THE FAIRSHARES MODEL:

AN ETHICAL APPROACH TO SOCIAL ENTERPRISE DEVELOPMENT?

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Abstract

This paper is based on the keynote address to the 14th International Association of Public and Non-Profit Marketing (IAPNM) conference. It explores the question “What impact do ethical values in the FairShares Model have on social entrepreneurial behaviour?” In the first part, three broad approaches to social enterprise are set out: co-operative and mutual enterprises (CMEs), social and responsible businesses (SRBs) and charitable trading activities (CTAs). The ethics that guide each approach are examined to provide a conceptual framework for examining FairShares as a case study. In the second part, findings are scrutinised in terms of the ethical values and principles that are activated when FairShares is applied to practice. The paper contributes to knowledge by giving an example of the way OpenSource technology (Loomio) has been used to translate ‘espoused theories’ into ‘theories in use’ to advance social enterprise development. The review of FairShares using the conceptual framework suggests there is a fourth approach based on multi-stakeholder co-operation to create ‘associative democracy’ in the workplace.

Keywords: social economy, ethics, solidarity, social enterprise, cooperation, mutuality

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1. Introduction

In this paper, arguments to the 14th International Association of Public and Non-Profit Marketing (IAPNM) conference are reflexively scrutinised to develop a theory of social enterprise ethics. The work was developed and informed by the preparation of the first and second editions of Understanding Social Enterprise: Theory and Practice (Ridley-Duff & Bull, 2011; 2015) and participation in the formation of FairShares Association.

The research question is: ‘What impact do ethical values in the FairShares Model have on social entrepreneurial behaviour?’ The rationale for answering this question has a personal aspect - the FairShares Model (hereafter referred to as FairShares) is the product of a three-way relationship between: a decade of research clarifying the role of social enterprise in democratising work (Ridley-Duff, 2002; 2007; Bull, et al., 2010; Ridley-Duff & Bennett, 2011); its impact on social enterprise education (Ridley-Duff & Southcombe, 2012; Ridley-Duff & Ponton, 2013; Sheffield Hallam University, 2014) and; the dialectical interplay between practitioner and academic input into the development of an association that promotes “multi-stakeholder co-operation in member-owned social enterprises”\(^1\) (Ridley-Duff, 2012; Ridley-Duff & Bull, 2013; Ridley-Duff & Southcombe, 2014).

The paper is divided into four sections. In the next section, I articulate the value of studying social enterprise in the fields of economics and entrepreneurship. Three approaches are described by linking them to their origins in philanthropic action, mutual exchange and market exchange. This differentiates the ethics of philanthropic, mutual and market approaches and captures them in a conceptual framework. The following section describes how and why a case study of FairShares helps to generate theory. The case presents abstract conceptualisations of FairShares and descriptions of two examples of practice. In the penultimate section, the conceptual framework is used to analyse the practices found in the case study. The concluding section clarifies the scientific contribution, answers the research question and examines implications.

2. Why study social enterprise development?

Studying social enterprise has theoretical and practical benefits for scholars in the fields of economics and entrepreneurship. For economists, social enterprises represent evidence of an alternative to state and private market approaches to economic development (Westall, 2001; Pearce, 2003; Nicholls, 2006). They show that non-state, member-owned firms can successfully create products and services that meet member needs without pursuing profit-
maximisation for institutional investors (Ellerman, 1990; Kalmi, 2007; Monzon & Chaves, 2008; Roelants, et al., 2014). For students of entrepreneurship, social enterprises illustrate the breadth of rationales for enterprise creation. They show that businesses can bring about social change or reduce dependency on the philanthropy of private firms and state agencies (Ellerman, 1984; Alvord, et al., 2004; Nicholls, 2006; Douglas & Grant, 2014).

There is, however, another driver. The United Nations’ PRME Initiative has prompted over 500 business schools to commit to ‘Principles of Responsible Management Education’ (Laasch & Conway, 2015). These puts ethics, sustainability and social responsibility at the heart of curriculum development in business schools. Accreditation schemes (such as EPAS and AACSB) now insist that lecturers provide tuition in ethics, sustainable development and responsible management, and that institutions engage a wider range of stakeholders in their local community (Doherty & Meehan, 2015).

Developing a conceptual framework to investigate social enterprise ethics requires a consideration of the economic contexts of social entrepreneurs and the way this shapes their entrepreneurial ‘habitus’ (Bourdieu, 1977; Outsios, 2014). Social entrepreneurs who have worked in the public, private and third sectors each face different challenges and may choose a diverse range of strategies to achieve their goals (Ridley-Duff & Bull, 2014). In the next section, I outline these challenges by setting out the implications of Polanyi’s work.

2.1 Three approaches to social enterprise development

The Great Transformation (Polanyi, 2001 [1944]) examined the rise and fall of market economics up to the 1940s. With the collapse of the Berlin Wall in 1989, and successive financial crises - in South East Asia, South America, US/UK and EU - Polanyi’s views on failures in market systems has re-emerged as important. His account of three socio-economic systems informs the work of European social enterprise researchers (Nyssens, 2006).

Polanyi outlined three systems. Firstly, there are communal principles of mutuality and reciprocity out of which have developed cooperative modes of production and consumption. Polanyi also identified redistribution (either through charitable acts or compulsory taxation). This creates common pool resources for social investment (or to buttress a community against economic shocks). Lastly, Polanyi described how production for markets developed the concepts of gain, profit and loss. Production for markets was driven by calculations of profit to determine whether market conditions warrant continued production.

The challenge of markets to reciprocity and redistribution is two-fold. If opportunities are pursued only if there is ‘profit’ for the instigator, many types of exchange stop occurring
(Maitland, 1997; Seanor, et al., 2013). Firstly, the logic of when to exchange becomes reversed: instead of pursuing projects for the community that are based on an ethical commitment to add to the ‘commons’, projects are supported only if they increase private ownership and personal gain (Chell, 2007; Martin & Osberg, 2007). Secondly, the market system creates an ethical injunction not to engage in mutuality or philanthropy unless it will lead to competitive advantage (Achbar, et al., 2004). Under such a system, welfare services are at risk because paying for them is seen as a business cost, not a business benefit. Alternatively, and increasingly, welfare provision is framed as a market opportunity, fuelling the efforts of large private companies to lobby government to secure public service contracts (Klein, 2007; Maitland, 1997; Corbett & Walker, 2012).

