

Co-operative development and the client:

An exploration of trust, networking and professional practice amongst social movement activists in the solidarity economy

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Executive summary

If we are to develop policies for increasing the role that co-operatives play in the UK economy, we should learn the lessons of the last time this was attempted – the launch of a network of Co-operative Development Bodies in the 1970s and 80s. This was initially successful, but ultimately failed to embed co-operation (and in particular, worker co-operatives) in the mainstream of economic and industrial activity. The CDBs themselves have also proved vulnerable to changing political fashions, and today have disappeared from many parts of the country. A new policy needs to understand why this movement for co-operative development was only partially successful: and we have pinpointed the relationship between CDB and client as a key factor.

The crisis in co-operative development has its roots in a split between grant funded local agencies that have prioritised free, client-led services over pro-active planning for the sector; and specialist business consultancies that have only intermittent and high-cost contacts with clients. Reversing the decline requires a systemic application of social movement organisation, including social investment, organisational accountability and solidarity between CDB and clients.

The recommendations for practitioners are

- invest in movement-led CDB structures to give the community and co-operative movement real ownership of co-operative development
- lock clients into long term obligations to repay all costs of co-op development when they are able to do so; and to tithe a portion of profits to supporting the co-op movement
- develop co-operative incubators – not just as physical locations, but also as risk taking and proactive interventions in the local economy
- strengthen collaboration and infrastructure linking and supporting CDBs, while retaining a distinct identity within both the co-operative movement and the business support sector
- invest heavily in knowledge and skills, deployed in advance of clients ability to pay or secure funding
- adequately capitalise new co-ops, incubators and CDBs themselves by involving investors in mutual relationships including the use of multistakeholder co-operatives.

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Survey data

Weblink to survey data and calculations:

https://www.dropbox.com/sh/249gdgehtlvnla2/AAC_nVTCeyydfakm9Wkk717la?dl=0

or <https://tinyurl.com/y9ntw9oh>

Case study database

Weblink to anonymised interview transcripts (11,12,13,14,15,17,18,19):

<https://www.dropbox.com/sh/4lby58l57e1q4dc/AABwdBRnak4YaUg18RA1C32ka?dl=0>

or <https://tinyurl.com/y7naphm7>

1. Introduction

Having worked in the field of co-operative development for around fifteen years, I have observed numerous long term changes and trends, both positive and negative; but the dominant trend has been one of decline. This study asks why this should be, and in particular how changes in the relationship between development worker and co-operative entrepreneur bear on the past and future prospects for economic co-operation.

I have used methods that treat Co-operative Development Bodies (or CDBs) as entities with an existence independent of the people who work in them, support them and use them; both extensive research that seeks to capture experiences from a high proportion of the forty three CDBs currently operational, and some of the ten or more than have ceased trading.

I find that there is a crisis in the sector, with widespread evidence of decline, stress and underperformance. The bond between advisor and client is not necessarily at the root of this crisis, but it provides a useful lens through which to examine the mechanisms at work. Three systems in particular are described, relating to the different forms of trust existing between clients and CDBs; the fragility of co-operative development as a constituted practice distinct from philanthropic service and consultancy; and the use of rules and norms to build networks and relationships of solidarity.

The first step is to review how the UK CDB movement arose, and how it differs from co-operative movements elsewhere in the world. I will review both literature specific to co-operatives, as well as considering networks, interorganisational trust, power and social movements, and client/consultant relationships from other sectors.

2. Literature review

Co-operatives are well defined as mutual associations formed to meet the needs of their members [ICA 2017] . However, the terms used in literature for the objects of my study vary and lack definition – CDA (Co-operative Development Agency) was widely adopted in the UK in the 1980s [Cornforth, Thomas, Spear & Lewis 1988; p 175]; but as the number of private consultancies specialising in co-ops has grown, the term CDB (Co-operative Development Body) has been used as a more inclusive term [Kidd 2015]. However in international and academic work, CSO (Co-operative Support Organisation) is favoured, and is usually used to refer to bodies emerging from mutual aid between co-ops [Széll, Blyton & Cornforth 1989; p 106]. I will use CDB here to include as wide a range of services as possible.

2.1 The emergence of co-operative development

Co-operative development as an identifiable concern in the UK can be traced by over 130 years: co-operators inspired by Robert Owen sought to develop co-operative communities in which production and distribution was governed democratically and fairly. The first consumer co-operatives were actually intended to raise funds for the development of capital-intensive co-operative complexes [Cornforth et al. 1988; p 11]. Forty years later in 1883, AHD Acland wrote: “Speaking of England as a whole, there is hardly any new development in new directions... Productive co-operation [workers co-operatives], warned by failure, hardly moves on at all. Several of our largest towns remain untouched... we ought to have placed to the credit of our century of our own a great deal more co-operative advance.”[Acland 1883] Acland does not refer to a practice of co-operative development, but the previous year the Co-operative Producer Federation formed with that as one of its aims.

Although the multistakeholder co-operatives it started had some success, the effort petered out early in the 20th century. It was not until 1958 that Ernest Bader formed Demintry and revived interest in worker co-operatives through the conversion of his business, Scott Bader, to a co-operative model; and then it was only with the rise of the counterculture in the late 1960s and a change of name to the Industrial Common Ownership Movement that it began to gain traction [Cornforth et al. 1988; p17].

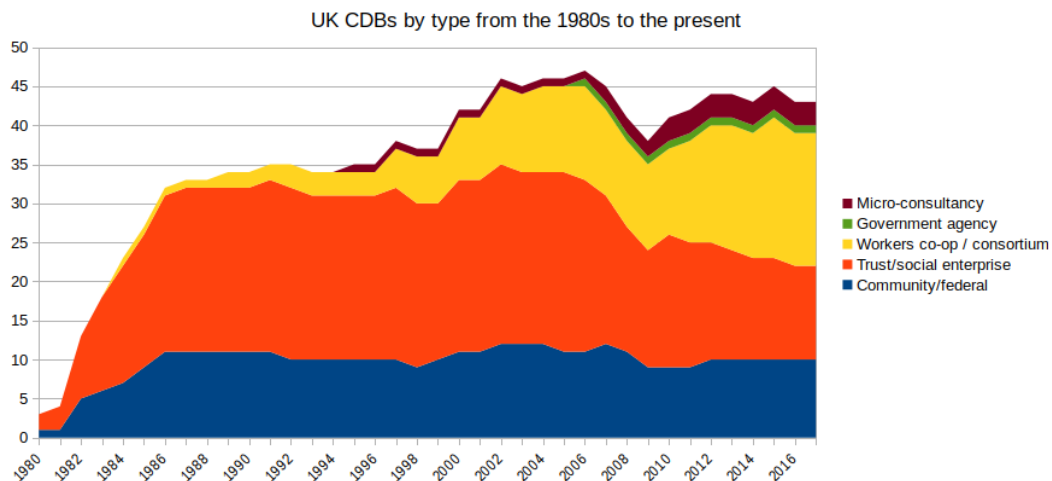
In 1978 the Labour government (with wide support) established a national Co-operative Development Agency. Coyne and Wilson [1981] describe a brief period of dramatic innovation, as the UK CDA inspired more local initiatives with similar goals: “1979 saw the formation of a large number of local ‘Co-operative Development Groups’ some through the initiatives of local governments... others as part of a wider promotion by the Co-operative Union ... A minority of CDGs have been formed independently and voluntarily. These groups offer a range of services to potential and established co-operatives, from information on how to set up and control a co-operative, to advice on marketing product lines and finance... many have also been involved in the training of appropriate skills and education in co-operative principles.” [Coyne & Wilson 1981; p 35] They record the producer co-operatives affiliated to the Industrial Common Ownership Movement growing from 11 to 234 in just five years, and then to 2000 over the next decade. This explains the excited tone of a presentation to the International Co-operative Alliance in 1978 in which Paul Derrick described the role of the CDA as “to research into the ways and means for creating the conditions in which co-operative Productive Societies will grow like

mushrooms, in which people seeking to start new enterprises will without hesitation choose the co-operative form of Industrial Enterprises”.

With the demise of the UK CDA in the 80s, the local and regional groups took on its name and, rebelling against the prevailing ‘yuppie’ culture, grew in number. In the 1990s, there was a considerable amount of diversification associated with the rise of housing co-operatives and community co-operatives, and the term ‘Co-operative Development Body’ became more common. In 2000, a guide was published – CDA Anywhere [Strube 2000] – encouraging the formation of more CDAs on the classic model of local authority partnership and core funding (I can only identify one CDB formed along the lines it suggested, and that folded shortly after; CDA Luton, which authored the guide, ended in 2003).

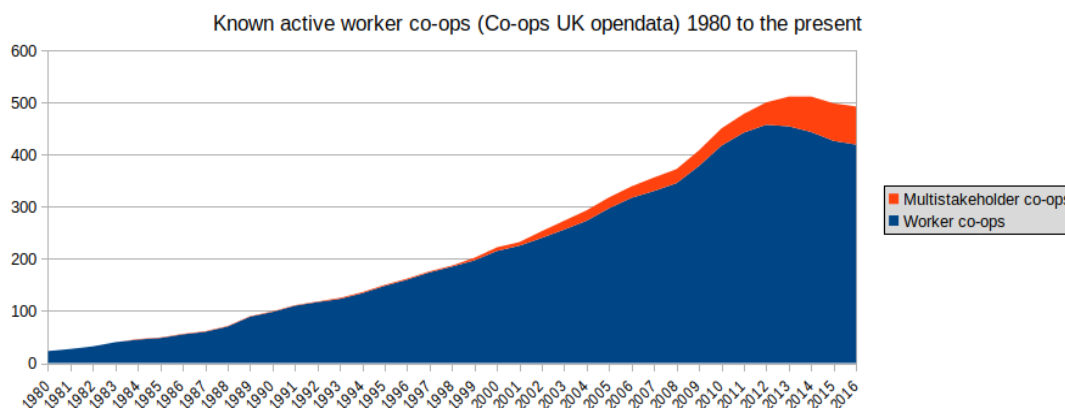
Even following support from the Co-operative Commission in 2000, the number of CDBs began to decline [Fig 1]. A key factor may well have been political change in local government – the number of Labour controlled Councils rose during the 1980s and 90s as a counterweight to the Conservative government. Once Labour was in office, the reverse process dominated for almost twenty years. One CDB worker described the experience: ‘Every four years we’re scanning elections results because we suspect that if ever the Tories came to power we lose our funding... that merry go round I think stops there, for virtually every CDA’ [14, 0:01].

Figure 1: CDBs trading by year and type



By 2015, it was clear that not only were CDBs organised as trusts steadily closing, even those CDBs that remained open were employing fewer staff – fewer than one full timer per CDB on average [Kidd 2015]. A similar slowdown in the burgeoning worker co-op sector seems to have accompanied this decline [Fig 2].

Figure 2: Worker and multistakeholder co-ops



This poses a question: can CDBs survive and prosper on their merits alone, without reliance on political patronage or passing fashions? Is there in fact any real need for multiple local bodies, or are national apex bodies all that are required? Cornforth [1984] argues that being small and local has value – for example, they can provide the regular, face to face contact required by people with little previous experience of business management. He provides an analytic framework for this kind of co-operative development work: three broad categories of development (new start, servicing existing co-ops, rescues and conversions); three styles of intervention (facilitative, enabling the co-operative to discover its own management capability, and direct in which the CDA provides it temporarily); and two sources of intervention (responding to demand, or acting on a perceived need) [Cornforth [1984; p259].

This last distinction has proved controversial. Flood and Jackson [1991; p 178] describe an unresolved debate in a CDA between a top down approach (‘seeking to recruit individuals to form workers co-operatives where business opportunities exist’ so as to establish more robust business models and create more jobs) and the ‘preferred’ approach of encouraging and assisting groups already thinking about starting co-operatives. The argument for bottom-up was that a democratic culture where agency and commitment rested with the worker-owners could only arise in an emergent way. This raises a logical difficulty: if democratic culture arises more naturally outside the context of a trading co-operative than inside it, how is the persistence of co-operation explained?

This debate bears strongly on the client relationship, as it suggests an anxiety around the power of the advisor interfering with the fragile authenticity of the client; but equally a lack of confidence in the ability of advisors to create a space within which authentic choices can be made. Cornforth [Széll et al. 1989; p120] returned to this question, noting that planned co-operative development within targeted sectors, or to build trading links, was showing some

success in the UK. Similarly, Quarter [1990] found in a number of systems of co-operative development in Canada and elsewhere that active intervention – ‘entrepreneurial parenting’ or the ‘institutionalisation of entrepreneurship’ [Quarter 1990; p546] - creates co-ops with minimal endogenous managerial skill, but nonetheless solves problems of trust, movement solidarity and financing that otherwise constrain the sector. Spear [2006; p 400] also suggests that there is evidence for this activist approach solving the ‘entrepreneurial problem’ of the reduced material incentives for starting a co-operative as opposed to a private business [Széll et al. 1989; p 110; Cornforth and Thomas 1991]; just as the rewards of starting a business are shared with other participants, so are the risks and uncertainties at the outset. Part of this is the use of multistakeholder co-ops, rather than the more purist worker co-operatives, seems to deepen community connectedness and managerial talent [Quarter 1990; p541]. However among UK CDBs ‘bottom up’ development remains much more common.

Cornforth also notes that it is important for CDBs to ‘encourage and facilitate collaboration between co-operatives... providing some protection from wider market forces’ [Széll et al. 1989; p 117]. Abell [1990] also notes the ability of clusters to create self-sustaining growth, as co-operatives exploit their ability to tap into (and indeed legitimise) latent managerial talent that other small businesses cannot develop and share this resource with each other. This strength is only available to co-operatives with high ‘productive interdependency’ (broadly speaking producer co-ops with some degree of capital intensity) and the managers developed are easily poached by local small businesses without some effective bond between the co-op managers and the support organisations that nurtured them.

One of the most ambitious recent surveys of co-operative business found that “since the 1950s the main concern of cooperative studies has not been to witness the foundation of cooperatives, but instead to investigate their ability to survive” [Battilani & Schröter 2012; p 14]. Co-operative entrepreneurialism has had less discussion still – though Spear [2006] does address the ways in which co-operative entrepreneurs differ from the Schumpeterian ideal, such as working in groups, having ideological motivations, and emerging from networks of stakeholders and pre-existing co-ops.

2.2 Business networks and collaboration

Beyond co-operative studies, there is growing interest in social networks as not only a resource for management, but its object – specifically, networks of small (and sometimes large) firms. Miles, Miles and Snow [2005] draw on the experience of organisations such as Acer in Taiwan, or the private and municipal businesses of Kalundborg in Denmark, that have organised as a federation of businesses rather than a single hierarchical group [Miles et al. 2005; p 74]. They are unified by culture, identity and brand and within this loosely defined boundary, skills and knowledge are freely shared and collaboration widely practiced in a fluid process of mutual aid and recombination that drives innovation and creates competitive advantage. The community of open source software developers around Linux is a particularly good example of Miles et al's contention that the design of protocols (such as the GNU public licence in the case of Linux [Miles et al. 2005; p 44]) is the key tool for such multi-firm networks. These explicit (and theoretically enforceable) declarations of solidarity provide sufficient reassurance to allow normal commercial confidentiality to be relaxed. The co-operative movement is not unfamiliar with the use of protocols to encourage mutual aid – the co-operative principles first adopted in 1935 are a kind of protocol and specifically include (as the 6th principle) the idea of mutual aid between co-operatives [ICA 2017].

This illustrates that co-operatives cannot assume that their values will necessarily be adopted in any system of local economic development; if they do not win the allegiance of clients to co-operative networks, there is a real possibility of individual co-operatives being subsumed into networks that reproduce and strengthen entirely different economic relations and patterns of ownership.

Some, though not all, CDBs have sought to turn the loyalty of client enterprises into active participation on the board of the CDB – or of other local co-ops. Intercohesiveness between management teams, with individuals included in multiple leadership roles, has been noted in the interlocking directorates that generate a common culture and sense of shared interests among public corporations [Beder 2012; p 4] . Vedres and Stark [2010] examined the role of multiple and serial leaders in the Hungarian business community from 1987 to 2010 and found that they were an important driver of generative disruption: those businesses with a high level showed rapid growth, but high instability. However, where the businesses formed communities with shared goals and values, the instability was much reduced. CDBs may gain the benefit of such recombinations of leadership, if the bond with clients is strong enough.

