Creed or greed: what can the Church learn from businesses founded on principles of faith?

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Does the church have anything to learn from the business world? 'No' might be the resounding answer from a good number of priests, ministers and church administrators.

Introduction

1. Co-operative Business Models

The co-operative approach to business began in its current form in the mid-19th century, and was influenced from the outset by Christian theology and social concern. It has proved an appealing organisational approach to people and groups seeking to start a business with a specifically Christian remit. It is also a concept that has been adopted by non-religious businesses, such as the John Lewis Partnership in the UK, and has evolved in recent decades into a new sector known as 'social enterprise', which is described in this research as a separate category.

The origin of the co-operative movement is commonly considered to be the foundation of the Rochdale Society, set up in 1844 by a group of 28 workers in Rochdale, Lancashire. The influence of Christian thinking, specifically Christian Socialism, is mentioned by some of the publications listed below, but ignored by others. The society effectively still exists to this day, through a series of mergers that have created the Co-operative Group.

The co-operative model has proved to have notably widespread appeal and utility compared with other Christian business models, such as Quaker firms and philanthropic entrepreneurs, which have been most successful in Protestant countries. Co-operatives may also have started in post-Reformation England, but have proved markedly successful in Roman Catholic countries such as Spain and Italy, where their success has inspired a theological reappraisal of the nature of work. The Spanish co-operative Mondragon is cited by many authors as the most prominent example of a Christian co-operative at work, a regional business that has grown to become the seventh largest corporation in Spain.

Management theology

The co-operative model has inspired a range of theological reflections about the nature of work and specifically the power structures within an organisation. Clive Beed and Cara Beed (2009) consider the co-operative to be a theological challenge to the very concept of competition as an organising principle for business. The co-operative structure in their view reflects a Trinitarian model of co-operation, more akin to a family than a hierarchy of one-sided relationships. Biblical teaching is also cited in support of the concept: "none of Jesus' teachings can be interpreted as tolerating or encouraging competition, but instead advocate cooperation." Their research also refers to some of the recent Roman Catholic teaching that has helped to raise the status of the co-operative model, particularly Pope John Paul II, who cautioned against competitive principles which embody conflict and are motivated by a desire to eliminate the opponent.

Peter Davis (2006) also considers the co-operative model's affinity with Roman Catholic teaching. Although he finds that it is in theory compatible with Catholic Social Theory, the reality is much more mixed in practice and subject to many differing interpretations. Its introduction says: "the lessons of the co-operative business are that it rarely meets the potential implied in its ideal type." He does however claim the mere presence of this sector in the overall market system helps to create a healthy pluralism. By way of example he cites the decision by the Co-operative Bank, acting in support of the Nationwide Building Society, to oppose a plan by the big four UK retail banks to levy ATM charges for each transaction[1]. This principled stance was one of the reasons why the proposal was dropped in 2000.

Davis describes four principles of Catholic Social Teaching which are relevant to the idea of co-operatives:

First there is the principle of personalism which upholds the value and inalienable dignity of the individual who is the subject never the object for family, society, community, tribe, clan, group, party, association, organisation, or state. All social formations exist to protect and uphold the human rights of the individual…

The second principle is the principle of the common good…

The third principle is the principle of subsidiarity or civil society… Each decision taken should be taken at the lowest possible level of competence in society and ideally at the level of those who will be most affected by the decision…

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[1] http://www.publications.parliament.uk/pa/cm200405/cmselect/cmtreasy/191/191.pdf

Finally, the fourth principle is solidarity or civic friendship... sometimes called fellowship. Relationships are not based solely on formal contracts but on informal ties of kinship, friendship and of loyalty arising from our sense of belonging.

All four of these points could be adapted into the management policies of a wide range of institutions. Churches in particular might find useful the concept of subsidiarity as an organising principle, given the hierarchical nature of ecclesiastical management and the very hands-on nature of the role of priest or minister operating in the community.

Robert G. Kennedy (in Philip Booth (ed.) (2007)) describes subsidiarity as a useful bridge between hierarchy, which he considers natural and orderly in society, and the need to allow individuals to flourish. It is a position which appears to find a middle ground as an organising principle for the management of Christian institutions. He argues that in a successful society the larger institutions will enable the smaller ones to perform effectively and to take the decisions they are best designed to take. Kennedy's analysis suggests a coherent and moderate implementation of the idea of 'servant leader', a concept much quoted by Christian managers to justify a wide spectrum of contrasting policies. Under Kennedy's model, it is not so much the higher agency taking on certain menial tasks in order to show solidarity, but a more practical inversion of the typical hierarchical structure by promoting a supportive rather than a controlling role for managers. This idea is a long-established management strategy, but has strong theological resonance which could help its application to ecclesiastical institutions. In order to combat the risk that the powerful will misuse their authority, Kennedy states, the Catholic Church insists on this idea of devolved executive function:

"Underlying this principle [subsidiarity] is the conviction that a good society demands the flourishing of this wide variety of associations. As a consequence, every superior authority has a twofold duty. First, it must provide assistance as needed to subordinate associations to enable them to perform their functions as effectively as possible. Second, it must always exercise restraint in its use of power so that the legitimate activities of these subordinate associations are never destroyed or absorbed." (p. 169)

As might be expected from an American author, Andrew McLeod (2007) puts considerable focus on Biblical precedent for good management techniques. His study questions whether co-operatives could help to bridge the gap that has developed in the US between the religious right and secular society. As an organisational principle for decision making, he cites Matthew 18:15-18, about disagreement between two believers, as the model for a business conflict resolution system in which the offender needs to recognise his/her offence. He then looks at the communal sharing in Acts and the divine punishment meted out to Ananias and Sapphira for withholding some money from the community. These latter two were struck dead by God: "this most extreme of punishments was reserved for being uncooperative – for failing to share. And it should be emphasised that Peter took the trouble to remind Ananias that the whole arrangement was voluntary."

McLeod wonders if co-operative models would work in America, where he claims the culture fosters a 'live and let live mentality' that avoids imposing views on other people. He comments that Americans have difficulty seeing other points of view, and says positive role models need to be found in order to achieve this. He turns immediately to Mondragon (described below), which has ended up so large it has taken on some of the functions normally performed by a government. And in Italy there is the Confederazione Cooperativa Italiane Cooperative, which is more than 100 years old and has 3 million members.

After these two examples from Roman Catholic countries, McLeod concludes by hoping for an ecumenical future, which the co-operative idea of community helps to exemplify. He does end up with a similar conclusion to other writers, that co-operatives are a commercial model that removes competition and replaces it with community: "And perhaps more importantly, cooperatives provide a way to remove competition as the primary motivator for commerce without throwing out the existing economic order. This transition is highly important; sudden lurches toward sharing of wealth have consistently shown themselves to be less sustainable than gradual shifts."

Richard Higginson (2011) offers an interesting perspective on the role co-operatives in his report on a trip to Chile a year after the devastating eathquake of 2010. "Suffering of an extreme kind can provoke the worst in human behaviour (as in the looting and pillage that follow some disasters) and may therefore lead to despair. But a shared experience of suffering can also bring out the best in people, in which case it gives rise to hope." The juxtaposition of hope and suffering has a strong Christian resonance, and during his visit to wine producing co-operatives in the country he finds evidence of considerable solidarity and mutual support among those affected. Higginson's idea that the co-operative impulse might arise out of hardship certainly resonates with the origins of the Rochdale Society in 1844, and might also help to explain the success of Spain's giant co-operative enterprise Mondragon.

Mondragon: a Spanish success story

Mondragon was founded in 1956 by Fr Arizmendiarrieta, a Roman Catholic priest in the Basque region who wanted to do something to address poverty and social injustice in his community following the end of the Civil War. It is named after the town of Mondragón where Fr Arizmendiarrieta and a group

of graduates from the local business school began by manufacturing paraffin heaters. It has since branched out into education, finance, other industries and retail, and is now a federation of 289 companies collectively employing 80,000 people[2]. The group company's full name is Mondragon Cooperative Corporation (sometimes abbreviated to MCC). Clive Beed and Cara Beed (2009) consider it to be an exemplary exercise in Christian co-operative principles at work: "The MCC is probably the closest large-scale example of self-owned/self-managed multi-worker firms instigated via Christian principles and still adhering to them implicitly (explicit Christian teaching does not occur). The MCC warrants attention as an indication of how God's economic preferences might be pursued in the advanced economy."
David Herrera (2004) examines how the Mondragon co-operative in the Basque region of Spain operates according to Christian principles, particularly those articulated by Pope John Paul II. It looks at how the guidelines of Catholic Social Thought have created an organisation that differs greatly from standard business models.

As a starting point, there is more of a focus on human capital at Mondragon: There are two Mondragon principles that advocate the dignity of human persons and their work. These are The Sovereignty of Labor over Capital and The Instrumental and Subordinate Character of Capital. At Mondragon, worker-owners are the protagonists of work and capital is a tool to achieve work. *(p. 8)*

And job creation both within the companies and beyond them is a key rationale:

The most evident demonstration of solidarity of Mondragon worker-members is contained in the principle of Social Transformation. Pursuing social and economic justice as well as solidarity with the community, Mondragon endeavors first and foremost to create jobs. In fact, the creation of employment is one of the main stated objectives of Mondragon. *(p. 9)*
The appendix lists the 10 basic principles of Mondragon, quoted in turn from J M Ormaechea (1993).

1. Open Admission
Mondragon is open to all persons who are capable of carrying out the available jobs. There is no discrimination based on religious or political grounds, nor due to race, gender, age, or socio-economic levels. The only requirement is the acceptance of these Basic Principles.

2. Democratic Organisation
Workers are owners, and owners are workers. Each cooperative is managed by a system of "one person-one vote."

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[2] http://en.wikipedia.org/wiki/Mondragón_Cooperative_Corporation

3. Sovereignty of Employee's Work Over Capital
Workers join Mondragon and become owners after making a capital contribution at the end of a trial period. All workers are entitled to an equitable distribution of profits. The return on saved or invested capital is just but limited, and it is not tied up to the surpluses or losses of the cooperatives.

4. Subordinate Character of Capital
Capital is a means to an end, not an end in itself. Available capital is used primarily to create more jobs.

5. Participatory Management
Worker-owners participate in decision-making and the management of the cooperatives. This implies development of self-management skills. Formal education and adequate information is provided to improve worker-owners' ability to participate competently in decision-making.

6. Payment Solidarity
Remuneration is regulated internally and externally. Internally, an agreed differential between the highest and lowest paid job is applied. Externally, a remuneration level is maintained in relationship with similar local industries.

7. Interco-operation
Cooperatives form Groups to pool profits, to absorb worker-owner transfers when necessary, and to attain synergies.

These Groups associate with each other to support corporate institutions. Mondragon associates with other Basque cooperative organizations to promote the cooperative model.

8. Social Transformation
Mondragon cooperatives invest a majority of their profits in the creation of new jobs. Funds are also used in community projects and in institutions that promote the Basque culture and language.

9. Universal Nature
Mondragon proclaims its solidarity with other cooperative movements, with those working for economic democracy and with those who champion the objectives of peace, justice and human dignity. Mondragon proclaims its solidarity especially with people in developing countries.

10. Education
Mondragon cooperatives commit the required human and economic resources to basic, professional and cooperative education in order to have worker-owners capable of applying all basic principles mentioned above.