My starting point lies in the argument that Polanyi’s work gives tacit permission to reframe the way systems of exchange are combined to promote sustainable development (Holmes, 2014). Social entrepreneurship research, and social entrepreneurs themselves, are divided over which forms of economic exchange to pursue (Kerlin, 2006; 2010). An acceptance that markets are natural leads to a view that reciprocity and redistribution are less important. Some schools of social enterprise favour the market and seek to create institutions that support socially entrepreneurial individuals (Alvord, et al., 2004). As a result, they do not frame collective action for mutual benefit as a form of social entrepreneurship (Kerlin, 2010; Ridley-Duff & Southcombe, 2012; Spear, 2006).

In contrast, a view that markets do not arise naturally and depend for their existence on coercion by political and business elites (Klein, 2007) frames them as an issue that social enterprises seek to address, even to the point of regarding them as a source of harm to wider society and the environment. This creates hostility towards the logic of the market (Nicholls, 2010; Seanor, et al., 2013) and a favourable disposition towards mutuality, reciprocity and participatory democracy (Pateman, 1970; Erdal, 2011). It triggers calls for a radical reduction in the influence of stock markets, invites questions about the role of private property, and fuels an ideology committed to collectively run, commonly-owned, enterprises (Dewar, 2007).

My previous research, however, has found a body of people committed to a third proposition: the optimum equilibrium between market exchange, reciprocity and redistribution in each scenario will produce the best outcomes (Ridley-Duff, 2007; 2008). This mind-set is one of seeking to understand how entrepreneurship can improve well-being across stakeholder groups (Spear, 2006; Spear, et al., 2007; Moreau & Mertens, 2013). It translates into a desire for economic pluralism and a democratic settlement that enfranchises
more stakeholders in enterprise development (Smith & Teasdale, 2012; Novkovic & Webb, 2014). In this debate, social entrepreneurship embraces the task of creating deliberative democracies to achieve consensus on how to ‘survive well’ (Nyssens, 2006; Johnson, 2006; Restakis, 2010; Erdal, 2011; Gibson-Graham, et al., 2013, p. loc. 458).

There is, therefore, no single entrepreneurial pathway or planning system that leads to social enterprise. There are numerous pathways that originate in different sectors: third sector mutuality and philanthropy; public sector attempts at redistribution, and; commitment to ethics and sustainable development in the private sector. In my previous work (Ridley-Duff, 2008), this was the inside the triangle in Figure 1, an ideal space (Type D) for multi-stakeholder member-owned enterprises that coordinate producers and consumers (Whyte & Whyte, 1991; Westall, 2001; Yeo, 2002).

Figure 1 Economic exchange and approaches to social enterprise

Source: Ridley-Duff and Bull (2015), Figure 2.6.

A powerful argument for this is found in Yeo’s (2002) critique of Sidney and Beatrice Webb. Yeo claims they undermined the cooperative movement in the UK by fragmenting the identities of the working class through trade unions (as producers), political parties (as citizens) and cooperative societies (as consumers). Yeo argues that this hinders the development of ‘associative entrepreneurship’ in enterprise formation (Scott-Cato, et al., 2008) and the ‘associative democracy’ between workers and consumers that creates solidarity (Smith & Teasdale, 2012).
In practice, there are many social entrepreneurial destinations: from full participation in a social and solidarity economy (Figure 1, centre) to the creation of social value (along Spectrums 1, 2 and 3) without a commitment to multi-stakeholder cooperation (Dees, 1998; Alter, 2007; Ridley-Duff & Bull, 2014). The pathways that individuals choose depend on their context and the ethics that inform their choices. As social entrepreneurs are faced with many choices that involve judgements about the merits of reciprocity, redistribution and market exchange, the values associated with each pathway are not likely to be the same and will affect the outcome.

2.2 Ethical commitments in each approach to social enterprise
In writing the second edition of *Understanding Social Enterprise: Theory and Practice*, my co-author and I created a fine-grained approach to defining approaches to social enterprise. By examining ethical commitments to ‘socialise’ an enterprise’s ownership and governance and/or commit an enterprise to ‘social purpose’, three distinguishable approaches were uncovered, each linked to their own legal forms and ethical imperatives.

A composite list of characteristics from five social enterprise ‘theories in use’ were compiled from previous work (Ridley-Duff & Southcombe, 2012). The list was sent to 550 social enterprise lecturers, researchers and post-graduate students. The survey instrument provided respondents with working definitions of ‘socialisation’ (a mutual orientation towards well-being emphasising self-help) and ‘social purpose’ (a philanthropic orientation towards well-being emphasising help for others). Respondents were asked to rank each social enterprise characteristic in terms of its contribution to ‘socialisation’ and ‘social purpose’. If a characteristic contributed to both, it was ranked between other characteristics. Responses from 136 people (24.7 per cent response rate) were scored by awarding +/-2 or +/-1 based on rank. A score of 0 was awarded where an item was ranked in the middle. Based on this, Ridley-Duff and Bull (2015) argue that support exists for a theory of social enterprise based on three approaches (Table 1).
Table 1 Ethical commitments in mutual, responsible and charitable trading

1. **Mutual Trading in Socialised Enterprises (CMEs)**
   Legal Forms: Cooperative, Mutual, Employee-Owned Business, other Social / Solidarity Economy Legal Forms

<table>
<thead>
<tr>
<th>Distinguishing Characteristics and Ethical Commitments</th>
<th>Socialisation Score</th>
<th>Social Purpose Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Is (co-)owned by one or more of its primary stakeholders (workforce, customers and/or service users)</td>
<td>129</td>
<td>38</td>
</tr>
<tr>
<td>• Offers membership to primary stakeholders (workforce, customers, service users)</td>
<td>117</td>
<td>43</td>
</tr>
<tr>
<td>• Ensures that most (or all) of its assets are used for member, community and public benefit</td>
<td>139</td>
<td>70</td>
</tr>
<tr>
<td>• Governed by one or more of its primary stakeholders (workforce, customers, service users)</td>
<td>121</td>
<td>56</td>
</tr>
<tr>
<td>• Continuously encourages cooperative working / networking</td>
<td>112</td>
<td>76</td>
</tr>
<tr>
<td>• Allows members to equitably contribute to, and receive distributions of, capital/surpluses</td>
<td>82</td>
<td>53</td>
</tr>
<tr>
<td>• Provides technical and political education/training to its members (staff, users and elected representatives)</td>
<td>95</td>
<td>69</td>
</tr>
</tbody>
</table>

2. **Responsible (Market) Trading in Social / Responsible Businesses (SRBs)**
   Legal forms: Social Welfare Corp (Asia), Social / Community Enterprises (EU), B-Corps / Low-Profit Corps (US)

