercial entities driven by a business logic (Rosenman 2000)? How can they sustain their social purposes?

Both Putnam (1993) and Korten (1990) see third sector organisations as important contributors to civil society. How these organisations reproduce their organisational values, and maintain themselves as value based organisations, may have important implications then not just for this sector but the wider civic society.

Organisational values are seen as a key part of the identity and reason for existing for not-for-profit organisations like social enterprises and play a role in the organisation’s resources to deal with the above challenges. However with this growing emphasis on them as financial sustainable entities in the service of state organisations, the question of what these organisations really exist for is crucial. It is also vital for those working inside these organisations who are rooted in social or environment movements as well as those seeking to support the sector in its innovatory roles. What strategies do social enterprises have for maintaining and reproducing their organisational values? This paper builds on research undertaken in 2002 which examined social enterprises across a spectrum: from those orientated more to commercial markets to those orientated more to public sector markets (Aiken 2006). In this paper organisations in the former category are examined to consider how they reproduced their values. In depth case studies of social enterprises were undertaken and a modified version of ‘critical incidents’ approach was used to examine examples within organisational life where values were crucial (Tripp 1993). The detailed methodology and case study material is available elsewhere¹ (Aiken 2002; Aiken 2004; Aiken and Spear 2005). This paper starts by summarising some of the thinking around organisational values and social enterprises, and then summarises three cases of social enterprises in relation to a values issue and a brief assessment is offered. The paper concludes with a discussion of some factors important for values reproduction.

1. Social enterprises and organisational values

The category ‘social enterprise’ here is informed by Pearce’s (2003:191) definition of social enterprise as ‘a generic term for all trading enterprises which have a social purpose, are non-profit distributing and have a democratic, accountable and common-ownership structure.’ A team of

¹ I would like to acknowledge significant help from Roger Spear who supervised me during the development of the ideas in this piece which draws from my PhD research at the Open University. Responsibility rests with myself.

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European academics have built from this and similar formulations to draw up a nine part specification to encapsulate the requirements which would constitute a social enterprise, with four economic and five social indicators (Borzaga and Defourny 2001:17). Questions we might ask of a social enterprise at the economical level would then be: does the organisation offer paid work; take significant economic risks; have autonomy from government; trade for goods and services? At a social level we would ask: was the organisation launched by citizens: is decision making not based on ownership by outside interests (eg share ownership); is there a participatory style within the workplace? Is there little/no profit distribution undertaken to outside the organisation; is there an explicit community/social benefit? This is the framework used here to delineate a social enterprise.

For social enterprises the issue of organisational values is often felt acutely, for, as Drucker puts it: ‘what’s the bottom line when there is no bottom line’ (Drucker 1994)? Sometimes organisational values have been placed where the profit motive is in commercial organisations. This can be a dangerous procedure with ideological battles sometimes overwhelming an organisation to the point of collapse (Landry 1985). However, practitioners within the not-for-private-profit sector often claim there is ‘something distinctive’ about the way they manage and organise which they have identified with their organisational values. This has often been difficult to pin down, as Paton and Cornforth (1992:37) have pointed out. Values are important in all organisations but for voluntary organisations they are at the heart of the matter because ‘many of these organisations exist in order to express and promote particular values’ (Paton with Edwards:1995:40).

Organisational values are not just embodied in what people say but in what they do. Further we are unlikely to be able to articulate all of the values we hold. Polanyi (1975:41-44) and later Nonaka and Takeuchi (1995:59) describe this as the tacit realm: we know more than we can explain about what we do. The written or espoused statements of values should then be starting rather than end points.

It is also important to distinguish different types of organisational values. There are process values which are embedded in the way of doing the work. Such process values might be noted in staff working together within an equal opportunities framework, or in a co-operative working arrangement. There are also product values where the values are embedded in the outcome of the work. This could be the delivery of an ethical fair traded commodity or in maintaining supported housing for people recovering from substance misuse. Many organisations have both process and product values. An example here would be a worker co-operative (implying process values) involved in wholesale distribution of fair traded goods (implying...
product values). Thomas’s research on the effects of technology implementation in worker co-operatives distinguishes product and process values (Thomas 1990:314).

Batsleer distinguishes different types of values (Batsleer 1996:59). He cites personal or individual values (we could think of honesty or politeness as examples here); behavioural values (like caring, being assertive or skill sharing); process orientated values concerned with how people work together (valuing diversity for example); instrumental values (such as being efficient); social values (concerned with society and its institutions and involving justice, fairness, or equity); and ideological values (concerned whether society should be organised on collectivist or individualist lines).

In this article Batsleer’s ‘social values’ have been adapted and termed ‘social progress values’ to avoid any confusion with those values associated with individual social behaviour. Social progress values are seen as associated with seeking some variety of social change broadly defined. Such values might be ‘working with trust and dignity toward street homeless people’ or ‘anti-racist working practices’ or ‘providing quality healthy GM-free food’ or ‘building quality social housing’. These examples are used deliberately to point to the way that social progress values might additionally be either process or product values. The first two can be viewed as process values the last two as product values.