Although these principles have developed over time and reflect a modern business culture, it is interesting to note a socially progressive tone in certain aspects, particularly considering Mondragon's origins in a rural, Roman Catholic region. As a paradigm for church employment practices, for example, the concepts of open admission (point one) contrasts with the relatively closed nature of the priesthood and ministry teams managed by churches. And the concept of democratic organisation (point two) makes for interesting comparison with the hierarchical nature of ecclesiastical institutions, notwithstanding the representative nature of synods in the Church of England and the Connexional system in the Methodist church.

Christian origins

Peter Davis (2006) claims that the co-operative movement arises in early modern Britain with the Diggers and the Levellers. After them, the social reformer and factory owner Robert Owen (1771-1858) is widely acknowledged as the founder of co-operative principles, and although largely influenced by political thinking, he drew on St Paul's writing in support of his ideals. His idea was communitarian, nurturing a community of workers, and although he is a significant figure in the history of co-operatives, this did not turn out to be the most popular model. Instead the movement largely developed a concept of community based on consumers, beginning in 1844 with the Rochdale Society's introduction of the dividend on each purchase. The communitarian model is overlooked today but there are still many people in communal living in Britain and America. The Rochdale Society was also modelled on the ideas of William King, a Christian writer who produced a journal called The Co-operator.

The International Cooperative Alliance's list of principles dwindled by the 1960s down to a narrower focus on consumer profit sharing, but this was revised in 1995 to reinstate some of the management-focused aspects of the co-operative, such as collective ownership of capital and the importance of community. It has been argued that the excessive focus on distributing profit to consumers meant many co-operatives did not invest to grow after the Second World War. They have also been hampered in recent decades because many other retailers have also begun to reward purchasing loyalty. Perhaps, Davis suggests, it is time for Christian co-operatives to reappear, particularly as the state is withdrawing from market regulation. He cites a number of possible models for this, including the Kibbutz in Israel, Mondragon in Spain and the role of co-operatives in reconstructing the economy of Greek Cyprus after the island's partition in 1974.

Further proof of the international appeal of Christian co-operative business can be found in the writings of Toyohiko Kagawa (d 1960), a Japanese Christian activist who campaigned passionately for Christian co-operatives in Japan. His book *Brotherhood Economics* (1936) considered that the best alternative to capitalism, Communism and fascism was to be found in an alliance between Christian churches, co-operative businesses and the peace movement. His wide-ranging social activism is described by Robert Schildgen (1988). Clive Beed and Cara Beed (2009) state that Italy has more co-operative businesses than anywhere else in developed economies.

The end of a dream

The high ideals of co-operative ventures described in this section invariably make the business failures more spectacular and news-worthy than most corporate news. Davis (2006) says that Catholic priests and nuns are often the founders of co-operatives, with high ideals, but immersion in the secular and hence commercial world will start to water these down:

In the establishment of credit, producer and consumer co-operatives the founding influence has often been either a Catholic priest or nun. The problem is that the influence of the founder will quickly diminish as the secular forces that surround the co-operative begin to take effect.

The influence of the market and of money is seen as striking a decisive blow to the high ideals of co-operatives. The author cites the recent privatisations of building societies in Britain as an example, with only the Nationwide left in its original mutual form. The process can be seen from the start of the co-operative movement: in 1850 some men in Rochdale began a co-operative corn mill with help from the original Rochdale Society. In 1862 they took in outside shareholders, who soon cancelled profit sharing among workers; the Rochdale Society withdrew its support.

In a study of twelve failures in worker co-operatives in the 19th Century Hall and Watkins (1934, pp. 100-101) found that in six cases management subverted the business for their own ends and they become converted to private companies, in two others it was incompetent management, and in two more lack of discipline by the workingmen themselves. Arnold Bonner noted from reports of failure at the time that some societies soon changed their form to that of private companies and that poorly thought through self-governing management systems and little attention to the quality of recruited members were significant factors explaining co-operative failure. (Bonner, 1961, pp 63-65)

Given its high profile it is unsurprising that Mondragon has received considerable critical scrutiny over the years. Clive Beed and Cara Beed (2009) acknowledge claims that Mondragon's success is due more to the unique historical and cultural conditions of the Basque region than any theological innovation. They cite a critical study by S. Kasmir (1996) which challenges the claim that Mondragon's workers have any more say over the management of their business than workers in other businesses.

2. The rise of the incorporated company

Introduction

The idea of incorporation speaks of something central to the Christian faith, a notion full of meaning and symbolism for a religion founded on the incarnation. God takes on a bodily form, and in turn shares this body with the faithful. Though we are many, we are one body, says the priest as she or he gathers the congregation to unite in the central act of the Eucharist. It is symbolised with bread: *cum panis* in Latin. The theology is clear and well-known, but what is less well known is that this gives us the derivation of the modern word company. It might be dismissed as a mere coincidence or no more than a convenient metaphor, but some writers have considered that there is something inherently Christian about certain forms of secular organisation. If the church is the body of Christ, so a company might be considered the body economic, a gathering of people sharing a common commercial purpose.

This section looks at the rise of the incorporated company in the 19th century, and the Christian influences that have helped to shape this now ubiquitous organisational model. It includes some of the many interpretations and criticisms of Max Weber's link between capitalism and the Protestant work ethic, but also looks at how companies with a specifically Christian heritage interpret their theological purpose. It ends by looking at some examples in the specific sector of publishing, including a case study from America, in one of the few pieces of specific research into what a Christian-based company looks like in terms of management practices.

Monastic origins

The application of Benedict's *Rule* in business life is examined in detail by Kit Dollard et al (2002). Benedict's *Rule* was written in the early 6th century, consisting of 75 short chapters of advice for those organising and living in a monastery. Dollard's book is written as a conversation between authors in or close to a monastic community, and finds precedent for modern management techniques, such as a focus on "putting people at the forefront of management" (p. 19) and the development of HR departments, in Benedict's much older *Rule*.

While focusing mainly on personal skills, value-based decision making and in particular relationship issues, the study also considers the implication of some of the organisational innovation of Benedict's *Rule*. For example, the hierarchy of a Benedictine monastery is based not on ability or age but on the date on which an individual entered the community, introducing a random element to the more usual criteria for rank and status. The concept of servant leader, so widely quoted to justify a wide range of management decisions by authors in this study, is seen at its most literal within Benedict's *Rule*, as every monk is expected to take turns serving food at mealtimes.

Richard Higginson (2012) also considers the implications and legacy of Benedict's thinking in the corporate world. In particular Benedict views monastic leadership as a multi-functional role, incorporating elements of servant, shepherd, teacher, healer/doctor and steward, which Higginson says translates well into many other types of organisation including businesses. The Cistercian order of monks, founded in 1098 in a bid to return to Benedict's core values, put great emphasis on innovation including the extension of grazing to enable wool production, improvements in the technology of masonry for their buildings, skilled metallurgy and hydraulic engineering for water mills and even heating systems.

Roger Sawtell, writing in Donald A. Hay and Alan Kreider (2001), believes capital ownership might one day be replaced by the older concept of servant leadership. As an example he cites Benedict's *Rule*, which has been read out each day in monastic communities for the past 1,400 years, surviving intact while countless other institutions have come and gone. He questions the reasons for such longevity and concludes:

The answer is partly because of the transparent spiritual depth of the Rule, the unchanging concept that the most important 'work' of the community is regular prayer. Another reason is the corresponding flexibility of the Rule regarding material matters which Benedict realized would change from age to age. It is marvellously practical and specific, but flexible. (p. 71)

As a management principle, the abbot is appointed by the brothers over whom he is to have authority, not by "an outside body of shareholders or money people". Some major social reforms have been based on monastic pioneers: before the Education Acts of 1887 and 1902 there were monks and nuns providing education, and much nursing care provided before the NHS was founded in 1948. Sawtell calls for a contemporary monastic order to be set up, a modern type of community where members would go and work in co-operatives, bringing good practice and energy from elsewhere, modelled on Iona or Taizé.

An economic expression of Christianity?

Patrick K. O'Brien (in David Jeremy (ed.) (1998)) looks at the correlation between religion and work, with particular reference to Max Weber's thesis on capitalism and Protestantism. He accepts that many business leaders have demonstrated both commercial acumen and strong religions convictions, but questions the validity of making a causal connection between the two. He also questions the extent to which there is any identifiable shared set of theological beliefs that unites a diverse workforce across a large region of Europe.

He turns instead for explanation to management theory, specifically the field of labour economics, which looks at what motivates workers to participate enthusiastically or otherwise in a company. Pecuniary reward is a major factor but there are also other factors that affect the “quantity, quality and effort” that people put into their jobs, including status, approbation and fame. The author points out that theological examination takes place at a very rarefied level to discern the distinctive elements of different denominations regarding attitudes towards work, in ways that are unlikely to filter down to the pulpit and into the minds of working people in the cities and particularly in the fields.
Also, it is hard to discern any absolute divisions between Catholic and Calvinist teaching regarding the “dignity of labour, the productive use of time and its counterpart idleness, and the spiritual value of all kinds of work in the secular domain”. He concludes by saying that the evidence of a primary causal link between Protestant religion and capitalist success has been more or less disproved by economic historians, who have found limits to the degree of correlation. He also says the idea that members of Protestant sects are represented out of proportion to their overall numbers when it comes to workforce leaders (scientists, merchants, entrepreneurs, skilled workers etc.) have been “more or less refuted for the English industrial revolution.”

In juxtaposition to this, David Jeremy writing in the same book (David Jeremy (ed) (1998)) looks at the make-up of lay Methodist leaders in 1907. He defines leadership as having membership of at least five national church committees. Of the 76 individuals in this category, more than 72 per cent of them were involved in business, all of whom apart from five were owners or managers of their business, with owners outnumbering managers. They were leading businessmen in sectors such as flour milling (Joseph Rank, a wealthy mill owner), chemical manufacture (Thomas Barclay), textile industries, building contractors, three ship owners and two working in the railways. However he also accepts that it is next to impossible to determine the extent to which their Methodism permeated their business methods, partly because “I have no non-religious control group with which to compare them since this cohort lived in a predominantly religious age.” In addition, he acknowledges further difficulty in determining any causal link between their faith and work: “How far religion motivated or facilitated their business success is impossible to measure.” Among the ways in which there might have been influence, he suggests: “If the obvious message of Wesley restrained the garnering of riches, it might be argued that that message also induced a cautious judgement and frugality which predisposed its adherents to capital accumulation.” If so Jeremy’s conclusion contradicts the Weber thesis that a Protestant’s liberty to take risks is at the heart of successful accumulation.

Despite the extensive critical analysis of Weber’s thesis, the argument retains an attraction for those who are sympathetic to its claims of Protestant supremacy, in business terms at least. David Miller and Timothy Ewest (2010) demonstrate the extent to which Weber's thesis can find a particularly sympathetic hearing in modern-day America, where the authors refer to "the recent emergence of intense scholarly interest in the study of the connections between religion/spirituality and the workplace". This no doubt refers in part to a new academic unit set up by the author David Miller, the Faith & Work Initiative under Princeton University's Center for the Study of Religion[3].

The same authors develop this theme further in Judi Neal (ed.) (2013), with a research paper investigating the application of Weber's thesis in an American context. Their paper considers the positive impacts in particular of Calvinist and Puritan strands of Christianity, deriving from the doctrine of predestination, which can be taken to claim that material success is a sign of God's blessing and pleasure. It claims there are five 'theological accents' that can be determined in manifestations of the Protestant work ethic:

1. An accent on personal purpose or calling in daily life
2. A Protestant accent on stewardship (related to what some call "co-regency")
3. A Protestant accent on economic justice and business ethics
4. A Protestant accent on lifestyle modesty within success, coupled with a spirit of radical generosity
5. A Protestant accent on the expression of one's faith, often called evangelism.