<table>
<thead>
<tr>
<th>Distinguishing Characteristics and Ethical Commitments</th>
<th>Socialisation</th>
<th>Social Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Is not owned or controlled by a private company or public authority</td>
<td>87</td>
<td>78</td>
</tr>
<tr>
<td>• States (and reviews) its ethical values and principles</td>
<td>76</td>
<td>70</td>
</tr>
<tr>
<td>• Provides at least some paid employment</td>
<td>60</td>
<td>67</td>
</tr>
<tr>
<td>• Provides evidence that it makes a positive social impact and/or runs for community benefit</td>
<td>69</td>
<td>83</td>
</tr>
<tr>
<td>• Educates the public about the benefits of its business model</td>
<td>83</td>
<td>106</td>
</tr>
<tr>
<td>• Receives most of its income from trading activities, not grants or donations</td>
<td>71</td>
<td>95</td>
</tr>
</tbody>
</table>

3. **Charitable Trading Activities in Social Purpose Enterprises (CTAs)**
   Foundations, Trading Charities, NGOs, Non-Profit Associations / Companies

<table>
<thead>
<tr>
<th>Distinguishing Characteristics and Ethical Commitments</th>
<th>Socialisation</th>
<th>Social Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Continuously produces and/or sells goods and services to improve social/environmental well-being</td>
<td>67</td>
<td>98</td>
</tr>
<tr>
<td>• Reinvests most of its surplus/profit back into its social/environmental purpose</td>
<td>71</td>
<td>104</td>
</tr>
<tr>
<td>• Makes clear statements about its social and/or environmental purposes/objectives</td>
<td>59</td>
<td>97</td>
</tr>
<tr>
<td>• Balances member (stakeholder) needs with sustainable development goals</td>
<td>44</td>
<td>88</td>
</tr>
<tr>
<td>• Discourages a ‘for-profit’ mind-set by limiting the distribution of surpluses/profits for private benefit</td>
<td>52</td>
<td>114</td>
</tr>
<tr>
<td>• Based on the actions of citizens voluntarily working together to meet a need</td>
<td>51</td>
<td>115</td>
</tr>
<tr>
<td>• Has members/founders who bear a significant level of economic risk during venture/project creation.</td>
<td>56</td>
<td>121</td>
</tr>
</tbody>
</table>

Key: - **Socialised Enterprises** = Socialisation at least 25 point more than Social Purpose
      **Social / Responsible Businesses** = Socialisation within 25 points of Social Purpose
      **Social Purpose Enterprises** = Social Purpose at least 25 points more than Socialisation

Source: Ridley-Duff and Bull (2015), Table 2.2

The findings provide a counter-argument to ‘lowest common denominator’ definitions that social enterprises ‘trade for a social purpose’ or have ‘hybrid’ characteristics (Peattie &
Important for understanding a new theoretical perspective is an acceptance that there are multiple pathways into social entrepreneurship, each reflecting the exchange systems within which social enterprise creation occurs (Polanyi, 2001 [1944]; Ridley-Duff & Bull, 2014). The three approaches can be summarised as:

1. **Cooperative and Mutual Enterprises (CMEs)** that are defined by a commitment to (or innovative systems for advancing) trade through democratic/inclusive enterprises.

2. **Social and Responsible Businesses (SRBs)** that are defined by commitments to (or technologies for) sustainable development and the creation of ‘shared value’ in markets.

3. **Charitable Trading Activities (CTAs)** that are defined by commitments to produce only public benefits or deliver a public / community service.

With this framework clarified, the next section explores its usefulness and limitations through a case study of *FairShares*.

### 3. *FairShares* as a case study

According to Ridley-Duff and Bull (2013), *FairShares* can be traced back to the late 1970s. In several ‘hot spots’ (UK, Bangladesh, Spain, Italy) social entrepreneurs departed from ‘old co-operativism’ by devising inclusive approaches to auditing and ownership. The focus shifted away from solidarity in one membership group towards solidarity *between* membership groups and the local community. *FairShares* has been linked to ‘solidarity cooperatives’ and ‘new co-operativism’ (P2P Foundation, 2014; 2015) as well as policy proposals for a ‘transition economy’ that brings about ‘systemic change’ (P2P Foundation, 2015, p. 82; NewStart, 2015).

An exploratory case study is appropriate because a rich description can establish the usefulness (or not) of a theoretical perspective. *FairShares* is a particularly good choice because its documentation is licenced using Creative Commons (FairShares Association, 2014), and FairShares Association members give public access to their Community Forum. This means that members’ deliberations and decision-making practices - the relationships between ‘espoused theory’ and ‘theories in use’ - can be more easily studied (Argyris, et al., 1985; Smith, 2001).

The case has been built from postings to two Wikis. The FairShares Wiki V1.2 was closed on 1st April 2015, and has been succeeded by V2.0. Access to both have been secured.
The older Wiki is available in an archive:\footnote{2} it contains notes, background documentation and academic papers that informed the evolution of ideas. Amongst these are interview notes from 2010 with people who influenced \textit{antecedent} models. These findings were triangulated with current documentation (Feb 2013 – March 2015) provided by the FairShares Association through DropBox.

The case is a ‘naturalistic inquiry’ designed to create a credible, trustworthy, confirmable account of the development of \textit{FairShares} \cite{Lincoln1985}. Naturalistic inquiry is a defensible methodology because it can accommodate the author’s own participation in the FairShares Association. The findings are presented as a ‘realist’ ethnographic account, an interpretation of knowledge from overt participation in a culture \cite{VanMaanen1998, VanMaanen2011}.

The truths that can be discovered during an ethnography are aligned with Kantian \cite{1788} notions of self-realising agents who know reality (noumena) by living it, develop epistemological insights by systematically studying their experiences, and acquire transcendental knowledge by abstracting the concepts that underpin it. For this reason, the evaluation criteria for this paper are rooted in Critical Theory \cite{Alvesson2000, Alvesson2003, Alvesson2003, Johnson2003}. Positivist notions of internal validity, reliability and generalizability have to be set aside. What counts is the plausibility, authenticity and insightfulness of the account produced \cite{Kinchloe1988, Johnson2006}.

Plausibility and authenticity are assessed on the basis of ‘catalytic validity’ \cite{Kinchloe1988}. In this case, catalytic validity will be found to have occurred if espoused theories - abstract conceptualisation of \textit{FairShares} - are observed influencing practice. Insights are developed by following Van Maanen’s advice on realist ethnographic writing. He argued that a researcher can access subjective constructions of knowledge if they have sufficient experience of participating in a culture \cite{VanMaanen1998, VanMaanen2011}. However, writing in a realist style does not equate to claiming that the knowledge produced is objective. As Van Maanen \cite{2011} points out, the epistemology of critical ethnography is \textit{inter-subjectivity}: the researcher’s account is an \textit{interpretation} of the dialectical interplay between academic engagement and practical experience, and theoretical propositions are descriptions of knowledge co-constructed with other social actors.