I use two terms here, ‘value carriers’ and ‘external advocates’ which need an introductory comment (Aiken 2002). Value carriers are key people sprinkled throughout the organisation who seek especially to champion the organisational values. External advocates are people with no formal role within the organisation but who act as informal friends of the organisation. Typically they may be former employees or people active on issues relevant to the organisation but in other settings. They may offer support, information, expertise or influence but may remain dormant for long periods.

The kind of social enterprise organisations considered here are not ‘cloister’ style missionary organisations, in Mintzberg’s (1983:382) terminology, which isolate themselves from the social world to nurture a given cause. They are ‘reformers’ which have external goals and, in Selznick’s terms, face the dilemma between ‘extinction and irrelevance’ if they stay too far outside society - or ‘co-option’ if they come in too far in (Mintzberg 1983:379). The idea of any organisation being literally ‘outside’ society is problematic, of course, but the tension between co-option and irrelevance Mintzberg and Selznick point to is real enough.

The account discussed here is largely a ‘socially embedded’ notion of the place of values in social enterprises (Paton 1999:139). Values are seen as ‘contested and contingent’ and arising  

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2 I am grateful to Jeff Hearn for this term after his helpful comments on my paper at the Dilemmas in Public Management Conference, University of East London, 4-5.9 2000.
from multiple sources, including staff, boards, social movements and the organisational environment - within which is included funding bodies or commercial markets. Management in social economy organisations is therefore not easy. Paton and Cornforth (1992:43-44) identified six factors of difference for managers in the sector which although not necessarily singularly unique, may, by their combination, make for a qualitatively different task for those active in social enterprises. One of these is the ‘managing of social goals’ which can make prioritising much harder - and another is a ‘way of doing things’ or culture that emphasises value commitments and participatory democratic decision making’.

Values dilemmas are an important part of organisational life. Providing co-operative housing for low income groups may be endangered by lack of commercial viability. A worker co-operative must balance greater investment on organisational processes against economically productive work. An environmental social enterprise may need to modify its work and principles in the light of social or scientific changes. These scenarios represent dilemmas described by people active in some of the organisations researched. These are the typical kinds of occasions when organisational actors may engage in contests and debate that may occupy a small range of colleagues, a department, a whole organisation or even groups beyond the organisation. They are situations where a conflicting range of values may be invoked in decision making.

How these crucial organisational values are reproduced is then a crucial issue for the sector. Without a way to maintain their values trading style organisations may ‘degenerate’ as Webb suggests they would (Webb 1930:148). This is not however an inevitable pattern as some authors have pointed out (Cornforth, Thomas, Lewis and Spear 1988:198).

To what extent will social enterprises face threats to their values due to the shifting boundaries between sectors in the current policy climate of contracting out of public services and attempts by social enterprises to gain sustainable commercial income? Have they already been diverted from important roles as advocates, critics, instigators of social inventions, carriers of social movements, to becoming the longer and more flexible arms of government or commerce? It is important not to be either overly romantic or idealistic about what roles third sector organisations have played or how independent or radical they have been. Six, for example, asserted long ago that the ‘independence of the voluntary sector has been exaggerated and its distinctiveness needs to be reappraised’ (Six 1994:403).

However, the theme remains contemporary. Lilley (1999) investigated management practice in information processing work in campaigning, fundraising and employee owned organisations. He concludes that there was an unhelpful degree of mimicry of business approaches, with alternative practices being scarce. His work alerts us to the presence of what institutionalist writers, such as DiMaggio and Powell (1991:67), refer to as mimetic isomorphism,
where organisational practices are copied across organisations. Lilley calls for further research into appropriate management processes to enable ‘non-conventional organisations’ to ‘maintain their special status.’

2. Social enterprise case studies

2.1 Centre for Alternative Technology (CAT)

Symbolically the Centre for Alternative Technology (CAT) represents itself in its logo by a stylised windmill. A concise description of the Centre is however not easy. It is, at the most obvious level, a visitor attraction in mid-Wales which aims to educate the public about environmental sustainability. To this end it has working exhibits of solar panels, windmills, house insulation and energy saving ideas alongside a working organic gardening and waste and recycling schemes. It is also a demonstration project, aiming to ‘show by doing,’ and has an active research and consultancy centre. CAT is an information centre offering advice by phone and email. There was originally a thriving live-in community based at ‘the quarry’, as it is affectionately known, although this has dwindled in recent years.

Another way of looking at CAT is as a living icon of the UK environmental movement, conceived within a few years of the birth of Friends of the Earth and Greenpeace. Today it is still supported by a range of volunteers who form part of a broad environmental network and many of the staff would consciously acknowledge their place in such a movement. It is now an established institution, one which Prince Charles can prominently wish well in a CAT publication (‘Crazy Idealists’). It can also be seen as a late 70’s idealistic, mainly English speaking hippy colony in Wales, a back-to-the-land community turned commercial success. Harper sums these roles up when he suggests it is ‘an educational institution...a major tourist attraction...a successful ‘alternative’ business enterprise...a living/working community...a research centre...a repository of special knowledge and skills...a place of pilgrimage...a wildlife sanctuary...’ (Harper 1995).

