

ENTERPRISE MODELS – A DIAGRAM WITH NOTES

1. The Categorisation of Models of Enterprise

We can identify a particular class of organization, which we can categorise as 'enterprises' because they are entirely sustained by their activities within a marketplace. It can be argued that all forms of organization operate within the 'market' because they need to pay market prices for the resources that they require, including land, labour and capital. Also, some of their services may be sold at prices determined by the 'market'. However, we need to make the distinction between those organizations that are not solely dependent upon the 'market' for their revenue and those that do not. For example governmental organizations and charities, that can rely upon income that can come from taxation, grants or donations, which are therefore not dependent upon the market for the continuity of their existence.

Every enterprise model should provide a complete and integrated system that is well understood by all those involved and which guides decision-making throughout the enterprise. Models of enterprise are designed to meet the different purposes of those setting-up the enterprise. Whatever the purpose of an enterprise it is vital that those involved both choose the correct model to achieve their purpose and fully understand the essentials of the chosen model. Additionally, they need to implement the practices and systems required to sustain the model. The member-controlled model of enterprise provides a framework that guides decision-making throughout the enterprise, sustains those practices that are essential for success and provides the basis for rejuvenation and renewal.

The model required for member-controlled enterprises is one that can ensure that the enterprise:

- Remains fully committed to its purpose
- Acts in the best interests of its members
- Acts with integrity
- Treats all members equally
- Remains autonomous
- Ensures sustainability and continuity

2. Alternative Models of Enterprise

The main forms of enterprise are categorised in a diagram, which follows below. The purpose of this diagram is to help those involved with member-controlled enterprises (MCEs), of all forms and types, to better understand this unique form of enterprise; also, to help leaders, ordinary members, employees and the general public, to understand the true nature of such enterprises. The diagram is not intended to provide a complete description of the member-controlled enterprise model or to describe all of the many different forms and types of member-controlled enterprises (MCEs). However, the diagram can help to identify the most important differences between this model and the alternative models of enterprise. Clearly a more complete understanding of the MCE model requires additional explanations. In particular, it needs to be understood that their function (strategic purpose) is to intervene within a marketplace in the best interest of their members, and that it is essential that they be run by and for their members.

The diagram does not seek to offer any form of judgment about any of the alternative models of enterprise. In particular, it should be understood that in many situations the conditions may not be pre-existent for the development of a fully-fledged member-controlled enterprise; this is commonly because the calibre of members' leaders required have not yet been developed. In such cases a 'patron/trustee' model could be required, which, can be regarded as a transitional form of organization until such time as the essential member leaders emerge. Nevertheless, we should also realise that enterprises run by patrons/trustees can undermine the engagement and ownership of the communities that are organized in order to respond to the community's problems.

3. Other factors

It is also to be understood that the diagram, in its current form, may not take full account of national, legal and cultural differences. In such cases it can be adapted to such conditions, however, care needs to be taken not to over-complicate the diagram, and otherwise it may not achieve its purpose. The following matters may also cause people to be confused about the functions of different forms of enterprise:

a. Charitable status

MCEs are clearly not intended to be run as charities, for they are based upon self-help and mutual action. However, it is understandable for members' leaders to look at ways of getting any benefits that may arise from securing charitable status, such as tax-breaks, grants and soft loans. Nevertheless, members of MCEs should not lose sight of the fact that they are not in fact running a charity, which is intended to be run by one group of people for the benefit of others and not for their own benefit.