The authors are open about their partisan approach to the subject, and start their paper with the revealing statement: "All roads do not lead to Rome, and despite the wishful thinking of many, all religions do not believe the same thing."

Richard Higginson (2012) considers the broader issue of Weber's thesis and while acknowledging the flaws in its detail believes there is some value in its overall conclusion that Protestant countries do have a propensity towards capitalism. He also believes theological distortions have been introduced in the ways in which others have attempted to make faith-based claims for their attitude towards work and money. These three distortions are listed as prosperity theology, anti-capitalist theology and the sacred-secular divide, in which even devout Christians keep their faith separate from their working life. Higginson cites two striking examples of the latter: the CEO of Enron, Kenneth Lay, a devout Baptist who claimed his company's ethical code was based on Christian values, and the CEO of WorldCom, Bernie Ebbers, a Sunday school teacher in his local church, who was sentenced to 25 years in prison for conspiracy and fraud. Higginson also cites many other positive examples of Christian leadership in his extensive study of this topic, including Mr T. S. Wong, chairman of toy manufacturer Jetta Company Ltd, a Christian who puts significantly higher emphasis on employee welfare than comparable manufacturing businesses in the region. The working week is usually no more

[3] http://www.princeton.edu/csr/current-research/faith-and-work/

than 40 hours, and libraries, evening classes and open recreational space are provided for employees.

Theology and the incorporated company

Stephen F. Copp (2011) argues that the limited liability company is not merely acceptable according to Biblical principles but actually implements Christian theology, insofar as it enables prosperity, allows people to flourish and "reflects the character of God in reconciling ideas of law and grace." He explains that the idea of limited liability is not merely a legal device that allows a company to shrug off its obligations regarding debt. He has five main arguments why limited liability companies can be regarded as an embodiment of Christian theology:

1. Incorporation supports the biblical ideal of a prosperous and free society.
2. Incorporation reflects the biblical ideal for relationships.
3. The recognition of corporations is required to limit government.
4. Limited liability enables risk to be addressed, consistent with biblical prudence.
5. Non-payment of debt is not necessarily sinful.

The author argues that companies can be seen as the Biblical idea of incorporation translated into a secular context. He cites as evidence the etymology of the word company from Latin *cum panis*, the breaking of bread together.

"The church is vividly portrayed in the New Testament as Christ's body. The context was the need to avoid damaging divisions in the church between those with different charismatic gifts by emphasizing their mutual interdependence. Yet, in doing so, it provides an ideal for cooperative human relationships and, therefore, business organization. Key features of this ideal are the recognition of free will and/or inclusiveness (choice replaces birth as the nexus between members), specialization and/or interdependence (each member provides different but important functions), complexity and/or size (the body is a highly complex, not simple, organism), and central direction (the Holy Spirit)."

James M Childs (1995) considers the gulf between churches and the world of work, which has been created by both sectors. Both church and business stereotype each other, businesses castigated as unethical and greedy, churches dismissed as being out of touch with the real world. And yet he finds evidence that the divide can be bridged to beneficial effect through Christian-inspired management policies. Childs refers to an anonymous 'Christian businessman' who had a large business employing many young people. As a Christian, his principles involved not taking a short-term personal profit but investing in the business, because that would expand opportunities for more than just himself. A second anonymous story makes a clear point about the dilution of Christian ethics in an organisation following a takeover.

He talks about a company founded by a Christian entrepreneur, whose faith legacy disappeared following a change of ownership for three reasons: the company ethos was diluted as the influence of the founder faded, the takeover process of buying and selling inescapably put the focus on short-term profits, and the transaction itself undermined employee loyalty. Childs' conclusions seem valid when compared with numerous Christian business foundations described in this research that have lost their religious ethos following a change of ownership. They also highlight one of the questions raised by this field: how far can Christianity be endemic to any company's management if the religious accent cannot survive a change of ownership?

And then Childs gives a named example: Max De Pree, CEO of Herman Miller, a Fortune 500 furniture company based in Michigan. As seen in some of the co-operatives, De Pree also values a non-discriminatory employment policy: "Actively promoting the dignity of all and celebrating our diversity as a human community are virtues of leadership that echo the character of Christian love in what we have seen is its inclusive embrace of all people." De Pree has instituted eight rights to respond to this, among them:

• the right to be needed; i.e use our gifts to their maximum in concert with the company goals
• the right to be involved, to have one's input valued and to be given a chance to communicate in ways that will help to inform the company's decision making
• the right to understand what is going on, the right to have a say over their destiny, knowing in detail about corporate expectations of them, criteria of performance assessment etc.

Childs talks about the model of the servant-leader, but in his interpretation it applies to limiting excessive executive pay relative to the lowest-paid workers of a business, which seems a long way from the inverted hierarchy described in Biblical terms.

David Miller (2007) also examines the disconnect between the world of faith and the world of work. He believes much of the divide stems from the fact that for much of the 20th century theologians saw commerce and capitalism in a purely negative light.

Both Christian socialism and liberation theology rely heavily on Marxist categories of analysis, historical interpretation, and methodology, which presuppose a prima facie rejection of: capitalism, non-state controlled forms of economic organization, ownership of private property, and the role of religion. Influenced by Marxist categories of analysis and economic presuppositions, the problems of industrialization and automation, and the deconstructive methods of postmodernism, many clergy and theologians failed to find and articulate a constructive doctrine of vocation or theology of work. (p. 90)

Miller talks enthusiastically about the Faith at Work (FAW) movement which has developed in isolation from the established churches for the reasons given above. Although not defined in detail in this particular book, the FAW movement seems to be a phenomenon that started in the mid-1980s and continues today, characterised by people who want to harmonise or integrate their religious and working life in some way.

This modern quest for integration has ancient theological roots. In particular, the Hebrew word *avodah*, which conjoins these points, is illuminating. Found throughout the Hebrew scriptures, the root of the word *avodah* means 'work and worship,' as well as 'service,' thereby suggesting that our work can be a means of honouring God and serving our neighbour. (p. 6)

Though there are few books that examine faith-based organisations and management techniques, there are many that consider the application of faith to the workplace from an individual perspective. Robert Banks and Kimberly Powell (eds.) (2000) promote the values and practices of faith-based leadership, but also conclude with a case study at an organisational level. Joseph A Maciariello's chapter 'Credo and credibility' looks at the management systems of the American property maintenance firm ServiceMaster, a public corporation at the time of authorship with operating revenues of $4.7bn in 1998. The business is run according to Judeo-Christian values, and the first of its four business objectives states that the company seeks 'to honor God in all we do' (p. 200). The author describes the company's management systems as a combination of formal and informal systems, all of which are designed to bring unity out of individual effort, citing the model of servant leadership to achieve this. The company is one of many using this term, but does set out its implications in five points:

• Serving the best interests of all stakeholders, and exhibiting compassion for those served (it is tough and results-oriented but also compassionate)
• Leading by example, and seeking to exhibit a servant's heart towards those served (by, among other ways, display a willingness to do the most menial tasks, thus giving added dignity to all work)
• Giving recognition to those who need it, even at one's own expense
• Accepting, empathizing, and listening to all constituents
• Coaching and teaching (a style in which the leader is easy to please but hard to satisfy completely) (p. 208)

ServiceMaster's focus on human capital, such as providing English-language training and help with transport to and from work, has seen its employee turnover drop from 100 per cent to 5 per cent at one cleaning division based at John F. Kennedy airport; such reductions in staff turnover are also noted in the case study of Chick-fil-A, described below. The company even works to integrate family and business life in ways unspecified but sounding closer to models in Japan and South Korea than corporate America. Since the chapter was written, the company has been taken into private ownership following a buyout by a New York private equity firm in 2007. The list of corporate priorities no longer includes any reference to honouring God[4].

Ken Costa (2007) examines the benefits for an individual Christian of incorporating aspects of their spiritual beliefs, particularly prayer, into their working day. It is a more personal rather than organisational account of the ways in which religion can influence business decision-making and management, arguing that faith is as relevant to the author's own profession of investment banking as it is to any other form of work. The anecdotes in the book mainly come from highly successful business people, including several from the author himself, demonstrating the agency of good ethics within a wide range of business sectors. He concludes by suggesting an alternative to the 'servant leader' theme:

I suggest that we should think of the leader as steward, the person who can carry the community with him or her but who earns legitimacy from managing resources for the long-term benefit of all. (p. 174)

Christian publishing companies

Laura Allison Akin (in Judi Neal (ed.) (2013)) examines the management of a company with an unusually distinct Christian ethos. Like many other businesses mentioned in this research, DaySpring Cards has a Christian foundation, but it is part of a much smaller subset of companies whose products, and hence customers, are also clearly identifiable as Christian: the business produces Christian greeting cards. It was set up in 1971 by Christian entrepreneurs – two pastors in California – but it is listed in this section rather than the section on entrepreneurs because it has changed ownership to become a standalone business fully owned by Hallmark since 1999.

Akin's research is largely uncritical of the company's claims about its values, but this does provide an unedited look at how its version of Christianity is embodied in managerial policies, inculturated into the business in a way that has enabled it to survive a change of ownership. From a human resources perspective, she says this culture attracts like-minded workers and ensures that those who do not fit the ethos "likely do not choose to continue their career with DaySpring" – an outcome which she admits occurs at other companies but which is stronger at DaySpring. Also strong, she claims, is its focus on relationships with employees, at the higher end of the spectrum of measurement. "As an employee of DaySpring, you have a freedom to be who you are and live out your beliefs, a freedom that you would not find in most corporate cultures. There is a lack of concern in offending people. Values,

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[4] http://www.servicemaster.com/about-us/corporate-responsibility/our-commitment

beliefs, and faith are visually represented throughout the buildings and throughout the employees as they work." However the author gives no indication that this freedom extends beyond a freedom to express devotion to Christianity; she cites by way of evidence one employee who has an office entirely full of pictures of Jesus. The only example of diversity given in Akin's research is the fact that members of different Christian denominations can be found among the employees.

The concept of the servant leader is part of the corporate language, and demonstrates the flexibility of this phrase in Christian management practice.

The leaders at DaySpring all have a common characteristic of leading through participation and taking a genuine interest in people. A criticism of their style from an outside corporate leader is that the leaders act too much as a friend and lack the structure a leader should uphold. In reality the structure is there; their environment just brings trust and partnership into their relationships which bleed into their leadership. They rely on people to be more selfless than selfish, and while there may be room for criticism, there is definitely room for praise. (p. 549)

In terms of HR policy, Akin mentions four activities in which the Christian ethos is discernible: recruitment, training/development, surveys and salaries. However the management policies seem little different to those practised in other, secular businesses, demonstrating the difficulty that other authors have described in discerning the actual rather than the claimed influence of religion in determining business success. In terms of recruitment, DaySpring operates under legal requirements concerning discrimination, and employs a two-way communication at interview to explain what the company stands for:

DaySpring does not ask any inappropriate questions about religious background or denominations, they simply provide all potential employees with the truth about their company... If the potential employee does not feel comfortable in the environment created by this discussion, they are likely to show it in some way letting DaySpring know they are not interested and they may not be a good fit for the company. No serious lawsuits have ever been filed for human resource issues. (p. 555)

In terms of training and development, the company grows leaders from within, and if someone is hired from outside they typically take a lower entry position than in their previous job in order that they can grow with the company and develop skills based on its culture. The company uses the Conexa employee survey process to evaluate job characteristics and employee satisfaction, but the author admits the same process is used by DaySpring's parent business Hallmark. However the company does hold a separate survey about work-life balance to see what areas their employees need to develop, such as financial planning, or "areas they are looking to improve upon in their life, such as marriage.” The final point, about salaries, demonstrates how far DaySpring conforms to the norm of business practice, paying a competitive wage. Even though some are drawn to the company so they can work in a strong faith environment, “people do not come to DaySpring expecting to make significantly less money.”

