

# Methodology for Creating a FairShares Lab

***A report for the FairShares Labs for Social and Blue Innovation project  
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(IO1 - Methodology - Final)

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# Prolog

Welcome to the first intellectual output (IO1) of the Erasmus+ project *FairShares Labs for Social and Blue Innovation Project* (Project 2016-1-DE02-KA204-003397). IO1 has been prepared by project partners to describe their methodology for creating FairShares Labs. Work started in Erfurt, Germany (7-9 December 2016) and progressed in four transnational meetings in Sheffield (26-28 June 2017), Berlin (27-28 August 2017), Osijek (19-22 February 2018) and Deventer (23-25 May 2018). In this prologue, we set out the purpose of IO1 together with a summary of each chapter.

The partners all have a connection to the field of social enterprise either as hosts of existing co-working spaces, as partners in EU social enterprise projects, as academics teaching/researching the field, as consultants working on regional/international development projects or as adult educators supporting social entrepreneurship. We have organised our expertise into five chapters, supported by four Annexes and a bibliography. They describe the rationales, choices and implementation strategies for virtual and physical FairShares Labs.

Chapter 1 provides background information on country contexts, project objectives and planned outcomes. It contains a 'Definitions' section to explain our perspectives on social enterprise, blue economics, Living Labs and FairShares - key bodies of knowledge that will be integrated when FairShares Labs are created. Chapter 2 provides an overview of five components that will support the success of a FairShares Lab. Three come from the [FairShares Model](#) of social enterprise development: *values and principles*; *key questions*; *legal choices*. Two further components (*social* and *technical* support systems) have been developed during this project. Technical support is provided through 'platforms' described in this document, plus the project's own [FairShares Platform](#). They help with learning and planning, document creation, auditing democratic decision-making, manufacturing, exchanging goods and services, providing access to finance, managing payments and preparing accounts. Social support is provided through learning and development methods (elaborated further in Chapter 3) to generate ideas, improve the effectiveness of teams and enable stakeholders to make decisions together.

Chapters 4 and 5 focus more on the practicalities of creating and marketing [FairShares Labs](#). In Chapter 4, we take a detailed look at the process of establishing a lab, inviting people to it, running activities, selecting projects, producing prototypes of goods and services, planning and incorporating (social) enterprises. In Chapter 5, we consider who FairShares Labs are for, what needs they serve, what messages should be communicated to target groups (and future lab organisers) so they understand the challenges of establishing a lab on a sustainable basis.

Lastly, there are five annexes and a bibliography. The annexes provide details of country contexts, opportunities for FairShares development, information on early adopters and members, and relevant practice cases. The final Annex (5) is a checklist of the actions needed to get a FairShares Lab established and running. We look forward to receiving your feedback.

Roger Schmidtchen, VSBI, Germany (Project Lead), 1st September 2018



# 1. Introduction

## 1.1 Background to the FairShares Labs Project

The *European FairShares Labs for Social and Blue Innovation* (FairShares Labs) project seeks to develop novel solutions to economic and environmental challenges, and to assist the reform of welfare systems and job markets. Traditional welfare and social services have not yet adjusted to the global rise of cooperative social entrepreneurship (CSE) that has evolved as a response to the neo-liberalism of the 1990s, and the austerity policies of the last decade. Moreover, socio-structural changes brought about by the widespread use of the internet make it imperative to develop new forms of democratic social enterprise that promote wider participation and sustainable development.<sup>1</sup>

The FairShares Labs project brings together four bodies of knowledge and practice to develop new pedagogies and support systems for entrepreneurial learning and enterprise creation. These pedagogies are rooted in the commitments of the partner organisations to cooperative learning, socially inclusive entrepreneurship and sustainable development goals. The four drivers of our collective endeavour are:

- Social enterprise
- Blue economics
- Living Labs
- FairShares Model

Each of these concepts will be more fully developed and described later in section 1. Initially, we provide a short overview of each.

**Social enterprise** - in the context of this project - is a term used to cover four approaches to enterprise development recognised by a world leading social enterprise research community.<sup>2</sup> Each approach combines elements of past economic thinking to create new hybrid enterprise forms that foster improvements to socio-economic outcomes. The language used by EMES researchers to describe variations in social enterprise has been adapted to reflect the experience of one of the project partners - Social Enterprise International Ltd.<sup>3</sup> The four approaches recognised are: 1) Co-operative and mutual enterprises (CMEs), which favour inclusive governance, wealth and power-sharing through democratic member control; 2) Charitable trading activities (CTAs) whereby voluntary associations, benevolent societies and charitable companies trade for public and community benefit; 3) Socially responsible businesses (SRBs) in which social and environmental goals have become central to the way entrepreneurs engage private sector

<sup>1</sup> See <http://www.un.org/sustainabledevelopment/sustainable-development-goals/> for more information.