The study of business networking has been marked by a division between those who see networking as a distinct, economically rational mode of operation that is employed where the transaction costs of either a purely market relationship, or an internalised management structure, would both be higher; and those who regard social relationships as inherent throughout all forms of business activity, and pursued for non-economic reasons [Perry 1999; p 5-6]. A key piece of evidence for this is whether a linkage between firms is renewed even when a person playing a crucial role in the network is removed: in the case of co-operative networks, which are often relatively formalised (for example, my experience of Radical Routes, or Co-operatives SW) this is often the case – suggesting that the network is of organisational utility, rather than merely personal preference. Networks feature both strong ties (obligations, with performance expectations) and weak ties (affinity and sympathy, with expectations of consideration only) which bring different benefits – broadly, the former favours efficiency and the latter innovation [Perry 1999; p 20]. Both can support collaboration – however, it should be noted that collaboration carries inherent costs and may be more of a burden than a blessing. It is best to restrict strong ties and collaboration to those instances where interests, values, needs and pre-existing capabilities are wholly complementary, and a clear positive benefit for both parties (whether long term or short term) has been identified [Hexham and Vangen, 2005]. The history of co-operative development suggests that co-operatives have indeed over a long period of time found that there is a clear need to collaborate for the growth and establishment of co-operatives, and more broadly for the advancement of the co-operative movement. We can now examine some of the international examples of how this has been done.

2.3 International co-operative business networks

There are no evident references to the co-operative movement in the ‘network firm’ literature, but there are some good examples of these ideas being practiced by co-operative enterprises. Most famously, the Mondragon co-operatives have built a multi-firm network with enviable rates of innovation and social impact [Hogson & Rich 2017] [Bajo & Roelants 2011; p 185]. There is evidence that the co-operative structure, rather than impeding market orientation, is in fact providing competitive advantage [Agirre,Reinares & Freundlich 2015] even though there is a frequent disconnect between the relatively apathetic worker members and the managers of enterprises [Heras-Saizarbitoria 2014]. Of interest here is the way in which nodes in the multi-firm network (there are over 280 Mondragon co-ops and subsidiaries) are able to drive co-operative development. The key role was that of the Caja Laboral Popular and in particular its entrepreneurial division [Saive 1980]. This division had the network functions of setting standards for membership (ie, establishing and maintaining the distinctive protocols for co-operation) and providing venture services in the form of patient capital that covered not only investment in

productive assets but also long term financing of early years losses [Bajo & Roelants 2011; p186]. More recently, entrepreneurial activity has taken place through the Saiolan centre at Mondragon University, with a much lower rate of new co-operative formation [Jakobsen 2000].

A less well known aspect of Mondragon's structure is the co-operative technical college and an organisation called Alecop that takes training a stage further; courses are embedded in a range of high productivity trades that finance the study and complete the preparation of students to be owner-managers. This is both an example of the synergistic links [Meek & Woodworth 1990; p522] and community organising of Mondragon, and a means of extending them further by creating a generation of skilled workers steeped in co-operative culture. CDB training programmes in the UK are modest by comparison [Cornforth et al. 1988; p184]. The recently opened Dyson Institute shows that the approach is perfectly viable in the UK, but that here the co-operative movement lacks the ambition – and perhaps also the access to capital required.

Another more recent example is the Evergreen Co-operatives of Cleveland. Here, a smaller group of worker co-operatives (with a specific focus on 'green technologies') have been developed to create rooted, anchored employment that will provide lasting benefit to a de-industrialised city. Casper-Futterman [2011] describes the distinctive approach taken as a collaborative project involving a wide range of agencies, but especially large public bodies such as universities and hospitals. These bodies generate contracts that the new worker co-operatives have preferential access to, so that they can start trading at scale with a secure income stream. The Cleveland Community Foundation, a long established charitable agency; they in turn secured the support of a co-operative consultancy from elsewhere in the US, Democracy Collaborative. The combination of these two bodies – one locally rooted, one specialising in co-operative development – is a close analogue to UK practices of consultancy-type CDBs partnering with locally rooted CDBs [17;0:31].

It seems quite clear that this is very much a top-down model of co-operative development, in which the consultants played a strong role in the design, establishment and launch of the worker-owned businesses (Casper-Futterman [2011; p125] describes this as 'soft infrastructure'), before handing over control to the worker members recruited to run the business. One member of the laundry quoted more recently describes how the co-ops faced some early crises in retaining their first contracts, but recovered as their confidence grew; "Before, we were owners in name, but now we are learning how to really be worker-owners, with quarterly statements, profit-sharing and looking at how to reinvest our money." [Sheffield 2017].

Italian co-operatives have also been unusually successful, and their experience suggests that they have been able to replicate and scale up these multi-faceted forms of leadership by forming consortia, and consortia of consortia; these umbrellas are both responsive to the levels below, and vehicles for individual leaders. This contributes to the charismatic power of the values and principles of the co-operative movement by maintaining a consistent and well-articulated vision [Battilani & Zamagni 2012]. Advanced managerial practices could be adopted with the consent of members, and those managers in turn adopted the values of those members. This was underpinned by formal relations of solidarity, such that the co-ops benefiting from support were obliged to repay the benefit and so contribute to the development of new enterprises, shaped in their image Gherardi and Masiero [1990; p568]. So, clients of the support organisations are 'locked in' to long term engagement, trading some of their autonomy for a voice in a larger conglomerate.

Since the 1980s the UK co-operative movement has admired the success of Mondragon [Cornforth et al. 1988; p5], and yet over 80 CDBs (many well funded for years) have failed to achieve comparable outcomes; this suggests that some basic features of UK practice are obstructing progress.

2.4 Co-operative development as consultancy

In an initial interaction with a UK CDB such networks as it may be linked to are often not visible; instead it is the functional role of the CDB that is most evident. Co-operative development bodies are a special case of business consultancies – they satisfy, for example, the definition offered by the Management Consultancies Association: 'the creation of value for organisations, through the application of knowledge, techniques and assets, to improve business performance. This is achieved through the rendering of objective advice and/or the implementation of business solutions.' Gherardi and Masiero [1990; p568]. There is a bias towards solutions consistent with international co-operative principles; however, most CDWs would argue that this should be understood as an openly displayed specialism rather than a conflicting interest. Clients may very well begin with expectations of a relationship that emulates mainstream business advice.

UK CDBs are unlike the large, multinational management consultancies that feature in newspaper headlines, but much closer to the local and regional consultancies studied by Wood in Clark and Fincham [2001]. Information-based prosperity has been unevenly developed, tending to concentrate in a few major cities. But there are opportunities in creating local clusters, adapting quickly to client needs, and connecting to local authorities and public services. Regional consultancies are associated with manufacturing, and rely more on new clients and government-

sponsored work than the repeat business that characterised core consultancies; they work well with small businesses, the founders often having worked in just such a business.

Can CDBs achieve success through this route? They have to argue that the creation of new firms and new forms of governance, as well as performance improvements, is in itself a route to the creation of value. Cooper, Alvarez, Carrera, Mesquita and Vassolo [2009; p22] see the issue as strongly connected to market uncertainty. In conditions of perfect certainty, a transactional analysis that simply seeks the lowest cost of delivery will not find any value in new governance. However, incomplete contracts theory coupled with a resource-based view of strategy suggests that where an investment creates path dependent and hard-to-imitate resources, the parties to that investment will prefer to closely monitor and control its management, and will maximise its value by doing so. So while the creation of economic value is never assured by a new startup, it is at least possible – and in theory some of that value could be repaid to fund further co-operative development.

As consultants, many CDBs are influenced by ideas such as client centred consulting [Cockman, Evans & Reynolds 1992] which empowers clients to take more control over their destiny. By promoting economic democracy, CDBs allow clients to diagnose their own problems, build commitment to a plan of action and control the implementation of decisions. However, a central part of the client centred philosophy is to ensure that ‘clients retain ownership of the problem and don’t become dependent on you’; is that possible if a development worker seeks to initiate or catalyse co-operative formation? Many have concluded that it is not.

This is a principled approach, but it relies heavily on coincidence. It requires that the handful of driven, confident and genuinely entrepreneurial people overlap almost perfectly with the team-orientated, selfless souls that wish to serve the needs of the wider community. It may also misunderstand the real requirements of ‘ownership’. Cockman et al. [1992] argue that ‘the client system should not be defined too narrowly’ – it may include many of people who are stakeholders in the problem situation: anyone significantly affected. These people may not at first consider themselves to have any ownership of the problem at all; the consultant’s obligation is not necessarily to wait until they do, but to ensure that every intervention creates greater opportunities for ownership and empowerment. The goal is not to be at the beck and call of individualistic eccentrics, nor to be self-appointed leaders: rather it is to draw together a social movement around the concerns of the community, with the ability to organise to address those concerns.

While there is little academic literature on co-operative development specifically, there is more on the practice of business support more generally. Martin and Townroe [2013; p152] attribute some of the growth in company formation in the 1990s to the government's support for business advice services that 'reduced many of the constraints on new business formation and growth and more generally has contributed to the creation of an 'enterprise culture'. The UK has seen a systematic use of regional support organisations to deliver support to businesses, both mainstream and specialised – but recent measures to dismantle regional government and centralise business support have made the provision of local support sporadic and fragmented [Edwards, O'Mahoney & Vincent 2014; p207] .

Bennett and Robson [1999] found some clear overlaps between consultancy and business advice: intangibility of product, the need for a prolonged exploration of client need, non-standardised services and perishability of the value of the service. However, there were real differences in perceived quality: while many government funded business advice services achieved high intensity of interaction, and were thought by clients to be highly effective, the business advice delivered through local business networks, chambers of commerce and other informal networks had a weaker impact (especially business advice services that relied heavily on referrals, rather than having inhouse skills). Many CDB clients will have experienced these poor quality services, and their expectations may be affected accordingly: if a CDB lacks core support from government, its services may not be considered professional and authoritative.

2.5 Specialist business incubation

A sub-category of professional service firms, related to but distinct from consultancies, is business incubators [Aaboen 2009]. These are poorly defined, but generally considered to have distinctive features including (i) co-location of business, (ii) shared services, (iii) management assistance and (iv) policies regulating entry to one or more networks [Bøllingtoft 2012]. They began to develop in the 1980s in industrialised nations, and their growth has accelerated more recently. There is doubt about their numbers - The United Kingdom Business Incubation organization claimed 300 existed in 2011, while NESTA puts their number at just over 205 in 2017 [Nesta 2017]. However, the picture is complicated by the rise of business Accelerators, which were not distinguished from incubators in 2011 but now have a clear identity and are over 150 in number according to NESTA. Accelerators differ in the lower priority of co-location, and higher priority on skills and training. They also tend to take success-contingent fees, or equity stakes, rather than charging fixed fees as incubators normally do.

Do CDBs satisfy the definition of business incubators? For the most part, not. Most do not have premises beyond a small office; almost none select, or restrict, the number of clients they work with; and the services provided are typically limited to advice and training. That having been said, incubation has interested some CDBs: in Bristol, the CDB is partnered with a small incubator; in Somerset, the CDB is working with a Community Land Trust to develop two small incubators; in London, there is a large incubator run by a CDB and supporting a diverse range of startups (though mostly not co-ops); in Sheffield, the CDB has a long established incubator funded by the local authority; and in Cambridge, the CDB was instrumental in helping a privately run incubator to start.

As already noted, the strong and well-resourced support delivered by some international co-operative support organisations has much more in common with incubation – in some cases predating the use of incubation by proprietorial enterprises. However, this is an area which in recent years has been principally for profit-making businesses (or, in a few cases, charities). Typically, local and regional authorities have funded incubators in order to create opportunities for venture capitalists to take ownership stakes in fast growing businesses [Bruneel et al 2012, Scillitoe and Chakraborty].

However, there is an interesting minority of incubators that are not driven by local authorities and which are founded on co-operative values. One study in Aarhus, Denmark looked at two incubators that were initiated and are managed by their tenants co-operatively. The tenants themselves are not co-ops, but the way in which they self-manage their membership, premises, services and shared facilities is democratic and orientated to the development of common wealth [Bøllingtoft 2012]. This may answer the concerns of some theorists that incubators take too much responsibility away from entrepreneurs – in this case, there is no ‘expert’ management, and it is the tenants themselves that determine what skills should be bought in. Co-working hubs of this sort are a minority, but I have seen shared business premises in Exeter and London that are self-managed in the same way.

This not the only innovation among business incubators. Bruneel et al [2012] suggest there are three identifiable generations among incubators: a first generation principally concerned with affordable workspace and shared facilities; a second generation in which skills and business support were the main benefits; and a third generation focused on networks and partnerships. The earlier generations have in many cases sought to develop the capabilities of the more recent arrivals. The third generation seems more likely than others to be specialised, seems to deliver greater tenant satisfaction, and perhaps shades into the accelerators (a fourth generation?). By

developing a clear identity in a particular industrial sector, they hope to build networks (of funders, suppliers, partners and mentors) perfectly suited to the new entrants in the sector.

The question of how beneficial it is to be specialised is of particular relevance to any CDB seeking to develop an incubator solely for co-operative enterprises. Findings of studies comparing specialist and diversified incubators are mixed: Schwartz and Hornych [2010] accept the theoretical reasons for expecting benefits from specialisation (efficiencies and synergies from the homogeneity of tenants) but find that in practice these are rarely realised. They suggest that a reason for this may be that the similar market opportunities being exploited, and the similar intangible assets being developed, creates barriers to collaboration between tenants: too much closeness to neighbours could give aid to future competitors. As noted above [Miles et al 2005] this can to some extent be overcome with the adoption of more co-operative protocols, and Bøllingtoft's [2012] 'bottom up incubators' exhibit both vertical collaboration (typical of diversified incubators, where entrepreneurs at different levels in the supply chain may be present) and horizontal collaboration (for example to prepare a more robust bid for a tender than a lone entrepreneur might be able to achieve) are both present as a result of the mutualistic culture. Schwartz and Hornych [2008] suggest that rather than necessarily identifying a market sector as such, incubators could gain the benefits of homogeneity through a more cultural, or values driven sense of having 'something in common'. Possibly co-operative and ethical values could provide that binding thread.

Scillitoe [2010] suggests that specialisation raises expectations that centre managers will be more expert in the sector in question than the tenants, when in fact the reverse may prove to be the case. This may impede the delivery of support. Vanderstraeten and Matthyssens [2012] conclude that both specialist and diversified incubators can gain competitive advantage in the market for tenants from their differentiated offerings; and Aaboen [2009] finds that in all incubators the crucial difference from other professional services firms is that rather than seeking to maximise the number of hours of paid support delivered, the goal for the incubator managed is the most rapid growth for the support given. That implies the creation of a mutual aid culture in tenants are interacting, supporting and learning from one another all the time.

The funding of incubators is crucial: for many in the earlier generations, public support was so important that the principal 'client' for the incubator was more often the local authority than the tenants who are ostensibly its beneficiary [Aaboen, 2009]. Ways to avoid this include adding additional services that tenants can buy from the incubator management; but also the increasing use of stock options in the incubated enterprises that may deliver significant returns to the incubator when the tenant grows and moves into its own premises [Aaboen, 2009]; while this

may be uncommon among incubators, it is becoming standard for business accelerators [NESTA, 2017].

Recruitment of suitable tenants is a real challenge for all incubators, as their reputation and viability both depend on being close to capacity at all times. Schwartz and Hornych [2008] see this as a particular problem for the more specialised incubator. Vanderstraeten and Matthyssens [2012] suggest that recruitment depends on the correct alignment of the mix of services on offer to the culture and makeup of the tenants – specialist incubators need to offer exceptional access to markets, while generalists need to deliver outstanding business and organisational services. However, Aaboen [2009] uses the example of Swedish incubators to suggest that it is possible to exercise some market-making ability: the incubator may in fact generate some business ideas itself, and recruit ‘idealess’ entrepreneurs to implement them; other tenants may substantially change their business model as a result of joining the incubator. The purpose of selection is to find the right people for the incubator, rather than the right businesses: somewhat akin to the recruitment of staff by a professional services firm, as much as marketing to potential customers. Literature does therefore provide some support for the viability of an incubator offer that is diversified by sector (and so focuses on practical organisational support and facilities [Vanderstraeten and Matthyssens 2012]) but specialised by values and co-operative practices. It would not necessarily be reliant on public funding, but that would instead demand strong capitalisation – both to develop attractive facilities and to fund the support to entrepreneurs well in advance of their growth and success paying dividends. Compared to other professional services firms, they may enjoy opportunities to develop and enhance their own client base and generate income from assets; and the potential for tenants to contribute to the culture and administration of the service may also provide resilience. Accelerators are an example of a more dispersed support structure that does not require physical premises: but this places more demands on the rapid growth of clients and is more commonly linked to technological specialisation.

2.6 Co-operative development as a constituted practice

The way in which a professional practice or discipline can challenge or conform to pervasive power structures cannot be discussed without reference to Foucault [Curtis 2014; p1759]. It may seem incoherent to apply the more constructivist Foucauldian thinking to an enquiry centred on a realist treatment of organisations. However, Al-Amoudi [2007] argues persuasively that Foucault does not claim that society is organised simply as a prison, leaving us helpless to shape our own practices. Rather he studies particular practices in order to expose explanatory phenomenon that are also at work in many other settings. The fact that power is dispersed and

encoded in everyday interactions does not deny human agency because human agency is an irreducible, distinct level; we have scope to choose practices, shape them and relate to each other as human beings as well as practitioners. What Foucault adds is the awareness that any professional identity has to establish its legitimacy by drawing on bodies of knowledge and sources of authority. It requires a constant balancing act for a CDB worker to avoid being disciplined by dominant narratives of consultancy and professionalism [Al-Amoudi 2007; p559], and then imposing that same discipline on clients.