Writing an ethnographic account in a realist style requires that I hide myself during the presentation of findings. This is done to encourage reflexivity through the objectification of my own interventions. I present the findings in two parts. Firstly, there is an exploration of the way antecedent social enterprise models contributed to the development of \textit{FairShares}. The importance of these abstractions is evident in the number of times they are shared with

[9]
practitioners, students, researchers and the wider public. Secondly, I present a description of the way FairShares has been applied to practice by members of the FairShares Association.

I draw attention to the importance of deliberations that have taken place in two Loomio Groups – a Community Forum (referred to as the CF) and a General Assembly (referred to as the GA). The first is ‘real’ in the sense of containing actual deliberations amongst members of the FairShares Association as they develop their organisation. The second is ‘imaginary’, but based on deliberations by students making decisions in a fictional FairShares company. In both cases, the use of Loomio makes the study of deliberative democracy possible, and it is possible to evaluate how abstractions (espoused theories) have influenced practice.

3.1 Abstract conceptualisations of FairShares

Four antecedents to FairShares were discovered by members of the FairShares Association. These were described in interview records with four practitioners who created multi-stakeholder model rules for social enterprises. The first was Stakeholder Model Ltd devised by Geof Cox Associates to capture the evolution of his thinking between 1984 and 2010 based on experiences in the fair trade movement. The second was the NewCo Model devised by Morgan Killick (at ESP Projects Ltd) with Bill Barker and Dave Thornett (from SCEDU). An interview describes how Killick studied political economy in the 1990s, then worked with SCEDU to create a legal structure for ESP Projects Ltd in 2004. This structure was copied by other enterprises in the North of England, including one of the founders of the FairShares Association. The third example was a Surplus Sharing Social Enterprise Model which evolved from deliberations between Gavin Boby and members of Computercraft Ltd between 1996 – 1999. Boby wrote articles with Guy Major about ‘value-added sharing’ and ‘equity de-evaluation’. Their work shaped a spin out enterprise from Computercraft Ltd in 2001 and two subsequent social enterprise ventures before a Surplus Sharing Model was published by the Common Cause Foundation (in 2007). The final interview documented the rationale for the Cooperative CIC Model with a member of Co-operatives UK’s legal team. This came about as a response to the demands of cooperative movement members (2002 – 2007) after New Labour (UK) introduced legislation for social enterprise development.

Three of the antecedent model rules restructure a company’s share capital to represent different collective interests. As such, they represent early UK attempts to develop solidarity cooperatives. Of particular interest is a finding that in the same cases, social entrepreneurs were protected to give them an enduring voice as ‘Founders’. Unlike a private company, where control is geared to maximum exploitation of a commercial opportunity (Outsios,
In line with ‘new cooperativism’ each model “did not necessarily have tight links to older cooperative movements [or spring from] pre-existing cooperativist sentiments” (Vieta, 2010, p. 2). In two cases, authors had extensive experience of cooperatives, but sought freedom from strict adherence to Rochdale Principles. Table 2 shows the capital structures they devised together with a summary of their academic and practitioner influences.

Table 2 Direct Influences on the Antecedents of FairShares

<table>
<thead>
<tr>
<th>Model</th>
<th>Practitioner influences cited</th>
<th>Theoretical influences cited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder Model Ltd offers:</td>
<td>• Kermase Food Cooperative / Fair Trade Movement - 1980s.</td>
<td>• Cooperative journals. - 1980s/90s.</td>
</tr>
<tr>
<td>- Stewardship Shares (trusteeship)</td>
<td>• New Labour debates about the retention of ‘Clause 4’ and common ownership - mid 1990s</td>
<td>• ‘What next for IR?’ by Paul Golan and Anthony Jensen - 1990s</td>
</tr>
<tr>
<td>- Partner Shares (workers/users)</td>
<td>• Renewable Energy Corporation Ltd - 2000 onwards</td>
<td>• (opposition to) Charlie Cattell’s single stakeholder / common ownership model - 1990s.</td>
</tr>
<tr>
<td>- Investor Shares (supporters)</td>
<td>• Lippy People (David Tomalin)</td>
<td></td>
</tr>
<tr>
<td>NewCo Model devised to offer:</td>
<td>• Sheffield Community Economic Development Unit (Bill Barker / Dave Thomett) – 2002 - 3</td>
<td>• Readings on ‘political economy’, particularly <em>The Great Transformation</em> by Polanyi - 1990s.</td>
</tr>
<tr>
<td>- A Shares (entrepreneurs)</td>
<td>• ESP Projects Ltd – 2004</td>
<td></td>
</tr>
<tr>
<td>- B Shares (clients/customers)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- C Shares (employees)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Social Equity (supporters)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Labour Shares (workers)</td>
<td>• Employee Ownership Association (under David Erdal) – 1999</td>
<td>• David Ellerman - 1997</td>
</tr>
<tr>
<td>- Social Equity (supporters)</td>
<td>• Mondragon Corporation (field visit) - 2003</td>
<td></td>
</tr>
<tr>
<td>Co-operative CIC Model devised to ‘consult’:</td>
<td>• Dr Poonam Thapa – 2006</td>
<td>• Rochdale Principles</td>
</tr>
<tr>
<td>- Suppliers, Customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Community Representatives</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s analysis
Cox’s model shows the shift to multi-stakeholder co-ownership in opposition to Charlie Cattell who called for single-stakeholder common ownership (Table 2). Similarly, the Cooperative CIC Model (Community Interest Company) shows Co-operatives UK responding to debates initiated by the New Labour government. It resisted the drift away from cooperative social enterprise by creating a CIC model under new legislation (Teasdale, 2012).

In 2007, after meeting at networking events and conferences, the authors started to converge in their thinking. The Surplus Sharing rules provide evidence of author interactions by citing the influence of the NewCo model and Stakeholder Model on its own development. By 2010, the Stakeholder Model, NewCo Model and Surplus Sharing Model all integrated at least three stakeholders (producers, consumers, social entrepreneurs and (social) investors) into ownership and governance. In 2012, these ideas started to appear in documentation describing FairShares (see Table 3).