Steve Mitchell (2013) examines a similar British business sector with a religious customer base: Christian book publishing and retailing. The fate of this sector in the past two decades offers several instructive lessons concerning the need for professional management within church organisations. By the start of the 1990s there were more than 600 Christian bookshops in existence, including such chains as CLC, SPCK and Wesley Owen, and a large number of independent outlets. Often run by church volunteers, and with a charitable foundation, their purpose was primarily evangelism and ministry rather than profit – leading to some rather downmarket store design and amateurish but well-meaning management. The relatively benign trading conditions in which they had near monopoly over a distinct and well-defined target market has since changed quickly and dramatically. The demise of the Net Book Agreement in the mid-1990s removed the ability of publishers to set the prices, enabling supermarkets to sell discounted books. The growth of the internet soon after compounded the effect of this market liberalisation, offering potential customers a new sales channel for books and also a new way to search for information and articles. By the end of 2009, the global recession had made it hard for the trade to borrow money to modernise, and the sector’s leading distributor and wholesaler collapsed. Mitchell does not name the distributor but it is presumably IBS-STL UK, formed just two years previously by a merger of the International Bible Society and Send the Light. As trades that are based on local mission and ministry, Christian book publishing and retail have been badly hit and are finding it hard to respond to the changing marketplace.

At a recent conference the author heard members of the trade discuss what to do in the future; the change is accepted as the new normal rather than a temporary downturn. Some are moving to cheaper premises, some are using market stalls rather than shops, some are adding coffee shops and some are tightening their businesses. Churches have given almost no help at all in supporting their local bookshops: they have their own income problems and also seek their cheapest suppliers wherever possible. In 2012 a survey of 20,000 Christian book buyers was conducted, which found several findings listed by Mitchell, including one which seems particularly relevant to the development of strategies for church organisations:

Specialist publishers and retailers need to embrace fully the idea of communities and social media, and the tangible and extra benefits these can provide to win customer loyalty.

But consumers are themselves not so loyal, they freely shop around for the best price and do little to support a bookshop just because it is Christian based. The retailers talk about growing loyal communities, both geographically and theologically, but the harsh reality is that consumers do not give loyalty so readily unless there are clear benefits and added value to receive in return. The sector as a whole is not responding to all the changes. Publishers have adapted by diversifying their product range and focusing on international sales but retailers are more insular and focused on serving a specific place. Christian bookshops are evolving tactics to cope with falling sales and increasing competition but there is not enough industry wide strategic engagement with the issues. The author suggests there are opportunities open to the trade which rely on reinvigorating the local connection to churches, making the most of the fact that most Christian authors, publishers and booksellers are not motivated by profit but a desire to communicate the Gospel and deepen people's spiritual lives. The Christian book trade should re-engage with the church, its primary community, with inspiring titles and genres and theology that dovetail with the churches work. So can the book trade re-inspire the Church? The signs at the moment aren't promising, but there are some new voices appearing in the world of books that are pushing, challenging and unsettling the status quo.

3. The Christian Entrepreneur: paternalistic modes of management in Britain and America

The appearance of a class of entrepreneurial owner managers in Britain pre-dates the Industrial Revolution by at least a century. Perhaps the economy was indeed liberated by the after-effects of the Reformation and the rise of Protestant religion, as Max Weber's thesis would have it, or more likely the combination of improving technology, a growing urban population and better transport links helped the process develop. For whatever reasons, the founding years of entrepreneurial capitalism took place at a time when religion still permeated national life and culture, meaning that many of the most notable business innovators were also devout Christians. As discussed elsewhere in this paper, linking the two in any causal sense is problematic, but it is also unnecessary when sifting through corporate history to determine what management techniques were ascribed a Christian significance.
The era of the paternalistic entrepreneur using his or her business to promote a religious viewpoint is mostly over in Britain, with a few notable exceptions such as Brian Souter, founder of the Stagecoach transport group, as described in section one of this research. But the phenomenon has found resonance elsewhere. America in particular has a business culture with a strong emphasis placed on the Protestant ideals of individual self-improvement through individual endeavour[5]. Here the emphasis tends to be more on the owner-manager model of corporate leadership, in which the

[5] http://www.deseretnews.com/top/1700/0/20-companies-with-religious-roots.html

individual traits of the entrepreneur are regarded as decisive in a company's success. Where the entrepreneur happens to be Christian, there seems to be an uninhibited promotion of Christian values as part of the customer experience of the company in question, whether or not the customer has any personal interest in hearing such messages. Conversely other models of Christian business, particularly the co-operatives so favoured in southern Europe, have a communitarian aspect that might prove problematic in both business and religious circles.

High-profile examples of American entrepreneurs uninhibited about their faith include Trijicon, a supplier of gun sights to the US military, which was discovered to be embossing abbreviated Biblical references on equipment used by American soldiers in Iraq and Afghanistan[6]. The practice was initiated by Glyn Bindon, a devout Christian who founded the business in 1981 as Armson USA.
Less controversial is the fast-food chain Chick-fil-A, which proclaims in its overall mission statement: "The purpose of Chick-fil-A is to glorify God by being a faithful steward of all that is entrusted to us and to have a positive influence on all who come in contact with Chick-fil-A." Its founder and devout Baptist S. Truett Cathy insists that stores are closed on Sundays, a decision which costs the business an estimated $500m a year[7]. Both companies say they are run on Biblical principles, rather than being explicitly Christian companies. This is perhaps a useful distinction to distinguish between companies such as Trijicon and Chick-fil-A, which sell secular products, and companies selling explicitly religious items such as Christian books. The reasoning for Chick-fil-A's definition is that companies cannot be saved in the same way a person can be: Dan Cathy, the founder's son, said: "We don't claim to be a Christian business. Companies are not lost or saved, but certainly individuals are but as an organisation we can operate on biblical principles."[8]

The rise of the Christian entrepreneur

As described elsewhere in this research many of the first Christianity-based businesses were set up by Quakers. Their specific contribution towards the development of management techniques is examined in the section on Quaker businesses below, but it is important to stress that despite their scale and impact they were not the only religious enterprises to emerge from a distinct faith community. David Jeremy, in the introduction to David Jeremy (ed.) (1998) dates the first claims about the positive influence of non-conformist religion to an article written in 1816 by Israel Worsley, a Unitarian

[6] http://abcnews.go.com/Blotter/us-military-weapons-inscribed-secret-jesus-bible-codes/story?id=9575794

[7] http://www.minyanville.com/special-features/articles/religious-ceos-s-truett-cathy-chickfila/5/19/2010/id/28281

[8] http://www.dailymail.co.uk/news/article-2349486/Sad-day-nation-founding-fathers-ashamed-Chick-fil-A-boss-causes-outrage-AGAIN-tweeting-disappointment-historic-gay-marriage-ruling.html

cleric (d. 1836)[9]. For reasons unknown this was published as an appendix to a funeral sermon, and argued that "although the avowal of dissenting principles cannot of itself manufacture either woollen or silken or linen cloth, yet, the freedom of the mind which the enjoy who are bound by no 'tyrant's law' is calculated to promote the general interests of society".

Jeremy examines the work of Everett E Hagen (1962), who "estimated that of ninety-two leading entrepreneurs in Britain in the early industrial period, 49 per cent were Nonconformist." (p. 17). Other academics have cast doubt on Hagen's figures but it is clear that there are very many examples. Methodism in particular is considered particularly conducive to the development of the 'self-made man' through its focus on personal application and self-improvement through work. Some have criticised Methodism as essentially reconciling the working class to their fate, on the one hand perhaps helping stave off revolution in Britain (Elie Halevy (1913)), and on the other hand teaching them to become resigned to their working fate (John L Hammond and Barbara Hammond (1917)). The idea of religion as a form of social control is familiar from the writings of Karl Marx, and was developed in connection with Methodism by E P Thompson (1963), whose fury at the denomination ("a ritualised form of psychic masturbation") is perhaps explained in part by the fact that his father was a disaffected Methodist minister.

The Marxists would be correct to say that religion was enthusiastically harnessed as a form of social control by some entrepreneurs. William Lever, of the Port Sunlight soap manufacturer on the Mersey, hired a clergyman to work as a "company welfare officer and company church minister. He built a church whose membership was confined to his employees. And he supported all manner of church organisations. All to little avail: less than a fifth of the adults in his company village bothered to become members of the company church." (p. 20).

Jeremy highlights three aspects of Methodism that were used to influence power relationships within a firm: paternalism, profit sharing and its equivalents, and managerial revolution.

Paternalism: only a very few industrialists could be held up as model employers in the early 19th century, perhaps 40 or 50 among 4,800 factory owners. These were the paternalists, motivated either by an aristocratic ethos or some sort of religious code.

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[9] The full title of Worsley's book is *Observations on the state and Changes in the Presbyterian Societies of England during the Last Half Century: also on the Manufactures of Great Britain; Which Have Been for the Most Part Established and Supported by the Protestant Dissenters: Tending to Illustrate the Importance of Religious Liberty and Free Inquiry to the Welfare and Prosperity of a People*

Profit-sharing: Some Christian and other employers tried profit-sharing and similar bonus schemes such as giving employees non-marketable shares. The first to try profit sharing is said to be Henry Currer Briggs, a colliery owner and Unitarian who converted his business into a public company in 1865. It was John Spedan Lewis who developed the model most fully, turning his business into a trust and his employees into partners sharing the profits. But he "disavowed both high and low motives for his determination to seek a more just distribution of resources and rewards between capital and labour" (p. 23): he merely wanted to try a different business model. The first time it was tried with an explicit Christian ethos was not until the Quaker resin manufacturer Ernest Bader, which launched its experiment in 1951 (as described below in the section on social enterprise).

Managerial revolution: the arrival of the joint-stock company shifted power away from a single entrepreneur and into the "hands of professional managers" (p. 23). Limited companies began with the Companies Acts of 1856 and 1862. Ownership was dispersed among different stakeholders, leaving professional managers to run the businesses. Could managers continue to channel their paternalistic instincts into a business, or were they merely beholden to the owners to do what was required, even if they didn't agree with it? Two examples are given: James William Gilbart was manager of the London & Westminster Bank. He asked in 1865 whether companies were like individuals in that could perform moral and religious duties. He suggested that they were moral agents and should act accordingly. On the other hand George Rae, chairman and MD of North & South Wales Bank, wrote that "When a Bank Manager therefore becomes either a prominent political partisan, or a pronounced religious zealot, his Directors have the right to admonish him, that such outbreaks of zeal are incompatible with his duties to the Bank" (page 25, quoting from George Rae (1890) *The Country Banker: His Clients, Cares, and Work. From an Experience of Forty Years* London).