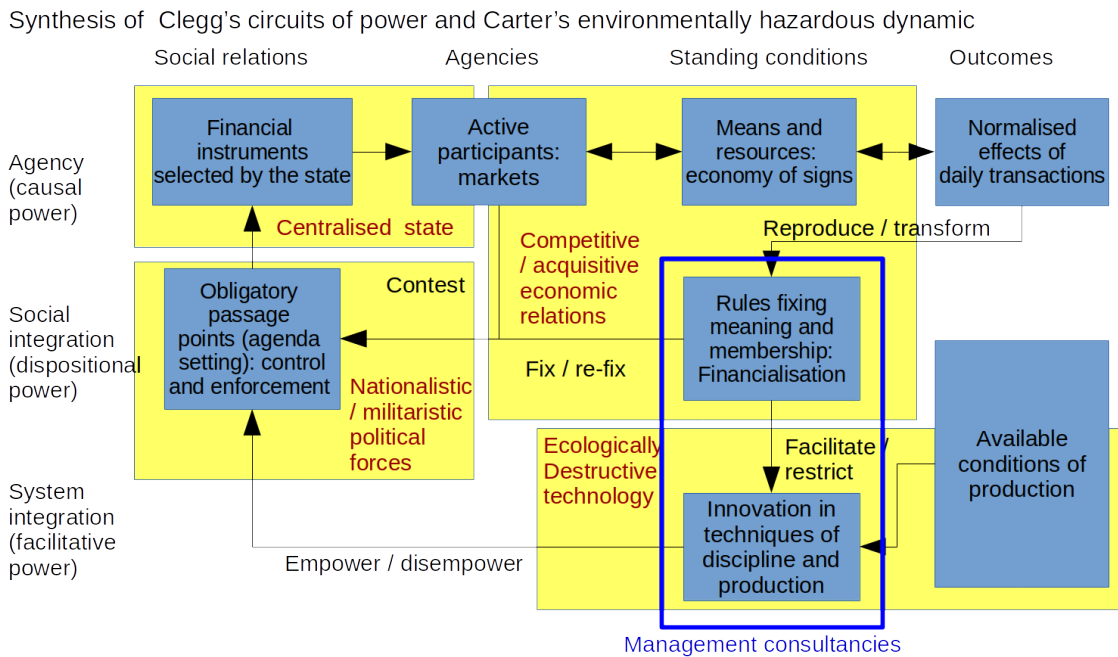
Diamantopoulos [2012; p207] argues that the task of co-operative development is to avoid the rigid practices within the co-operative movement of 'traders' and 'idealists'. 'Trader' describes an identification with the practice of business consultancy such that market and commercial thinking is the dominant mode of advice. 'Idealists' by contrast have rejected such professional practices in favour of an anti-managerial stance. He argues for a balanced identity that articulates ways of building commercial success on a foundation of co-operative identity and movement solidarity: essentially proposing that the professional practice of the co-operative development worker should not be a specialist area within management consultancy, nor a reflex of opposition and resistance to authority, but should select business and financial technologies and place them within a context that empowers workers and other stakeholders.

Rejection of the 'trader' identity in particular is consistent with a growing critique of business consultancy in which they are seen as political/ideological 'missionaries' promoting a specifically deregulatory and privatising agenda [O'Mahoney & Markham 2013; p12]. Their supposed objectivity in the pursuit of business performance can equally be read as opposition to social change: applying 'knowledge to improve business performance' is both an admission of hegemonic goals (the reproduction and defense of the values and practices of the powerful) and an example of Foucauldian power/knowledge, in which a specific discourse associated with dominant actors 'shuts down' other competing accounts of reality.

Carter [2010] and Clegg [Clegg 1990; p159-159] have both given systemic accounts of a dynamic process in which extractive and entropic technologies, connected with a centralised, managed, pseudo-democracy are connected to private capital accumulation and unaccountable competition in a self-reinforcing process. The similarity in their approaches may not be coincidental. There are significant advantages in seeking to identify circular processes in which each element feeds into the other elements. It helps to explain the persistence and resilience of patterned behaviour; it allows for alternate systemic processes to arise in competition with the dominant culture; and it highlights the congruence between activities that are on the face of it unconnected.

The diagram here is a synthesis of their similar but slightly different system diagrams [Dobson & Lucardie 2002; p44] [Clegg, Carter, Kornberger & Schweitzer 2012; p402]:

Fig 3: Consultancy within wider power system



The role of management consultancies straddles economic relations (where they fix meanings arising from the complex transactions taking place in the wider economy) and innovations in discipline, production and extraction. The effect – beyond simply strengthening the hegemonic control of capitalist economic agents and standing conditions – is to empower the political forces that set agendas and control dissent, and hence to reproduce the very economic relations that they take as their justification.

Co-operative development bodies are no less involved in fixing meanings and innovating techniques for the purpose of stabilising economic relations: but they draw strength from different technologies, different transactions, and different agencies. By doing so, they can develop humane and ecologically benign productive relations, and empower grassroots, inclusive, internationalist and democratic political forces.

2.7 Power and co-operation

To understand how these systems of power are at work in the relationship between client and consultant, I need to bring together theories of episodic power and systemic power. Lukes framework of three dimensions of power, which describes episodic power in coercive, constraining and concealed modes, has become widely accepted but continues to generate

controversy over the possibility of a 'fourth dimension' – broadly speaking, one in which either Foucault's 'constituted subjects' and 'structured field of possibilities' comes into play [Hardy 1994; p230] [Horton 2003] or structural and complex 'systems of power' take hold [Clegg 1989]. Lukes has responded to this argument, and grounds his three dimensions in a functional approach to what power is: the frustration, intentionally or unintentionally, of the free pursuit of one's real interests. This draws on Spinoza's distinction between two forms of power: *potentia* ('natural power' - capacity to act) and *potestas* (domination and control); Lukes regards the former as free capacity and the latter as the subset in which that capacity is used to dominate [Lukes 2005; p73]. Only *potestas* is relational and of consequence for others; *potentia* is entirely local, just the power 'to be'. If a fourth dimension of power is described as one that so structures our everyday discourse as to leave no space for resistance (for example Hardy writes that "Groups trying to resist a strategy may inadvertently reaffirm it... the web of power relations is so pervasive, all actors are captured by it... the prospects for empowerment are limited" [Hardy 1994; p232]) then 'freedom' and 'real interests' do not exist and the presence of power in a relationship, or over an outcome, would be trivial and unremarkable.

In practice, many political activists have not understood *potentia* as the absence of power, but as power of a different sort – one that is no less creative and structured than *potestas*. Both can be seen as forms of power but forms with different characters and ethical implications. This is best expressed in ecofeminist literature [Starhawk 1989; p9] and in radical psychology [Fromm 2013; p394], as well as the early writing on management of MP Follett [Clegg, Hardy, Lawrence & Nord 2006; p761], in which 'power-to' is seen as 'good' power, and 'power-over' as oppression and exploitation. From the outset, the co-operative movement has had emancipatory objectives and for many CDBs the empowerment of clients is an explicit objective [Empowerment 2017].

This begins to answer Lukes' objection to systemic power: the absence of domination contains not one but two counterfactual possibilities – one is *potentia*, or power to, and the other is passivity, apathy, and the surrender of responsibility. So the trust that a CDB worker seeks to build with their client is not simply opting out of power, but instead establishing a contrasting system of power: the win-win strategy that trust exemplifies is a process of empowerment. Equally, rather than the absence of trust we should perhaps instead see the presence of a system of power/knowledge having the character of power-over.

Trust and power need to be distinguished because of the differences in outcomes when they are used to achieve co-operation [Lane & Bachmann 1998; p65]. In both cases, meanings are shared and partners may be nominally autonomous; but the use of a zero-sum strategy with a winner and a loser means that meanings are distorted or imposed for the weaker partner, and behind a

facade of trusting co-operation there is loss of independence (and hence responsiveness) and the potential for referred conflict and resistance. However, when there is a positive-sum strategy at work – a dynamic of empowerment – trust between client and consultant becomes ‘power-full’ and successful co-operative development can take place.

2.8 Trust in business relationships

Trust between advisor and advised comes with the problem of asymmetrical information – clients find the procurement and quality control of these services unusually difficult [Bennett & Robson 1999]. Lane and Bachmann [1998; p3] suggest that trust has three elements – interdependence, management of risk and uncertainty, and the expectation that vulnerability will not be exploited. These could be calculative, with rational actors observing patterns of behaviour and weighing up the likely costs and benefits of trust in the light of the experience of trustworthiness – this reduces transaction costs and accelerates transactions, and so natural selection will tend to favour techniques and skills that establish trust. Alternatively, trust may arise from a perception of shared norms and values. In this community-based view, we trust because we believe the other party to be like us in crucial respects and so having interests not easily distinguished from our own and patterns of behaviour congruent with our own.

Distinct from both of these is cognition based trust, which draws heavily on the actor’s experience of the world in which they live and the expectations that they have formed about how it works. Trust arises from the regularity and normality of certain sequences of events; even with imperfect knowledge about the other actors involved, habit and routine give rise to an unreflective trust that features of the social order will be maintained. The existence and significance of institutions is particularly important in this view [Lane & Bachmann 1998; p12]. The central idea in co-operation – that of solidarity – is arguably a special case of trust in that it is trust expressed through organisation, membership and explicit association [Gherardi & Masiero 1990] but we may assume that it too has calculative, community and cognitive elements.

These different perspectives can be combined in a multidimensional way, and the mix of mechanisms at work will vary depending on whether we are considering trust in an individual, in an organisation (and whether it is large or small), or trust in an impersonal and abstracted sense – systemic or societal trust. Sako [Lane & Bachmann 1998; p94] looked at whether five different applications of trust contributed to business performance:

- contractual trust (in which promises are expected to be kept in spirit as well as in letter)
- competence trust (in which performance is expected to be high and information accurate)
- goodwill trust (the expectation of partners exceeding their obligations)

- fairness trust (depending on fair and reasonable behaviour in all circumstances)
- vulnerability trust (confidence that there will be no opportunist exploitation of potential weakness)

The research found some support (though in different ways in different settings) for the hypothesis that trust boosts performance – and in particular found that goodwill trust, rather than legalistic agreements, was the most effective. It could be enhanced through various forms of gift-giving – for example, information sharing [Lane & Bachmann 1998; p108].

Yet another way to categorise trust comes from Gherardi and Masiero [1990; p 563] who distinguish between global and limited trust. These correspond to some degree to Lane's community / cognitive distinction, but arises in the difference between trusting a relationship on the one hand, and trust focused on the rules and norms which govern the actual exchanges that take place within those relationships. Global trust dominates in poorly structured, informal settings where shared values and identity provide the strongest basis for expectations about other's behaviour. In a more formalised, ordered and established setting, these global ties persist but carry less importance because most critical exchanges are explicitly negotiated and governed by rules. They are limited in the sense that they can be relied upon only in matters that the rules address, and they do not support intense emotional commitment; but because they can change, and conflicts can be resolved, without challenging the values and identity of participants, they allow for the growth of heterogeneity, division of labour, differentiation and organisational adaptation – all things that must happen as co-operative enterprises grow and increase their productivity [Gherardi & Masiero 1990; p 566].

Can limited trust be reconciled with goodwill? Openness and information sharing are co-operative values, and structured relationships can foster goodwill if open-ended rules or loose norms enable rather than stifle creativity and mutual aid. The recent development of 'relationship marketing' in which trust is cultivated as a driver for contracts, has been successfully employed when customers have long term potential for beneficial contracts [Johnson, Clark & Barczak 2012]. The high-cost, loyalty building 'relationship marketing' approach builds goodwill through gift-giving over a period of time but then uses that to facilitate formal contracts. Business to business services (and CDB clients are, in general, either businesses or on a path to forming a business) now commonly use relational approaches to marketing because a minnow today could be a whale tomorrow. Coviello, Brodie, Danaher and Johnston [2002] propose 'database', 'interaction' and 'network' as the three main approaches. Network marketing is particularly interesting as it implies a common culture or purpose among a group of businesses, which is

nurtured by the marketing business and used to define a highly specific product; this is very much what CDBs are in the habit of doing.

Trust is a resource for building collaborative networks, but it is also an outcome [Lane & Bachman, 1998; p 37]. Trust, solidarity and empowering networks create a bond between client and provider that is both authentic (in the sense of establishing and reproducing a progressive practice) and functional (in the sense of creating value and reinvesting that value in a continuing practice). These theoretical tools provide an agenda for investigating the relationships between CDBs and clients: as the point of origin for new co-operatives and growth in the co-operative sector; as a critical node in the networks formed by co-operatives; as a practice constituted by, and reproducing a system of empowerment; and as a formal or informal expression of trust and solidarity.

But, as with collaboration, trust can introduce costs and inflexibilities and become an obstacle to development: for example, the excessive 'blind' trust in the German *Berufsarbeiter*s (craftworkers) led to a lack of basic innovation in the construction industry [Lane & Bachman 1998; p 210]. Trust relations for the co-operative movement should not be blind, or concerned with preserving an established body of knowledge; but rather should operate in the limited, formalised form where clear benefits and goals are identified; and in the global, social-capital form only to uphold the movement's defining characteristics (as distinct from the practical applications of that definition).

3. Methodology

The goal of this study is to explain the development of CDBs in the UK since the studies of the early 90s. I will employ a critical realist viewpoint, which acknowledges both the reality of CDBs as entities in themselves, as well as the subjective experiences of the people involved. This allows scope for systems thinking to identify evidence for the presence or potential of positive and negative feedback loops in co-operative development.

3.1 Critical realism and systems theory

Critical realism has a number of features that make it an appropriate methodology for a study of this sort. Given that the objects of study are agencies engaged in co-operative development, rather than simply individuals, broad social structures or macro-level economic units, it is implicit in my research question that these agencies are in some sense 'real' and have a life of their own. To treat them as an effect of certain cultural practices (as an interpretivist approach might) or an accumulation of material transactions (as a positivist would see it) would not do justice to the

intention of their founders and participants – to create an enduring, dynamic and purposeful organisation. Critical realism treats such entities as real in the sense that they make a difference – they are consequential and whatever factors may have contributed to them, they have emerged to have properties greater than the sum of their parts [Edwards et al. 2014; p16]. The reference to emergence indicates the close connection that CR has with systems thinking; both deal in ideas of holistic causality in which reduction to individual, self contained causes is not regarded as an adequate explanation for any phenomenon.

3.2 Explanation through retroduction

Retroduction is the source of insight in CR: resolution of a complex phenomenon into distinct components; developing explanatory principles that can successfully predict these past outcomes; elimination of alternative explanations; identification of the generative causes that have given rise to the features of the case at hand; and then a final stage of correction in which in the light of the new explanation the case and question are reconsidered [Steinmetz 1998; p180]. In this study, the explanation being sought is how relationships support some CDBs and undermine others.

In dealing with a social science enquiry, there is necessarily an open system at work, giving rise to complexity and emergence - CDBs do not operate in isolation from other business advice services, other third sector agencies, shifts in political culture and change in the wider economy. So rather than seeking proofs, reproducible results or laws (understood in the deterministic sense), CR proposes that we look for mechanisms that explain outcomes (elements of which may then provide material for further enquiries, but which cannot reliably predict outcomes in other contexts) [Edwards et al. 2014; vii].

An alternative to CR might be a positivist approach, which would use the power of statistical analysis of numerous observations to establish reproducible outcomes. However, the importance of context in an open system makes the limited amount of data available hard to treat as a single homogenous set; and close and detailed examination of unusual and distinctive cases may demonstrate that an outcome is possible under certain circumstances – a systemic potentiality – raising the possibility that it may not remain exceptional and anomalous in future [Edwards et al. 2014; p24].

I will use a mixed methodology. This result from two features of the study: the real object of study, and what I hope to learn about it [Edwards et al. 2014; p242]. To learn about CDB / client interactions, I need to assess whether there are patterns in the outcomes from work carried out all over the UK; and how the interactions arose at a human scale. The purpose of extensive

surveying (extensive being a better term than quantitative in the context of mixed methods) is not to establish facts, so much as to categorise and differentiate the field of enquiry to highlight subjects for more intensive (qualitative) study [Edwards et al. 2014; p243].

Hammersley [Bryman & Bell 2015; p482] also suggests two other ways in which intensive and extensive methods may aid each other. They can be used for triangulation, where a different perspective on the same problem may confirm or contradict the findings of an initial study. Additionally, methods may be used in complementary ways to shed light on distinct but related aspects of a problem. My aim as a realist researcher is to create a nuanced picture that is neither simply a finding of purported statistical significance nor a set of anecdotes of uncertain importance but rather an exploration of the way that causal mechanisms operate in their contexts [Edwards et al. 2014; p26].

3.3 Survey method

Co-operatives UK has facilitated access to a network of around a hundred respondents who have at one time or another been co-operative development workers who I can ask to complete questionnaires detailing their experiences of CDB financing, income, cost structure, outputs and outcomes.

