

Cooperative Business Impacts – A Realist Perspective

Moving beyond ‘what works’ by applying a Realist perspective to evidence building.

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The Problem

Co-operative businesses are democratically owned businesses which are run to meet the common needs and aspirations of their members. Councils and other stakeholders interested in supporting co-operative businesses want clear and informative evidence as to the effects of cooperatives. In March 2024, a Rapid Evidence Review was published by the What Works Centre for Local Economic Growth about the effects of different types of ownership, including cooperatives, on firm performance. The review concluded that there is *no strong evidence* for or against claims about the importance of different types of ownership on firm performance. The review also highlighted displacement as a key issue. This may occur where similar competitors exist in the same area, such as retail for example, or where goods and services are less unique and more susceptible to local displacement. Displacement could be an argument against investing in supporting new cooperative businesses if they displaced existing employment. The review noted that there might be wider benefits from different forms of ownership – such as contributing to civil society and improving pride in place – but stated that these benefits are likely to be *small and difficult to measure*. The Rapid Evidence Review based these judgements on a small (six) number of studies. The report takes a ‘hierarchies of evidence’ perspective about which data they use. This assumes that certain types of research, such as systematic review and randomised controlled trials, provide the best evidence about ‘what works.’ However, this narrow focus excludes large swathes of good data and useful evidence about contexts and processes – where, for whom and how things work - thus providing an insufficient basis for making recommendations. Our research adopted a Realist perspective on evidence, focused on developing insight, building explanations, and understanding what makes something possible (or not). This provides Councils with a broader evidence base with which to assess the wider effects of cooperatives.

What we discovered

Combining iterative literature searches and evidence synthesis with interviews with cooperative business owners and business support providers, our research expands understanding of cooperative business impacts. We focused on three types of cooperative business – worker coops, energy coops and childcare coops – to conduct more refined literature searching and develop contextual insights. Combined with new interview data, this suggested that cooperatives have numerous wider benefits, and that many of these are measurable. In addition, this expanded view on evidence helped to explain the cooperative advantage. To grasp the difference that cooperatives make, it is important to recognise that cooperatives do not emerge in a vacuum. They are *not* typically formed when there are *no* workplace grievances, *no* contractual problems, or when a community is *well served* with public goods. Rather, they emerge where there is excessive exploitation and where the state is failing to provide the quantity and/or quality of important goods and services. Cooperatives are a business structure formed *to* meet the needs of workers, members and communities. They build on solidarity within communities, and extend these relationships for the betterment of enterprises, workers and community. This means that concerns about displacement misunderstand why cooperatives emerge. A cooperative requires an economic justification and collective action is taken because of excessive market power and the undue exposure and alienation of workers and/or associated members. Evidence was found connecting cooperative businesses variously to job quality, wages, skill

development, company longevity, tax contributions and social security reductions, health and well-being outcomes, community pride, local development, and population retention and growth. Specific cooperatives will also have specific benefits. For example, an energy coop can raise investment to build community owned energy infrastructure and create the potential to lower energy bills. Childcare coops can ensure women are better paid for their work and more able to balance their professional and home lives, while worker coops can invest in members' training and development to enable personal and business growth. A crucial insight regarding how coops generate benefits relates to the extent of ownership. Cooperative *governance* alone does not ensure material benefits, but cooperative *ownership* enables workers to make decisions about wages, work conditions and business purpose.

Recommendations

The Rapid Review that inspired our research proposed a limited range of support initiatives based on the focus of firm performance, for example, business advice, finance, innovation support, procurement policies. By contrast, our expanded literature search revealed more policy options and contextual issues for consideration. We found that:

- Worker buy-out regulations can support workers to take over companies that were struggling or buy-out a retiring business owner, therefore saving employment benefits and locally owned businesses.
- Favourable tax and planning regulations can enable cooperatives to set up and operate in different sectors (for example, energy), recognising the additional social value this type of business formation has for workers and communities.
- Community development and civic activities focussed on participation, deliberation, connectedness and cooperative values can raise the profile of cooperative options.
- Cooperatives are 'mini-business schools' where people who might not have had the opportunity for positions of responsibility develop their skills.
- Graduate schools dedicated to educating about cooperative leadership and business formation, and cooperative education programmes at all levels can develop interest in and skills for the cooperative sector and cooperative entrepreneurship.
- Cooperatives have the potential to displace bad jobs with good work, but the extent of ownership matters – cooperative ownership where workers are involved in decision making is vital.
- Given persistent material deprivation, economic exclusion and worker dehumanization, policy advice must look beyond average effect sizes and broaden the scope of inquiry beyond firm performance and economic growth.
- Expanding evaluation and measurements towards human and social value, not just economic value, will enable the benefits of cooperative business to be better captured.

Further information

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