An issue for CAT is that many of its original ‘crazy ideals’ are in the process of becoming mainstream policy and the object of large scale research and development throughout the UK and Europe. By the end of the 1990’s as Harper puts it ‘high sounding environmental values had become mainstream...we had at least captured the moral high ground’ (CAT:2000). In that sense CAT has proved its point so what should CAT do now? Do those original pioneering values need redefinition or re-application? Is it a missionary organisation in danger of achieving its mission?

Espoused values

The official values are described in the mission statement which states CAT is:
...concerned with the search for globally sustainable, whole and ecologically sound technologies and ways of life...the role of CAT is to explore and demonstrate a wide range of alternatives, communicating to other people the options for them to achieve positive change in their own lives. This communication involves: inspiring - instilling the desire to change by practical example. Informing - feeding the desire to change by providing the most appropriate information. Enabling - providing effective and continuing support to put the change into practice.

(CAT Annual Review 1999)

CAT is locating itself in the field of sustainable development, environmental concern, and ecologically responsible technology. The organisation wants to both ‘explore and demonstrate’ alternatives and sees itself ‘communicating’ these to the wider public. With these aspirations in mind it consciously expresses the idea of wanting to change people’s lives in practical ways. The technique for doing this will be through ‘inspiring’ by acting as a role model, ‘informing’ by providing information, and by ‘enabling’ by means of on-going training, education and consultancy. It sets out some of the issues it is concerned with in specific terms (such as land use, energy conservation, waste management) and stresses these are entwined and that both ideas and concrete practice are part of the CAT approach. Finally its method of working though co-operative principles is stressed as well as the search for the best realistic environmental practice.

Values incident at CAT: the issue of the GM Company

Some 18 months before the study a debate had emerged about whether to adopt a working partnership with IGOR (Institute of Grassland Research). IGOR, which was involved in trials of GM seed trials, was to supply seeds for a wetland straw turf roof to the theatre. This would have amounted to a sponsorship link. The links were developed though the Biology Department while others were concerned about such connections.

One worker described this as follows:

...interestingly that was raised by volunteers and new people at CAT. Volunteers quite often come from a more activist background...a lot of them had been doing tree protests around road building...they bring a lot of that element along...they tend to be young people, pretty committed.
She saw the GM issue as one illustration of the connection of CAT to the environmental movement. The issue led to deep discussions throughout the organisation in informal and formal forums. Eventually the idea of the sponsorship deal was dropped.

In summary volunteers from a wider *environmental movement* brought an awareness and concern into the organisation. They acted as *value carriers* from the movement; they gained support through informal ‘*people processes*’ and were with others able to influence the decision making through the organisation’s structures.

**Preliminary Assessment of Values Reproduction at CAT**

**People Processes.** Being a worker at CAT was more akin to taking a *lifestyle commitment* than holding a professionalised role and I experienced this during the research. *Key value carriers* are spread through the organisation and a range of *informal social processes* operate which have the effect of developing cohesion. The longevity of the organisation means *external advocates* from the wider environmental movement can play a supportive role around the organisation. The selection process offers a *protected entry system* for members combined with monitoring processes once inside.

**Structural Issues.** The regular ‘PSM’ meetings provide forums where values issues can be debated and the Overview group and lobbying procedures offer *access to decision making* and challenge from staff members.

**Income streams.** There will always be contesting on the appropriateness of certain products. I asked a deeper question: does operating in commercial markets *necessarily* lead to a degeneration of social progress values? There is always a contingent possibility and this needs investigating in specific instances. I can find no certainty that values, *for organisations like CAT*, will, in Webb’s terms, necessarily degenerate. CAT espouses the notion of earned income to serve the aims rather than being an end.

**Social movement.** CAT is well located in the *environmental movement* and has trustees, guardian shareholders, and supporters linked into the organisation. Volunteers active in campaigns in their locality have an entry route into the organisation which can provide a ways of refreshing and challenging the organisation. CAT is conscious of its place in the environmental movement and this can provide a supportive harness for values reproduction.

2.2 Infinity Wholefoods Co-operative

Infinity Wholefoods shop is one of a network of successful independent wholefood shops in the UK. The ‘brown rice’ brigade, that teasing term from the popular press used to describe the
vague collection of Green eco-activists and alternative vegetarians with a dash of hippy ancestry, conjures up at least two ideas which, despite the cliche, are relevant here. Firstly, the ‘brown rice’ indicates a concern for ‘natural’ wholesome food. Secondly, ‘brigade’ is an indication of an affiliation to a social movement. Both are themes to be considered here and have a relevance to the organisation. Infinity is also a workers’ co-operative, which is often seen to fit well to wholefoods. However we need to be aware from the outset that most essentially Infinity is also something else: a successful business operating in a commercial market. In that sense we should note a sense in which Infinity has motivations and affiliations attributed to it which it may or may not advocate, it occupies a position in a sub-culture, and has an identity conferred upon it that may be larger than itself.