The questions covered the dates the practice covered, and the name, size and remit of the CDB (data about the history and form of the CDB itself were compiled from public records, and then the name was coded); the respondent’s career path and the benefits gained from being part of the CDB; the CDB’s income, services and financing; the reason for clients coming to the CDB, communications with stakeholders, and forms of engagement; the CDB’s approach to evaluation and community relations; and the outcomes and impacts, as assessed by the respondents.

Question	Allowed responses
In which CDB did your practice take place?	CDB name. Three respondents completed the survey twice in reference to two different CDBs they worked for.
What were the start and end dates of your involvement?	Year started; year finished.
What type of CDB was it?	Eight options ranging from the simplest to the most structured forms of governance.
What remit or area of work did it cover?	Geographical area; industrial sector or trade; skill or service; local group; generalist; other

	(please specify)
How large was the team you worked in?	At its largest (number); At its smallest (number)
Year CDB formed (and dissolved)	[assembled from Companies House / FCA data]
About my relationship with the CDB	Ten options (eg 'The CDB supports my personal and career development'). This and all subsequent questions included an open field.
What were/are the CDB's sources of income?	Fourteen options (eg 'Commercial contracts with co-ops'). Three levels for each: incidental, significant, critical.
Within your CDB (not just your own role) what kind of work with co-ops has been typical?	Ten options (eg 'Financial services, accounts and payroll') with five levels. Shortly after the first responses came in, it became clear that group skills and HR was being cited by more than one person in the open field; they were added to the list of options.
Where did finance to support growth / cashflow come from?	Eight options (eg 'Sweat equity / deferred pay from workers'). Three levels for each.
What forms of communication with stakeholders did your CDB adopt?	Thirteen options (eg 'Website'). Three levels for each.
How has your CDB evaluated and reported on its effectiveness?	Eight options (eg 'Formal social accounting or social audit'). Three levels for each.
What kind of relationship did you find you had with clients?	Eighteen options (eg 'CDB exerts moral leadership by upholding co-op principles'). Three levels for each.
Why do you think clients chose to work with your CDB?	Twelve options (eg 'Clients were advised by other agencies to approach CDB'). Three levels for each.
What kind of support have you had from the wider community?	Eight options (eg 'Premises / meeting rooms'). Two levels for each.
Did your CDB expand or contract over time?	Eight options (eg 'Profitability'). Four levels for each.
What do you consider your main achievements with this CDB?	Ten options (eg 'Social impacts and outcomes').

From the responses given, I could begin to build up a picture of the main features of the sector. However, in order to capture the relative strength of a particular professional practice, I needed to aggregate results from all the questions that related to that practice. So, for example, the

extent to which a CDB displayed financial success was the total value of responses to three options in 'Did your CDB expand or contract over time?' and two options in 'What do you consider your main achievements with this CDB?' The advantage to totalling responses in this way are that: thematic questions that could not be asked directly can be inferred; individual responses carry less weight, reducing the chance of misunderstandings; the distribution of responses begins to approach a normal distribution, making the identification of interesting outliers easier.

3.4 Case study method

The second stage was to use some of the categories established in the survey to identify suitable candidates for case study research. I decided to investigate multiple cases, so as to be able to make comparisons - to draw out why outcomes may arise from one system but not another – and to test ideas through replication, contrary replication and elimination of alternative explanations [Eisenhardt & Graebner 2007; p27].

Convenience did inevitably play some part in case selection [Bryman & Bell 2015; p105]; within a multiple case study approach, there are still similarities and differences that can allow different forms of theory testing but the nature of the theories that can be developed and verified will be constrained by the requirements of convenience.

Engaged scholarship will often – perhaps always – involve interventions designed from a personal position – in this case my role as the lead development worker in SCS CIC, itself a CDB. In that sense it will not have the level of abstraction and objectivity that would be preferable from a positivistic perspective. However, the same tests for validity can still be applied: did the conclusions follow the intervention, rather than preceding it, and do they arise from the evidence? [Edwards et al. 2014; p205] The participants in the case study are mostly practicing co-operative development workers, but also those who have in the past practiced co-operative development work but for whom that practice came to an end. There may be much to be learned from experiences that include an ending, as well as from settings in which practices are sustained.

The characteristics of the case studies are described in this table. For each interviewee, I have included a quotation that references the problem under investigation: the decline in co-operative development as a practice involving a relationship between a development worker and one or more clients. I have also included a description of mission statements, where available.

Table 1: Case selection

CDB description	Reason for inclusion	Interviewee / source
<p>[CDB34] covered a county in the south of England from 1989 to 2009. A company limited by guarantee with corporate service user members (changing to individual membership in 2004). Its reserves peaked at around £60k in 2006, but it was insolvent on dissolution. Its mission statement identified clients as 'co-operatives and social firms' and offered them help, guidance and support.</p>	<p>An example of one of the earlier generation of CDBs that collapsed in the 00s despite considerable success prior to that period. It is the only case to have had a loan fund available to its clients.</p>	<p>I1: worked in the CDB during its more successful period, leaving in 2006. I2: a worker in post at the time of its demise. "It's ok if no actual co-ops start, or grow, in a measurable way because the change is happening in individuals... Very hard to think of a piece of work that was successful"</p>
<p>[CDB6] is based in the north of England, registered in 2002 as a workers co-op society following the collapse of a CDA. It had a turnover in 2016 of over £100k (slightly down on previous years) and reserves of £20k. Their website describes them as 'working with co-operatives' new and established, including consultancy, training, investment readiness advice and operational support.</p>	<p>Selected as an example of a more recent worker co-op CDB providing consultancy over an extensive area.</p>	<p>I3: a founder member who is one of three working in the CDB. I4: a founder member who is one of three working in the CDB.</p>
<p>[CDB15] is based in a city in central England. Formed 1982 with company limited by guarantee rules that require half the members of the board to be the nominees of co-operatives (other members may include staff, funders and local supporters). It's reserves are £50k having peaked at over £300k in 2012; turnover is thought to be in the region of £300k. Website offers free, professional advice for social enterprises as well as other services that promote financial inclusion.</p>	<p>Selected as an example of a long established CDB rooted in a location and with control shared between groups including users and funders.</p>	<p>I5: a senior member in a team of 12 staff who has been with the CDB for 15 years. 'I can't remember the last time we independently set up a co-op.'</p>

<p>[CDB18] had a turnover of £700k in 2016 and reserves of £5M (£400k unrestricted). It has a membership of 80 service users, from which a board of at least 12 is elected, including fixed numbers of representatives from various 'interest groups' including staff, trade unions, community groups and local businesses (typically social enterprises renting from the CDB). Their mission statement focuses on co-operative values and expresses a wish to work locally with people sharing them.</p>	<p>Selected as an example of a long established CDB rooted in a location with a large community membership which has developed workspace in addition to offering business advice.</p>	<p>I6: one of ten staff, and the lead social enterprise development worker. 'It looks like a property development company... social enterprise advice is a tiny part of what we do... 10-15% [of those enterprises] are co-ops'</p>
<p>[CDB7] is registered as a co-operative society with worker co-op rules, having converted in 2009 from the company limited by guarantee registered in 1989. It's members are dispersed across the south of England. Turnover was £150k (2005) but in 2016 was £60k. Reserves fell from £5k to -£10k (financed by sweat equity). Mission statement: assisting the development of co-ops and social enterprises, and embodying best co-operative practice.</p>	<p>Selected as an example of a long established worker co-op CDB that has made some use of equity or quasi-equity investment.</p>	<p>I7: a former member of the CDB, at a time when it had up to 7 members. I8: a long standing and current member of the CDB; now one of 5. I9: a recently joined (5 years) member of the CDB.</p>
<p>Somerset Co-operative Services CIC (SCS) was launched in 2003 as a workers co-operative and in 2007 converted to a community interest company with corporate members who were users or prospective users of its services. In 2016 its turnover was £59k, somewhat down on previous years, and reserves were -£18k (financed by full risk social investment). It's mission statement is 'to promote co-operative principles, to establish new social enterprises and enable them to work together for sustainability'</p>	<p>Convenience; also an example of a more recently formed federal CDB that has made use of social investment, begun to develop some workspace, and adopted long term reciprocal arrangements with its clients.</p>	<p>Myself: a founder member who is presently the sole full-time worker in a team of three at the CDB.</p>

The interviews were conducted on average over an hour: one (I5) face to face, the others via an online video or voice link. I used a set of standard open ended questions to prompt reflection (for example, 'what does development mean in your CDB?'). In order to avoid leading or provoking responses, none of the questions mentioned client relationships, trust, professional practice or networks. After transcription, themes that were emerging from the literature and the survey were used as the basis for systematic coding by concept [Bryman & Bell 2015; p430].

4. Research findings

The findings are organised according to the main themes that emerged in the course of the study relating to the research question. The interviews revealed a strong focus on partnerships and **networks**, but divisions and complex feelings around loyalties and allegiances; this forms the first theme.

The second theme was suggested by the desk research into the cases, and the analysis of decline in the sector; **anxiety and financial stress**.

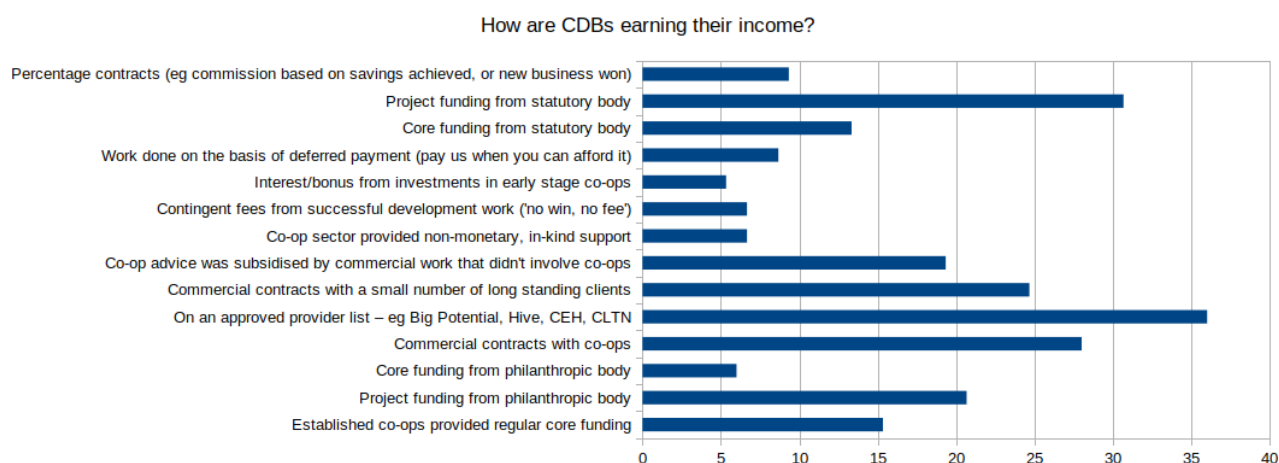
Trust, mistrust and solidarity emerged very clearly from the interviews as a recurrent theme. **Solidarity protocols** were observed principally in the survey data as a noteworthy trend among a minority of CDBs; this was an interesting link to the international literature.

Accountability was a theme that was identified in the quantitative survey data, and could be further explored in the case studies. Finally, **professional practice** was noted in the literature review and confirmed as an issue by both the intensive and extensive research.

4.1 Networks and allegiances

The first place to start in understanding the position of CDBs in relation to other actors in the economy is the sources of income that they rely upon.

Fig 4: Sources of income



Clearly, various forms of grant funding dominate; few co-operatives are paying for their own (or other co-ops) support. This is in one respect a positive sign – the co-operative movement is extracting the funds for its own development from the mainstream economy – but in another

sense it means that CDBs have multiple audiences to address and impress. Their attention is necessarily split between their clients, and their funders.

When CDB workers discuss the connections that they have made and the circles they move within, there is a distinction firstly between those that are within the co-operative movement (ie clients or potential clients; both the subjects, and also the object, of their work) and partners, agencies and authorities who it is felt might open doors or release funds. Typically the reference is positive – the partner is ‘valued’, ‘movement’, ‘preferred’ or ‘around the table’; occasionally it is negative, denoting either a sense of exclusion from a network or a distaste for it being necessary to be part of that network. Key words and phrases here include: ‘not on their list’, ‘stakeholders? Not really’, ‘competitor’. This table shows how the interviewees used these phrases.

Table 2: Allegiances

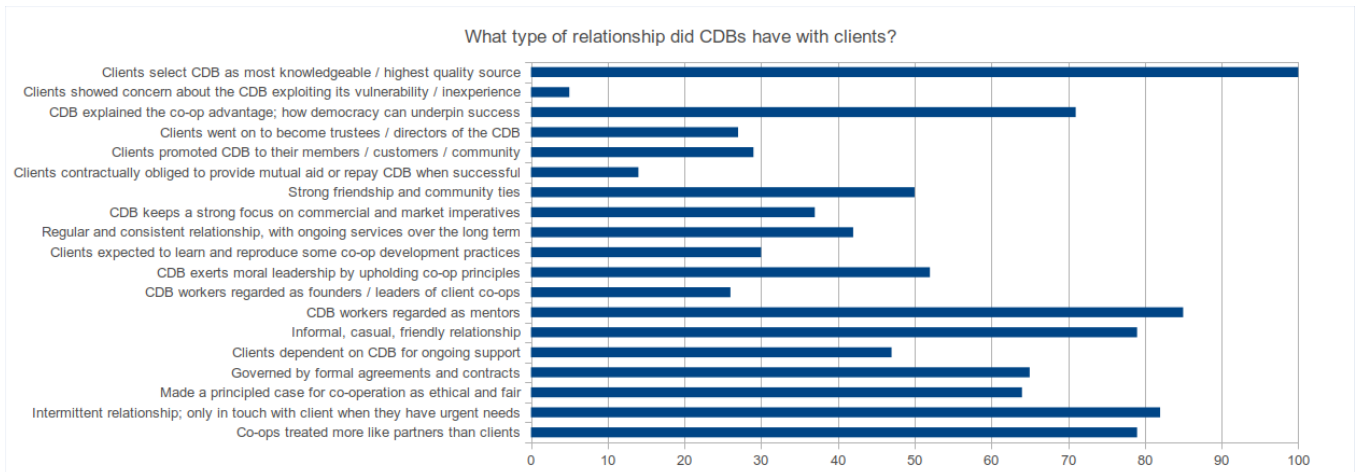
		Co-ops and co-operators		Other agencies and actors	
		+ve	-ve	+ve	-ve
CDB 34	11	9	1	9	
	12	2			1
CDB 6	13	4		3	1
	14	3	3	1	2
CDB 15	15	3	2	6	1
CDB 18	16	8	1	4	
CDB 7	17	5	2	3	1
	18	3			1
	19	3	1	2	1

There is a mostly consistent pattern of networking within the co-operative movement being stronger and more positive than external networking; however, it is far from uncritical and it is clear that connections beyond that sphere are almost as highly valued.

The exceptions are CDB 15, which appears more committed to wider third sector bodies than to the co-operative movement; and CDB 34 which (before its demise) appears to have also made a strong commitment to networking beyond its main stakeholders.

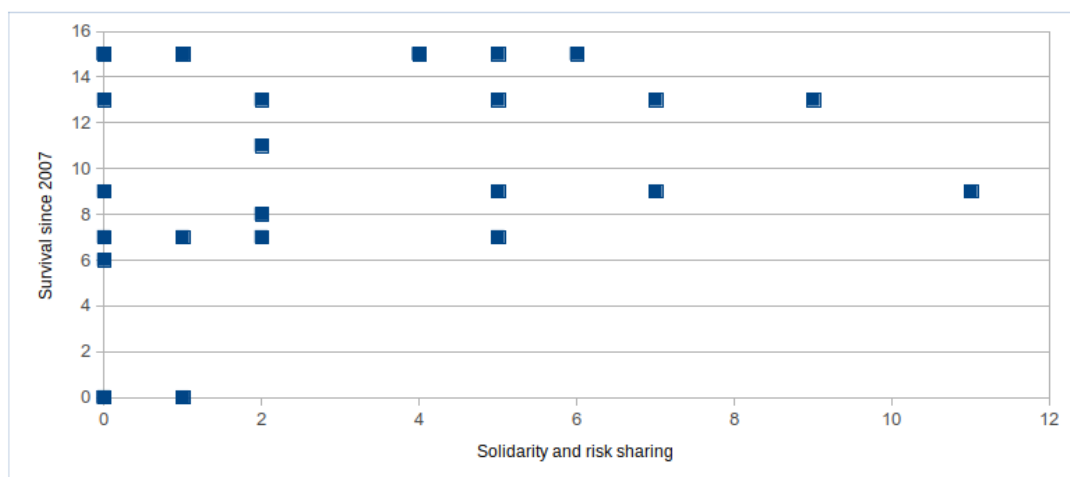
We can explore this further in the survey results in which we asked about relationships with clients:

Fig 5: Relationships



This suggests that expertise and experience are vital to the client relationship; solidarity relationships, and close involvement in the development of the co-op business idea, are rare; though it is quite common for some sort of partnership to form between client and CDB. No less common is an intermittent relationship where the client is only in touch when they have a specific problem to solve. Interestingly, there is a weak correlation between some unusual relationships and the more successful CDBs (in terms of financial health and survival) such as clients being contractually obliged to repay support with mutual aid later on; or clients actively promoting the CDB in their community.

