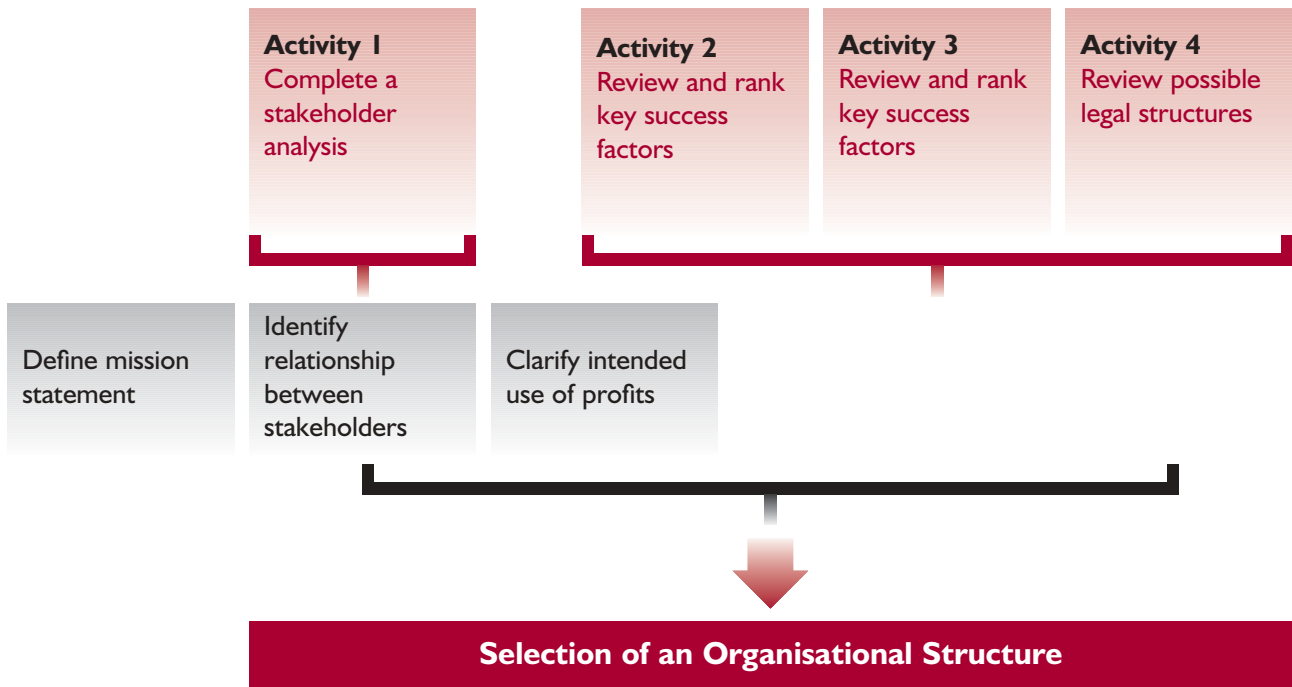
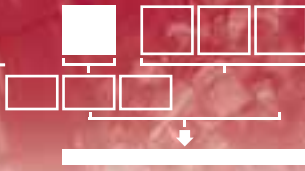


Decision-making Exercises and Tools

This Section presents four decision making exercises for use by advisors to help groups decide which organisational structure is most appropriate for their needs. The exercises and tools provided should be used following a review of the decision-making frameworks described in Section 5. Explanatory notes have been provided to assist advisors work through the exercises. Each exercise relates to the activities shown below:





Exercise 1.a and 1.b: Stakeholder Analysis

Aim:

Exercises 1.a and 1.b will enable participants to identify the key stakeholders, determine their interest in the enterprise and rank stakeholders in order of importance and influence.

Once stakeholders have been identified facilitators should select a number of key questions to be asked (listed in the facilitators' notes) to help groups; define a purpose / mission statement; decide how the organisation will be owned and governed; and, how profits will be used.

Preparation:

Before facilitating these exercises advisors should first read the section on the decision-making framework. They should also familiarise themselves with the key questions presented in the facilitators notes. These questions should be used to guide discussion on the organisation's mission statement, ownership and governance, and use of surplus.

Time required

2 hours in total, comprising 1½ hours of group discussion and 30 minutes of plenary discussion.