Table 3 The Impact of Antecedent Models on FairShares

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Stewardship / Class A / Founder Shares</td>
<td>Founder Shares</td>
</tr>
<tr>
<td>Partnership / Class B Shares</td>
<td>User Shares</td>
</tr>
<tr>
<td>Partnership / Class C Shares / Labour Shares</td>
<td>Labour Shares</td>
</tr>
<tr>
<td>Investor / Class A Shares</td>
<td>Investor Shares</td>
</tr>
<tr>
<td>Co-ownership (individual / organisational members)</td>
<td>Founder, user and labour shareholders acquire investor shares based on active participation.</td>
</tr>
<tr>
<td>At least three classes of shareholder (stakeholder) at incorporation.</td>
<td>1 class at incorporation (founders), with constitutional provisions to create the other classes when production, trading and surplus generation occurs.</td>
</tr>
<tr>
<td>Preference for unitary boards elected from each class of shareholder</td>
<td>Main/sub boards elected by shareholder classes (elections triggered by a member threshold fixed at incorporation).</td>
</tr>
<tr>
<td>All stakeholders have a route to membership</td>
<td>All stakeholders have a route to membership, plus explicit protection of minority interests (special resolutions) and mediation to resolve member conflicts.</td>
</tr>
<tr>
<td>Limited protection of minorities</td>
<td></td>
</tr>
<tr>
<td>Electoral college in general meetings (Stakeholder)</td>
<td>One member, one vote for ordinary and special resolutions; electoral college when a poll is called; one class, one-vote for special resolutions.</td>
</tr>
<tr>
<td>Employees hold the balance of power (NewCo)</td>
<td>For a special resolution to pass, there must be majority support in every class of shareholder.</td>
</tr>
<tr>
<td>Shareholder classes with the same rights in general meetings (Surplus Sharing)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s analysis

Whilst the above table shows how the interests of each stakeholder group are accommodated, a simplified diagram (Figure 2) was commonly used to communicate it (on websites, a Wiki, printed guides, magazine articles, papers and conference presentations). This abstraction emphasised historical links between consumer co-operation and User Shares, between worker-co-operation and Labour Shares, and between social entrepreneurs and Founder Shares. Each follows the social economy norm of having a ‘par value’ (with voice...
and dividend rights). A fourth share type (Investor Shares) captures the rising and falling value of capital purchased and created by primary stakeholders.

Investor Shares can be allocated in three circumstances: when producers and consumers invest resources; when they create financial capital by trading profitably with each other; when they forego dividends on their par value Labour/User Shares. Subject to member approval, Investor Shares can also be issued to third-parties who provide (social) investments and to organisations created by members for employee, community and public benefit (see Model Articles of Association, Clause 10).

Figure 2 Representing links between Antecedent Models and FairShares

![Diagram of FairShares model]

Source: Presentation to Chelmsford Ideas Festival, Anglia Ruskin University, 31st October 2013

From July 2014, three implementations of these ideas (under association, cooperative and company law) became available to members (FairShares Association, 2014). This marks a departure from FairShares V1.2 following discussion with Les Huckfield of Senscot and members of Unison (a trade union). In both cases, practitioners wanted a stronger asset lock when engaged in public service delivery. The result (in V2.0) was three model constitutions that reflect the approaches to social enterprise described in Table 1.

In the next section, two web-forums created by the FairShares Association are described. This provides evidence that abstract conceptualisations of FairShares have been applied to social enterprise development and education. Both forums were created using Loomio – OpenSource software for collaborative decision-making designed by Occupy Movement activists (Jenson, n.d.). The first forum (“FairShares Association” – hereafter called FM) is
used by its members to make decisions about the development of their association. The second forum ("FairShares Model Enterprise" – hereafter called FME) supports learning and teaching in universities. Both web-forums contain records of actual decision-making, so they provide empirical records of the application of *FairShares*.

### 3.2 *FairShares* in practice

The FME on Loomio was both similar and different to FA. FME contained six sub-groups whilst FA contained only three (Figure 3). Secondly, FME described its sub-groups differently by including the word ‘Shareholder’ in sub-group descriptions. These changes reflected the evolution of *FairShares* from a single model constitution under company law (V1.2) to three model constitutions under association, cooperative and company law (V2.0).

**Figure 3 Stakeholder groups in two implementations of *FairShares***

 ![Dashboard Screenshot](https://www.loomio.org)

In both cases, founder, labour and user members were allocated to distinct sub-groups, clearly following abstract conceptualisations of *FairShares*. Only FME fully implemented the model constitution, including additional sub-groups for Auditors, Directors and Investors. As FA does not issue shares, no Investors group existed. Furthermore, the reason there was no Audit group for FA was youth rather than policy. The constitution requires an Auditors group only after membership exceeds 50. For the same reason, FA had no need to separate Directors from Founders at the time: separation will occur when membership reaches 50.

Insights about practice can be developed from this. Early in the life of a *FairShares* enterprise, only a Founders group and/or Community Forum needs to be created. Once
activities begin, a Labour group is created, and finally when users start benefitting from (or customers start buying) products and services created by Labour, a Users group is created. As stakeholders become more integrated, sub-groups for Investors, Directors, Auditors can be established as per the constitution.

In FA, the initial group joined was ‘Community Forum’ (hereafter called CF). In FME, the initial group was the General Assembly (GA). The CF (in FA) contained non-members – it linked ‘supporters’ (who took an interest and provided support) to ‘members’ (who built FairShares or used it in their work). The CF could be joined by anyone, whereas an application was needed to approve Labour and User Members. In FME, the GA was described as the meeting place for all members. Sub-groups existed for each member type to vote on issues pertaining to their own development, but there was only minimal activity found.

The choice of Loomio is itself interesting as it supports only one-person, one-vote decision-making (and not one share, one vote). Every member could make proposals, and agree, abstain, disagree or block others’ proposals. The sub-group capability of Loomio supports provisions in a FairShares constitution for special resolutions (which require a majority in each stakeholder group, plus 75% in favour). In reviewing the two examples, however, no evidence of passing special resolutions was found. There were, however, examples in FA of sub-groups voting separately from the CF. In FME, there was evidence of deliberations in sub-groups, and voting in the GA (Figure 4).

However, in practice, FA was operating – for some decisions - as if those who had joined the CF were members. The CF had given voting powers to both members and non-members. Decisions on marketing straplines, book publishing and website design had been taken on a one-person, one-vote basis in the CF. Votes on constitutional changes were restricted to Founder and Labour sub-groups. Although a User Members sub-group existed, it was empty. A process for applying had been circulated, but it planned to implement this only when the constitution had been registered with the relevant authorities. At the time of writing, lists of potential Users had been drawn up so they could be invited to apply for membership.
Figure 4 General Assembly decisions made by students who were role playing Founders, Employees, Customers and Investors in a *FairShares* company.