Fig 6: Solidarity protocols



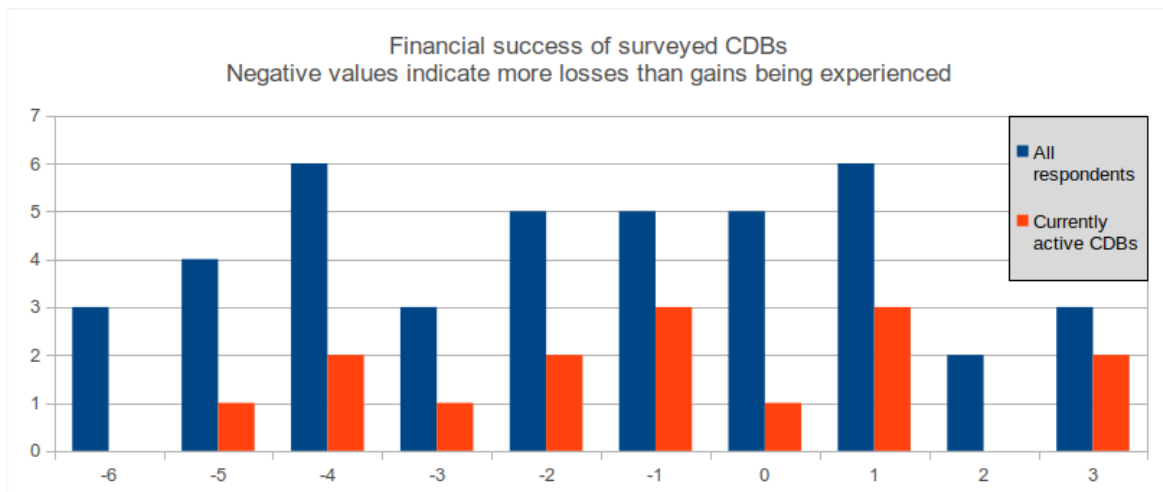
At the same time, very common relationships such as intermittent contacts and participation in networks and partnerships were negatively correlated with CDB resilience. This may indicate that the distinctive relationship between CDB and client is diluted or lost when the CDB is part of a network or local partnership; that the difficulties of collaboration without shared co-

operative values outweigh the benefits; and that regular, authentic contacts are necessary to create a productive and profitable relationship.

4.2 Anxiety and financial difficulty

Another concept that was coded in the interviews was that of financial anxiety and insecurity; most of the interviewees, unprompted, provided numerous phrases that referred to difficulties in the CDB causing suffering for the people involved: ‘redundancy’, ‘ran out of money’, ‘didn’t get any pay’. The survey data also reveals signs of deep seated problems:

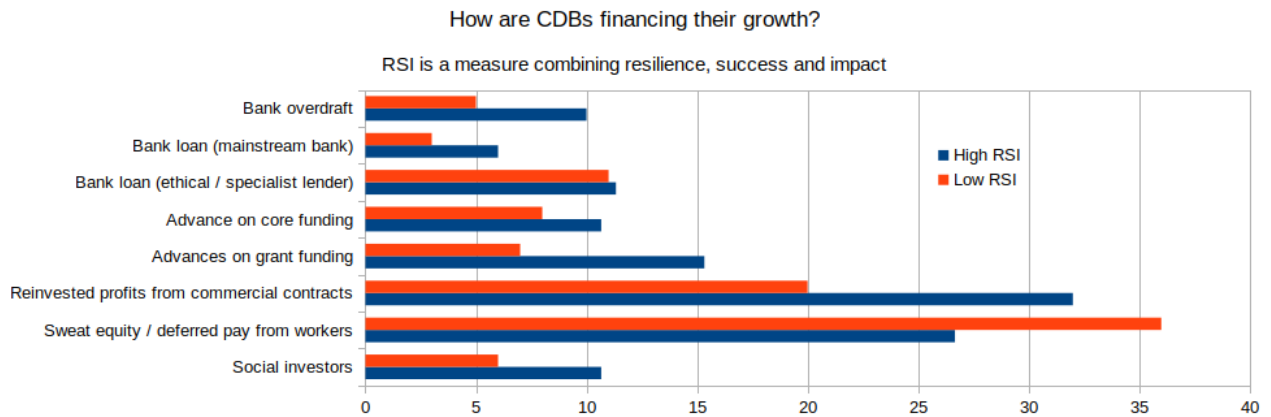
Fig 7: winning or losing?



Any score less than zero indicates overall decline across three areas – profits, turnover and range of clients. On this basis, the winnowing of the co-operative development movement is far from over – the majority of CDBs are still contracting (9 out of 15), with only two reporting significant growth.

One issue that might have a bearing on this is the access to finance that CDBs can count – both in that it protects them from cash flow crises and enables them to invest in assets and capabilities that allow them to generate profits or improve productivity. The survey data showed some interesting contrasts between more and less successful CDBs:

Fig 8: Finance and investment in co-operative development



The higher performing CDBs seemed to be significantly more likely to access finance from social investors, reinvested profits and loan finance. They did not rely so heavily on sweat equity.

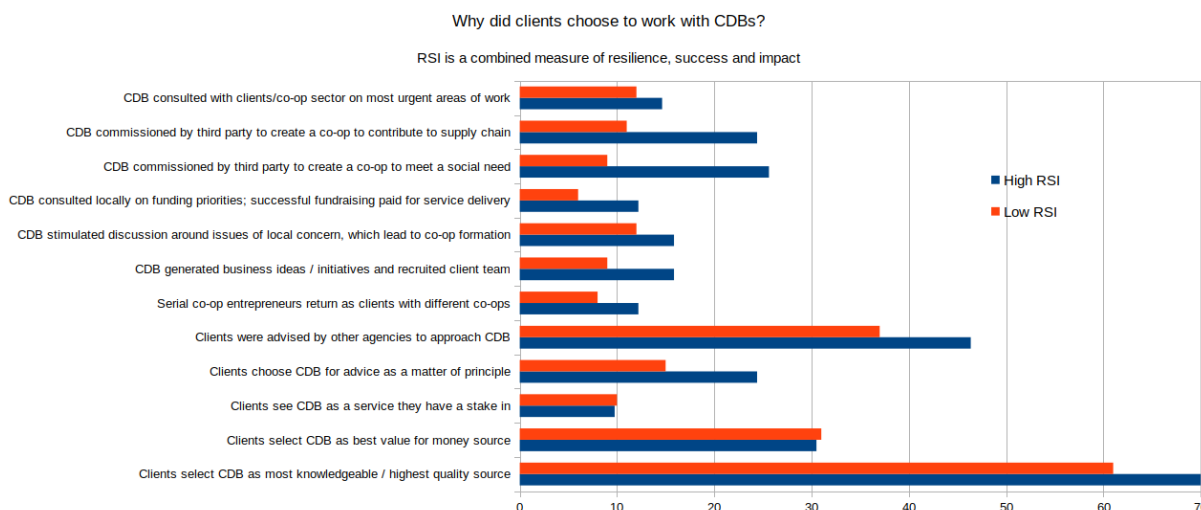
However, among the case studies there were two respondents who did not report any real financial stress. 16 did not make any reference to financial problems, and even offered an explanation: ‘get hold of properties. Not just to provide income, but simply to provide some stability’. The asset-backed strategy they pursued seems to provide a much less stressful working life. CDB15 is also of interest as – while there is concern about a lack of recent pay rises - 15 highlighted the security that staff enjoy, several having served for more than a decade.

This has a bearing on relationships with clients: can they trust that the other party will continue comfortably in their role? Signs of distress may lead other actors to think this person, and this role, are not to be counted on. Signals of permanence reassure. Several interviewees noted the co-operative movement’s historic problem with undercapitalisation, and that solutions have been found by CDBs for energy co-ops, co-operative pubs, business succession co-operatives and housing co-operatives [Brown 2015]: on the evidence of this study however, few social enterprises are as undercapitalised as CDBs themselves.

4.3 Trust and solidarity

In the survey data, it is possible to distinguish between those CDBs that have some kind of independent governing body, distinct from the development worker(s) themselves. This does seem to make a difference to how trusted they are – for example, there are differences in the relationships with clients:

Fig 9: How clients came to the CDB



We can see that the independent board seems to help with reputation and perceived quality, with more referrals and a higher estimation of skill. They also seem able to work more with serial co-operative entrepreneurs.

Table 3 shows the coding of trust in the interviews (*instances of mistrust in italics*).

Table 3: Trust and mistrust

Alignment of interests in CDB	12: 'they described me as 'the suit on their side' 17: <i>'conflict at work between [staff] benefit and social purpose'</i>
Vulnerability trust – will the client be exploited by the CDB? Community trust	'I have to work in the interest of the [client]' 19: 'they felt... a kind of solidarity from us'
Inter-co-op trading	14: <i>'We're meant to be co-operative business advisors, they're meant to be co-operative busin-esses... we should at least be on their tender list'</i>
Community trust in fairness	17: '... networking activities which help provoke inter-coop trading'
Confidence of clients in the CDB's skills	11: 'the co-op was very much a pro-active advocate for us ... <i>[how will clients know] that we can be trustworthy?</i> ' 14: 'Trusted advisor... people you come to with problems' <i>'CDAs were a mixed bag – some were run by people who really could advise.. and to be frank some didn't.'</i>
Competence trust, largely calculative, based on experience and reports.	17: 'you're the person people go to when they want to set up a co-op ... The piece of work ... gave them the confidence ... if the client... flourishes then they come back as a customer' Also 16 [0:38], 19 [0:30]

<p>The client as a trusted partner</p> <p>Competence trust, and is largely calculative, based on experience.</p>	<p>12: 'they knew what to do' 'are co-ops even willing to pay?'</p> <p>14: 'small, marginal, under capitalized co-ops ... most people in the worker co-op movement aren't that interested in [capitalisation] ... generally most groups are fairly responsible'</p> <p>15: 'we don't consider a startup until they've actually done something'</p> <p>17: 'if the the group you're working with aren't ready to do anything ...'</p> <p>19: 'The client can't pay at all ... people coming to co-ops from outside don't get it'</p> <p>Also 14 [0:26], 17 [0:03], 18 [0:21], [0:23]</p>
<p>Feature of the landscape</p> <p>Unreflective, cognitive trust in the competence of the CDB</p>	<p>15: 'We are just so well known ... we get an awful lot of referrals'</p> <p>16: 'I think the perception is that CDB18 will help ... we've always got clients coming to us'</p>
<p>Trust in the values of the other party</p> <p>Goodwill trust – based on community links and experience.</p>	<p>16: 'clients were not accepting any advice from conventional business advisors because of the culture gap, because you had to accept loads of silly values with them'</p> <p>17: 'they knew that we believe the same things that they believed in' also [0:20], [0:08], [0:23]</p>
<p>Trust in rules and norms</p> <p>Calculative, contractual trust.</p>	<p>11: 'co-ops members going well what's the point [in the CDB] yet there's no... tangible benefit'</p> <p>16: 'we would develop some... co-ops who have a membership relationship, where perhaps CDB18 has a share in the co-op...'</p>

For many CDBs there is no unreflective sense of being an established feature of the social milieu that people expect to expect to deliver certain services - though CDB15 and CDB18 both describe being the natural destination for new clients. This seems to result from being firmly rooted in their communities and having a degree of financial security. Otherwise, the CDBs seem to rely much more on calculative trust – a reputation for competence built on client testimonials – and community trust, a sense that the values and motivations of the CDB worker are aligned with those of their clients. This goodwill is regarded in the literature as valuable in business relationships, and it does appear from this evidence that there is a strong reliance on it between CDBs and their clients.

However, signs of mistrust and division are also very clear. There is some frustration that within the co-operative community, fair consideration for trading contracts cannot be counted upon; and mixed views about the competence of other CDBs. But much more pronounced is the lack

of trust in the competence of clients. No less than five respondents exhibited a lack of trust in the competence of clients to play their part in the relationship. This reflects a long established frustration with people who display apparent interest in co-operative enterprise, but are unwilling or unable to operate a profitable business, or grow the business so that others can share control.

Interviewees also did not identify many instances of limited trust [Gherardi & Masiero 1990], in which formal and explicit protocols provide security. Only CDB18, with its plans to create co-ops bound to the CDB through interlocking membership and profit sharing, made reference to this. 16 did not express any mistrust in client's competence, perhaps because of this move away from purist 'bottom up' development – the expectation that the CDB may have a role in the business model, and in the selection of participants in the new enterprise, may mean that that they are not as vulnerable to whimsical or poorly resourced clients. Other interviewees seem very much to be focused on global trust, and perhaps unsurprisingly find it hard to negotiate reliable, effective and appropriately rewarding contracts.

4.4 Solidarity protocols

Although interviewees did not make much reference to formalised trust relationships, the survey did include questions that address whether they might already be conducive to the effectiveness of CDBs. The questionnaire asked about a range of income-generating strategies, including four in which the CDB made its income dependent on the prosperity and success of its clients (each being scored 0, 1, 2 or 4): contingent fees ('no win, no fee'); earnings from investments made in early stage co-ops; deferred payment ('pay when you can afford it'); percentage contracts / commissions; clients obliged to provide mutual aid to the sector as a condition of receiving support. These are all limited trust relationships, as they rely on the client a) remaining in touch with the CDB for some time after the delivery of support; b) honouring an agreement with a range of possible outcomes; c) implementing the advice of the CDB so as to obtain its benefits. They also involve significant risk and challenge for the CDB, as they imply negative cashflow, variable and uncertain earnings and risk-sharing. The move from global trust to limited trust, governed by formal rules and explicit reciprocal terms, means that this mutuality is capable of being sustained as the co-op's membership and organisation changes and evolves.

Compared to years of trading by each CDB since 2007, the Pearson coefficient (where 0 is no correlation, and 1 is perfect positive correlation) for this is 0.26, and Sigma (2 tailed)=0.105 (that is, there is a slightly more than 10% chance that the correlation is pure chance); so this is at best a weak correlation. This may be because these high-trust strategies are relatively rare among all CDBs – 22 out of 40 respondents score zero. By contrast, the equivalent coefficient for co-ops

that were most reliant on core funding – a far more common practice, and on the face of it much less risky – is almost the same at 0.28; and those with a focus on conventional commercial contracts have a measure of correlation with post 2007 survival of just 0.18.

In the case studies, I3 said, “[A community wind farm] is a good example of how we work... we stuck with them when it looked dodgy” I1: “When the CDA was set up there was a very clear tangible benefit from being part of the CDA which is there's no other support that we can tap.” CDB18, with its plans to create co-ops bound to the CDB through interlocking membership and profit sharing [Table 3, bottom row], is considering steps in this direction. By contrast, respondent 4 said “Generally the client can't pay for the services they need”.

The highest survey scores for success-contingent payment came from the two respondents from my own CDB. Our marketing literature states “We provide free consultancy when there is funding available, and even if there isn't we can usually defer our costs until you raise your first start up finance”; the 2013 Annual Report p2 contains the following: “SCS's somewhat risky strategy of creating ambitious new start ups could actually pay off by both innovating in the green economy and supporting co-operative development work.” A significant part of SCS's assets in 2016 took the form of shares held in client co-operatives in lieu of cash payment. SCS finances this by raising social investment from a group of relatively affluent supporters with whom SCS has cultivated trust over a period of time. This model of finance has only been attempted by one other CDB (CDB7), and on a very limited scale. Co-operatives UK has also recently commissioned research into how profits from successful co-ops can be reinvested in co-operative development [Bird 2015; p26].

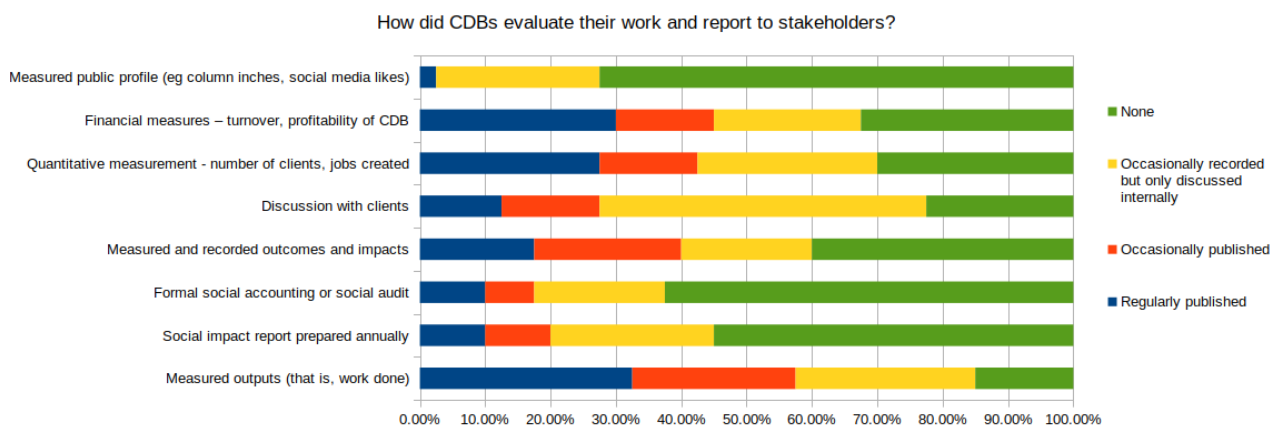
Overall, it would be fair to say that among UK CDBs these interdependent relationships with clients are experimental and cannot be said to have proved their effectiveness. Equally, however, relationships copied from the funded and professional services sectors have not provided any more of a basis for sustainability.