Instructions:

Part 1:

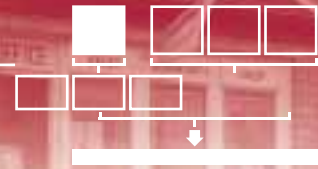
- Participants should be organised into groups of no more than 8.
- On a flip chart or using an overhead projector, each group should draw a stakeholder map as shown in Figure 1.a below (this may be prepared earlier).
- Groups should map the key stakeholders involved in their enterprise, entering each type of group into one section of the inner circle. More than one map may be used, if necessary.
- Groups should then list the key interests of each group in the enterprise, as they would perceive them to be. These may include both positive and negative issues. It is recommended that positive and negative issues are indicated in different colours for ease of identification.

Part 2:

- Remaining in groups, using a flip chart or overhead projector, participants should be requested to recreate Figure 1.b, a matrix for ranking stakeholders according to their influence and importance.
- Participants are invited to rank each stakeholder group in terms of its relative importance according to two criteria, shown on each axis.

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Influence: This refers to the level of influence the stakeholder group will have in determining the success of the enterprise.

Importance: This refers to the importance of each stakeholder group's needs to the mission or aims of the enterprise.

Part 3:

- Participants are asked to formulate the enterprise's purpose in the form of a 'mission statement' by identifying:
 - The intended beneficiaries and, if necessary, secondary beneficiaries.
 - The nature of benefits to be provided to the intended beneficiaries.
 - How the provision of these benefits will be measured.
 - The intended customers if different from the beneficiaries
 - The types of products and services to be offered to customers

Part 4:

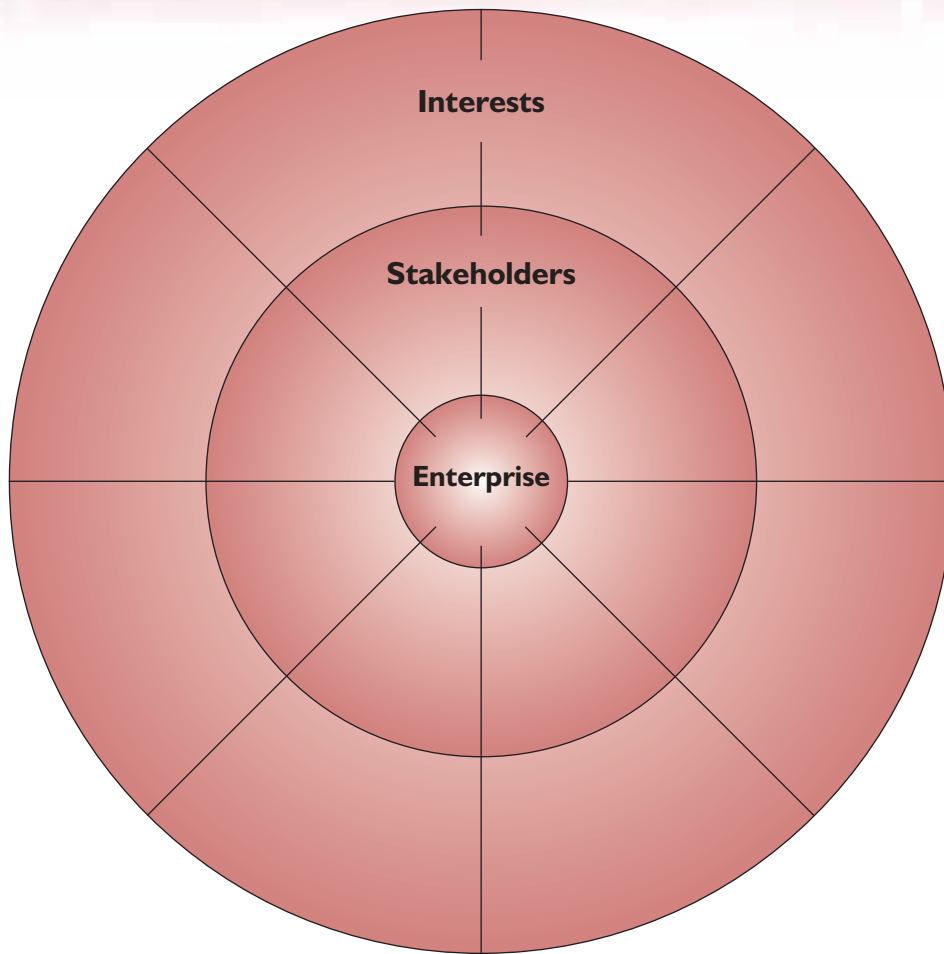
- Using the questions provided in the facilitators' notes, groups should be assisted to indicatively define how the organisation will be owned and governed and how profits will be used.