The shop and the cafe are the most visible parts of Infinity Wholefoods. The shop, the original hub of the business, was my main focus. The shop now offers far more than ‘brown rice and lentils’ indeed pulses and grains probably occupy less than one eighth of the shop by shelf space with tinned goods and convenience foods, organic vegetables, dairy foods and breads, organic wines and beers, cosmetics and most recently vitamin supplements.

Espoused values at Infinity

Infinity is different to the other organisations examined in one respect: at the time of my interviews it had no written statement of organisational values. One person thought ‘something might be written down in a constitution somewhere’ and others said it was something that should be done. A painted logo above the shop on the street front proclaims ‘Infinity Foods - a worker co-op since 1978’ and arguably the term ‘wholefoods’ written above the shop sends a message concerning what is valued.

Six months after completing the interviews the following mission-like statement appeared in the cafe:

Infinity Foods: a worker’s co-operative established in 1974 and devoted to the cause of organic and natural food and drink. We believe: that you are what you eat; that good food is the basis of good health, that a diet rich in fresh fruit and vegetables, pulses and grains, not only protects us from illness but also increases our vitality and well being.

...Infinity foods has supported organic agriculture for nearly thirty years. We believe that organic food grown without the use of chemicals and traded with integrity is the oldest, simplest and most effective way of eating for the health and happiness of individuals, society and the planet.
This statement suggest values and beliefs about the important role ‘organic and natural food’ plays in our health and well being; that organic agriculture should be supported and its products ‘traded with integrity’ and that this has a part in the wider health and happiness of ‘individuals, society and the planet.’

**Values incident at Infinity: the role of vitamin supplements**

One example around product values was the decision to change the long held policy on not selling vitamin supplements. This is an example of the application of a value (around wholefoods and healthy eating) being applied and transformed in a changing context. There had always been significant customer demand for food supplements but this had been increasing. The argument had been that supplements were unnecessary with a correct wholefood diet. However, selling supplements is lucrative, offering a high rate of return for a relatively small space on the shelves. By way of contrast on the issue of GM foods Infinity had developed a robust position to not stock these items and had done considerable research on the area – in some cases this led to customers’ favourite items being discontinued.

After many months of discussion, including referring to the literature and taking account changed lifestyles, the fact that other peer stores were now selling such items, an agreement was made to stock a limited range of high quality vitamins from an ethical company which donated profits to charitable organisations.

A number of factors seem to have had an effect on the vitamins’ issue. Firstly, the departure of a key value carrier on the issue who had been committed to vitamins not being stocked. Secondly, there was some external market pressure (from companies) and suggestions that some members within Infinity wanted a more successful business. Thirdly, there was some customer pressure. Fourthly, the wider ethos and acceptability of vitamin or food supplements within the vegetarian movement seems to have shifted, there appears to be no strong social movement on this issue. This can be contrasted with the GM issue where there was a strong lobby from value carriers inside the organisation, an associated movement within the environmental and organic food lobbies to support an opposition to these foods, and arguably a market advantage to preserving trust with niche customers who may have had strong views on the issue. Nevertheless there was evidence that organisational processes and co-operative values were not deliberated or attended to as strongly as product issues whether vitamin supplements or GM foods.

**A Preliminary Assessment on Values Reproduction at Infinity**
In looking first at **people processes**, most people acquired an understanding of Infinity’s beliefs by **informal processes**, by talking informally to work colleagues in the shop through episodic contact. In some cases the knowledge of values was **tacit**, people were expected to know or pick up the values. Rationalised written statements appeared only recently. There was a high **personal motivation** and congruence of staff toward the **product values** of organic vegetarian wholefoods. **Value carriers** played an important role in sustaining values on issues of food supplements and GM foods. A more latent factor may be the position of **external advocates** who exist around the organisation and may be called upon in a crisis situations. There was some evidence of a move to **professionalisation** with the increasing size of the business, particularly in respect of recruitment. New workers are recruited into the organisation on the basis of sharing values around vegetarian or organic food, retail experience, alternative lifestyles or co-operative working. Customers and friends provide a potential pool of new members.

Despite the range of meetings and attempts to develop systematic processes, most notably on recruitment, structures were still, overall, weak with decisions being shaped more through informal processes. There was a higher regard for Infinity’s **product values** than the **process values** around co-operative working. **Formal organisational links** to other related movements also seemed scarce.

Intelligence seemed to enter the organisation through a strong connection to **social movements**, particularly on food, vegetarianism, environmental concerns, ethical trading and the **personal commitment** of members to given values connected to those issue.

Infinity is operating in commercial **markets** which exert pressures, but these are not necessarily uni-directional. On food supplements there was some commercial imperatives to shift the values. On GM foods it is fair to conclude that the niche market supports Infinity on its stance and so adds to the organisation’s credibility and market success: values coincide with good marketing strategy.