<sup>2</sup> See EMES International Research Network - <http://emes.net/>

<sup>3</sup> The EMES concept of 'enterprising non-profits' (ENPs) is represented as 'charitable trading activities' (CTAs) to accommodate trading activities occurring outside the boundaries of a constituted entity, as well as charitable trading by private and cooperative enterprises. EMES's 'social cooperatives' (SC) is translated as 'co-operative and mutual enterprises' (CMEs) to recognise to movement's historic contribution to poverty relief and social transformation. The EMES term PSE (Public Social Enterprise) is reframed as *Public Service Social Enterprise* to cover instances of public services being provided with state support, but which are not necessarily state-owned or state-organised.

institutions in market development, and 4) Public service social enterprises (PSSEs) which work with, or are formed by, state institutions to deliver public services in new ways.

The **blue economy** is a development of the concept of the green economy<sup>4</sup> that seeks to go beyond the idea of corporate social responsibility to reduce carbon emissions and tackle climate change to a fundamental re-examination of the way entrepreneurs learn from land-based and marine ecosystems.<sup>5</sup> The essence of the blue economy is promoting entrepreneurship that eliminates waste and the additional costs of waste management. Günter Pauli, who founded the concept, focused on using knowledge of natural systems to improve the production and consumption of materials by firms. In natural ecosystems there is no waste. Pauli believed that the application of design principles based on knowledge of nature would reduce costs and improve the way firms address social needs.

**Living Labs** are part of a global movement of networks that engage in enterprise development through innovative user-centric learning processes to co-create goods and services for local communities.<sup>6</sup> Citizen involvement is central to the innovation process combined with openness to using new ICT solutions to build the creative capacities of citizens and transform local cultures. In our project context, the Living Lab will be a place to build relationships between citizens and social entrepreneurs to design social enterprises that harness their commitment. Five concepts feature strongly in Living Labs: co-creation; multi-method learning; multi-stakeholder organising; real-world settings, and; active user-involvement.

These concepts align strongly with a social enterprise development initiative pioneered by Social Enterprise International Ltd (SEi) - the **FairShares Model**. FairShares frames four stakeholders (founders, workers, users and investors) as primary participants in enterprise development. SEi directors assisted the formation of **FairShares Association** Ltd, which now maintains and develops support tools and legal models for social entrepreneurs and enterprise consultants applying the FairShares Model. In 2017, Sheffield Business School<sup>7</sup> seed funded the **FairShares Institute** for Cooperative Social Entrepreneurship. This has offered additional support to integrate FairShares intellectual property (IP)<sup>8</sup> into Living Labs and continues to support pilot **FairShares Labs** that are part of this project.

**In summary**, this document sets out how partners have developed the FairShares Model concept so that it aligns more fully with blue economy thinking and the entrepreneurial work of Living Labs. The result is a methodology for FairShares Labs in which FairShares IP and Living Labs techniques deliver social and blue innovation through an ecosystem for social enterprise development. Pilot projects are helping us refine guidance and learning materials so that others can create and run their own FairShares Labs.

In the rest of section 1, we elaborate our thoughts on social enterprise, the blue economy, Living Labs and the application of the FairShares Model to social enterprise development. In section 2, we set out our initial thoughts on developing FairShares Labs by reviewing FairShares Model values and principles, key questions and choices of legal forms. We add discussions on

<sup>4</sup> Pauli, G. (2010) 'The Blue Economy', *Resurgence*, Issue 263, November/December.

<sup>5</sup> UN (2014) *Blue Economy Concept Paper*, <https://sustainabledevelopment.un.org/2978BEconcept.pdf>

<sup>6</sup> <http://www.openlivinglabs.eu/> has had 395 members in 9 years - currently 170 members in 20 EU states.

<sup>7</sup> Part of Sheffield Hallam University, one of the largest modern universities in the UK.