Outcomes:

By the end of the exercise participants should have:

- Defined the primary intended beneficiaries of the enterprise and clearly articulated what benefits it seeks to provide them with and how it will measure their achievement.
- Defined the relationship between the owner-members, board, and wider community, together with a clear articulation of their role in governing and ensuring the accountability of the enterprise.
- Defined the difference between those it primarily seeks to benefit and other important stakeholder groups.
- Written, in as few words as is possible, a 'mission statement' which articulates the overall purpose of the enterprise.
- Clarified the potential use of profits.

Exercise 1.a – Stakeholder Map

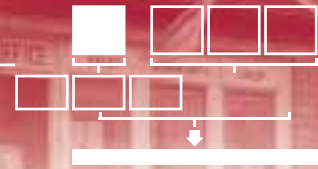


Exercise 1.b – Stakeholder Influence Matrix

I M P O R T A N C E	I.I		
	HIGH		
	LOW		
		LOW	HIGH
		INFLUENCE	

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Facilitator's Notes

Key questions

Participants should be encouraged to investigate the following issues which will be presented as questions to the group. The answers to these questions should then be used to tentatively decide how the organisation will be owned and managed and how profits will be used.

Rationale

Why do the participants want to come together: what is their need and what is their motivation?

How long do they intend the enterprise to exist?

Beneficiaries

Who are the intended beneficiaries of the enterprise?

- Are they a similar group of people with similar characteristics?
- How are they defined, geographically or by a common interest?

What benefits would the beneficiaries receive?

- Goods and services?
- Social benefits?

What is the likely attitude of potential beneficiaries or customers to the service provided?

- Will it play an important part in their lives?
- Will they take it for granted?
- Will it be relatively unimportant to their daily lives?

Would customers be willing and able to invest in enterprise?

- Yes, customers would be willing to provide over 25% of funding required.

Will primary beneficiaries have the right to benefit from the sale of the enterprise's assets if it is wound up?

Would customers wish to have control over the enterprise?

Which other groups or organisations will benefit from the enterprise and how? Which organisations will lose out following the formation of the enterprise?

Membership

Who are the intended members or owners of the enterprise?

- Who will be eligible for membership?
- Are they a similar group of people?
- How are they defined, geographically or by interest?
- Are they likely to change in the future?

What benefits will members be entitled to?

- Access to good and services?
- Distribution of surpluses?

What is the maximum number of members the enterprise expects to have in the next three years?

How will membership be replenished or renewed?

Leadership and Management

Who or which group has the most interest in starting the enterprise?

What is the desired relationship between members and the board?

What is the desired relationship between the board and management?

Will the primary beneficiaries of the enterprise activities control the enterprise in the long-term?

Will directors be chosen solely from the membership? How will they be chosen?

Will there be any non-member directors? How will they be identified and co-opted?

Accountability and Performance Management

To whom should the enterprise be accountable?

Who should be responsible for ensuring that the enterprise's social and commercial objectives are achieved?

On what basis is this responsibility held?

How should the effectiveness of governance be monitored?

Stakeholder Engagement

Which stakeholder groups will most influence the success of the enterprise?

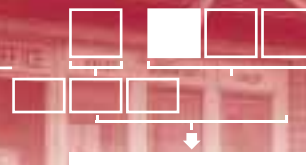
What is the desired relationship with them, the one that will bring maximum reward to the enterprise?

Finance and Capital

Will members be willing to subscribe for shares? How much will they pay for each share?

Should restrictions be placed on the total number of shares to be held by each individual?

Should restrictions be placed on the transfer of shares i.e. that shares must be sold back to the company on leaving?



Exercise 2: Critical Success Factors

Aim:

The exercise encourages reflection, debate and analysis of the critical success factors required to meet the objectives of the social enterprise. It assumes that participants have an adequate prior understanding of the enterprise’s basic business proposition.

Time Required:

Approximately one hour, depending on the number of participants and complexity of the business plan.

Instructions:

Using exercise 2, participants are encouraged to think of critical success factors for their enterprise in terms of the enterprise’s ability to meet customer and member expectations and to build the resources and capabilities required to ensure long-term sustainability.