### 2.3 Coin Street

Coin Street is perhaps the most complicated of the case studies to describe because of its many interlocking parts and hazy organisational boundaries. However these are some of the points which make it illuminating as a case study on values reproduction. Coin Street can be viewed as a series of groups, organisations, and people which have some common purposes knitted loosely together with a strong central core of people. One way to describe Coin Street is through the founding story which plays an important part in the life of the organisation today. Several people told the story which felt like a convenient container for the values and beliefs of
the organisations. Schein (1986) contends that myths contain important clues as to the values and assumptions of the members of the organisation. Schwabenland’s (2001) research on founding stories in voluntary organisations likens them to creation myths containing evidence of ‘taken-for-granted deep level assumptions about the social world.’ The long running slogan, and public banner outside Coin Street, ‘There is Another Way’, contains resonances of a world view based not on a for-profit development and with allusions to local community control.

**Espoused Values at Coin Street**

The espoused organisational values of the Coin Street Group act as a framework for the Coin Street Group as a whole, which includes the various companies and trusts. These seek to recognise ‘the multi-cultural character’ of the area, implement equal opportunities policies, and to have a ‘sensitivity to the needs and aspirations of local residents and tenants.’ The ‘developing of affordable housing’ on the Coin Street site is quoted. The promotion of housing co-operatives and community development trusts to meet housing and community needs is mentioned, and the desire to create a balanced local economy supporting residential and employment needs. They aim to use ‘materials and practices which recognise the need to sustain the Earth’s resources.’

**Values incident at Coin Street: maintaining social housing element in a new development**

Site A was one of the last parts of the Coin Street site that would need to be developed. The site currently holds the CSCB office and a car park which provides an income stream towards paying back the original loan on the whole site. The phasing of developments always needs to be carefully balanced so that income streams can continue to support the organisation during development phases.

The site was intended to be a mixture of housing and commercial development. The affordable housing development would require funds from private loans and public sources, most notably, the Housing Corporation. Public subsidy was likely to involve a mix of housing not appropriate to the site. This is because housing units for large families remain in short supply in the borough and so attract public funds. These groups do not generally apply to live on the Coin Street site in the north of the borough and distant from schools. The overwhelming need in this area, according to a senior staff member was for single properties.

Another challenge Coin Street faced with the property development was from the commercial sector which, in lending money for projects of this nature, require a financial gearing of lending to asset value that is around 30%.

This presented Coin Street with a number of problems. Building one or two bedroom accommodation did not meet the priorities of public funders such as the Housing Corporation or
the borough. Private finance alone would involve rents having to be set too high. The zonal plan for the land committed Coin Street to a mixed use development with affordable housing and commercial activity such as restaurants, leisure and retail outlets. An additional issue was that time was a factor: the covenant specified development by a deadline and penalty clauses would apply if this did not commence soon. Within this organisational conundrum Coin Street faced a key value dilemma - how to maintain its commitment to build affordable housing on the site in the face of financial pressures and the physical constraints on the site.

Factors Involved on Values in the Site A Example

The issue could be seen as a purely technical discussion where a novel solution was developed to provide a housing mix, and a tower to gain more accommodation. However I think this misses the way that values interceded to drive the direction of the solution. Coin Street were prompted to maintain their values of building social housing and ended up with a plan to deliver more than they had originally intended. There was a compromise to some degree - replacing some of commercial development by the element of market rent housing does change the balance of those living on the site. Nevertheless the organisation does have a value of being financially self-sustaining and their decision does enable a wider range of amenities on the site - a consistent community demand.

How did the result come about? Looking first at people processes, firstly, key senior staff were clear about providing affordable housing and were actively seeking ways to make this possible given the constraints. Secondly, the board was active in maintaining the position that social housing should not be abandoned. There were arguments about the definitions of ‘in need’ people on quite high salaries (for the market rent housing element). This was confronted but eventually accepted as a way round the covenant clause and to enable a greater number of social units. Value carriers were operating both in the staff and on the board and had a sense of the origins of Coin Street when citing the possible ‘massive departure.’ Thirdly, turning to some of the structural issues, an active, challenging board remained committed to social housing as an outcome. Fourthly, the development was debated through three successive annual away days for board and staff of the family of Coin Street organisations. Fifthly, the organisation had to squeeze a workable solution from the twin constraints of both market and quasi-market constraints. Sixthly, social movements appeared to have had less of a direct affect on this issue. However board members and staff did maintain their stance on social housing which I assess to be partly a response to the original campaign objectives, driven by a community campaign.
Preliminary Assessment of Values Reproduction at Coin Street

People processes. Some of the founders and original campaigners are still involved in the organisation. These value carriers are keen to keep the organisation true to the original aims. Over half the board may fit this description and they are reported to contest loudly new developments, such as the mix of housing on Site A. There is strong overt leadership from these senior figures. The organisation has developed networks of influence in political and civil service circles. It also has developed connections in the business world through the South Bank Employer’s Group. It is increasingly being seen as a ‘model’ project and has supporters, external advocates, in influential positions. There are relations of trust within the Coin Street Group and with the associated organisations. The organisation is surrounded by the tangible physical artifacts of its endeavours. Staff, board and stakeholders are thus immersed in the work.