<table>
<thead>
<tr>
<th>Student Vote at Sheffield Hallam</th>
<th>Student Voting at Oxford Brookes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Future Energy - A Proposal to Members</strong></td>
<td><strong>Licence the technology for all community groups</strong></td>
</tr>
<tr>
<td><strong>Outcome</strong></td>
<td><strong>Outcome</strong></td>
</tr>
<tr>
<td>The proposal has not been accepted, and a large number of members have blocked it. Can you make a new proposal that secures majority backing?</td>
<td>The proposal to licence technology to all community groups has been agreed. (See brief)</td>
</tr>
</tbody>
</table>

Under this option, all community groups who wish to access Future Energy Ltd’s solar panel technology will be able to access it for free under the condition that Future Energy Ltd receives an agreed share of all Feed In Tariff payments (not only on surplus energy).

24% of members stated their position (13/53)

50% of members stated their position (19/38)


The final item of empirical evidence was the constitution of FA (see Appendix A). This was finalised on 17th April 2015, 30 months after the first discussion document on *FairShares* was published. It provided evidence of its impact on FA members, and the values and social objects committed to in law. The objects were divided into two sets: clauses 5a – 5f described commitments to improve the well-being of members through social entrepreneurship, cooperative values and non-discriminatory management practices (the constitution committed members to eliminating discrimination based on “social class, race, ethnic origin, gender, sexual preference, age, disability and religion”). The second set of objects (clauses 5g–j) related to the FA’s commitment to *FairShares*. Clause 5g committed members to

“...protect, develop and promote the FairShares Model for use by associations, companies, co-operatives, consultants and educators who are committed to Brand Principles defined by members of the association”.

Clauses 5h-j indicated the mechanisms by which this would be done: support for accounting, auditing, education, training, investment, membership and public engagement that
promotes knowledge sharing amongst members and the public. In short, clauses 5(a-f) described values while 5(g-j) described products, services and actions to support them. Given the reference to ‘Brand Principles’, it matters what these are. Using a Google search for “FairShares Brand Values and Principles”, both a document (Ridley-Duff & Southcombe, 2014) and a Wiki (FairShares Association, 2015) describing them were found. They were specified as:

- wealth and power sharing with primary stakeholders;
- ethical review of the choice of goods/services offered;
- ethical review of production and retailing processes;
- specification of social purpose(s) and auditing of social impact(s);
- a social democratic model for the ownership, governance and management of capital

In addition, there were auditing questions to establish how a FairShares enterprise implements its brand principles (see Appendix B). For example, questions about purpose and impact were directed to Founder Members. Questions about the ethics of production were directed to Labour Members, and the ethics of selling and consuming product/services were established with User Members. Questions about the governance system and its role in the distribution of wealth and power were matters for all members.

4. The Ethics of FairShares

As I have now finished the presentation of abstract and practical examples of FairShares, I can become ‘visible’ again by turning to an analysis and discussion of the findings. In this section, I discuss the case study using the conceptual framework developed in Table 1 to evaluate whether – and to what extent – FairShares makes ethical commitments that align with the characteristics of CMEs, SRBs and CTAs (Table 4).

4.1 Support for Mutual Trading (in CMEs)

All model constitutions for FairShares (association, cooperative and company) made commitments to engage in trading for mutual benefit, and to improve economic, social and environmental outcomes for members. In both abstract and practical implementations (model Articles as well as actually existing Articles), Clause 5a made a commitment to trade “to improve the well-being of [the enterprise’s] primary stakeholders (producers, employees, customers and service users)”.

It is the goal of improving the well-being of both ‘internal’ members (employees, producers) and external members (customers, service users) that defines FairShares as a
solidarity cooperative (Lund, 2011). Moreover, the stated commitment to economic, social and environmental impact defines *FairShares* as a framework for responsible business (Laasch & Conway, 2015).

The level of match between the distinguishing characteristics of a CME and *FairShares* is strongest in the cooperative and share company versions. In the association version, members can contribute capital but not receive dividends. In all cases, stakeholders have control of surplus capital (according to percentages agreed in the constitution). In the association version this is placed in restricted accounts for Labour and User members to allocate to social projects. The cooperative and company versions pay out dividends to Labour, Users and Investors so - from a philanthropic perspective – this would be seen as *primarily* benefitting members.

However, I strongly challenge this assumption. Evidence from the UK, Italy and Spain repeatedly finds that *equitable* distributions of wealth to a large number of worker and consumer owners is not only compatible with business success (Birchall, 2009), but also provides community and public benefits: 1) it increases the quantity and quality of social capital (Putnam, et al., 1993); 2) it improves health and life-expectancy across the community (Erdal, 2014); 3) it improves the capabilities of individuals and the quality of the relationships they can develop (Lewis, 1954; Restakis, 2010; Novkovic & Webb, 2014) and; 4) the density of co-operative development is linked to the elimination of poverty from the community (Long Island University, 2000; Ridley-Duff & Hurst, 2014). Community and public benefits, therefore, are not in opposition to member benefits in CMEs (unlike private companies where owners are a legally *separated* from employees and customers who have no right of membership). Where CMEs lock-in large scale distributions to members, it lowers the cost of public administration (Wilkinson & Pickett, 2010; Erdal, 2014). Private firms who exploit workers (through low pay polices and minimal welfare provision) increase the costs of public administration.

### 4.2 Support for Responsible Trading (in SRBs)

*FairShares* is silent on the balance between trading and grant income. However, every example examined (both abstract and real) there were commitments to responsible trading (Clauses 5 and 47). However, as social auditing is not a requirement until membership reaches a threshold, it was too early for formal social auditing to be found. In the ‘real’ example (FA), the member threshold is set at 50. Whilst formalised social auditing was not found, the *practice* of including both non-members and members in decisions on branding
and product development indicates that multi-stakeholder engagement is already a regular occurrence. Given this, what would a social audit achieve? As social audits are framed as a process for initiating and sustaining stakeholder engagement in governance (Spreckley, 2008; Pearce & Kay, 2008), would it add anything if an inclusive governance system is already the norm?

Nevertheless, the Audit group in FME (evidenced by the model constitution) has additional responsibilities. These include: 1) checking the quality of information given to members, and; 2) ensuring that elections to governing bodies follow the procedures in the constitution. Removing power from an executive group to organise elections and giving elected members the power to audit information quality is found in highly successful cooperatives and mutuals (Lewis, 1954; Whyte & Whyte, 1991; Forcadell, 2005; Cathcart, 2013). Whilst I found no empirical evidence this was occurring yet, the inclusion of these responsibilities in a ‘real’ Articles of Association suggests that the practices will begin when enterprises reach a medium-sized (> 50 members). Moreover, part of Article 47 - which describes how social audits are undertaken - embeds environmental auditing:

> “an assessment of the [enterprise’s] activities externally, including effects on people, the environment and other organisations”

### 4.3 Support for Charitable Trading Activities (CTAs)

_FairShares_ is a partial fit against the characteristics for CTAs in its cooperative and share company versions, and a full match in its association version. In FA, there was a full match against CTA characteristics because it committed members to re-investing all surpluses into its objects and to only distributing surpluses (or disposing of assets) for community and public benefit. Both cooperative and company versions permitted up to 70% of surpluses to be distributed, but in both cases this 70% is sub-divided into allocations of 35% to Labour and User Members, with the remaining 30% for Investor Members. For example, if a post-tax surplus of £100k exists, only £70k would be distributable. This £70k would be divided as follows: £24.5k to Labour Members, £24.5k to User Members and £21k to Investor Members. This prevents the cooperative and share company versions from becoming ‘charitable’ in the legal sense of the term.