One Methodist who used his resources for good works is John Mackintosh, the toffee manufacturer, who distributed his wealth in the New Connexion chapel in Halifax. And there are examples of self-professed pious Christians found to be hypocrites and failures: Jabez Spencer Balfour whose decision-making led to the collapse of the biggest building society of the day; Lord Overtoun who proclaimed great piety but neglected basic health and safety procedures to the extent that workers in his chemical works were badly injured; and William Whitely an evangelical whose sexual misadventures ended up with his murder at the hands of an illegitimate son, who in turn received great public sympathy and pleas for clemency. (p. 28)

In another chapter in the same book (David Jeremy (ed.) (1998)), W R Ward offers a reminder that Methodism as a religion might not have such a strong affinity with wealth-making as individual Methodists seem to have achieved. He says that Max Weber chose the worst possible example of a rational and hard-working individual succeeding in wealth accumulation when he picked out John Wesley as an ideal type. Wesley gave away nearly all the income that came his way and undertook an enormous amount of poor relief.

In 'The Wiener thesis vindicated' Douglas A Farnie in David Jeremy (ed.) (1998) looks at recent debate about the legacy of John Rylands (1801-88), a successful cotton merchant in Manchester. An argument in 1994 between academics raged about whether Britain has a latent streak of hostility towards business (an attitude which has been blamed in part for the decline of Britain's economic and industrial power). Rylands was a devout Congregationalist with strong sympathies towards Baptist faith, and had an ecumenical mindset. He was hugely successful as a businessman. But as an employer he did not pay high wages: and his business suffered strikes on four occasions. The author nonetheless defends Rylands' reputation against charges that he was ungenerous and made his money by exploiting workers as a matter of policy, saying he chose to pay more to warehousemen because they served customers directly and therefore were rewarded for contributing more to the business. Also he did not run his mills on short time in 1847 despite the depression that year, in order to keep up his workers' income, although he did cut to part-time working during the Cotton Famine of 1861-65 (indeed only a dozen, mostly Dissenters, out of 2,000 mill owners kept working full time). He built an expensive fire-proof factory, the Gidlow Mill at Wigan in 1865 after a warehouse burned down – to safeguard both workers and the proprietor's stake, according to Farnie. He also allowed 454 of the firm's leading employees to buy shares in the company when it was incorporated in 1873. The firm's profit margin was low, at an average of 3.6 per cent, paying no fees to directors but a dividend averaging 10 per cent, declining to 5.6 per cent during 1877-88. Instead he ploughed profits back into the business, building up a large reserve fund to safeguard against fluctuations in trade volumes. By 1888 he employed 12,000 people. In another interesting example of equal opportunities, he preferred to employ women as mule spinners, against the union's preferences, a highly paid position.

The phenomenon of the Christian entrepreneur did not entirely disappear after the Victorian era, although as with the co-operative movement much of its rationale diminished with the development of trade unions, the introduction of workers' rights and the establishment of the welfare system. One notable business leader whose faith has left a lasting mark on Britain is Joseph Arthur Rank (d 1972). A devout Methodist and son of the flour mill owner Joseph Rank, he used his family wealth to invest in the film industry, in part to counter the domination of American features and in part to promote a Christian message. Having run into difficulty persuading cinemas to show his films, he bought up a large part of the film distribution and exhibition chain, including Odeon Cinemas, and invested in the Pinewood Film Studios. His lasting legacy on British Christianity continues through the work of The Rank Foundation, and the Arthur Rank Centre, which publishes *Country Way*, a

Christian magazine, among other activities[10]. Michael Wakelin (1996) describes how Rank's faith permeated his working relationships, nurturing a sense of trust that even extended to permitting employees to write their own contracts. Rank also claimed this level of trust between him and his workforce contributed to good industrial relations, citing the low incidence of strikes, particularly in his milling business (p. 130).

Despite the predominance of Non-Conformist business leaders, it should be noted that the phenomenon of Christian entrepreneurs is not exclusively Protestant or north European. Anthony Percy, in Philip Booth (ed.) (2007) looks at the role of 'The Entrepreneur in the Life of the Church and Society', and considers examples from the early church and Roman Catholic teaching. He says that the church is biased against consumerism, preferring instead to focus on the needs of the poor and hungry. But if wealth becomes a means to an end then there can be a role for a Christian entrepreneur. An entrepreneur has to have an interest in commerce but also needs to be creative and good with people, and a Christian entrepreneur needs to be conscious of the common good.

Quoting the parable of the talents (Matt 25:14-30) he says Jesus uses this to introduce a new idea (eternal life) but that is a fuller realisation or revelation of the truth about the primary narrative, "Thus there is an *implicit* approval of entrepreneurial activity in the scriptures." (p. 192). Also the Church Fathers such as Basil the Great praise the work of merchants as being similar to the Creator's garden, a place supplying the needs of the world. St John Cassian, the 5th century theologian, finds some Christians whose only activity appears to be business in the Egyptian town of Thennesus, although no further detail is given by Percy. And St Thomas Aquinas, writing at a time when a market economy was starting to appear, regarded the relationship between outlay and return as instructive: to carry out a 'magnificent work' involves a largesse of soul (form) and a largesse of capital outlay (matter) at work. People would not place risk in an entrepreneurial venture if they had not moderated their love of money, and been prepared to risk it. Percy seems to quote Aquinas uncritically, but this latter claim is highly questionable given the extremes of unbridled speculation that have been seen in modern-day capitalism. Nonetheless, the point still stands that Aquinas reveals an appreciation for the entrepreneur.

Industrialisation changed the church's attitude towards business. In 1891 Pope Leo XIII responded with the Catholic Church's first social encyclical *Rerum Novarum*, which sought to respond to the end of an agrarian economy and the rise of industrialisation. The Pope promoted the idea of the right to

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[10] Information from http://www.rankfoundation.com/history-of-the-rank-foundation/ and http://en.wikipedia.org/wiki/J._Arthur_Rank,_1st_Baron_Rank

private property, counteracting socialist thinking, and also the need to pay an honest wage.

American entrepreneurs with faith: a case study

The American fast-food chain Chick-fil-A has been much debated in its own country for the overt way in which it is managed according to 'Biblical principles'. As such it provides an interesting case study in which specific management practices have been identified and made available for critical examination. The business was set up in 1946 by S. Truett Cathy, a devout member of First Baptist Church in Jonesboro, Georgia. It has 1,700 outlets and a turnover in 2011 of $4bn.

The most interesting observation is that the Biblical management principles heralded by Cathy and his son Dan Cathy seem to give the business a clear competitive advantage when it comes to employee retention. Whether or not this has any application to an ecclesiastical organisation depends on which segment of adherents is under discussion: retention of clergy and ministerial employees is generally not a problem, but retention of church members is an issue. Chick-fil-A's approach has certainly differentiated it from competitors. A managerial analysis of Chick-fil-A by Justin Doss at a workshop in 2011 has been posted online[11]. It says the company's management has top-down decision making and has formalised rules and regulations that expect people to follow based on Christian principles, although the analysis doesn't list these or give specific details. The company gives clear job descriptions and is often slow to change because it tries to stay close to the founder's vision. Among its Christian principles are that the leader has to be a servant, and that customer service should go the second mile, both based on Jesus' principles. Employees should try to lead by example at work and in their personal lives. The presentation recommends that the company continues to avoid making financial gain its number one priority and to remain people orientated in terms of both customers and employees.

Other news reports have discussed the fact that in 2011 the company's tax returns showed it had increased its donations to anti-LGBT organisations to $3.6m through its WinShape foundation, despite saying that it would cease to do so. Its outlets have been targeted by protests against its opposition to gay marriage[12].

An article published by Forbes gives a clearer insight into the management approach, which sounds in some respects closer to the paternalistic model pioneered by John Cadbury through his chocolate company[13]. The article starts by interviewing a 33 year old worker who grew up in a foster home set

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[11] http://www.slideshare.net/jus032000/chick-fila-managerial-analysis-presentation

[12] http://www.bbc.co.uk/news/world-us-canada-19115250

[13] http://www.forbes.com/forbes/2007/0723/080.html

up by S Truett Cathy, the founder of Chick-fil-A. The worker is very loyal to the company and plans to work there for life. This focus on human capital and employee loyalty is something the company specialises in: when people apply for jobs they are told to apply only if they want to work there for life. The article states that franchise operator turnover is markedly low, at 5 per cent, while front-line staff turnover of 60 per cent is roughly half the industry the industry average of 107 per cent.

One of its Bible-based rules is that branches must be closed on a Sunday. The restaurants are encouraged to promote themselves in churches, and one franchisee in Glen Allen, Virginia, has Bible studies on two mornings a week with free breakfast to all who attend. Regarding the Christian principles, S Truett Cathy says: “You don’t have to be a Christian to work at Chick-fil-A, but we ask you to base your business on biblical principles because they work”. The company makes it easy to start a franchise for people who have ambition but little money, expecting an initial franchise fee of just $5,000, in return for which it buys the land, and builds and equips the restaurant. Some of its rules sound intrusive by British workplace standards: it prefers married workers and offers relationship advice through its WinShape foundation, another charity set up by the founder. It asks franchise operators to disclose their marital status, number of children and personal involvement in charities and church groups. The article states:
“If a man can’t manage his own life, he can’t manage a business,” says Cathy, who says he would probably fire an employee or terminate an operator who “has been sinful or done something harmful to their family members.”

Whether or not this is legal is a moot point: as a private company it can ask what it likes at interview, though it has been sued for discrimination in the past. Franchise operators are not technically employees but independent contractors so employment law doesn’t apply to them, but it will do to the frontline staff employed by each franchise. One Muslim sued the company after he refused to join in a prayer to Jesus Christ in 2000 and was fired the next day. One way the company gets round these problems is to be very cautious about only hiring people who will fit in and not cause trouble, some hiring processes taking up to a year and involving several interviews.

To some extent Chick-fil-A’s employment and retention policies are a Christian rendition of the secular management policy of peer review. Under this approach new employees are chosen to fit in with an existing team ethos, ensuring they are likely to be aligned to the company’s values and their colleagues alike. An illuminating comparison can be made with Pret A Manger, a British fast-food chain that requires all potential employees to spend six hours working in a branch. At the end of the shift, the other workers then have a say in whether the individual is offered a job[14]. Pret A Manger has

[14] Celia Lur, *Brands: The Logos of the Global Economy* (Routledge, 2004) page 35

staff turnover rates strikingly similar to those of Chick-fil-A. One report states that turnover in the fast food industry is as high as 400 per cent, but at Pret it is as low as 60 per cent[15]. This figure is identical figure to the Chick-fil-A quoted by Forbes. Fostering the culture of a self-selecting and like-minded community in a fast-food outlet clearly has benefits, but it is not exclusive to Christianity.

One possible application of this to ecclesiastical bodies is that individual churches could be further encouraged to foster a localised identity, by ensuring a greater sense of a self-selecting and self-governing community. For example when a new priest or minister is appointed, members of the congregation and the neighbouring ministry teams could be given greater involvement in this process. Similarly the concept of peer review could be given greater emphasis in a church's regular management toolbox of its priests/ministers, inviting neighbouring clergy to participate. However it must be said that churches are likely to be far ahead of a fast-food chain in terms of the participants' identification with and loyalty to the group values, not to mention their longevity in each post.

4. Quaker Businesses

Quaker businesses are not only the most successful faith-based enterprises examined in this report, they are also form a sector easily distinguished from other models of organisation due to their distinctive management practices. They have provided a unique testing ground for many faith-based innovations, and in so doing have helped to influence the wider economy through concepts such as employee consultation over decision-making. However, their success has also proved something of a mixed blessing, creating substantial businesses that have in most cases become attractive targets for takeover.