Structural Issues. The array of interlocking organisations provide some constitutional boundaries making it hard to unravel. The board membership of CSCB is a self replacing oligarchy with new people invited in. There is a protected membership structure. People with the requisite skills can be drawn in from other parts of the family of organisations, such as the housing co-ops, or from wider groups. The Coin Street family of organisations are contained in relatively small units (CSCB, CSMS, Coin Street Festival) which mitigates against a large formalised bureaucracy. This may replicate an original campaign structure where close contacts are maintained between those involved and hierarchy is less developed. It is not clear how conscious this strategy is however there were suggestions that more established staff ‘do not want the organisation to grow too large.’

Co-operating Interlinking Organisations. The constellation of organisations are linked by a conscious strategy of shared and overlapping membership either of staff, board and to some extent core purposes. There is a tacit understanding that these interwoven organisations will cooperate with each other for common purposes. This is designed to maintain a common coherent vision and organisational values over a network of organisations with different tasks, responsibilities and constitutions. Apart from the board meetings there is the important annual away weekend which now involves up to 50 people and engages in forward planning and informal socialising.

Market and Contracts. The financial assets, specifically land, gives a degree of financial independence and an ability to mix cocktails of funding. It does not need to rely on local authority support for core funding which can allow it scope to hold to its values. It still needs to move deftly between commercial and quasi markets.

It is connected to a range of social movements: environmental, housing, community networks, but is not a central member (apart from the nebulous social enterprise movement).
There is a **favourable political and policy environment** which the Group has played a role in creating.

### 3. Summary

**Income sources**

Coin Street, CAT and Infinity were studied as organisations operating in commercial markets. The relative amounts they received from voluntary sources, statutory sources and from sales and services was examined. It was difficult to obtain detailed figures or estimates from the Coin Street Group. This was due to the highly complex nature of the Group as a federation of organisations so that figures are not available in the form required without some extensive work on their part. A reference to Coin Street Community Builders (CSCB), a private company limited by guarantee, was however available, in a compendium of UK companies (Dun and Bradstreet 2000) which for 1998 gives the organisation total sales as £2.6m, a net worth of £8m and a total profit of £156,000. This last figure I deduce to be the commercial surplus funds for the development arm of the organisation, CSCB. Apart from this the reader will have to be content with the knowledge that Coin Street Group does in some years gain income from the Housing Corporation, Single Regeneration Budget and from charitable trusts for some of the smaller community based work as well as commercial income from rents and car parking and selling advertising space. From this I can only assert that Coin Street Group does gain income from all three sectors.

CAT and Infinity were by comparison straightforward. Infinity as worker co-operative operates exclusively in the commercial sector and had sales of £7.6m in 2000 across the warehouse, shop, cafe and bakery. CAT’s income comes one third from charitable sources (£384,000) and two thirds from commercial income (734,000). On the charitable side the main items of income were: 30% from donations, 25% from educational courses and cabins on site, 12% from grants and other donations, with 10% from the supporters association, and 10% from sales of publications. On the commercial side over 60% of income is from sales and 36% from admissions.

These figures do illustrate that all three of these social enterprises are operating in commercial markets. Infinity’s total income is from sales, CAT receives two thirds of income from commercial sources and the Coin Street Group, which remains an enigma at present, did receive £2.6m of commercial income in 1998.

**Values reproduction**

Aiken, M. (2006) How do social enterprise organisations reproduce their organisational values?
My broad assessment from the research at Infinity was that Infinity did reproduce its **product values** concerned with organic wholefoods although there was, for example, an increasing tendency to sell convenience foods. There was a big investment in activities devoted to reproducing these values. Infinity also did reproduce its co-operative **process values** however there was relatively little investment in these processes and they were weak. This was not dissimilar to the comments by, Fred Freundlich, in Mondragon, (Aiken 2002) who found that many members were firstly interested in the economic side of the organisation. Respondents at Infinity also admitted it was harder to maintain those co-operative values. My own assessment here was that these co-operative values were not so heavily invested in. There were no group training days, few outside socials and few individual opportunities for learning or developing skills in this arena. Even the official business meetings were held at the end of the ‘working day’ suggesting perhaps that meetings were not seen so much as part of ‘the work’ despite the fact that members were paid for attendance.

There are a number of points to make here. At one level this is a manifestation of the **degeneration argument** - that the economic side of the business becomes the primary goal and democratic working methods wither (Meister 1984). There is some weight to this argument but it is not a full description. Meister’s framework suggests a move to professionalism over collectivism as the first step to decline. What appears to have happened at Infinity is that collectivism is still espoused and acted out although there are pressures to professionalise. If professionalism has been happening then it has been occurring discretely perhaps through a hidden hierarchy. Meanwhile in the absence of very effective structures some power seems to have passed to informal groups.