However, in the association version, allocations of surpluses are directed into social objects (by putting the capital into restricted accounts controlled by individual Labour Members, User Members and the Trustee Board). This marries the logic of mutuality with the...
practices of philanthropy through a process to devolve budget spending powers to stakeholder groups. Clause 41 describes how elected Labour and User Board members are given powers to convene meetings to define projects with Labour and User Members.

Table 4 Ethical commitments in abstract and practical examples of FairShares

<table>
<thead>
<tr>
<th>Mutually Trading (CMEs)</th>
<th>Co-op</th>
<th>Company</th>
<th>Association</th>
<th>FA</th>
<th>FME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-owned by one or more of its primary stakeholders</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Offers membership to primary stakeholders</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Ensures that most (or all) of its assets are used for member, community and public benefit</td>
<td>All three</td>
<td>All three</td>
<td>Community and Public</td>
<td>Community and Public</td>
<td>All three</td>
</tr>
<tr>
<td>Governed by one or more of its primary stakeholders</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Continuously encourages cooperative working / networking</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Allows members to equitably contribute to, and receive distributions of, capital/surpluses</td>
<td>Yes</td>
<td>Yes</td>
<td>Contribute only</td>
<td>Contribute only</td>
<td>Yes</td>
</tr>
<tr>
<td>Provides technical and political education/training to its members</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Responsible Trading (SRBs)</th>
<th>Co-op</th>
<th>Company</th>
<th>Association</th>
<th>FA</th>
<th>FME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not controlled by private / public sectors</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>States (and reviews) its ethical values and principles</td>
<td>Social Audit included</td>
<td>Social Audit included</td>
<td>Social Audit included</td>
<td>Yes</td>
<td>Recognised</td>
</tr>
<tr>
<td>Provides at least some paid employment</td>
<td>Trading is an objective</td>
<td>Trading is an objective</td>
<td>Trading is an objective</td>
<td>Trading is occurring</td>
<td>Trading discussed</td>
</tr>
<tr>
<td>Provides evidence that it makes a positive social impact and/or runs for community benefit</td>
<td>Social audit and mutual principles</td>
<td>Social audit and mutual principles</td>
<td>Social audit and mutual principles</td>
<td>Constitutional commitment</td>
<td>Actively discussed</td>
</tr>
<tr>
<td>Educates the public about the benefits of its business model</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Receives most of its income from trading activities, not grants or donations</td>
<td>Member determined</td>
<td>Member determined</td>
<td>Member determined</td>
<td>Not yet</td>
<td>N/A</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Charitable Trading (CTAs)</th>
<th>Co-op</th>
<th>Company</th>
<th>Association</th>
<th>FA</th>
<th>FME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuously produces and/or sells goods and services to improve well-being</td>
<td>Specified object</td>
<td>Specified object</td>
<td>Specified object</td>
<td>Specified object</td>
<td>Actively discussed</td>
</tr>
<tr>
<td>Reinvests most of its surplus/profit back into its social/environmental purpose</td>
<td>70 – 100%</td>
<td>70 – 100%</td>
<td>100%</td>
<td>100%</td>
<td>Not specified</td>
</tr>
<tr>
<td>Makes clear statements about its social and/or environmental purposes/objectives</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Actively discussed</td>
</tr>
<tr>
<td>Balances member (stakeholder) needs with sustainable development goals</td>
<td>Yes</td>
<td>Yes</td>
<td>More on sustainability</td>
<td>More on sustainability</td>
<td>Yes</td>
</tr>
<tr>
<td>Discourages a 'for-profit' mind-set</td>
<td>Partial</td>
<td>Partial</td>
<td>Yes</td>
<td>Yes</td>
<td>Partial</td>
</tr>
<tr>
<td>Based on the actions of citizens voluntarily working together</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Has members/founders who bear a significant level of risk</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: Author’s analysis

A summary of the findings is provided in Table 4. In the final section of the paper, I review the implications and set out conclusions on the ethics of FairShares.
5. Implications for the future of social enterprise development

The analysis of FairShares provides an answer to the research question. The brand principles (Appendix B) place an emphasis on: defining social purposes and having a social impact; applying ethics to the choice of production and consumption practices; and democratising ownership, governance and management to prevent both the ‘privatisation’ and ‘nationalisation’ of profits and assets (Ridley-Duff, 2012). This ethical framework is itself derived from a definition of social enterprise prepared by Social Enterprise Europe Ltd (FairShares Association, 2015).

Whilst the cooperative and share company versions match the ethical and legal commitments of CMEs and SRBs, they provide only a partial match against CTAs. In contrast, the association version fulfils the ethical and legal commitments of CTAs and SRBs, but is a partial match against CMEs. This is because association law normally prevents the distribution of surpluses to members, and requires 100% of surpluses to be reinvested in community / public benefits.

However, such a set of conclusions overlooks that every version of FairShares (both abstract conceptualisations and practice examples) fulfils the majority of ethical and legal commitments across all three approaches. Whilst specific versions offer opportunities to satisfy regulators, the value of FairShares is – perhaps – that it sets a standard for a fourth approach to social enterprise. As Nyssens (2006) has claimed, social enterprise can sit at the ‘crossroads’ of market, state and civil society. The evidence points to FairShares acting as a vehicle for propagating this design principle across multiple legal forms.

The commitment to member-control (and ownership in the cooperative and company versions) comes across strongly. This appears in every version through commitments to create a multi-stakeholder enterprise (solidarity cooperative) for shared benefit. In all versions, decisions are made on a one-person, one-vote basis supported by cooperative governance. One-person, one-vote is practised not only across all membership groups (in the CF and GA) but also within each stakeholder group.

