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**Silent Revolution Series**

# **Silent Revolution**

**The Socialisation of Business**

Second Edition

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**Social Exchange Ltd**

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# Introduction

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## Acknowledgements

No book can be written without the support and co-operation of many people. This one is no different. The number of people and events that have shaped my thoughts and approach to business are too numerous to mention, but I want to take this opportunity to thank you all.

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For his influence on me during the early 1990s I am indebted to Phil Cole. He was my closest business colleague and mentor for many years. While our paths are now going their separate ways, I hope they will cross again soon.

A number of institutions deserve a mention for sponsoring different parts of my academic career: The European Social Fund, Leeds University Business School, Sheffield Hallam Faculty of Organisation and Management. It was their money and teaching skills that enabled me to eventually complete a PhD on the inter-dependence between personal aspirations and systems of corporate governance. Credit must also go to all those who participated in my research, often busy people in great demand who nevertheless gave generously of their time. Their candour and experience helped me find answers to many questions – I hope others can now benefit both from the questions that are asked, and the answers that are forthcoming.

Those who have influenced me most in the writing of this book include Gavin Boby and Guy Major of Democratic Business Ltd, Professors Phil Johnson and John Cullen, and other notables in the movement to explore and develop the idea of employee-ownership: David Erdal, Geoff Cox, Bill Barker, Peter Beeby and Dr Rick Norris.

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In the course of this book I present a number of theories used to teach business studies as well as new ones that emerged during research into Social Enterprise. As I draw directly from my own experience, I have changed the names of people and companies to protect identities.

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## Foreword

When studying for my first university degree, a book called "What is History?" by E.H. Carr was recommended to all students on my course. It was a short thought provoking book that challenged its reader to move beyond the certainties of A-level thinking to the less certain world of academic opinion. We looked at historical events from a variety of perspectives to improve our understanding of change in societies and the subjective nature of knowledge.

When starting my degrees in business, I half-expected a book called "What is a Business?" to be on the initial reading list. After years sitting through hours of lectures and dozens of late nights of study (not to mention the hours I am now racking up as a lecturer), this initial and fundamental question is seldom asked, let alone answered.

It seems extraordinary that students of business are not even asked to think about what they are studying. Maybe lecturers on the subject believe the answer is so obvious that the question does not need to be asked. And yet, what is the difference between a business and other types of organisation?

Over the last 18 years, I have been lucky to work with a wide variety of organisations. The *similarity* in the way larger businesses, trade unions and charities run themselves has often struck me. More recently, I have become much more aware of the substantial *differences* between outwardly similar organisations operating in the same markets, sometimes even for the same customers.

What is a business? What is a share? What is a market? What is value? What is management? These are some of questions we will explore. Although this book is aimed at people who wish to develop a practical interest in business, the academic community may wish to ask itself how well it equips students to find their own answers to the above questions. Just as "What is History?" was more interested in posing questions, so this book aims to ask questions about the nature of business.

So, what purpose does this book serve? When I joined Computercraft Ltd in 1989 I had already formed the view that sustainable economic and social change will only be achieved through changes in business practice. Politicians can help or hinder, activists can argue and agitate, but the heart of any society is how its citizens approach two things: wealth creation and human reproduction.

Time in the Labour Party, as a union representative, and debating with members of political groups soon dispelled any idea that political movements were equipped to bring about change. Indeed, over time it seems that change brought about by forces outside the home and workplace actually damage the prospects for a society that is sustainable and grounded in democratic practices.

If we examine the historical record, political movements usually arise out of profound social changes that are already taking place. The first task, therefore, is to effect change not engage in politics. Only when there are obstacles to change is it necessary to engage in a political process. We forget at our peril that politicians are our servants, and not our masters.

This book looks at progressive forms of business. They need to compete successfully with existing businesses if they are to become role models. They need to deliver substantial benefits to their workers and other stakeholders if they wish to sustain and grow themselves.

Upon joining Computercraft Ltd, I read to enlighten myself about co-operative enterprise. My first foray into the world of books eventually led me to Robert Oakshott's *The Case for Co-operatives*. It offered me sufficient evidence that I was not a crackpot for joining one. It also provided enough ammunition for the occasions when I met anyone who thought that I was.

My second foray took place during research at Leeds University Business School. After 10 years of what can only be described as moderate success, the evidence in *The Case for Co-operatives* was in need of re-examination. Searches for books on management practice in democratic enterprises came up blank. In fact, as I searched in vain for *any* book written by someone with *actual experience* of running a successful democratic business, it seemed that the only people interested in writing about co-operatives were those with a theoretical or academic interest.