There is also another level to the argument. Co-operative values may be less tangible than product values and harder to cultivate. They challenge many conventional ways of working and are not necessarily reinforced by other actors in the organisational environment. It is tempting to argue as follows. Poor reproduction of product values around wholefoods could have immediate effects on the credibility of the organisation - and failure to follow them might have painful economic consequences. Therefore, members will be more immediately attentive to these product values. This is a tempting but false argument because it is also true for a co-operative that the poor reproduction of process values could have enormous implications. For example, recruitment of wrong staff, lack of ability to challenge poor performance, poor decision making over a new investment, could all have critical results. If some members feel hurt and frustrated and leave new members may take some time to learn the co-operative skills and this is a drain on the productive resources of the members.
Infinity operates in a niche market where **product values** around wholefoods are sustained by a customer base. As one respondent argued, taking a stand on values grounds against GM foods enhances Infinity’s standing in this market - it is good for values and good for business. The market here is not antagonistic to Infinity’s values. The reverse was the case for the Oxford Swindon and Gloucester co-operative society which, operating in a more mainstream market, wanted to stock organic and fair traded goods but received little uptake in certain stores. It wanted to take a stance but was ‘let down by the customers.’

Good economic performance by Infinity may enable it to maintain the co-operative values because economic success may be the condition for the co-operative: without a business there will be no co-operative. The market, however, does not appear to reinforce the co-operative values directly in the way that it does the product values.

At CAT, this argument is put differently. They assert that there is no point in the commercial enterprise apart from supporting their goals and mission. However this commercial income is important for they believe the organisation could not have survived long without the income supplied by the commercial operation of a visitor’s centre.

Coin Street gains its core funding from commercial income but also operates in public sector markets. They assert that they would not have been able to provide the housing, employment and environmental improvements had they been dependent on local authority support. State support is seen as having more ideological attachments which can act as a tension to their product values. With the example of Site A they had to work creatively to find a solution that would meet the needs of people with low incomes in housing need which remained the board’s value commitment. They also had to satisfy differing pressures from three sectors. The commercial lenders required a higher return than Coin Street could offer. The local state had requirements to house families. A government quango also had requirements concerning type of housing stock that could be supported. Here, unlike Infinity and CAT, Coin Street was working across both kinds of markets in order to maintain the organisational value of providing homes for people on low incomes.

These kind of examples provide a useful insight into two differing market pressures. From the commercial side the imperatives were to be convinced that the loan risk would be minimised by seeing an asset that would be worth about a 30% proportion of the loan. From the state side the imperatives were more ideologically laden with policy and value imperatives: requirements to build larger housing units than Coin Street deemed appropriate for the site.

4. Factors affecting values reproduction
What is clear in all three cases is that the commercial markets are not necessarily constraining in values terms for the kinds of products these organisations were engaged in delivering. Judgments by mainstream banks on lending money to Coin Street for housing developments are more based on financial considerations of risk and returns than on the social desirability or not of the project. Visitors to CAT may be committed to the ideals of low energy and sustainable solutions but they also require a good day out for their entrance fee. Similarly shoppers at Infinity may be highly committed to what they see the shop standing for, but like visitors to CAT they are concerned with a quality, as well as an ethical, product.

The findings here for the market organisations (MO) were that:

(1) These social enterprises did not find that operating in commercial markets necessarily constrained their product values.

(2) One social enterprise did, however, face pressure in trying to reproduce internal process values (such as co-operative working).

(3) Two social enterprises organisations operating in commercial markets reported less ideological constraint to pursuing their values than they experienced in public sector markets.

Features of Organisations

One characteristic of organisations like Infinity and CAT is that they have over time been able to create their own niche markets. They are operating with products in particular niche markets associated with a social movement that is high profile. This niche market in turn supports their values. We cannot postulate that the path would be easy for value based organisations operating with products in more mainstream markets, let us say selling washing machines. This latter situation is exactly that faced by the Mondragon worker co-operatives and the UK consumer co-operatives such as Lincoln and OSG (Spear with Aiken & Newholm 2003; Aiken 2002). These latter organisations must compete head-to-head with commercial operators who may have greater economies of scale but nearly identical products. One strategy here might be in ‘asserting the co-operative advantage’ (Spear 2000) positioning the organisation as having a good and ethical product (as done successfully by the UK Co-operative Bank).

The finding here was that:
(4) Particular social enterprises may be able to play a part in creating their own market niches. These markets may in turn support some of the core organisational values.

**Processes and Practises**

At Infinity there were processes of recruitment from friends and customers, a phenomenon noted by earlier writers (Rotshchild-Whitt 1982:30) At CAT there was careful recruitment accompanied by follow up induction and mentoring processes. At Coin Street there was a deliberate oligarchy at board level which had been established to prevent entryism by sectional interests. Confirmation was found in the study of such careful protected entry systems which were seen to act as supports for value reproduction.

The finding here was that:

(5) A variety of protective entry strategies, either at staff or board level, had been adopted for these social economy organisations.