For this reason, I return to the works of Westall (2001) and Ridley-Duff (2002) who made bold arguments for member-ownership and multi-stakeholder ownership and governance prior to New Labour’s consultation and legislation on Community Interest Companies (CICs) in the UK (Ridley-Duff & Bull, 2015). FairShares captures that part of the social enterprise movement that makes ethical and legal commitments to maximise co-ownership through ‘associative entrepreneurship’ amongst founder members who then
create ‘associative democracies’ that enfranchise consumers and producers (Scott-Cato, et al., 2008; Smith & Teasdale, 2012). This ethical and legal position is different to charity (where personal sacrifices are made for a beneficiary group) (Morgan, 2008), different from the ethics of traditional cooperatives (where benefits go to people who share a common bond) (Parnell, 2011), and different to enlightened shareholder value (where the hegemony of investors is protected) (Porter & Kramer, 2011). Commitments to shared ownership and shared benefits puts FairShares at the heart of a fourth approach to social enterprise (Figure 5), based on autonomous member-controlled and member-owned enterprises committed to sharing power and benefits. It embraces values in the social and solidarity economy through a commitment to ‘new cooperativism’ (Vieta, 2010; Lund, 2011).

Figure 5 FairShares as a fourth approach to social enterprise: autonomous member-owned solidarity cooperatives that create social value

This research is limited by the availability of real life examples so action research programmes will be needed to stimulate and follow FairShares enterprises as they develop. No generalizable conclusions can be made from a single case study, but there is evidence that the transition from ‘espoused theory’ to ‘theory-in-use’ has been evidenced (Argyris, et al., 1985; Johnson, et al., 2006). Moreover, the ‘catalytic validity’ of FairShares has been empirically tested using technologies created by activists in the Occupy Movement.
I tentatively suggest an additional, potentially important, finding. The transition into practice created an enterprise culture that was more inclusive than its antecedents and prior abstract conceptualisations. The Community Forum in FA gave voting powers to the wider community as well its Founder and Labour members for decisions about product and service development. This makes it similar to Open Coops in which the boundary between members and wider community becomes permeable (Davies-Coates, 2014). It also opens up some intriguing research possibilities. Firstly, could the application of FairShares integrate workplace democracy (in organisations) with political democracy (in the community)? The findings from subsequent research can test Yeo’s (2002) critique of Sidney and Beatrice Webb. Yeo took the view that the fragmentation of the identities of working people (by separating them into political parties, trade unions and cooperative societies) was a mistake. Solidarity cooperatives using OpenSource technologies make the re-integration of these identities a tantalising possibility. Studies that use FairShares as a theoretical lens, or a guide to practice, can yield new knowledge about the processes of ‘associative entrepreneurship’ and the creation of ‘associative democracies’ within the social economy.

Acknowledgements: I would like to thank the 14th IAPNM Conference for the opportunity to articulate elements of this paper in Osijek, June 2014. Further thanks must go to various co-authors Cliff Southcombe, Tracey Coule, Alistair Ponton, Pam Seantor, Doug Foster, Sue Baines, Anthony Bennett, and particularly Mike Bull for the papers and books they have co-authored with me over the last decade. Lastly, I give thanks to the 6 founders, 10 Labour Members, 55 registered supporters, and 487 ‘followers’ of FairShares who provide constant energy for its continued development.

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15. Dewar, J. (2007). *How can we be free? The meaning of Karl Marx's struggle with Mikhail Bukunin*. [Online], Available at: [http://www.fifthinternational.org/content/how-can-we-be-free-meaning-karl-marx%E2%80%99s-struggle-mikhail-bakunin], [Accessed 05 September 2014].


[29]

EndNotes

1 See [www.fairshares.coop](http://www.fairshares.coop).
3 See [http://www.cicregulator.gov.uk/cicregulator/about-us](http://www.cicregulator.gov.uk/cicregulator/about-us) for further information on CICs.
4 This is accessible at: [https://www.loomio.org/g/9asOJB5F/fairshares-association](https://www.loomio.org/g/9asOJB5F/fairshares-association)
5 This is accessible at: [https://www.loomio.org/g/ugICXanW/fairshares-model-enterprise-example](https://www.loomio.org/g/ugICXanW/fairshares-model-enterprise-example)
7 These percentages are set at incorporation and can be changed by special resolution. In a proposed application of FairShares at Massmosaic (a crowdsourcing project), the initial percentages will be 40% investors, 25% Labour, 25% Users and 10% to Founders.
8 This indicates that there will be international crowdsourcing, national health-care and social economy support projects, community broadband projects, and educational projects within the next 12 months.
Appendix A – Objects of the FairShares Association

Taken from the Articles of Association agreed on 17th April 2015 by 10 Labour Members of the FairShares Association.

The Association’s objects are:

- to engage in activities that improve the well-being of the Association’s primary stakeholders (producers, employees, customers and service users);
- to pursue trading activities that are economically, socially and environmentally sustainable, and which improve the well-being of the Association’s primary stakeholders;
- to promote the development of social entrepreneurship;
- to advance Co-operative Values and Principles that create social capital through participatory management and democratic governance processes;
- to abide by the internationally recognised values and principles of co-operative identity as defined by the International Cooperative Alliance, in particular the values of self-help, self-responsibility, democracy, equality and solidarity and the ethical values of honesty, openness, social responsibility and caring for others;
- to abide by principles of equality of opportunity and oppose forms of discrimination on the grounds of social class, race, ethnic origin, gender, sexual preference, age, disability and religion;
- To protect, develop and promote the FairShares Model for use by associations, companies, co-operatives, consultants and educators who are committed to Brand Principles defined by members of the association.
- to provide accounting, auditing, education, training and investment support to FairShares associations, companies, co-operatives, consultants and educators.
- to operate a subscription scheme for supporters of FairShares associations, companies, co-operatives, consultants and educators to fund knowledge sharing, debate and development of the FairShares Brand and Model.
- to make the public aware of FairShares associations, companies, co-operatives, consultants and educators to facilitate knowledge sharing, debate and development of the FairShares Brand and Model.
Appendix B – Auditing the FairShares Brand

The FairShares Wiki (on 17th April 2015) contained the following information.

Brand Value and Auditing

To use this brand, a FairShares Company / FairShares Co-operative should have convincing answers to the following six questions during a social audit:

1. Who are your enterprise’s primary stakeholders?
2. What is the purpose of your enterprise?
3. How is the social, environmental and economic impact of your enterprise assessed?
4. What values and principles guide the choice of goods/services that you offer?
5. What values and principles guide the way you produce and/or sell those goods and services?
6. How do the ownership, governance and management systems ensure equitable distributions of wealth and power to primary stakeholders?

These are linked to the abstract model presented in Figure 2 of this paper indicating how the auditing process can support a multi-stakeholder (solidarity) approach to co-operative ownership, governance and management.