Part 1:

Either in plenary or in working groups, participants should be requested to brainstorm and generate a list of critical success factors which they believe will determine whether the enterprise will succeed or not. It is recommended that each factor identified be written on a ‘post-it note’ or a piece of small card and placed on the flipchart for all participants to see.

Part 2:

When the participants cease to generate further critical success factors, the facilitator should ask them to rank their relative importance. Relative importance should be regarded as the probability of a success factor not being achieved and its consequent potential impact on the enterprise.

Exercise 2 - Assessing and Ranking Critical Success Factors

(Example of a Community Development Enterprise)

Critical Success Factors: Resources and Capabilities	Probability of Not Occurring High = 3 Medium = 2 Low = 1	Influence on Enterprise High = 3 Medium = 2 Low = 1	Importance Probability x Influence
Transfer of property or assets required for trading activities within one year.	High (3)	High (3)	9
Ability to find qualified board members.	Medium (2)	High (3)	6
Possibility to survive on lower margins for one year.	Medium (2)	High (3)	6
Pump priming funding raised on time.	Low (1)	High (3)	3

Outcome:

On completion of the exercise participants will have generated, sorted and prioritised the critical success factors required to ensure the viability and sustainability of the enterprise. These will reflect the ability of the enterprise both to trade effectively and develop longer-term resources and capabilities to ensure its sustainability.

The key success factors should be kept so that reference can be made while the group selects an organisational model and legal structure

If advisors have time an 'action plan' can also be produced to specify how the key success factors will be attained.

Facilitator's Notes

Participants should be led to investigate the following questions and issues. While a comprehensive list of issues cannot be provided to cover all enterprise types, the following critical success factors may be considered:

Possible financial factors

- Ability to raise capital requirements from commercial sources.
- Ability to secure grant assistance.
- Ability to raise share capital.
- Ability to secure credit from suppliers.
- Ability to generate sufficient income from trading activities.
- Ability to minimise the tax burden.
- Ability to generate and maintain sufficient cash.
- Ability to operate on lower margins than in the market.

Possible leadership factors

- Ability to develop and communicate a powerful vision of the enterprise's mission.
- Ability to plan and achieve quick results and 'wins' early in the formation process.
- Ability to create and maintain a distinct identity between commercial and voluntary bodies.

Possible board factors

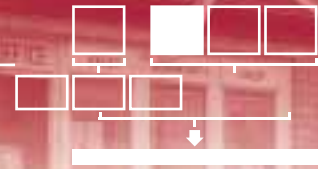
- Ability to recruit, develop and retain effective board members.
- Ability of the board to focus on strategic management rather than day-to-day issues.
- Ability to fairly balance the different interests of multiple-stakeholders.

Possible human resource factors

- Ability to recruit and motivate suitably skilled staff.
- Ability to mobilise effective volunteers.

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Possible supply factors

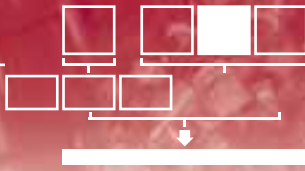
- Ability to source sufficient and quality supplies and materials at economic cost.
- Ability to generate trust with suppliers.

Possible support factors

- Ability to secure political support from relevant authorities and regulatory bodies.

Possible market strategy factors

- Size of the market required to succeed
- Ability to assess and meet customer needs
- Ability to provide goods or services at competitive prices that cover costs
- Ability to provide goods or services at or near market quality.
- Ability to generate customer trust and loyalty.
- Ability to develop superior service quality.



Exercise 3.a and 3.b:

Organisational Models

Aim:

The exercise will help participants to decide which of the generic organisational models appears to be most suitable. It achieves this by requiring participants to investigate the influence of different organisational models on the objectives of the enterprise and on the factors which may drive its success. This is achieved by conducting an analysis of the strengths and weaknesses of each organisational model.

Results from **Exercise 1.a, 1.b and 2** should be referred to during the course of this exercise.

Time Required:

Four hours, depending on number of participants.