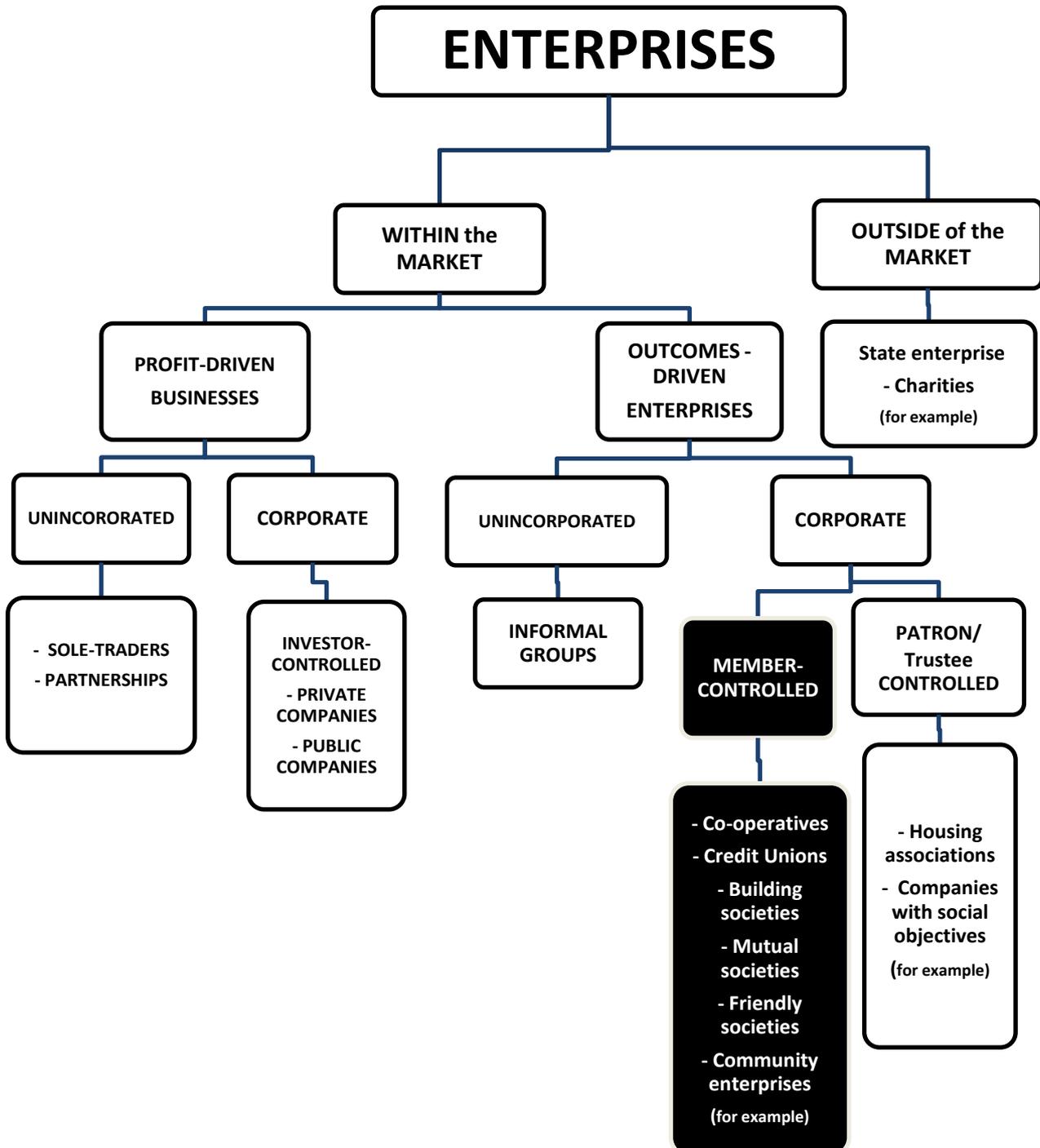
b. Legal structures

When considering the available options for incorporation, both in cases of first registration or reorganization, member-leaders need to consider the longer-term needs of their enterprise, rather than be pushed down the route of expediency. In particular, in an effort to secure finance, especially any grants or soft loans that may be available, they should not permit their enterprise to be led towards a form of organization which is unsuitable in terms of achieving their true purpose; for example, by seeking charitable status if this is not what they really need; The problem for many new or budding MCEs is that the law generally lags behind the current needs of enterprises, which can often mean that it impedes their proper operation. It is important to understand that although some forms of member-controlled enterprise are only permitted to register using specific legislation, in other cases the founders of the enterprise may choose from various options when incorporating their enterprise. For example, in the United Kingdom credit unions may only be registered using the Credit Unions Act, whereas many co-operatives may currently choose to register using either the Industrial & Provident Societies Acts or the Companies Acts, (which includes registering as a conventional company, a community interest company, or a company limited by guarantee).

c. Subsidiaries

Subsidiary companies may be run by MCEs, and if such subsidiaries directly intervene in a marketplace in the best interests of their members then such subsidiaries can become a valid extension of the MCEs that own them. If they are simply a means of raising revenue, then they are in reality just profit-making enterprises. When charities operate subsidiaries with the purpose of raising revenue these too are profit-making ventures, which will be treated by the tax authorities in the same way as any other business; the only difference being that such subsidiary companies owned by charities are usually permitted to donate a sum equal to their profits to the charity.

ALTERNATIVE MODELS OF ENTERPRISE



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