Although a distinct category in this research from the study of entrepreneurs, it should also be remembered that many Quaker businesses were created by a single owner manager. However much these owners took guidance from their Meeting Houses and tended to favour doing business with other Quakers, their businesses nonetheless owed their distinctive Christian ethos to the will of one individual. When ownership changed hands, or less dramatically when it passed to a younger generation, the faith-based characteristics often rapidly disappeared. Their legacy is some of Britain's leading brands and businesses: Barclays and Lloyds in the banking sector, Cadbury and Rowntree in confectionary and Carr's biscuits, Clarks shoes and Bryant & May matches in consumer goods. None of these has any ongoing allegiance to the Religious Society of Friends or other faith-based affiliations, having lost such religious connections after being sold.

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http://catalog.flatworldknowledge.com/bookhub/reader/11627?e=e348.fwk-127512-ch13_s06

Richard Higginson (2012) lists three main reasons why Quaker businesses proved so successful, quoting from James Walvin (1997): honesty, mutual accountability and education. The issue of honesty and hence trust is explained in greater detail by other authors in this study. So too is the concept of mutual accountability, which can be seen in the peer-to-peer mentoring that took place between members of a Meeting House about each other's business affairs. The educational aspect of Nonconformist communities is another powerful factor in their business success, as Quakers set up their own schools and provided apprenticeships to their own and other Friends' children.

Ann Prior and Maurice Kirby's chapter on 'The Society of Friends and business culture, 1700-1830' in David Jeremy (ed.) (1998) argue that the key to understanding both the over-representation of Quakers among successful entrepreneurs in the 18th and 19th centuries and their remarkable longevity as businesses can be ascribed to one unusual attribute: trust. At a time when indebtedness was widespread and bad debts common, and when fraud around bankruptcy was regularly practised by bankrupts, creditors and lawyers, the Friends stood out through their honesty. Transaction costs to a business can be high: the cost of allocating resources, of buying from external suppliers for example, takes money out of the business. A company can gain control over some of that by internalisation: investing in and directly managing its own supply chain for example rather than having to buy in materials and services. In contrast to that, good relationships between contractual partners and co-operation between firms can achieve better results than even a merger might yield. So the quality of the business culture has proved to be of high value. The Religious Society of Friends was similar to an extended family group, thanks to its local and regional and national gatherings that allowed people to connect with one another and to provide personalised chains of credit to enable capital flows.

George Fox demanded of his followers that they act honestly and justly in their business dealings. Honesty in trade, including the avoidance of debt, thus became a condition of membership of the Religious Society of Friends from its inception in the 1660s. (p. 117)

In the 18th and early 19th centuries it was relatively easy to start businesses, with low barriers to entry and minimal capital requirements. This encouraged many overambitious but inexperienced entrepreneurs to enter the market, making mistakes and failing in business. However the Quakers insisted that Friends who wanted to start their own business had to seek the consent of the meeting. A minute from a meeting as early as the year 1700 reveals that a man called John Parker wanted to go into the clothing trade. The minute records that three members of the Meeting House would "further discource him therein, giving their advise & consent as in the widom of God they see meete, & give an account to the next preparative Meeting." (p. 118). In other words, there was an informal type of business mentoring programme in operation. Friends' businesses did nonetheless become insolvent or find themselves into debt they could not pay, but there are records of other Friends stepping in to investigate and make sure they behaved responsibly and honestly in dealing with their creditors. Meeting Houses would communicate with one another so someone could not abscond to another location and start again: a 'certificate of removal' had to be issued by one Meeting House for giving to the new one, and there are examples of this being withheld in the case of individuals with unpaid debts.

The Meeting House network thus facilitated the flow of information between localities, at a time when communications in general were poor. The resulting increase in market knowledge can be viewed as an aid to creditworthiness in upright migrant Friends, and also as a means of debt retrieval... Quaker firms were thus advantaged by valuable and exclusive externalities arising from the effectiveness of their support network. Collective responsibility for honesty in business led to the internalisation of guidance in good business practice, and improved commercial judgement. Transaction costs were reduced as confidence was increased." (p. 129)

The authors give by way of example the role of Friends in financing the Stockton and Darlington Railway, the pioneering joint-stock steam locomotive railway. It sought to raise £100,000 by December 1818, and money came in from Friends locally and also thanks to national networks from Norwich, London and Whitby, with the result that by the successful conclusion of the subscription process, around £80,000 had been provided by Friends.

T. A. B. Corley further examines the network of trust that Quakers built up around the communities and businesses, in his chapter 'Changing Quaker attitudes to wealth, 1690-1950' in David Jeremy (ed.) (1998). Quakers in the 18th and 19th century were disproportionately represented among entrepreneurs. This was in part because of the 'Quaker Cousinhood' links mentioned above, which helped raise capital and mentor new business owners, but also because Quakers insisted on making goods of high quality sold at fair prices. From their foundation up until the end of the 19th century, Quakers were very inward looking to their close network of associates, set apart from the rest of society by their dress, relationships and even the people they could marry. When this began to dissolve, the authors say some of the more wealthy left their Meeting Houses to gain greater social respectability in the Church of England. Others became preoccupied with the 20th century's wars, and with social injustice.

The concept of building, and rebuilding, trust in the workplace is considered from a faith perspective by Carlton J Snow's chapter 'Rebuilding trust in the fractured workplace', in Robert Banks and Kimberly Powell (eds) (2000). It categorises trust as part of the nonphysical capital of an organisation, and describes it as an asset that can make the workplace more productive and hence more effective and profitable.

G. Olusoji, A. Okanlawon and O. Owoyemi (2010) consider a range of innovative management techniques developed by Quaker businesses. The first point the authors make about Quakerism is that George Fox strongly believed anyone, rich or poor alike, could approach God through Christ. This theology influenced John and George Cadbury's attitude towards their employees. John Cadbury was born in 1801 to an already wealthy Quaker family. At the time Quakers could not go to university or join the army (being pacifists) so John's decision to go into business was a typical option. He opened a grocery shop in Birmingham in 1825 and then started making cocoa drinks in 1831, to provide an alternative to alcohol.

As a factory owner he demonstrated the Quaker principle that all human beings are equal in several ways: he would arrive first to make sure all the heaters were working in the winter, and when it rained he would stand on the nearby railway platform himself while his workers stayed indoors, and would blow a whistle as the train approached so they could remain dry while waiting. In 1900 his son George Cadbury set up the Bournville Trust, in which 330 acres were developed into high quality housing; the authors state that the mortality rate in Birmingham at the time was 187 per 1,000 (which seems impossibly high) but in the Bournville Village it was 47 per 1,000.
The workers pioneered an early form of trade unionism; in 1893 women had voted to start later than the 6am start time for men, and in 1902 a formal Men's and Women's Suggestion Committee was established. In 1911 working hours for all workers were reduced to 44 hours a week, and Saturday was a half day.

Marx argued that industrial conflict is inevitable: the owners always need to reduce their costs of production, which means labour costs will be forced downwards to benefit the employer. The capitalist system will never stop treating labour as a commodity, yet John and then George Cadbury treated their labour as human beings. They built swimming pools for workers to help them clean off the dust from the factories, for example. Their principle of equality helped to bridge the gap between owner and labour. They used their profits to benefit the community, and they allowed workers to participate in decision making through the Suggesting Committee, which allowed their concerns to be communicated and addressed.

They did have a lasting impact on business and their model can still be used, the authors conclude. Their village helped to influence the Garden City Movement and planning for new towns after 1945.

Finally it should also be mentioned that Quaker businesses have attracted their fair share of criticism for unethical behaviour, even during their most explicitly Christian pioneering stages. David Jeremy, in the introduction to David Jeremy (ed.) (1998), writes that in 1908 Cadbury was accused of profiting from the slave trade by using slave-grown cocoa from Portuguese West African islands São Tome and Principe, although George Cadbury won a libel case in 1909, and by 1912 had switched to suppliers in the Gold Coast of Ghana. Bryant & May, the match producer founded by two Quakers in the East End of London in 1843, created such unhealthy conditions in its factory it was the main focus of the London matchgirls strike of 1888[16].

Case study: the proposed Quaker Bank

The establishment of a new Quaker bank is being considered at the time of writing. As a modern incarnation of a business phenomenon more closely associated with the 19th century, its planned management strategy makes for interesting reading, particularly as it draws from both the heritage of older Quaker enterprise and modern innovations in alternative forms of organisation. An article in *The Friend*, the Quaker journal, outlines the intentions of the Quakers and Business Group members who are overseeing the bank's preparations:

This will be a bank with a big difference. We shall give our profits to charity. We shall pay no bonuses. Power will be answerable to those it affects: the owners will be the communities we serve, including customers, employees, suppliers, local communities, the environment and, we hope, the Religious Society of Friends in Britain. Our bank will not exist to create private wealth only for its private owners. We will run the bank in accordance with our Testimonies: for example, equality will mean that all staff, including the general manager, will behave decisively, but not imperiously, will seek unity as far as practicable and be transparent in their decision-making. Truth will mean we will be honest and will pay our suppliers on the nail.[17]

It is an ambitious set of aspirations for any faith-inspired institution, let alone a bank with its inevitable engagement with the world of finance, trading, deal-making and intense market pressures. An additional comment at the end of this article, in response to a question by a reader, gives considerable insight into the working culture that is expected to prevail in the new organisation:

We will ensure the pay range from top to bottom is transparent, is felt fair by those involved and is managed by those who set the highest pay rate. Also, we believe payment by results is dehumanising, encourages greed and challenges good ethics. So, not only will we not pay bonuses, we will not provide company cars, pension contributions, health or other insurance

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[16] http://en.wikipedia.org/wiki/London_matchgirls_strike_of_1888

[17] http://thefriend.org/article/a-quaker-bank/

(except as required by law), or any other benefits beyond a basic salary. We believe the Testimony to Equality means paying people more money in place of benefits and then leaving them free to decide, with impartial advice as needed, which benefits they prefer to purchase.

The project draws on Quaker principles in setting out its aspirations for a new way of doing banking. A report published in November 2013 gives further insight into the bank's proposed relationship with its employees, who would experience a culture offering:
• Healthy work-life balance, led from the top;
• An internal communications structure centred on stewardship;
• Opportunities for growth based on attitude and not aptitude;
• Fair pay, good working conditions, and the sense of being a nice place to work;
• Being given the time to speak personally with people on all levels;
• Personal, in this context, means local and simple;
• Pride in the quality of their service;
• Handholding and cooperation;
• A ratio of highest to lowest pay (7:1 for social cohesion HBS)[18]

This report goes into considerable detail about updating traditional Quaker practices for the modern world:

We have a long tradition of respect for all those working with us, treating them as equals. In the past, this took the form of providing decent housing, education for workers and their families, anti-slavery campaigns, giving pensions and minimum wages. Friends should reflect on what is the equivalent today for their workplace. Are more 'equal' ownership and pay models appropriate now?

2.01 All of us are disabled in some way and we all need measures to enable us to contribute better to the common cause. Friends should consider how they might liberate those over whom they have power, rather than dominate them. For example, instead of company controlled 'perks' and 'expenses', should we be offering higher salaries to free employees to make their own choices of car, pension, etc.? Such a policy would also avoid criticism about tax avoidance.