Instructions:

Set Up:

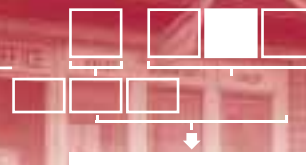
- From **Exercise 1** participants should have articulated the objectives of the enterprise (within the mission statement), defined how the organisation will be owned and governed and identified how profits will be used. From **Exercise 2**, participants should have identified and short-listed the key success factors required to establish and manage their businesses successfully. The facilitator should ensure that these are visible to all participants on a flip-chart or overhead transparency.
- In **Figure 4** five generic organisational models were described as broad templates for the organisational structure of rural social enterprises. These are presented again in the figure below.
- Participants should form groups of no more than 6.
- Each of the five different models should be allocated to groups so that each model is assessed by at least one group. If numbers and time permit, each group should try to assess more than one model.
- **Note:** If participants have categorically ruled out one or more form of model as being inappropriate for their enterprise, they should focus on the remaining models. For example, it may already be clear that the enterprise is intended to redistribute surplus profits to members.

Exercise:

- On a flip-chart or white board, each group should be asked to assess the perceived strengths and weaknesses of each type of organisational model using the template provided in **Exercise 3.a**.
- Once a group has evaluated the perceived strengths and weaknesses of each particular model these should be shared and agreed with the group as a whole. This will allow the strengths and weaknesses of each model to be agreed prior to the next exercise.

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- The whole group should refer back to the mission statement; intended ownership and governance structure, intended use of profits and key success factors identified. These should be placed on a flip chart or white board so that these are easily visible.
- Once this has been done the group should then be broken down into sub-groups. Sub-groups should then be asked to make a 'value judgement' on whether the model will either 'allow' or 'not allow' the attainment of the mission statement, key success factors etc to be achieved. Reasons for their answers should be given.
- A template for this is presented in **Exercise 3.b**. At the end of the exercise groups should decide whether the model 'fits' with their enterprise.
- Once each group has completed this exercise they should present their findings to the whole group to allow for debate. The exercise should culminate in an agreement on the organisational model that 'best fits' their enterprise.

Outcome:

- By the end of the exercise, participants should have identified which organisational model (or models) appear to 'best fit' their needs.
- Having identified the organisational model they will have also defined the broad model of governance that they seek to implement, ready for the subsequent selection of an appropriate legal structure to form the full organisational structure.

Matrix of Rural Social Enterprise Organisational Models

Ownership / Governance	'Philanthropic' Social Enterprises	'Self-Help' Social Enterprises	'Multi-Stakeholder' Social Enterprises
Use of Profits	Trustee control	Mutual control	Multi-Stakeholder Control
Profit distributed to owners / members	Not applicable	Co-operative or mutual structure	Community co-operative
Profits used for benefit of the community	'Charitable' structure	Community benefit co-operative	Development trust or community business

Exercise 3.a. Analysis Framework

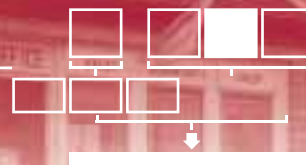
	Strengths	Weaknesses
Self Help Social Enterprises		

Exercise 3.b Analytic Framework to review 'best fit' for each organisational model

	Allow	Not allow	Reasons
Mission statement			
Intended ownership & governance structure			
Anticipated use of profits			
Key success factors identified			

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Facilitator's Notes

The exercise requires a number of decisions to be made: the perceived strengths and weaknesses of each organisational model, and which of the ownership models is most suitable. Suggestions of the issues that may influence these choices are provided below.

Use of profits by owner-members

Advantages	Disadvantages
Can encourage members to use the enterprise, thereby increasing customer loyalty.	Community residents who do not receive profits may be deterred from using the service or buying goods from it.
Increases the ability of the enterprise to attract capital.	Reduces the range of legal forms possible, for example an I&P Community Benefit Society would be excluded.
	Charitable status would not be possible.
	Profits from the enterprise may not be retained in the local community.
	May deter volunteers or other forms of in-kind contributions.

Philanthropic Model

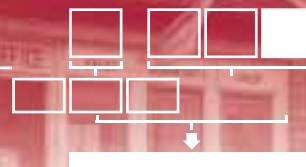
Advantages	Disadvantages
Lower internal management complexity increases the focus on objectives and activities.	Limited board reduces sources of input for strategic decisions.
Flexibility of decision-making.	The structure is neither commercial nor self-help, potentially reducing motivation.
Fundraising is easier due to the philanthropic nature of the enterprise.	Less accountability because of the limited membership.
Less likelihood of collaboration fatigue.	It is easier for the purpose and core objectives to be lost sight of with a smaller number of members.
Leadership initiative can be harnessed.	The purpose can be diverted by members to suit (intentionally or not) their own needs and perceptions.
	Communication can break down between members and customers.