As with the quasi-market organisations there were long standing people committed to these organisations. At CAT some of the founders were still present some 25 years later. A similar pattern was found at Coin Street where such founders were still present either as staff or on the board. There were several very long standing members at Infinity who had been there for over 20 years.

The finding here was that:

(6) Long serving members and founders were a feature of all of these social economy organisations.

**Value carriers**

There were ‘value carriers’ – key people at any level in the organisation who played asignificant role in asserting and debating values issues - at CAT, Infinity and Coin Street (Aiken 2002). At CAT these were often founders and long standing staff members. Certain departments were deemed more central to the values than others. For example, in the Consultancy Department, workers would be deemed to have a more conscious articulation of the values than in the restaurant. At Coin Street long standing members of the board, established staff and those associated with the group for many years could be identified as value carriers. The finding here is as follows.
(7) Value carriers played an important role in helping these social economy organisations reproduce their organisational values.

Decision making structures

CAT had invested heavily in organisational structures, including mentoring processes, these provided places where staff could process their understandings of the organisation. The example of volunteers and the GM incident shows how even quite new and junior recruits could gain access to the organisational decision making.

(8) Access to organisational decision making structure at CAT played an important role in enabling values debates to be raised and decided upon.

Organisational spaces: ‘topos’

The idea of ‘topos or ‘baa’ - organisational spaces where values debates might take place - was noted at CAT. Some of these spaces were though socialising in the staff café or in the evenings locally. At Coin Street there was a developed social network. Within Infinity informal discussion during the working day between small groups was considered a vital part of understanding and discussing organisational decisions.

(9) Organisational spaces (‘topos’) were found to be an important condition in enabling value reproduction.

Social movements

A social movement was found to act like a support and a challenge to organisational values. At CAT and Infinity this was seen most vividly. At CAT volunteers were able to enter the organisation through a regular series of short placements. Activists in urban environmental issues were able to confront the organisation on an issue of sponsorship from a company involved in GM foods and contest these values. At Infinity GM foods provided a similar issue where environmental groups’ concerns entered the organisation.

(10) A supportive social movement close to the organisation can help reproduce organisational values if it can permeate the organisation.

Summary Remarks on Market Organisations
Some additional points which are relevant as contextual points are included here. It need pointing out that all of the organisations studied here were ‘deviant’ organisations in the kindly sense that Stryjan (1989:97) intends. In a study not presented here of co-operative societies it was noted that a high degree of income security may itself be unhelpful to values regeneration (Spear with Aiken and Newholm 2003; Aiken 2002). In that case the organisation ‘went to sleep’ and nearly lost sight of their membership basis. These also showed examples where regeneration of organisational values was possible, for example Oxford Swindon and Gloucester Society (OSG) provides an example of a commercial value based organisation that had virtually lost its value base and yet had worked to reinvigorate its values: degeneration was not inevitable here despite the location in commercial markets.

External advocates were notably present at CAT, Coin Street and Infinity. Again the full import of these extra-organisational actors remains under-researched. Organisations like CAT amounted to lifestyle organisations where for many of the staff, work and personal life were intermingled.

So far in this discussion there may have been a bias towards considering the maintenance of existing values rather than being aware of applying them to new situations. The issue of vitamin supplements at Infinity provided an interesting example of values transformation albeit on something that was perhaps a sub-value within the organisation.

**General Comments**

The findings in this chapter need to be considered within the structure/agency debate of Giddens (1984). Much of the discussion has focussed on agency factors. The examination has considered what organisational actors might do within and around their organisation in order to reproduce their values. There are of course, many features of organisational life that are not accessible to actor influence. Any actor strategies may not alone be sufficient to reproduce organisational values in the face of extreme events in turbulent environments. These are many issues, particularly issues of structure concerned, for example, with social changes and the operation of markets, which are not easy to influence and will be beyond the control of the organisation. Even though we have seen ways in which organisations can work to create niche markets around their activities (Infinity and CAT for example) we cannot assume such work is always intentional or feasible.

An important question for this study, particularly for practitioners, is which agency factors might organisational actors be able to influence? Drawing together some of the findings a specification is suggested which may form part of the gestalt of values reproduction from an agency perspective. Learning from Stryjan’s (1989) schema on membership reproduction it is
suggested that a triple cocktail for values reproduction will involve value carriers, organisational spaces and access to decision making. This schema, suggests that:

(11) Values reproduction may require a triple cocktail (a) Key value carriers, with (b) sufficient organisational spaces for values debate and discussion to take place (either formally or informally) and (c) access to influencing or decision making processes.

It should be noted that most of the organisations studied here were unusual organisations and in some cases almost unique. As Langrish (1993) and Yin (1994) have pointed out there is some strength and interest in the revelatory case. We should however be wary of assuming findings from these organisations can necessarily apply to very different organisations without considering their local contextual factors (Pawson and Tilley 1998). Nevertheless some of the findings here can have some general implications for our thinking and theorising about social economy organisations.
Bibliography


http://technology.open.ac.uk/cru/publicatold.htm


Aiken, M. (2006) How do social enterprise organisations reproduce their organisational values?