2.02 Earlier Quakers in their conviction that all are equal refused to pay outward respect to worldly authority, for example refusing to doff their hat to judges. Today, are we too careful to ingratiate ourselves with powerful people in business? What is the equivalent today – do we rise from our seats for the boss but not their secretary?

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[18] https://qandb.org/what-we-do/events/quaker-business-conference/313-report-from-qbc13-towards-a-quaker-bank

John Lovatt, one of the Quakers overseeing plans for the launch of the bank, has written about its genesis and proposed operational model (see John Lovatt (2013)). He writes that the new Quaker Bank is designed for people of all faiths and none, run according to the commands of Jesus. Lovatt makes a noteworthy clarification about what is meant by a faith-based business: the Quaker Bank is not intended to serve the needs of a specific faith but intends to serve any customer in a way that is operated according to Christian principles.

The author himself raises the questions of whether a bank based on Christian principles is practical, and whether it will end up bankrupt. In terms of bank structure, he contends, making money for shareholders is the main excuse given for hard-nosed and aggressive behaviour in banks and other commercial organisations. So to remove this temptation the bank needs to remove shareholders. The Quaker Bank is being established as a Community Interest Company (CiC), with its community defined as its borrowers, depositors, employees, executive committee, the Quaker Business Group and other suppliers and customers. No dividends are therefore paid and excess profits are handed to a charitable trust (which is a requirement of a CiC).

Importantly the bank's assets will be locked in a way that prevents sale or takeover – and the author is well aware of the fate of other Quaker businesses. Bank governance is based on the idea that all people are of equal worth, a principle known as the Quaker Testimony to Equality. From the earliest days the Quakers gave equal weight to the spiritual authority of women and refused to use formal forms of address for 'betters'.
The Quaker Business Method is a particularly noteworthy and practical model for introducing faith-inspired themes into management policies[19]. It includes such prescriptions that in meetings everyone is listened to in silence, followed by a period of complete silence for reflection; there is no chairman, only a clerk who summarises the 'sense of the meeting', which results in a minute that all present need to agree without voting. For the Quaker Bank this does not imply it will be anarchy, Lovatt explains: there will be an executive, but he/she will have to operate under the bank's articles, which draw attention to the Testimony to Equality, forbid imperious behaviour and encourage consensus and transparency. The author admits those more used to traditional businesses might well wonder if the bank will ever get anything done – but the methods have been used in other successful Quaker businesses in history. Lovatt describes high ethical aims, claiming that the bank will -
never force a borrower into bankruptcy (although it may try to recover its losses where others have forced bankruptcy). It won't seek any assets as security other than those purchased by a loan, it won't sell insurance policies to the borrower to reduce the QFT's risks. If a borrower gets into trouble the

[19] http://qandb.org/resources/publications/85-resources/publications/150-quaker-business-method

QFT should pay for business advice. Bank risks and costs will therefore rise "but this type of 'gentle banking' will be part of a package… which we hope is characteristic of a Christian bank. (p. 13)

Charging interest to borrowers is a particularly difficult problem, one that has been debated by the church as a whole for all of its existence, and Lovatt does not appear to have any new answers. The Quaker Bank believes that charging interest is acceptable so long as the rate is not oppressive: if lending has made a business successful then they are not being oppressed. Lovatt says the bank intends therefore not to charge interest on loans but to charge a percentage of the profits of any project it finances. Lovatt does not explain how this will be translated into the real world, where the discretion a business has over massaging its profit margins downwards is very high. The author admits that the method of lending to private individuals has not been finalised, but speculates that individuals would be invited to donate to the Quaker Bank. He also says this would work better if the individuals were members of a Quaker local meeting where others could share in problems and help each other out, a solution that contradicts the bank's stated goal of being a bank for everyone regardless of faith.

Lovatt acknowledges that a Christian bank would find it hard to know where to invest: an arbitrary list banning alcohol could be rejected because Jesus drank, for example, and green energy is sometimes said to despoil the landscape with wind farms. Nonetheless the bank intends to avoid investments based on war, gambling, harmful drugs, alcohol and tobacco. The author makes another ambitious claim when he states that the bank might encourage those two whom it lends to behave in a Christian way: not requiring it of them but acting as a guiding light. The bank would have to keep to its own very strict ethical code, including "non-aggressive selling, respect for all staff, paying bills on time, no tax avoidance and an independent ethical audit." He quotes Robert Barclay (1648-1690), grandfather of David Barclay who helped found Barclays Bank, as saying the company of good people makes you a better person. So the bank might be able to ask potential borrowers 'do you pay your suppliers on time?' and question them about their contracts with staff, having a discussion about ways in which the business could improve.

The bank might go so far as to rate borrowers, giving businesses a rating and a logo to use, into which will be worked the assumption that ethical businesses are lower risk, and should therefore pay a lower percentage of profit compared to less ethical businesses. The author does address scepticism, saying in effect that borrowers will be more trustworthy because they would be selected on the basis of already being ethical to some degree, and would feel loyalty in return for the bank's sympathetic response should they run into difficulty. He also acknowledges that the bank's high ideals about not forcing a business into bankruptcy are relatively easy to achieve because it is usually the HMRC that forces a business into bankruptcy over unpaid PAYE and VAT returns. In such a case the bank would then take its place in the queue behind the tax office as a preferential creditor, and unsecured creditors would be behind them because "theirs is such a normal and accepted trade risk", a conclusion unlikely to reflect the response of a small business left out of pocket.

The Quakers and Business Group has in the past published a Statement of Business Principles, which provides specific guidance on managerial and ethical issues that could govern a modern Quaker business, some of which could be adapted to an ecclesiastical organisation[20]. It has also published a separate book, *Good Business: Ethics at Work* (The Quakers and Business Group, 2000), available in print or online[21]. This book is written primarily for a Quaker audience but sets out principles that are of general concern to those working in business. It also includes some questions that both employees and employers can ask of their working relationship, along with other advice about management and wider discussion of other business practices. Its claims about the impact of Quaker management policies might sound overstated to someone unaccustomed to the concept of faith-based businesses, but everyone can be supported with examples described in this research:

During the early twentieth century, Quakers pioneered better ways of treating people at work that are now accepted as normal practice. Quaker businesses took a leading part in reducing working hours, providing sick benefit, pensions, life assurance and, in some cases, affordable housing.

5. Social Enterprise

It might be concluded from the case studies and literature reviewed in this research that faith-based businesses are most likely to appear and flourish at the start of a new phase of economic and social organisation. The influence of religious thinking on the Industrial Revolution and its genesis is pronounced, and the origins of the co-operative movement also have a distinctive Christian accent. The energy and fresh thinking of a faith perspective might have more freedom to operate during a period of change, and might even drive certain aspects of that change. It might also be concluded that such innovation invariably gets sucked into the secular mainstream – such is the nature of capitalist business development, to pick up that which works and to discard the unproductive. There are signs that new business models are starting to appear in Britain, and a relatively new sector known as social enterprise has started to emerge as one alternative future model that seeks to distribute wealth more fairly than traditional capitalist models.

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[20] https://qandb.org/resources/publications/165-quakers-a-business-group-business-principles

[21] http://qandb.org/resources/publications/ethics-at-work

As with other emerging trends, the causes and origins are diverse and are not exclusively religious in character. Two high-profile examples of social enterprise are Jamie Oliver's Fifteen restaurant chain and The Big Issue homeless magazine. However the Church of England has recently explored future growth in this direction with its commitment to developing credit unions as an answer to pay-day lending firms such as Wonga. And the Methodist movement has been involved in its own social enterprise through the Methodist Housing Association. Cafédirect plc was set up by a consortium that includes Oxfam and Traidcraft, which both have Christian origins. Indeed Traidcraft itself could be considered one of the first such social enterprises to emerge, having been established in Newcastle upon Tyne in 1979.

The term social enterprise is a relatively recently coinage, dating from 1978 when Freer Spreckley of Beechwood College, Leeds, used it to describe businesses based on worker and community co-operation[22]. It has therefore been applied retrospectively to longer-standing business models such as co-operatives. The concept received a boost to its profile after David Cameron, subsequently British prime minister, pledged to build a 'Big Society' at a speech before the General Election of 2010. Whether social enterprise represents a new type of business sector is debatable, but certainly management techniques are beginning to evolve for such organisations operating in the third sector, as the not-for-profit economy is also known.

Donald A Hay and Alan Kreider (2001) includes several chapters looking at whether different value systems can be introduced into a market economy. The introduction describes the wide diversity to be found in opinions expressed by a range of authors, many of whom touch on issues that are being raised by the rise of social enterprise as an alternative to unbridled capitalism.

Lord Griffiths of Fforestfach (originally Brian Griffiths) worked for Margaret Thatcher. His chapter 'The culture of the market' argues that the market system does not impose values on any party but merely provides a medium in which the values of the market participants can be expressed. So he believes that the market can accommodate a theology of wealth creation, for example, if observers or participants are so minded. He acknowledges some people regard the culture of the market to be un-Christian or even anti-Christian, subordinating all of life to money and producing a 'me-first' society. He traces this as far back as Thomas Aquinas, in whose work he sees the start of the Catholic case against individualism and the birth of the scepticism often expressed by papal encyclicals towards capitalism in the 20th century. It should be noted that Thomas Aquinas appears elsewhere in this research, cited by Anthony Percy, in Philip Booth (ed.) (2007), for his early support of the entrepreneur. Lord Griffiths lists other objections to the market but points

[22] http://en.wikipedia.org/wiki/Social_enterprise

out they tend to emerge in the 19th century, expressed artistically by Dickens and Blake, and economically by Engels and Marx. He draws on personal experience of ethical behaviour he has encountered in the real world to counter blanket criticism of the capitalist system.

By contrast the author David Nussbaum describes the principle aim of business as being ‘shareholder value’, a primacy he defends as it helps to avoid confusing a business with multiple objectives. Other authors in the same book look at specific businesses that have been set up according to different, often faith-based criteria that are far removed from Nussbaum’s focus on ‘shareholder value’ and yet manage to be successful.

Roger Sawtell’s chapter ‘Co-operatives: regenerating business in the twenty-first century’ looks at British co-operatives set up under the Industrial Common Ownership Movement, founded in 1971, and specifically the Daily Bread Co-operative, which he helped to found. These common-ownership businesses have counter-cultural values and claim to have done better than conventional businesses in recent years. Sawtell points out that common ownership gives one member one vote, unlike shareholder ownership where a 50 per cent stakeholder controls the company. He argues that a conventional business prioritises gain for the shareholders over all other considerations, including obligations to its people. There are seven co-operative principles: “open membership, democratic control, use of surplus, autonomy, provision of education, mutual help between co-operatives, concern for the community.” (p. 55)

A co-operative is holistic, looking after the physical, mental and even spiritual well-being of an employee; by contrast he quotes Henry Ford saying: “Why is it I get a whole person when all I want is a pair of hands?” (page 55). Despite the success of democracy in government for people in the UK and US, powerful capital providers and shareholders have succeeded in preventing this sort of model applying to business. Adam Smith looked at the moral implications of the market and although he saw the potential of the factory owners to develop industry and provide trickle-down wealth, he also saw the need for public expenditure on education and similar services, and criticised inequitable business practices. Others worried about the “social consequences of rapid industralization” (p. 57) include the founders of the co-operative movement, started by the Rochdale Pioneers in 1844 and developed in the mid-19th century. “There was an upsurge of employee-owned co-operatives started by a remarkable group who called themselves Christian Socialists and came together ‘to pioneer the way to a new and better social order’.” (p. 57). Set against this was the rise of the owners of capital who consolidated their wealth, achieved monopolies and grew by expanding around the world, to the benefit of people in the West but to the disadvantage of those in developing countries.