Self-Help Model

Advantages	Disadvantages
Customers and owners are one and the same, meaning the enterprise can be very customer oriented.	There is a potential for collaboration fatigue due to time spent in decision making.
Encourages customer loyalty.	There is a potential for member board members to be less experienced and require more training and development.
Improved ability to forecast demand for goods and services.	Experience and culture in rural areas may be more of charitable work than self-help. Changing such attitudes can be hard.
Tax benefits if mutual tax status possible.	

Multi-Stakeholder Model

Advantages	Disadvantages
Ability to engage a broad range of stakeholders.	Time and energy is required on internal stakeholder management.
A broad range of opinion is brought into the debate.	Less flexible than other structures.
Organisations can also be members, as well as individuals.	Potential for collaboration fatigue.
In heterogeneous communities allows the representation of different interest groups.	Skilled direction and management is required to balance the interests of different groups.
	One stakeholder group can end up dominating the enterprise.



Exercise 4: Legal Structures

Aim:

This exercise helps participants to analyse which legal form their organisation should adopt to be compatible with their objectives and key success factors. By the end of this exercise participants should be aware of many of the factors which will determine the legal form most relevant for the enterprise.

Where more than one legal form is possible, participants should be requested to assess these against the factors highlighted in **Exercise 4** and in the context of the information on different legal forms provided in the **Fact Sheets**.

Time Required:

Three hours

Instructions:

Part 1:

- As a group the advisor should work through the Co-operatives^{UK} (ICOM) ‘Select-a-Structure’ exercise, which is given in **Exercise 4(a)** below.
- The advisor should encourage open discussion to ensure that all issues are debated and clarified as a group

Exercise 4(a). Select-a-Structure

This exercise will assist you to identify the most appropriate legal structure for your venture.

FOR EACH QUESTION, CIRCLE THE LETTER NEXT TO THE ANSWER WHICH MOST APPLIES TO YOUR PROJECT. THEN FOLLOW THE INSTRUCTIONS GIVEN IN THE ANALYSIS PROCEDURE THAT FOLLOWS.

1. From where do you anticipate getting most of your **income**? (That’s regular income, not start-up costs)
 - a grants and fund-raising
 - b selling services or goods to members of the organisation
 - c selling services or goods to non-members, or from contracts with public authorities or others
2. Who in the main will be eligible to be **members**?
 - a employees or workers in the business (possibly including volunteers)
 - b users of the services provided or customers
 - c providers of the services on offer
 - d the community generally or some section(s) of it, whether or not they use the services provided
 - e selected individuals (or organisations), by invitation only

3. Will the primary purpose of your project be to assist your **members** (not clients) to run their own businesses or organisations more effectively?
 - a yes
 - b no

4. What use will you make of **share capital**?
 - a none
 - b shares will be issued to members only
 - c shares will be issued to non-members by personal contact
 - d shares will be issued to the public: purchasers will become voting members
 - e shares will be issued to the public: purchasers will not become voting members

5. After deciding how much of the **surplus or profit** is to be retained, what will the members be able to do with the rest?
 - a give it as a bonus to the members (or use it in some way to provide material benefits for members only)
 - b pay a dividend or interest to shareholders
 - c both of the above
 - d neither of the above

6. Should a future membership be able to wind up the project and **share out** any money left over amongst themselves?
 - a yes
 - b no

7. Who will be responsible for **managing** the project?
 - a all the members
 - b a committee, all of them elected by all the members
 - c a committee, some or all of whom are appointed by outside bodies or elected by constituencies of membership

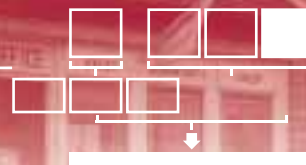
8. What is the **maximum** number of members you expect to have in the next 3 years?
 - a less than twenty
 - b more than twenty

9. What is the **minimum** number of members you expect to have at any time?
 - a more than three
 - b less than three

10. Do you anticipate **employing staff** on a permanent basis?
 - a yes
 - b no

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If you selected option (a) in question 10, IGNORE question 11.

11. Do you anticipate borrowing money to any degree, running up credit with suppliers, or entering into major contracts, such as leases?
- a yes
 - b no

Analysis Procedure

Delete options from the lists A to D below according to the instructions given.

- If you end up with only one option in each list, then those indicate the most appropriate structure.
- If you have more than one option in any list, you may have a choice, or you may need to think through your project's objectives more thoroughly.
- If you have no options left in any list, your project probably requires further analysis.