<sup>8</sup> Available under the terms of Creative Commons Licences.

technological platforms and learning methods that will help to apply them to practice. In section 3, we describe the process for preparing learning materials, the learning platform and the philosophy applied to training. In section 4, we turn our attention to Living Lab events and the ways in which people can be attracted to them. We discuss design issues to maximise participant engagement and the coaching that will be needed to bring ideas to fruition. In this section, we also consider how to make them inclusive for women, men and marginalised groups in society. Section 5 sets out initial thoughts on marketing FairShares Labs to external supporters (politicians and business networks) and internal members (founders, workers, users and investors). Finally, we provide annexes with country contexts, early adoption information on FairShares (FS), relevant practice case studies and a checklist for FairShares Lab creation. A glossary and bibliography are provided to help people understand the terms and sources that guide this work.

## 1.2 Country Contexts

[Annex 1](#) (p. 72) contains summaries prepared by each partner regarding their country context. Each country report answers questions about the development challenges facing the social economy, including opportunities for developing the blue economy, Living Labs and applying the FairShares Model to social enterprise development. Questions include:

1. To what extent do social enterprises exist in your country and what understanding is there about them? What are the most popular **definitions**? (1 page)
2. What **legal framework** exists for the social economy to operate? Is there useful data relating to social/blue economy, (e.g. number of businesses (entrepreneurs), employed staff, involved employees, customers, turnover and evidence of any new developments)?
3. What **significant trends** are relevant to the FairShares Labs (FSLs) project? What makes the FSLs innovative, interesting and necessary in your country?
4. What are the **main challenges** for FSLs (and social, blue, FS enterprises) in your country?
5. What are the **opportunities** for FSLs (for social, blue and FS enterprises) in your country? What goals can be achieved within this project?
6. In what **regions and areas** will FSLs be located and why? What will be the target groups and how will they be attracted in terms of their location, demographics or economic activity?

### 1.2.2 ICSEM Project Country Papers

The country context reports consider working papers produced by the EMES social enterprise research community on social enterprise models. These are written by social enterprise researchers to support the International Comparative Social Enterprise Models (ICSEM) study.<sup>9</sup> We found working papers for Croatia, Germany, Hungary and the UK:

- Vidović, D. and Baturina, D. (2016) "[Social Enterprise in Croatia: Charting New Territories](#)", *ICSEM Working Papers*, No. 32.
- Birkhölzer, K., Göler von Ravensburg, N., Glänzel, G., Lautermann, C. and Mildemberger, G. (2015) "[Social Enterprise in Germany: Understanding Concepts and Context](#)", *ICSEM Working Papers*, No. 14.

<sup>9</sup> You can access ICSEM working papers at <https://www.iap-socent.be/icsem-working-papers>.

- Birkhölzer, K. (2015) "[Social Enterprise in Germany: A Typology of Models](#)", *ICSEM Working Papers*, No. 15.
- Fekete, É. G., Hubai, L., Kiss, J. and Mihály, M. (2017) "[Social Enterprise in Hungary](#)", *ICSEM Working Papers*, No. 47.
- Spear, R., Teasdale, S., Lyon, F., Hazenberg, R., Aiken, M., Bull, M. and Kopec, A. (2017) "[Social Enterprise in the UK: Models and Trajectories](#)", *ICSEM Working Papers*, No. 40.

## 1.3 Project Drivers

Organisation theory is divided on the question of how development occurs. We found this was reflected in early deliberations of project partners on the drivers for social entrepreneurs who might be attracted to a FairShares Lab. On the one hand, all partners are aware of social entrepreneurs motivated by a desire to 'save the world', fuelled by ethical concerns for the people, places and communities they care about. In these instances, people are often driven to help others (rather than themselves) and to focus on social 'problems' they see as important.<sup>10</sup> However, project partners were also able to identify people who were driven by a generic desire to 'making the world a better place'. For this reason, we identified a need to distinguish problem-based drivers of social enterprise (that attract people determined to tackle social problems) and aspiration-based drivers (that attract people who want to create 'better' enterprises and outcomes all the time).

In the language of organisation development, these differences reflect variations in the way people learn. Whilst some are critical inquirers (learners who notice, reveal and seek solutions to 'deficits' and 'problems') others engage in appreciative forms of inquiry (learners driven by a curiosity to find 'what works' or 'what works better').<sup>11</sup> The significance for this project is that the communications and learning techniques needed to attract and engage critical and appreciative learners are different. Partners need to provide guidance that will sensitise learners and organisers about 'critical appreciation'<sup>12</sup> and the cycle of learning that speaks to different constituencies and draws on different skills. Organisers of FairShares Labs will then be in a better position to link social entrepreneurs to stakeholders and projects that engage and sustain their interest.