In the early part of the 20th century the emerging Labour Party focused not on employee ownership but rather public ownership, the nationalisation of key industries, which greatly reduced the impetus towards co-operative working. The focus in the meantime switched to retail co-operatives, which paid a dividend to shoppers; half the public were members of the Co-op by the mid-20th century. Then in the 1960s the values of Flower Power emerged and more co-operatives were opened in the 1970s than in the previous 50 years combined.

One company that pioneered new thinking in the mid-20th century was Scott Bader, a chemical manufacturer set up by a Quaker called Ernest Bader, who had transferred ownership to his employees in 1951. It was at the company's Wollaston, Northants, factory that the Industrial Common Ownership Movement (ICOM) was founded in 1971. The founders were particularly aware of what happened when co-operatives brought in outside capital or sold off their assets or business, so established rules in which residual assets cannot be paid to the members but have to be transferred to another co-operative. The number of employee-owned businesses under the ICOM reached more than 1,000 by 1992, a rapid growth for a new sector which has been largely unnoticed. The first organisation set up under the ICOM rules was the Daily Bread Co-operative.

Sawtell then discusses John Stuart Mill, who wrote in 1869 that "the emancipation of women and co-operative production are the two great changes which will regenerate society."[23] The author says:
His two predictions are linked because women are more natural co-operators than men. They strive less for power and they know the value of mutual encouragement. So the fact that women are now more acceptable and more commonplace as managers and entrepreneurs is one of the signs that the co-operative ethic, as opposed to the capital-ownership ethic, will become more widespread in the next century. (p. 62)

Sawtell's use of John Stuart Mill's arguments sheds interesting light on the equal opportunities employment pioneered in certain co-operatives and Quaker businesses, described elsewhere in this research. The writer predicts that employee ownership will come of age in the 21st century, as it is already a small but healthy segment that has not yet been tried on a big scale.

Case study: The Daily Bread Co-operative

Sawtell's article provides a valuable glimpse into the faith-based management techniques that have developed in a modern and successful co-operative, which are described here in some detail. They provide practical examples that could be used by other faith groups seeking to implement new practices.

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[23] Quoted in turn from H Elliott (ed) *Letters of John Stuart Mill* London 1910

The Daily Bread Co-operative was founded in Northampton in 1980 by a group of people attached to a local church. It began by preparing, packaging and retailing a range of wholefoods. By 1999, the date of Sawtell's authorship, it had 20 employees and sales approaching £1m, with no loans and a healthy balance sheet. The working members must be Christians of any denomination, intended as a 'Monday church'. Every day starts with a half hour meeting for worship, Bible study and prayer, led by members according to a rota.

This is an integral part of the day's work and follows the Benedictine tradition that the prayer is the 'work of the community', just as much as the production of food or hospitality to visitors. (p. 63)

It employs people recovering from mental illness, some of whom move on and some of whom stay. It has donated more than £100,000 in charity to the developing world over the 19 years to date. Salaries are modest and are all the same, with allowances for dependents such as children. The management structure is a hybrid: there is a manager who can make critical buying decisions alone, but decisions affecting people are referred to a weekly meeting. Sawtell reveals a certain degree of inflexibility in the co-operative's management when he writes: "The constitutional rules are on a single sheet of paper and have not been altered in any way since 1976" (page 65). Such rigidity is perhaps one way to preserve the ethos against outside influences, which have proved terminal to the faith-based culture of so many businesses considered in this research. Because the co-operative's rules insist that all employee-owners meet together in one room, that limits them to around 20 people. Sawtell describes the company as a single-tier structure, albeit without reference to the manager's autonomy in some commercial decisions mentioned above. It is interesting to note that these rules effectively preclude any substantial growth, given that all employee-owners are members of the single tier. The author adds that he does not believe in setting up subsidiaries as that implies a hierarchy, and claims that larger co-operatives struggle with committees and complex means of employee representation, which means there is no obvious structure yet emerging for larger co-operatives. This makes it hard to determine how such an operation could ever become one of the large-scale businesses Sawtell foresees in his aspirations for co-operatives the 21st century.

Other social enterprise models

Donald Kraybill, in Donald A. Hay and Alan Kreider (2001), considers lessons from the Amish in the US in his chapter 'Amish economics: the interface of religious values and economic interests'. The Amish are a determinedly agrarian community but have been developing alternative microenterprises since the late 1970s. While these businesses have done well to develop crafts and manufactured products they have had to work hard to insulate themselves from inevitable compromise. The communities do permit private property, but with commitments to the good of the society. They defer to their community, in counter-cultural contrast to American individualism. They eschew technology but have compromised to some extent, allowing 12 volt power from batteries for example but not mains electricity, and they hire cars and drivers if they need them. At the Amish settlement in Lancaster County, Pennsylvania, around 20 per cent of these microenterprises are owned and run by women. Amish businesses are deliberately small in scale, only 6 per cent having more than seven employees. The church is aware that growing wealth will unbalance the equity of the community and in an unspecified way will “sanction entrepreneurs whose businesses become too big”. The limitations on size and the dangers of wealth creation are also mirrored by the compromises with technology. For example to cope with the prohibition against electricity they run a diesel engine outside the factory and use oil or air under pressure to drive heavy manufacturing equipment through hydraulic and pneumatic lines. They also outsource computing and payroll services as required. If nothing else the experience of the Amish tends to support Lord Griffiths' claims, described at the start of this section, that the market can be used to fit a very alternative set of values, although there remains an ever-present threat of contamination of the Amish's ideals.

Richard Higginson (2012) describes very different initiatives in both India and Kenya to find alternative employment and support for women involved in the sex industry. The Oasis Trust, a UK charity operating globally, has helped to set up refuges for women escaping prostitution in India, and runs Jacobs Well, a fair trade social enterprise in which women are employed to make clothes, bags and jewellery. In Kenya the Roman Catholic Church has helped to establish a co-operative called Bega kwa Bega (‘shoulder to shoulder’ in Swahili), which employs women in manufacturing activities similar to those at Jacobs Well.

Social enterprise: a new way forward

Adrian Ashton (2009) describes the concept of ‘social enterprise’ as emerging from a long tradition, even though the phrase itself is relatively new, first used by the UK government in 1999. The author looks specifically at 13 different legal incorporations under which a social enterprise can operate, noting that some of these identities can be mixed, such as a charitable company. While all of them are corporate vehicles established in law, it may be that one or other vehicle would allow a better expression of religious values. Faith-based enterprises ought to give particular consideration to their method of incorporation: structure and form can relate to faith through relationships with external bodies, the image perceived by the local community and the requirements of accountability. Because people find linking corporate formation and faith together difficult, the author looks at two historical precedents.

The first precedent is the co-operative movement. Rochdale is held up as the pioneering co-operative movement, but the author says the fact that these pioneers were Christian Socialists is now overlooked. The co-operative was set up to counter injustice and they felt their faith should be “reflected in their trading and ownership structure”. The second historical precedent is the monastery. Despite popular misconception, medieval monasteries were engaged in many more activities beyond prayer and signing. The *Rule* of St Benedict required the provision of hospitality, which was given in the form of health and educational services to the local population. Work on the land produced surpluses of products such as wool, crops and minerals which began to be traded internationally. All of this opened up the question of the nature of such a trading entity. There was no law governing incorporation at the time, so the “CEO of the monastery”, the abbot or abbess, was elected by the community to govern in consultation with the members, a process that took place in the chapter house (a circular room usually with a circular ‘boardroom table’ in the middle).

Monasteries would trade in ways beneficial to the local community, both monastic and lay people benefiting from surplus wool and crops and also the subsequent benefits in health, education, architecture and sustainable land use. Ashton says the monastic model demonstrates that enterprise could be established within the existing structure of a church organisation and harmonised with the direct leadership of that church as an integral part of the community life. However, Ashton’s article does not mention the many conflicts between town and monastery that erupted, at times violently, over issues connected with trade, ownership and trading rights. Examples are given in the introduction to this research. The author rightly warns that a stand-alone venture might well allow great flexibility in the market, but it runs a great risk of becoming detached from the vision of its founders as people come and go and the pressures of trading and the secular world begin to bear down.

Simon Lee (2009) looks at ways in which a faith-based social enterprise can be more explicit in working the faith aspect into its fabric. Company law was been changed in 2006 to suggest duties for directors, including having regard for a company’s impact on the environment and community – considerations that Christians could cite in support of any faith-based management decisions. Lee adds that this legal innovation allows an organisation to be guided by faith in limited contexts only, since it does not extend to allowing discrimination on the grounds of religion or belief in providing services, goods or facilities; there are some exemptions within a religious organisation but not in the commercial world. So if an organisation wishes to discriminate it will need to prove that its sole or main purpose is religious rather than commercial. This is almost certainly a grey area: a religious charity that performs limited trading might qualify but a Christian-inspired accountancy firm that has faith-based internal procedures would not.

In order to promote its Christian witness, an organisation could also consider the introduction of social accounting (otherwise known as triple bottom line accounting), an examination and presentation of the non-financial impact of the organisation's activity. Social accounting takes on board the impact on a community and on the environment, measuring how well an organisation has met its objectives and providing information to improve its strategy and implementation going forwards. Traidcraft has produced social accounts since 1994, the first PLC in Britain to do so. The related category of Social Return on Investment looks at the financial impacts in areas that do not have a market value: it tries to include impacts on people who are often excluded from markets, giving marginalised people a say over resource allocation decisions, for example. SROI is part of the social accounting approach, and will place a monetary value on community or environmental impacts. The wider benefit of all this is that the value of an organisation's work can be presented to the public and to stakeholders in a clear and rigorous way.

Lee's clear-sighted analysis of the evolving framework in which social enterprises can operate suggests a wider application of these principles could be extended to ecclesiastical institutions.

At the time of writing this research, none of the main established churches in Britain explicitly practises social accounting, nor do they encourage individual churches to use the same metrics and corporate priorities. Faith-based businesses have tested these principles in the crucible of the marketplace and found them to be sound, and instrumental in embedding a non-financial set of values in their management structures. If there are any lessons that church managers can take from faith-based businesses, this innovation could be the most transformative of them all.

APPENDIX 1:

Academic Departments Studying Faith and Business

The Susanna Wesley Foundation for Ministry, Management & Organisation, set up at Southlands College, Roehampton University in 2014

Faith in Business, Ridley Hall theological college, Cambridge
http://www.ridley.cam.ac.uk/centres/faith-in-business

The director Richard Higginson is also founder editor of *Faith in Business Quarterly Journal* and also linked to:

Transforming Business, a research and development project on Christian and entrepreneurial solutions to building social capital (ie tackling poverty)
http://www.transformingbusiness.net

Modem, an ecumenical hub to connect leadership, management and ministry
http://www.modem-uk.org

Quakers & Business Group
https://qandb.org

The Center for the Study of Religion is part of Princeton University, New Jersey. Of particular relevance is its Faith & Work Initiative
http://www.princeton.edu/faithandwork/

Walton College, which is part of the University of Arkansas, has a unit called the Tyson Center for Faith and Spirituality in the Workplace, which mainly looks at personal attributes of individual managers in relation to their faith, rather than considering the distinct category of faith-based businesses as a whole.

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