A. Legal Status

1. Trust (unincorporated)
2. Unincorporated Association
3. Partnership
4. Company Limited by Guarantee
5. Company Limited by Shares
6. Industrial & Provident Society (co-operative)
7. Industrial & Provident Society (society for the benefit of the community)
8. Limited Liability Partnership

B. Constitutional Type

9. Community Business
10. Consumer (or Users') Co-operative
11. Co-operative Consortium
12. Worker Co-operative
13. Voluntary Organisation / Charity

C. Management Structure

14. Collective
15. Representative

D. Ownership Model

16. Common Ownership
17. Joint Ownership

Instructions (for each question follow the instructions for the answer circled)

1. (a) Delete from list A: 3, 5, 6, 8
Delete from list B: 9, 10, 11, 12
- (b) Delete from list A: 1, 3, 7, 8
Delete from list B: 9, 12
- (c) Delete from list B: 10, 11

2. (a) Delete from list A: 1, 2
Delete from list B: 9, 10, 11, 13
(b) Delete from list A: 1, 3, 8
Delete from list B: 9, 12
(c) Delete from list B: 10, 12
(d) Delete from list A: 1, 3, 6, 8
Delete from list B: 10, 11, 12
(e) Delete from list A: 6, 7
Delete from list B: 9, 10, 11, 12
3. (a) Delete from list A: 1, 7
Delete from list B: 9, 10, 12
(b) Delete from list B: 11
4. (a) Delete from list A: 5
(b) Delete from list A: 1, 2, 3, 4, 8
(c) Delete from list A: 1, 2, 3, 4, 6, 7, 8
(d) Delete from list A: 1, 2, 3, 4, 5, 8
(e) STOP. You may need a public limited company
– seek specialist advice
5. (a) Delete from list A: 1, 2, 7
Delete from list B: 9, 13
(b) Delete from list A: 1, 2, 3, 4, 8
Delete from list B: 13
(c) Delete from list A: 1, 2, 3, 4, 8
Delete from list B: 9, 13
(d) Delete from list A: 3, 8
Delete from list D: 17
6. (a) Delete from list A: 1, 2, 7
Delete from list D: 16
(b) Delete from list D: 17
7. (a) Delete from list A: 2
Delete from list C: 15
(b) Delete from list A: 1, 3, 8
Delete from list C: 14
(c) Delete from list A: 1, 3, 6, 8
Delete from list C: 14
8. (a) Delete nothing
(b) Delete from list A: 1, 3, 8
Delete from list C: 14
9. (a) Delete nothing
(b) Delete from list A: 6, 7
Delete from list C: 15
10. (a) Delete from list A: 1, 2
(b) Delete nothing
11. (a) Delete from list A: 1, 2, 3
(b) Delete from list A: 4, 5, 6, 7, 8

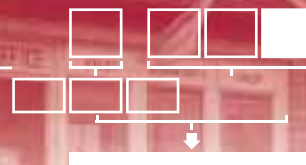
"SELECT-A-STRUCTURE"

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Part 2:

- When it is found that more than one legal form is possible, participants should be requested to rank them against the most important key success factors which they have identified earlier and the most important administrative and regulatory factors. **Exercise 4(b)** below provides a sample matrix which participants may use to value the legal form against these two sets of factors.

Exercise:

- By the end of the exercise, participants will have identified which legal form they could use to establish their enterprise. If more than one legal form is possible then they will have also evaluated the suitability of each legal form against the key success factors of their enterprise and the legal and administrative costs of each legal form.

Exercise 4(b). *Evaluation Matrix of Possible Legal Structures*

	Association	CLG	I&P Community Benefit Society
Critical Success Factors e.g. 1. Flexibility 2. Ability to raise capital. 3. Surplus profits for community use.	1. Highly flexible 2. Limited ability. 3. Possible	1. Highly flexible. 2. Debt capital only. 3. Possible	1. Less flexible. 2. Qualification loans and debt capital possible. 3. Community benefit protected.
Administrative and Regulatory Factors e.g. 1. Speed to establish 2. Low cost to establish and maintain. 3. Professional advice available.	1. Very quick. 2. Low cost 3. High street advice available.	1. One day 2. Medium cost. 3. High street advice available.	1. 7 days minimum, can take longer 2. Medium to high cost 3. Available from specialist providers.