In a global context, however, the case for building upon these experiments becomes stronger. The most successful models of endogenous co-operative development, such as Mondragon and Emilia Romagna, exhibit strong trust relationships recipients of support are bound into long term commitment to co-op support organisations, networks and mutual aid practices [Bajo & Roelants 2011; p221]. Trust is not a matter purely of goodwill and altruism, but to a considerable degree is the security that emerges from protocols fixing interdependence.

4.5 Accountability

The survey data shows that monitoring, evaluating and reporting of the CDB's performance is at best patchy. In many cases data is not collected at all, and it is rarely published for the benefit of stakeholders. The overall impression is of organisations that do not feel they have anything to gain from justifying their existence.

Fig 10-: Evaluation and reporting



Solidarity between CSO and client is hard to achieve unless the CSO is seen to be actually or potentially responsive to the needs of the movement, rather than the predilections of board members or the self interest of staff. In the questionnaire this was measured through a number of questions that related to accountability, as shown in this table:

Accountability of formal registered legal and organisational structure	1=Workers co-op (employees with regular work) 2=Trust (selected board members, non-executive) 3=Community Co-op (fully open membership) 4=Federal (open, corporate membership) 0=Other
The CDB adds credibility / legitimacy to the work I do.	0=No 2=Yes
The CDB provides line management and accountability.	
Communication with stakeholders by regular newsletter	Each scored 0 – 4.
Communication with stakeholders by regular network events / CDB AGM	
Communication with stakeholders via other network (eg chamber of commerce, transition town...)	

Communication with stakeholders at events / fora staged by clients (eg co-op meetings, AGMs, public events)	
Social impact report prepared annually	4=Regularly published
Formal social accounting or social audit	3=Occasionally published
Measured and recorded outcomes and impacts	1=Occasionally recorded but only discussed internally 0=None
Regular and consistent relationship, with ongoing services over the long term	0 - 4
Clients went on to become trustees / directors of the CDB	

As a result, accountability is an aggregate of a number of different practices and structures; most CDBs employed at least some, and none achieved the maximum score.

The correlation between accountability and post 2007 survival is very weak – only 0.17 – but a broader indicator of success shows a stronger correlation. When self-assessed social impact (scored from -1 to 8), improvement in financial performance (scored from -2 to 6) and survival post 2007 (scored from 0 to 5) are combined, the correlation with accountability is 0.36, with sigma (2-tailed) of 0.024. This result is significant at $p < 0.05$ (ie less than 5% chance of the correlation being chance alone); strengthening accountability may explain at least some of the health and effectiveness of CDBs.

I2 suggests that ‘Market making as a CDB is easiest for those structured as community co-ops, harder for worker co-ops, and very hard indeed for a freelance consultant.’ [I2; 0:20] Spear [2006; p 407] gives another example: ‘it was not an one-way generation of social capital, for example, in TR, it was felt that earlier support should be repaid [by] serving on the board of the CDA.’

However, there are other possible explanations – the longer established CDBs have simply had time to do more, and develop more complex systems. Also, the worker co-op CDBs who do not, for the most part, have systems of accountability outside the worker team, tend to be more recently formed and hence may simply have had less time to develop a track record. When CDBs that have no structural accountability (the worker co-ops, partnerships and freelancers) are eliminated, the correlation remains but is weakened to 0.26. This needs to be further investigated through the case studies.

As might be expected, the two CDB cases structured as worker co-operatives differ markedly from the three bodies with non-executive boards. In the workers co-ops, there is a strong sense that, insofar as it is an issue, they are accountable to the team, and then, through market relations, to the customers ('it's about customer satisfaction, essentially' [I8]; '...if you're speaking to [CDB10] you know, they've got a board of genuine stakeholders. ... we do have a close working relationships with other organizations ... Are they stakeholders in [CDB6]? Not really' [I3,0:45]).

[CDB34] interestingly changed its structure away from user control to a board of trustees a few years before its demise. There are some references to this in the interviews: 'I started to take an increasingly pragmatic approach ... which was to manage [the board] around what I felt would be in the best interests of the agency...' [I1; 0:04] '[Performance and profile] was important to the people we relied upon – not the board...' [I1; 0:14] 'The board was very weak on performance management... So in theory all local co-ops and suchlike would be eligible to be in membership of the C.D.A. I updated the articles quite quickly' [I1; 0:34]. I3 offers another example of a defunct CDB lacking accountability: 'I'm not sure [CDB49] was rooted in the community ... it was [QUANGO] controlled really they weren't interested in having an democratic input from co-ops or clients'

While it is not possible to say that scepticism about the worth of the accountable board was to blame for the eventual collapse of either CDA, I1 interviewee clearly did not respect the viewpoint of the board or even think they represented people that they 'relied upon'. Another interviewee, who has worked in both types of CDBs, worries that clients may not fully trust the worker co-op CDB: 'there was actually, an internal conflict perhaps between being a worker co-op ... making profits, distributing them back to members; and then being a co-op development body which you'd expect to be a bit more about social purpose, mission.' [I7, 0:02] It is however not uncommon for worker co-op CDBs to deliver advice and support under contract to community CDBs, which goes some way to resolving this conflict [I7; 0:31].

Other respondents who have implemented accountability are more positive, but with reservations. '[We have a] board of governors [sic] which are from our own client base. We don't tend to advertise – we look for good people' [I5; 0:14] CDB18 is similar: 'there is a board of trustees, eighteen people. Largely representing... tenants, and... campaigners ... But there isn't as yet a feeling of democracy where there's a community which drives it... it is very very much staff driven. [The board] do occasionally notice what we're doing and question it, which is

good... we don't go out and say we we're looking for members, but we are thinking about doing that, how we should engage the community to drive us'. [16; 0:03]

In the case of SCS CIC, my experience is similar to these last two – a board which, though it might ostensibly speak for the wider client membership, is more hand picked than representative; an ongoing need for input and drive from the staff; and occasional interventions that challenge the staff to meet community needs better. The levels of trust are high in terms of goodwill and community, but tend to be more global than limited (that is, based on identity rather than evidence) and more congenial than operational. There is some evidence that these formal structures of accountability are supporting the survival and impact of the CDB by embodying relationships of solidarity, but in all responses this is described as a weak effect.

A further comment from II offers a clue why this might be: 'In theory, yeah, the members elected the board. But inevitably became a case of co-op's members going well what's the point... When [CDB34] was set up there was a very clear tangible benefit from being part of the CDA which is there's no other support... And that changed over time.' [11; 0:34]. The basis of limited trust between the CDB and its clients, a reciprocal exchange benefiting both parties, became eroded.

4.6 Professional practice

A key factor in the relationship between the development worker and the client is the profession, or practice, that both parties believe the development worker is engaged in. Following Foucault, we might say that by adopting the form and content of a particular practice, the worker becomes subject to specific disciplines, and structures of power; the client too then occupies their role in the structure and enacts corresponding routines and behaviours.

King [2017] writes about his own experience of being 'professionalised' as a non-profit practitioner by "technologies of performance," which include funding, and evaluation and monitoring procedures; and "technologies of agency," which involve the often subtle socialization mechanisms into the sector; similar experiences may also be present for co-operative development workers, though King's chosen social purpose is quite different. Diamantopoulos [2012](following Develtere) may be describing something similar in his categorisation of co-operation as thriving when it avoids polarisation towards 'idealism' or 'trading' in favour of a balanced 'social movement entrepreneurship' [Diamantopoulos 2012; p207]. This third category describes a stance that is drawing on the technologies of performance that co-operative sustainable development establishes; and contributes to the technologies of agency that fix the

rules and roles of solidarity – in turn leading to further sustainable development as in Carter's 'environmentally benign dynamic' [Dobson & Lucardie 2002].

The case studies reveal the sheer number of distinct, different practices that the interviewees say are taking place within their organisations: specialist consultant, local authority officer, property developer, trainer, business advisor, charity worker, back-to-work coach, hand holding, friend, activist, professional, researcher, subcontractor. Numerous phrases indicate concern or insecurity around professional identity: 'loss of focus'; 'expectations from some people'; 'a difference of opinion among staff [as to what the CDB] is about'; 'sometimes can be a problem'; 'there's pressures on us'; 'how far removed we've become from co-op work'; 'it's a really difficult tension'.

Some of this seems to result from opportunist strategies, seen as necessary just to stay in work: '[When starting out] we had no real idea what we were going to do, stick with, we were just bidding for everything' [17; 0:49] 'We're sometimes slightly driven by opportunism...' [15; 0:14]. Work specifically with co-operatives rarely presents as an 'opportunity' in this sense; other, better resourced or more widely recognised practices provide the more reliable income streams. I2 (among others) expresses concern about policymakers enthusiasm for social enterprise: 'I'm not sure if the focus on social enterprise caused the decline in the CDA's membership; I do think it reinforced it' [12; 0:05]. I5 says 'we haven't diversified beyond our brief, because that was really to help people who were economically inactive.' However, this brief itself seems like something of a departure for an organisation founded as a Co-operative Development Agency. It is, however, a brief that is 'fundable' - a social need that is not hard to prove.

A critical issue mentioned by most interviewees is the increasing interest in 'social enterprise' at the expense of co-operative enterprise. The two are acknowledged to have a considerable overlap, but the imprecise and confusing definition of social enterprise [<https://www.socialenterprise.org.uk/what-makes-a-social-enterprise-a-social-enterprise>] has led to fear that the emancipatory practice of co-operative development could be contaminated by commercial values [16,0:33] or simply neglected [11; 0:15]. However, there is an acknowledgement that some innovations from social enterprise are valuable (I8 cites impact reporting), and that many are as empowering for their communities as co-operatives [11,0:15; 16, 0:35]; all the cases actively seek social enterprises as clients. I2 expresses a widely held concern about the resulting loss of identity: 'I'm not sure if the focus on social enterprise caused the decline in the CDA's membership; I do think it reinforced it.' [12; 0:05] In theory, co-operatives should provide mutual aid for each other in a way that social enterprises do not; but with these models of trust and solidarity weak or absent, as I noted above, the boundaries of the movement

have become porous. Two argued that by upholding strong definitions of social enterprise, including reinvestment of profits and stakeholder representation, consistency with the co-operative movement could be achieved (11 and 16) but this leaves a big question: does social enterprise advance an alternative set of economic relations, as the co-operative movement does, or does it tolerate, endorse or even reproduce existing relations?

'Idealism' is most strongly represented in the fully funded services, targeting the most deprived and disadvantaged populations. It is supported by third sector agencies with similar funding models, working together in partnerships and reinforcing a language of philanthropy and benevolent paternalism. 'Traders' are seeking instead to emulate the practices and successes of management consultancies, accountancy practices and professional business advisors; other practices present in CDBs that have some congruence with this dynamic of servicing capital are property development, corporate law and financial promotions.

None of which is to say that CDBs should not enter into activities such as providing aid to the disadvantaged on the one hand, or business accounting and management consultancy on the other; but there does seem to be a choice between folding these activities into a rooted and integrated practice of co-operative development, or treating the specific knowledge of co-operative enterprise as a niche option within a more 'recognised' or 'respectable' profession. A CDB that loses its identity may in the short term access more resources and experience greater stability as it moves with the grain of the flow of power around it; but in the long term network integration and trust decline. A critical issue mentioned by most interviewees is the increasing interest in 'social enterprise' at the expense of co-operative enterprise. The two are acknowledged to have a considerable overlap, but the imprecise and confusing definition of social enterprise [<https://www.socialenterprise.org.uk/what-makes-a-social-enterprise-a-social-enterprise>] has led to fear that the emancipatory practice of co-operative development could be contaminated by commercial values [16,0:33] or simply neglected [11; 0:15]. However, there is an acknowledgement that some innovations from social enterprise are valuable (18 cites impact reporting), and that many are as empowering for their communities as co-operatives [11,0:15; 16, 0:35]; all the cases actively seek social enterprises as clients. 12 expresses a widely held concern about the resulting loss of identity: 'I'm not sure if the focus on social enterprise caused the decline in the CDA's membership; I do think it reinforced it.' [12; 0:05] In theory, co-operatives should provide mutual aid for each other in a way that social enterprises do not; but with these models of trust and solidarity weak or absent, as I noted above, the boundaries of the movement have become porous. Two argued that by upholding strong definitions of social enterprise, including reinvestment of profits and stakeholder representation, consistency with the co-operative movement could be achieved (11 and 16) but this leaves a big question: does social

enterprise advance an alternative set of economic relations, as the co-operative movement does, or does it tolerate, endorse or even reproduce existing relations?

I asked survey participants a number of questions about identity. First I looked at the route they followed when entering the profession – whether they had come from business, accountancy or law (hence, rooted in the ‘trader’ practice), from social work and regeneration (‘idealist’) or from within the co-operative economy. This produced no correlation or clear patterns. More interesting were the relationships that CDBs fostered [table 4].

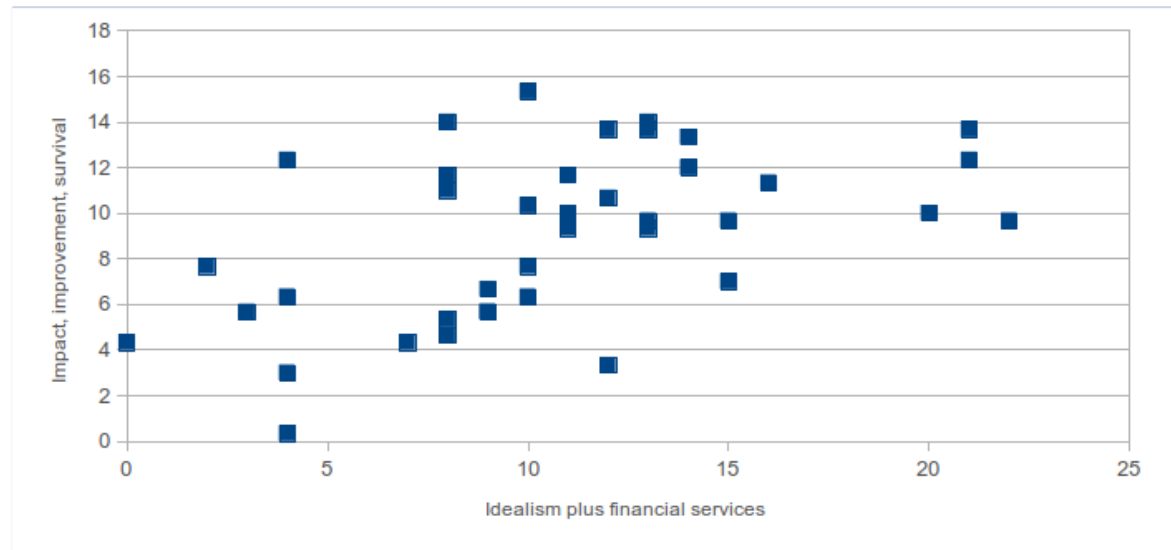
Table 4: relationship correlation

<i>What kind of relationship did you find you had with clients?</i>	<i>Rationale</i>	<i>Findings</i> <i>Each scored 0-4, totalling 0-12.</i>
Made a principled case for co-operation as ethical and fair; Clients dependent on CDB for ongoing support; CDB exerts moral leadership by upholding co-op principles	These are characteristic of the idealistic, philanthropic outlook.	Compared to the combined measure of survival, impact and financial performance, there is a bivariate correlation of 0.45, suggesting some significance.
Co-ops treated more like partners than clients; CDB exerts moral leadership by upholding co-op principles; CDB keeps a strong focus on commercial and market imperatives	These questions include one from each of the idealistic and trader approach; but adds a partnership relationship more typical of a social movement.	Pearson correlation of 0.32 – a weak correlation – with the combined performance measure.
Intermittent relationship; only in touch with client when they have urgent needs; CDB keeps a strong focus on commercial and market imperatives; Clients select CDB as most knowledgeable / highest quality source	Here, the CDB markets itself as expert and professional, maintains a focus on markets and commerce, and only works with clients in a ‘troubleshooting’ role. This describes the ‘Trader’ stance.	Virtually no correlation with performance.