With my head full of questions about why Computercraft had not enjoyed more commercial success, I began studying business in the expectation that my interest in democracy would wane. To satisfy myself that there *are* inherent problems with democracy at work, I researched the outcomes of different forms of democratic business.

The answers were unanticipated. Not only were there more commercial successes than expected (particularly outside the United Kingdom), but also significant diversity in the business forms adopted. There also appeared to be a consistent link between the forms adopted, growth and sustainability.

Interviews with a representative sample of social enterprises led to more surprises. Cause and effect were not clear. Was the business form the *cause* of success or an *effect* of the choices made by the people who established them? Organisation, delegation and decision-making were fundamentally different in the faster growing businesses. Clearly, management matters.

First Contact Software Ltd was my first attempt to find a better business solution - to create an enterprise in which commercial and social success can go hand-in-hand. It was *not* a social experiment but a hardheaded pragmatic choice made as a result of the research combined with considerable reflection. However, having secured the "in principle" backing of a venture-capital fund, it unravelled when the time came to put money on the table.

Thus started a third journey into the world of books – by far the most extensive – combined with 18-months research micro-analysing the culture of social enterprises while assisting with an employee buy-out. Not everything went smoothly, but after three years, a form of democracy at work was introduced and the company resumed its progress up the league table of fast growing businesses in the UK.

In this final foray, something magical happened. That slippery and malleable concept so beloved by political celebrities of all colours – "democracy" - manifest itself in a new way. Instead of a constitutional arrangement or set of political rights, it emerged as a process by which increasing levels of intimacy between people at work erode structures of authority and replace them with equitable relationships founded on trust and mutual commitment.

This realisation helped me to see democratic processes within notionally bureaucratic organisations, the seeds of change that transform average organisations into world beating employee and customer-focussed enterprises. Alternatively, it helped me understand the inherent authoritarian character of collectives (whether called this or not) in which the tyranny of the majority removes the chance for equitable communications between minorities and a powerful elite controlling "collective" thought.

Organisations were not *either* democratic or autocratic, they were both. Democracy and autocracy feed off each other to change social networks, control processes and ideas. Understanding this changed the way I understood enterprise management. Attention must be given to understanding emotion, leadership and group working to reconcile members' expectations with the practicalities of participation.

It meant there was a growing need for knowledge on group decision-making, leadership and individuality within team-based organisation structures. This exists, of course, within mainstream management books but not based on the study of enterprises that are self-consciously democratic.

I have found that it is important not to be naïve about individuals capacity to resist daily opportunities and threats. "Progressive" organisations can be as reactionary as the next

when the chips are down, or the emotions of their leaders are charged with anxiety.

And so to this book. The first chapter considers fundamental questions about business, shares, markets and value. Chapter 2 looks at the role of the manager, some ideas as to what constitutes “good” management, as well as arguments questioning the legitimacy of having a management group at all. Chapters 3, 4 and 5 help us to see the business as it is viewed by its individuals, its leaders and work groups. Chapters 6, 7 and 8 consider issues from an organisational perspective, and look at constitution, organisation design and business development.

Each organisation has to work out its own way of inducting new staff and this book was originally a resource for managers at First Contact Software Ltd. It provided the source material from which we were building a management training programme. Each chapter builds on the previous one to clarify issues involved in the creation and management of enterprises that have social aims. It is my hope that it will help you develop systems that work for you.

This second edition adds new material but the goal is to keep it relatively short. I hope you read it quickly but that it stays with you for life. If you put this book down with a better appreciation of the challenges and knowledge required to run a business, then it will have served some purpose. If it causes you to think again about whether conventional business forms maximise the chances of supporting and developing community life then it will have found its mark. I hope you – and the businesses you create or improve as a result – will contribute to a silent revolution that will democratise the workplace and bring lasting economic and social benefits.

- *Rory Ridley-Duff, September 2006*

### **About the Author**

Rory Ridley-Duff was a manager at Procter & Gamble (HABC) Ltd before becoming a director and CEO in two successive social enterprises. His academic career started in 1999 and evolved through ground-breaking research into the relationship between sexuality, power and systems of corporate governance. Rory now lectures in Organisation Behaviour, Employee Relations and Research Methods at Sheffield Hallam University. He is also director of Social Exchange Ltd, a company developing knowledge on democratic organisation and providing an on-line business advice service to the social enterprise sector. He is a member of the Management Control Association, Social Enterprise London and Mensa.