

Social Franchising: how can it support the development of social enterprise and co-ops in the age of Google?

Paper to the Social Franchising conference, Coin Street, October 18th 2011

1. Scaling and diffusion. Two forms:
 - *scaling and mass production*: mass replication and the valorisation of know how. Franchising is a way of scaling that decentralises operations, and often the raising of finance, but keeps overall control of brand, systems, purchasing and so on.
 - *diffusion and social economy*: the goal is the spread of the idea; not necessarily a single model, and no necessity to grow the organisation; rather ways of getting others to take up the idea

2. Tendency to emphasise new starts ups in relation to co-ops and SME's more generally but two points:
 - i) as or more fruitful is the *development from existing firms*: internal incubation, spin offs, open knowledge (as with IBM's call for new ideas from its internal and external stakeholders).
 - ii) *strengthen existing firms* to allow their expansion and diffusion: collective services, principally through co-operation on features of production that benefit from scale, notably information, knowledge and communication.

- 3. Scale economies through co-operation**
 - a) *demand factors*: brand or mark; sales and marketing; lobbying and policy campaigns;
 - b) *supply factors*:
 - training, skills and organisational capacity
 - technology
 - methods and know how
 - a business model
 - company formation
 - systems (MIS, metrics, HR)
 - supply chains

all these centre round knowledge and information

4. Each of these can be provided by jointly owned and funded organisations:
 - the numerous consortia in the Third Italy and Spain, many concerned with marketing, sales, and technical information, or with financial backing based on personal knowledge

- collective research centres, like the organic centre near Newbury or the Mondragon research centres
- marks like the fair trade mark or soil association, or the Parmigiano cheese label for the 980 cheese producers in the Parma area
- the Schools Co-operative Society (jointly established in 2011 by 150+ co-operative schools in the UK to provide support services).

5. Other forms of *diffusion*

- Visits and dissemination. Reggio Emilia and its co-operative to spread the ideas: tours, exhibitions, publications.
- Open knowledge. Bed Zed and the posting of its green building systems on the web
- Academies: University of Gastronomic Science in Bra (slow food); Sekem in Egypt.
- A philosophy like the slow food movement or the process of formation as with the Canadian housing co-ops
- Development banking as with Mondragon's Caja Laboral in its first phase, which, arranged for spin offs, helped fund and oversee the expansion of existing co-operatives as well as promoting start ups
- TV and web based generation of new initiatives as well as knowledge sharing and mentoring - Energy Share

6. These are all ways of organisation networks of information and knowledge sharing that has been greatly expanded in the Age of Google. Complex networks of information relationships that draw on knowledge in the network, and encourage innovation throughout the network that can spread. Soft forms of coherence are emerging in contrast to strict hierarchies of control.

7. **Social franchising** addresses many of these issues – spin offs, diffusion, new ventures and the strengthening of the capacities and communications relationships of those in the network.

- packages of the above service and reservoirs of knowledge
- a structure for continuing provision of those things where there are economies of scale or aggregation

8. **Types of social franchise.** A four part grid:

	<i>standardised</i>	<i>generative</i>
<i>top down</i>	Mainstream Habitat for Humanity US health franchises	Social enterprise
<i>bottom up</i>	Centralised Wholesale co-ops	Consortia Federations

9. The position in the grid depends in part on the service or product, and any franchise may **migrate** from one square to another. Some start with a top down standardised format, but gradually shift to a more generative model, or split up, as happened with the US recycling franchise Freecycle. Others may start as bottom up generative franchises but find they have to adopt more top down standardised methods before re-establishing a generative approach. Wholesale co-ops are usually consortia or federations of retail co-ops, who may start as generative (with the retail members given scope to influence central purchasing or piloting new products – as with the Korean organic food retail co-ops) but then become locked into centralised purchasing systems. Some franchises sit on the border – most are in movement

10. The core task is to **maximise productive relations of knowledge and information.**

This is the advantage of social economy, for its concern is with the process and outcomes of its activities not the size of the organisation. It is interested in the social maximisation of knowledge and its generation, not the private maximisation of financial value.

11. **Age of Google.** The discontinuous advances in communication technology greatly facilitates this. For example:

- on line formation and governance of new organisations
- communities of practice (reflective practice)
- on line learning (OU style)
- MIS to support those at the front line – users and workers

12. In some cases this leads to more **open and looser organisations.** such as One Click, or creative commons licenses, or open brands like Slow Food or Greenpeace's Apple Mac recycling campaign.

13. In others there are ***benefits of structure***. Social franchising has significant contributions in these cases:

- encourages existing organisation to think how to diffuse their knowledge and experience
- prompts a move from implicit to explicit practice (in some cases codes)
- formalises process of training
- establishes common metrics and systems – particularly MIS/accounting

14. ***Economic question*** is how this process is to be funded:

- free
- subscriptions
- fees to fund the central services

Aim: maximisation of the diffusion of information and knowledge subject to the recovery of operational costs as against the valorisation of know-how becoming a significant factor in itself.

15. It may be useful to think of the above issues *without a franchise*, in order not to fetishise the form.

16. ***The role of the franchiser as promoter, supporter, trainer, recruiter***, with the franchise structured around this. This ensures the continuing fostering of productive communication relationships, and ways in which they can be retained within the form.

17. What the experience of the European industrial districts have taught us is that the issue is not large firms versus small, but rather the nature of the large systems. Schumacher pointed out that large organisations (he cited the British National Coal Board) often have to create small units within their large structures and this has been a feature of many innovative corporations over the past 25 years. Conversely, small enterprises and social ventures have searched for ways of realising the advantages of scale without sacrificing the economies of remaining small. Social franchising an important social innovation in this context.

Robin Murray
robinmurray@blueyonder.co.uk

October 2011