This suggests that in fact the idealistic stance is more strongly associated with the CDBs endurance and impact than that associated with the social movement activist; while the trader does not correlate at all. However, this finding seems to be contradicted by the associations between different forms of work carried out by CDBs: delivery of financial services, which could reasonably said to show a degree of importance placed on the value of financial management,

correlate positively with combined performance (0.38) while services such as marketing and admin, group skills and fundraising correlate less if at all. The correlation of performance against a combination of idealism and financial services was 0.5 – a fair degree of fit, with sigma (2-tailed) at 0.001 with 40 respondents.

Fig 11: Correlation between characteristics of practice and organisational health



This result is significant at $p < 0.01$, which would normally be considered significant in social science. One explanation for this correlation would partially bear out the need for a distinct and specific CDB worker practice that avoids imitation of paternalistic and commercial practices: CDBs succeed when skills of financial planning are connected to an idealistic and supportive relationship with clients. While financial skills and econometric methods are essential, respect for commercial and market ‘realities’ is not. Co-operators can use their skills and values – critically, skills in inclusive management [Diamantopoulos 2012; p206] - to create new market realities.

The correlation does allow for alternative explanations, however. CDBs delivering financial services may simply have the skills in-house to manage and plan their own financial security. Idealism may simply be associated with attracting grant funding, rather than necessarily helping clients to resist commercial pressures. An interesting area for further research would be a detailed observation of service delivery to see how effectively idealism and financial management have been reconciled.

Two interviewees do attempt a definition of CD as a practice – both from worker co-op CDBs, though having had experience in other forms. ‘It’s a bag of things that falls into two spheres: one is helping co-operatives run their businesses, sustainably. The other is governing their businesses.’ [18; 0:00] ‘to me co-op development is partly about that work with existing co-ops to help them be more sustainable; to help them be more profitable; to help provide better member benefit; and just to be better co-ops ... But definitely there’s a role ... which is about the new, which is

about propagandizing, which is about educating, which is about creating opportunities'. [17; 0:09] This is the only description of the practice that approaches Cornforth's description of the external and internal functions of co-operative development [Széll et al. 1989; p116], and even that lacks reference to some important functions such as the provision of finance.

There are signs that a rebellious, counter-cultural identity – that of a social movement activist promoting 'contentious economics' [Diamantopoulos 2012; p206] is still present in these cases. I2 sees dissenting social movements such as Momentum and Transition Towns as a source of support; I6 says 'CDB18 used to be anathema to the Council. Quite right too, we did all the right things to get things done but it did piss the Council off' [16; 0:45] and contrasts co-operatives with 'capitalists ... trying to control markets and steal value off people who are trapped' [16; 1:02]. However, the sense of being anti-authority extends to the co-op movement itself: 'if there is too much corruption at the top [of the co-op movement] then that sort of thing can impact on us' [18; 0:23] Similarly, I1 describes a tense, even antagonistic relationship with the national body for UK co-ops [I1, 0:40]. CDBs appear to be battling on multiple fronts – even on occasion being critical of each other. Reliance on grant funding may be part of the problem – especially in the case of funds specifically for social enterprise support (which are now more usually national than local), there is a sense of a zero-sum game in which one CDB can gain only if another loses [Kidd 2015].

A clue as to why the practice of co-op development has become incoherent comes from some of the comments regarding grant funding – the lifeblood of a CDB according to guides like CDA Anywhere. 'A huge for problem for the co-op sector is that it's been infected with charity, with philanthropic values' [16; 0:21], 'the thing that really held the CDA movement back, was the over reliance on public funding' [14; 0:03], 'because their paycheck is always there and because they respond to what the funder wants rather than what the client wants' [17; 0:20], 'the traditional role of the [funded] co-op development worker was ... you do co-op startups, you get registrations, registrations tick the box, that leads to [releasing] money... And I have seen the results of that in co-ops ... floundering and then failing because they were never real businesses to start with' [17; 0:10]

While many in the non-profit sector have concerns about commercial and professional practices corrupting its identity [King 2017] the reverse issue is present for co-op workers – a loss of focus on solidaristic enterprise in favour of tokenistic registrations in the most deprived communities, and paternalistic relationships with clients. The worker co-op CDBs have by and large forged a professional identity modelled on business advice services and management consultancies ('my personal aspiration it would be a specialist accountants or specialist

solicitors... they don't have to scabble around asking the public sector to be nice to them' [14; 0:24]), but as we have seen they have in the process become so disconnected from communities of resistance that they do not carry out market building work and so struggle to find clients with the capacity and intent to start well capitalised and profitable enterprises.

A professional practice cannot emerge or be maintained without the client's corresponding performance – and for the professional practice to be one of co-operative development, the client's role must be more than a customer or a service user, but must exhibit solidarity and sustained relationships. This is something that is explicit in the term 'co-operative' and missing in 'social enterprise'. Sure enough, the interviews show a degree of trust in the values in social enterprise [11,0:15; 16, 0:35], but no formal or durable solidarity. Concern about the ownership and democracy in social enterprises may in fact be secondary to their willingness to engage in limited, rule-based trust.

5. Conclusions

The method employed in this study was an effective way to first identify trends and patterns, and then examine the micro-processes at work. Future studies would benefit from closer observations of actual transactions and support delivery (while I have the benefit of my own experience in this respect, it is difficult to validate its objectivity). Quantitative analysis raised points of interest, but the limited number of data points and the existence of multiple possible explanations for correlations means that no predictive power can be ascribed to it. All we can say is that there are some associations that are interesting.

If we take the eight CDBs that scored highest on the combined measure of growth, survival and impact (which included CDBs 15, 18 and 7 from the case studies) we find that there were several features in which there was a measurable, if not reliable, statistical association (between 0.5 and 1 standard deviation):

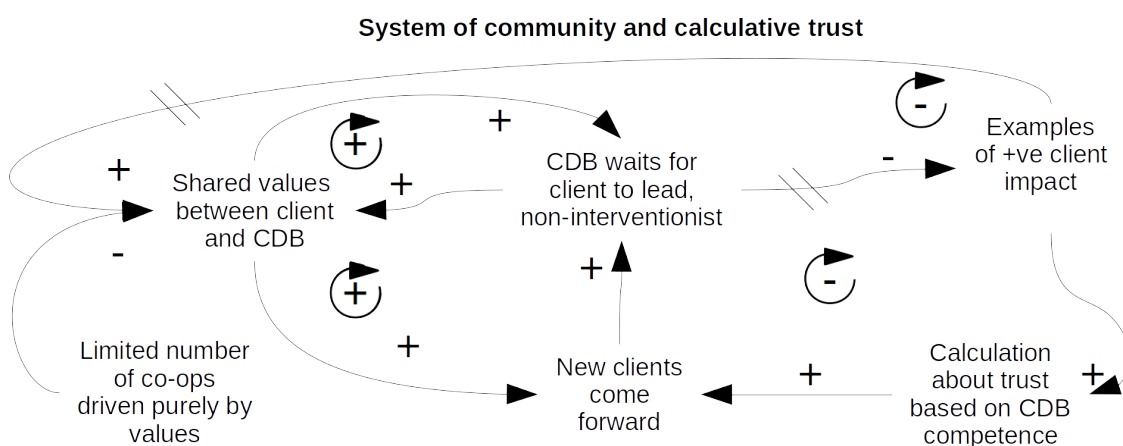
- the CDB provides personal and career development, as well as premises and resources, to its staff
- CDB workers are encouraged and supported to act entrepreneurially
- Their workers have qualified as approved providers with various national programmes
- they make payment for their contingent on positive outcomes, or can defer billing until the co-op is able to pay
- they offer a diverse range of services, but have a particular interest in community shares
- they make more use of social media, and less use of formal networks and partnerships
- CDB staff mentored clients, in return for a formal commitment that those clients would support the co-operative movement themselves when they became successful
- clients actively promoted the CDB to others in the community
- the CDBs were less likely than most to have intermittent or distant relationships with clients
- clients were more likely to be serial co-op entrepreneurs, progressing from one startup to the next
- the CDBs were more likely to have been actively involved in initiating or developing ideas for new co-ops
- they were also more likely to stimulate discussion in the community around local issues and aspirations that could lead to the formation of a co-op
- successful CDBs were more likely to have board members drawn from the community they served
- they were less likely than most to receive donations and in-kind benefits from the community (possibly indicating that they were better financed, or more professionalised)

In general, the theory, case studies and extensive survey corroborated each other to provide confidence in the findings. However, some findings were unexpected. An emancipatory social movement might be expected to be naturally antagonistic to mainstream business practices and management techniques; survey data seemed to associate idealistic and compassionate positions with durable and effective CDBs. However, interviewees were consistent in their criticism of co-operatives that did not develop commercial business models or adopt efficiencies of scale or divisions of labour. One possible explanation is that in fact many modern approaches to business management are influenced by progressive social thinking just as the co-operative movement is; more investigation is needed of how anti-business discourses of resistance might in fact impede social movement organisation. It is also clear that consistently upholding co-operative principles alongside a reputation for financial competence is highly effective.

Another complex issue is the role of property management and development in co-operative support. This does seem to have been effective in providing security and resources for co-operative development, but at the same time it leads to an organisation in which co-operative business development is a minority practice and many of the users of the properties are not co-operatives. Interviewees expressed mixed views, and the practice is too uncommon for the survey data to be helpful. Perhaps the key question here is how property development might dovetail with the development of business incubation.

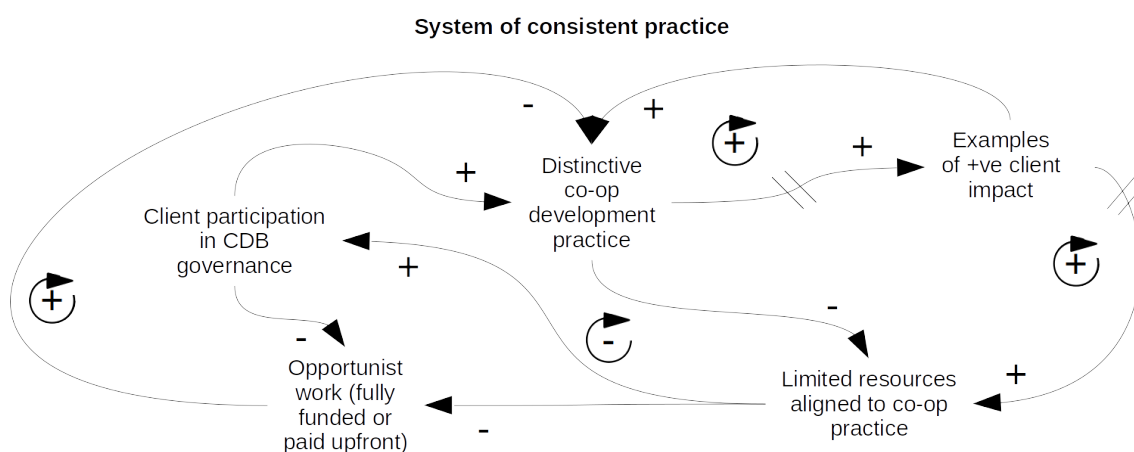
The goal of the study was to explain the decline in the community-based CDB sector over the last twenty years; the persistence of CDBs despite this; and the interesting cases of clusters of co-operative success (mostly outside the UK). The focus on the client relationship suggests three overlapping systems that may be at work – each containing subsystems operating on different timescales and with both stabilising and destabilising tendencies. Firstly, there is a system of community and calculative trust [table 4]. The calculative trust results from the social and economic impact from CDBs' work; community trust from shared values.

Figure 12: System of community and calculative trust



I found that a purist bottom-up approach, in which the CDB deliberately refrains from shaping or influencing the client’s business model, leads (eventually – the double lines indicate a time delay) to a lot of work going into co-ops with little impact. That gradually reduces the supply of new clients, as trust is diminished; those clients that do succeed tend will tend to support the client-centred narrative. These two loops will tend to stabilise the system, but the value system that develops around the anti-expert, anti-authority values make it consistently attractive – but only to the limited number of entrepreneurs that can find a niche in the counter-cultural economy. This goes some way to explaining the large number of wholefood shops, but the lack of co-operative innovation in other forms of retail. In order to change this system, a shift from community trust to calculative trust needs to take place so that clients beyond the ‘values ghetto’ can be reached, and client co-ops can be put on a growth trajectory from inception.

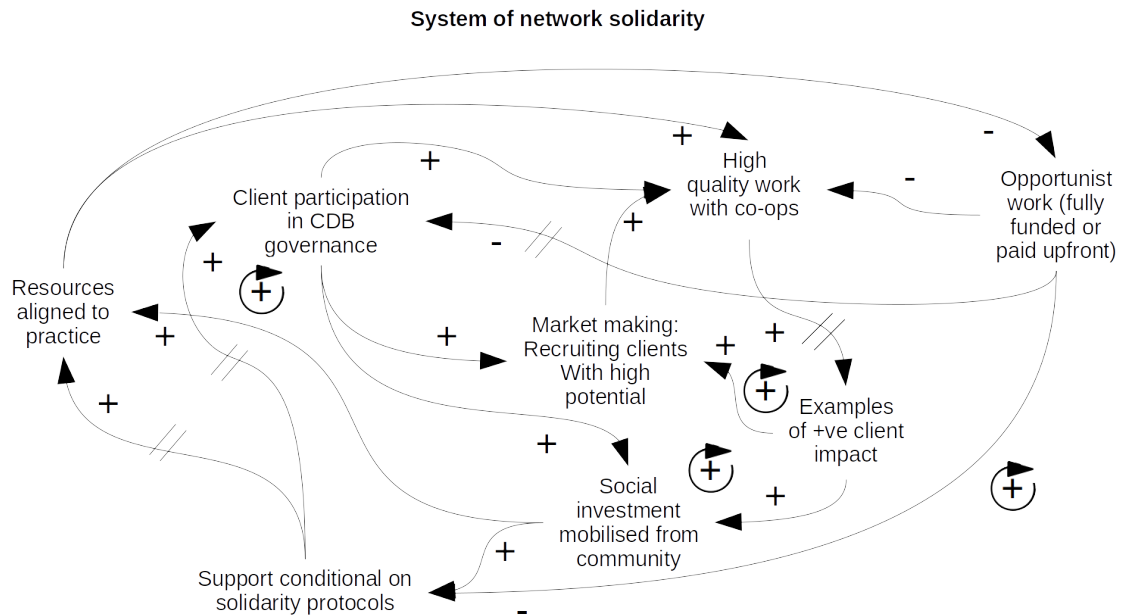
Figure 13: System of consistent practice



A second system is the system of consistent practice. We have found that few CDBs have a consistent and well-articulated co-operative development practice, and that many slip into practices copied from public sector community services, management consultancies or property development. Limiting or avoiding this ‘mission drift’ seems to be associated with a high degree of ownership of the service by co-operative clients; and there do appear to be more strong examples of success in the sector where this happens. However, it is a very slow process, with long delays before success generates new resources. In the meantime, co-op development practice consumes resources creating a short term pressure to be opportunist – either by adopting the agendas of funders (free delivery to low-capacity clients), or by emulating management consultancies (brief, expensive delivery to a small number of funded clients). Either one will have the effect of diminishing the authentic practice, and in turn undermining the processes that sustain and extend it.

The third system is more complex. An inner system involving high quality work, positive outcomes and recruitment of further clients is contributing to the current survival of CDBs by building upon past successes.

Figure 14: System of network solidarity



However, it is a slow process that is opposed by three circuits that are locked in a pattern of collapse – one of undercapitalisation (low social investment only allows for poor quality work that does not lead to the high impact co-ops that would trigger more investment), one of disloyalty (similar, except the threat to quality work comes from the low motivation of former clients to engage), and one of an overreliance on short term, opportunist work (successful co-ops do not see any reason to share their profits with the CDB). The overall result is an unstable and declining sector.

6. Recommendations for Co-operative Development Bodies

These systems go some way to explaining the decline of CDBs; however they also suggest possible routes to recovery. If we review the six barriers to co-operative development given by Cornforth and Thomas in 1991, we can see how the experience of the last 25 years has highlighted opportunities for reviving the practice.

Barrier:	Remedies suggested by Cornforth:	Remedies tested more recently:
The entrepreneurial problem – poor rewards for pioneers	Cultural, non-material rewards; ‘entrepreneurial parenting’	Well resourced, supportive incubator; multistakeholder co-operatives
Raising finance	Federal structures	Non-user, non-transferable share capital
Access to managerial skills	Develop training	Training and scalable business models
Obstacles to taking over firms	Organise across industrial sectors	Community shares
Dominance of larger companies	Movement-wide strategic planning	Focus efforts on emerging markets and local delivery
Democracy inhibits growth	Member education	Reporting on social and environmental impacts

The remedies proposed a quarter of a century ago [Cornforth and Thomas 1991] remain relevant today, and in many cases sadly untested. However, there are recent developments that could not have been anticipated. Emergent sectors – renewable energy, internet and communications technology, and the sharing economy, to name but three – have created opportunities for small, new co-ops to outflank the giant capitalist enterprises; non-user share capital crowdfunded in multistakeholder co-ops has turned a co-operative weakness into a co-operative strength; and community shares has begun rescuing a slew of businesses that could not otherwise survive (though principally small, village enterprises as yet). The means for co-operative development are there: but the bodies who should be replicating, publicising and refining these tools are losing their identity, their human resources and their funding.

Four variables could trigger growth: if social investors intervene to pump-prime co-operative development work; if future work with clients is linked to long term support for the CDB; if successful projects in one place are systematically replicated elsewhere; or if experienced development workers shape new business ideas in partnership with potential workers. These are all factors that could trigger positive feedbacks, causing the systems to move into a new configuration that is either growing or stabilising at a higher level.

6.1 Accountability

I have treated the federal model of a CDB in which clients and potential clients in a locality are the members as being the gold standard for a CDB – empowering clients and providing the strongest possible accountability for CDB workers. However, it could be argued that this does not reflect the realities of the current CDB community.

Many CDBs are, for extremely good reasons, wary of taking on the obligations and time-consuming communication involved in a full system of accountability. They feel – with some justification – that the myriad of small decisions that make up the management of a CDB team (never mind a single consultant) are of little or no interest to clients who would themselves find the process of holding development work to account a tedious obligation.

There are other models that deliver accountability and quality without the full federal structure, and respect the need for some consultants to work in self managed ways in relative isolation. Firstly, we need to distinguish between two forms of accountability – the reflective practice that is encouraged within a team of peers, and which improves quality of delivery and breadth of knowledge; and the accountability of purpose, strategy and mission and relates as much to the way the market is made and nurtured as to the quality of delivery to it. Both are important, and while the federal model uses one mechanism to deliver both they can be separated.

So, for example a workers co-op or co-op consortium can provide the team-based professional development, and the reinforcement of co-operative practice; even though it does not offer any community links or client feedback. Conversely, participation in a regional co-operative council, or delivery under contract to a federal CDB, can provide the accountability to the wider co-operative movement indirectly.

Crucially, accountability has to be understood not as a technicality, an emergency brake, or a rubber stamp; it is a practice in itself that has to be deliberately conducted and regularly renewed. A CDB can meet the standard of accountability through engagement in a regional co-op council that it encourages to be challenging and demanding; and equally a federal CDB can fail to achieve any accountability if the processes defined in the rules are honoured in the letter as a technical performance only.

But accountability, in the sense of co-operatives having a voice in their local CDB, is only the first step in building a complex set of solidarity relationships that weld together the providers and recipients of co-operative support. Over time, it should develop into a true solidarity network in

which members share the profits from their success with new start co-ops that are pledged to do likewise.

However it is achieved, the findings of this study are that – whether we consider international examples or UK experiences – accountability repays the investment made in it. That this should be a surprise to CDBs is itself remarkable. Bodies that consistently advise and recommend that there is a ‘co-operative advantage’ to being user-controlled should naturally seek to gain that advantage themselves.

6.2 Co-ordination and infrastructure

Since the 1980s, Co-operative Development Bodies have been linked through an apex body: first, the Industrial Common Ownership Movement, and then following merger with the Co-operative Union, Co-operatives UK. At first, in the early 2000s, this was seen as a new dawn for UK co-operative development. The Co-operative Enterprise Hub, funded by the Co-op Group, was administered from within Co-operatives UK and provided a steady income for many.

More recently, however, the relationship has soured. The Hub proved vulnerable to the narrow funding base (reliant on a single wealthy backer which abruptly ended support when its profits dipped); it’s more recent replacement, The Hive, is less well resourced and no less dependent on a single source. Co-operatives UK has responded to the rise in people seeking web-based support and the increasingly patchy coverage across the UK by offering a growing range of co-operative support services from its own staff and its own website. The impression is of a federal body going into competition with its own members – not a good look.

At the same time, some CDBs have collaborated to form The Development Co-op; this secondary co-operative is gradually establishing itself (as yet, with little or no working capital) as a provider of common services, co-ordinated fundraising and systematic support to its CDB members.

Co-operatives UK’s CDB Forum is gradually maturing into an effective mechanism for negotiating the sensitive issues between CDBs and the apex body. It must succeed – a breakdown of relations would inflict further damage on an already debilitated sector. Essential goals are to bring the retail co-operatives and the CDBs closer together with some modest joint endeavours; to broaden the base of funded development within the Hive, and prevent further unnecessary reorganisations; and provide a national profile for a sector that has real achievements to its name.

The Development Co-op is still needed, however. Co-operatives UK has other stakeholders to answer to and cannot simply respond to all the infrastructural needs of the CDBs. The Development Co-operative is currently overhauling its business plan and considering how its work can be fully financed. Ambition and boldness need to be its core values – but to be legitimate and not self serving it will also need to address the issue of accountability among its members, noted above. It also needs a ‘killer app’ - a capability that it can develop and roll out through its membership. Co-operative incubation may yet meet that need.

6.3 Incubators

There is some evidence that the small number of CDBs that have developed shared / supported workspace for clients have seen benefits – greater loyalty from clients, higher profile, spin off work, regular income streams and assets that can be used as collateral. More generally, there is empirical evidence that incubators do improve outcomes from new businesses, with tenant satisfaction, more growth and patent applications, and better longevity.

In terms of the ownership of the premises, there are at least three very different models that have been used:

1. CDB owned. The CDB acquires property, develops it into business units and lets it out to tenants.
2. Co-operatively owned. The CDB supports a co-operative (in the case of SCS CIC a Community Land Trust, or possibly a Business and Employment Co-op whose members are themselves entrepreneurs) that acquires and develops the business units as part or all of their business. The CDB then contracts with the co-operative to provide a support and/or management package.
3. Non-co-operative owned. The CDB supports a third party – private sector or NGO - to develop and manage the incubator.

There is also a range of possibilities as to what sense the incubator is a ‘co-operative incubator’. Each of these three models may then involve a measure of co-op supply (that is, services to the tenants are delivered by a co-operative), tenant co-operation (for example, tenants co-operate on purchasing, ‘bread funds’ or repairs to communal facilities; or use creative commons or open source licences to share intellectual property) and tenant management (that is, tenants play a role in the management of the workspace – or just the co-ops do). There may also be a co-operative element to the tenant selection process; though commonly the desire to achieve high rates of occupancy will widen the scope to sustainable, ethical or social enterprises that share some or all of the co-operative values and principles.

The third party model of ownership has proved highly unsatisfactory, with the CDB fast becoming distanced from the incubator and the premises losing their connection with the co-operative movement very quickly. The first has proved exceptionally effective in building a strong balance sheet for the CDB (at least, in the somewhat unusual circumstances of London in the 00s) but has tended to dominate the work of the CDB – to the extent that I6 reports “there's a difference in opinion between staff. If you ask them what CDB18 is about, some say It's a property development company.”

The second, CLT ownership model respects the widely held view that community assets should be separated from community entrepreneurialism – a commercial endeavour should not put at risk property that is intended to benefit the community in perpetuity. This unfortunately undercuts one of the main benefits that a CDB might hope to get from asset backing – collateral against which debt can be secured. Experiments with this approach are still at an early stage. However, a close relationship with a CLT can deliver many similar benefits to direct ownership. The regular income for the management of the premises, as well as contracts to provide co-operative management and community engagement during the development of property, build profitable turnover which is of comparable value to collateral. And if the CLT provides free or cheap premises for the CDB, that too is a tangible benefit that aids cash flow. Finally, the CDB may very well be able to identify spin off co-operative development projects consistent with the aims of the CLT such that the CLT may use its asset strength to some degree to commission more work from the CDB.

Membership can be integrated, with the CDB joining the CLT, tenants joining the CLT and CDB, and (in the case of a federal CDB) the CLT joining the CDB. These reciprocal memberships further extend solidarity while extending the CDBs reach into the community. At the same time, the CDB can benefit from free or almost free rent while charging the CLT a fee for managing the tenancies. Alternatively it could rent the entire space at a favourable rate and then sublet to tenants. Of course, these benefits are automatically available to a CDB that owns the premises directly – and it can retain control of tenant selection and support, and need not fear losing its favoured status with the CLT.

However, the selection and support for tenants raises difficult issues. It may seem obvious that a co-operative incubator should host co-operative enterprises, but this is hard to achieve in practice. Occupancy rates are pivotal for sustainability and voids cannot be absorbed for any significant period waiting for a co-operative to come along that wants the type of unit that is available. A manufacturing workers co-op needs completely different premises to a community

retail venture; an energy co-op needs little or no premises at all, while an artisans co-op may need a considerable amount of warehousing and display space for bulky stock. How do you ensure that the space in the incubator matches the needs of co-ops that may not yet exist? It should be noted that workspace with uniform unit types is easier to manage and market than a mixed-use building.

One part of the answer does seem to be hot desking – an increasingly popular format that suits almost any early stage enterprise, as well as lone entrepreneurs, and which makes extremely flexible use of any space. By hosting the enterprise from a very early stage, there is more opportunity to develop premises in step with the growth of supported enterprises. Another is the development of multiple sites – some town centre, others in industrial parks – so that there is something for everyone.

Aaboen [2009] suggests that some incubators are finding good tenants by playing an active role in initiating businesses themselves. This has the benefit that the CDB's accountability to the community and/or the local co-operative movement can be a source of market intelligence, identifying unmet needs that could form the basis of a new co-operative enterprise. If this is coupled with a strong connection to a network of experienced social investors, able to invest in new starts [Bruneel et al 2012], entrepreneurs can be recruited on the basis of their abilities alone, and not ability to pay or possession of a fully-formed business idea.

It is hard to escape the conclusion that where there is a co-op incubator, there also needs to be an active policy of promoting and catalysing precisely those types of co-operative that will be able to get the most benefit from the available space; and a network of co-operative investors. A CDB with an entirely reactive client strategy is unlikely to realise the full capability of the incubator to support co-operatives. But it is no less clear that whatever approach is taken to co-op development, it must allow for non-co-operative enterprises to fill many, or even most voids; purely in order to enable finance to be serviced.

Of course, as noted above, a co-operative incubator can develop co-operation even when tenants are not co-operatives themselves. The tenants may have needs that can be met by local co-ops, they may co-operate among themselves, and they may contribute to co-operative management. All of these things are very much co-operative development and will ensure a distinct ethos is present.

To attract tenants, the offer must go beyond flexible office space: while it is important to tenants, the recent developments in incubation and business accelerators means that affordable office

space is taken as read [Vanderstraeten and Matthyssen 2012]. To offer genuinely competitive packages, high quality advice, specialised services and access to investor networks are essential. To avoid dependency on unreliable funders, tenants must pay enough to cover the cost of these professional services. But high costs in the early stages of business development could stifle the new enterprise before it has started – or oblige it to seek cheaper accommodation elsewhere. Even a modest subsidy for co-op tenants is hard to sustain without substantial reserves having been built up. Tenants will also compare the rents they pay and any perception of unfairness will damage relationships and increase turnover of tenants. Any differentials will be closely scrutinised and any weakness in the justification will generate conflict.

One option would be giving the CDB the opportunity to share in future profits instead of, or as a supplement to rent (or a share of EBIT plus salaries – in effect, a productivity related rent). This approach has precedents in the stock options taken by some incubators and accelerators. Alternatively CDBs could treat the provision of support as a loan, to be repaid as and when trading income allows – the approach used by, for example, Mondragon’s entrepreneurial support system. Other incubators have a rent that starts low and increases with time – encouraging tenant turnover as well as tracking ability to pay [Bruneel et al 2012].

Some CDBs are working on property developments that (normally through a mutual landlord such as a housing co-op or CLT) include an element of residential use. The income from residential property does not include difficult choices about who to subsidise, is often easier to keep fully occupied, and offers a higher return per square metre of space developed. It could, in effect, subsidise the business incubation (or at least the co-operative element of it).

The benefits of steady, regular income with tenants selected on a more pragmatic basis and voids easily filled could strengthen the business case for developments – but there are difficulties. The legal requirements, building regulations and management skills for residential property are all radically different to business units. The range of workspaces that are compatible with residential accommodation on the same site are limited. And the cost of undeveloped sites is much higher when residential use is likely to be possible. Furthermore, where residential tenants have a voice in the management of the site, they are likely to be critical of any way in which they are subsidising the business premises; and they may be tempted to take short term decisions that minimise rents, rather than longer term decisions for the good of the community as a whole.

6.4 Quality and knowledge

Many CDB workers were aware of the debate around qualifications for advisors. While most seemed to think that experience and track record would be more important, there was certainly openness to the idea that having high-level business qualifications would improve the standard of their work. However, this was tinged with a sense that much 'conventional' or 'mainstream' business school teaching was unlikely to be relevant and may be 'contaminated' with inappropriate values and concepts.

Interestingly, there was much less interest in business qualifications for clients resulting from or associated with the support they receive. There were a number of assumptions relating to this:

- clients were not interested in learning, but had a more practical and short term focus
- training could and should be delivered in bite-size, standalone chunks of a few hours at a time
- most clients would be either older (and hence had no need of career development), or young and disadvantaged (in which case their capacity for business qualifications was low).
- clients had little ability and less inclination to pay for qualifications.
- that accreditation was a complex and expensive business in which the benefits would largely accrue outside the movement.

As far as these beliefs go, they are quite possibly grounded in fact. However, it highlights a failure of CDBs to reach the large number of people for whom co-operation and career progression become credible partners only when buttressed by a systematised body of knowledge; a rather distant relationship between the Co-operative College and CDBs; a lack of finance and solidarity arrangements; and the dearth of ambitious and scalable worker co-ops in the pipeline.

There is a clear pattern emerging from UK and international experience as to what model of training best supports business development: from the Dyson Institute to Alecop, from the UK's business accelerators to Sweden's incubators, it is not short courses nor assessed qualifications but a substantial investment in bringing committed people into professional working environments with expert advice on tap.

There is also an implicit admission that the competition for talent in the professional services labour market is one in which CDBs in reality take no part. That has to change. It is an understandable leap to go from saying that since consultancies are reproducing an unsustainable system of power, the people involved must be incapable of any other practice; but it is a leap nonetheless. Some – a minority, but some – are more than eager to put their skills to the service of the community as long as the price is not the security and long term wellbeing of their families.

Continual, aggressive recruitment strategies must be part of any CDBs strategic planning; and that brings us back to finance, because the plain fact is that the hand-to-mouth existence that characterises most CDBs is attractive to few.

6.5 Adequate capitalisation of co-operative development

Perhaps, then, it is the simplest possible explanation for decline that we are left with – the most consistent criticism of the co-operative movement over the last hundred years: that it is underfinanced. The entrepreneurial problem – because investors do not have access to the profits, they do not inject funds at the outset – appears on the face of it to be as big a barrier for CDBs and workers co-operatives as ever. The paradox is that co-operative advisors have recognised and tackled this problem in other types of co-op, and in recent years have helped clients in renewable energy, local retail and social housing overcome it: but they have not applied those lessons to their own practice. The habit of reliance on grant funding and primitive accumulation has proved to hard to break.

If co-operative development has a future as a distinct practice, this above all must change. The social investment marketplace is growing fast, as a recent report prepared by an independent advisory group for the UK Government Department for Digital, Media, Culture and Sport found [DCMS 2017]. They were not looking at the broad category of ethical investment (which includes, for example, ‘screening’ of sectors such as gambling and alcohol) but at impact investment in particular. Impact investment is defined in the report as ‘Investment in the shares or loan capital of companies and enterprises that not only measure and report their wider impact on society — but also hold themselves accountable for delivering and increasing positive impact.’ Clearly, this is the form of ethical investment that is most relevant to a co-operative development: and the authors find that it is already a £150bn market, with a tantalising gap between the 56% of people who are interested in purchasing social impact investment products and the 9% who actually have done.

The mechanisms for making this investment available to new co-operative enterprises all exist: Seed Enterprise Investment Scheme offers strong incentives and some protection from risk for taxpayers wishing to take an equity stake in new-start businesses, while the Somerset Rules for multistakeholder co-operative societies and community benefit societies provide the means for these equity investors to be ‘non-user’ members of co-ops. Quite apart from the investment opportunity, these broader-based co-ops have been noted above to show strengths in capability and resilience [Quarter 1990]. The missing link, if there is one, is a co-operative pension scheme,

that would enable investment in securities that are not supported by venture capital tax reliefs – housing co-op loan stock, community land trusts and credit unions for example.

In France, the 'Cigales' are local investors clubs, using peer support to allocate funds to local social enterprises. Such community-orientated investors (as well as some experienced and high net worth social investors elsewhere in the UK) could use equity vehicles such as community shares to invest in the new startups; could invest in the bricks and mortar of co-operative incubators; and (subject to a willingness to take on a slightly higher level of risk) be providers of working capital to co-operative development bodies themselves, liberating those bodies from grant dependence. Linking a pool of venture capital investors (largely drawn from the local community, and including both large and small investors) to one or more co-operative incubators, subject to the oversight of the co-operative movement locally, could prove to be the core capability of a co-operative development body in the future – and could reverse the worrying trends of the last decade.

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