### 1.3.1 Problem-based drivers (Saving the World)

When viewed from a social entrepreneurial perspective, actors who are driven by a concern for well-defined social problems (or specific moral concerns) will seek to create enterprises that solve just those problems and achieve specific goals.<sup>13</sup> The specific nature of the issue they are trying to tackle affects their thinking regarding organisation. Whilst they may take their lead from others, they are often 'driven' people who have clear ideas about how to tackle a problem or achieve a goal. For this group, FairShares Labs are vehicles for forming relationships with funders and

<sup>10</sup> See Bull, M. and Ridley-Duff, R. (2018) 'Towards an appreciation of ethics in social enterprise business models', *Journal of Business Ethics*, downloaded from <https://link.springer.com/article/10.1007%2Fs10551-018-3794-5>.

<sup>11</sup> See Ridley-Duff, R. and Grant, S. (2017) 'Asset-based co-operative management: OPERA as a form of critical appreciation', *Journal of Co-operative Studies*, 50(2): 29-44.

<sup>12</sup> See Ridley-Duff, R. J. and Duncan, G. (2015) "[What is critical appreciation?](#) Insights from studying the critical turn in an appreciative inquiry", *Human Relations*, 68(10), 1579-99.

<sup>13</sup> See Bull, M. and Ridley-Duff, R. (2018) 'Towards an appreciation of ethics in social enterprise business models', *Journal of Business Ethics*, downloaded from <https://link.springer.com/article/10.1007%2Fs10551-018-3794-5>.

investors who may be attracted to their idea, and user communities who will benefit from their proposed social enterprise (or who need its services).

Examples of this motivation can be found in large scale social enterprises. For example, Muhammad Yunus's specific concern for poor Bangladeshi women trapped in debt by loan sharks guided the working practice of the Grameen Bank. The accumulation of capital in the bank (and the [Grameen Foundation](#)) funded other projects such as Grameen Phone, Grameen Energy and Grameen-Danone.<sup>14</sup> Similarly, Tim Smit founded the [Eden Project](#) to address under-investment problems in the South West of the UK. He used a charity to run a visitor attraction that invested its surpluses into sustainable development projects within the region.

### 1.3.2 Aspiration-based drivers (Make a Better World)

Social entrepreneurs motivated by finding 'better ways' will be less focussed on specific social problems or improving the lives of narrowly defined demographic groups. Instead, they will be more motivated by 'frame breaking' thinking that produces new organisation designs, particularly those that facilitate progressive/participatory management, human transformation and emancipatory outcomes. For this group, FairShares Labs are vehicles for learning about inclusive approaches to ownership, governance and management. They will seek opportunities to apply them across a range of entrepreneurial ventures or project ideas to test which work best in practice.<sup>15</sup>

There are many notable examples of (social) entrepreneurs who have focussed on testing the viability and integrity of co-operative ventures to improve outcomes for a whole community of people. The 'Case for FairShares'<sup>16</sup> discusses the influence of Robert Owen who advanced the concept of a cooperative commonwealth at New Lanark (in the UK) and Harmony (in the US).<sup>17</sup> His work influenced John Spedan Lewis (who transformed John Lewis Stores into the John Lewis Partnership)<sup>18</sup> as well as Fr Arizmendiarietta in Spain who founded a co-operative school out of which developed a network of industrial enterprises supported by community banking, cooperative retailing, an education sector and social insurance provider. All these enterprises have taken 50 or more years to mature and gain recognition for the way they provide alternative models of economic development.

In practice, when these examples are subject to critical scrutiny, enduring success can be attributed to balancing individual and collective efforts, and the presence of 'critical appreciation' amongst social enterprise leaders. They all showed a capacity to deconstruct, identify and address social problems (i.e. be critical) whilst working with people to develop 'the best of what is' (i.e. be appreciative). Muhammed Yunus may be recognised as a figurehead for global social

<sup>14</sup> See Dowla, A. (2006) 'In credit we trust: building social capital by the Grameen Bank in Bangladesh', *Journal of Socio-Economics*, 35(1): 202–22.

<sup>15</sup> See Whyte, W. and Whyte, K. (1991) *Making Mondragon*, Ithaca, NY: Cornell University Press/ILR Press to learn about the attitude and entrepreneurial efforts of a priest called Fr Arizmendiarietta in northern Spain.

<sup>16</sup> Ridley-Duff, R. J. (2015) *The Case for FairShares: a new model for social enterprise development and the strengthening of the social and solidarity economy*, Charleston: CreateSpace Independent Publishing Platform.

<sup>17</sup> Harrison, J. (1969) *Robert Owen and the Owenites in Britain and America*. London: Routledge and Kegan Paul.

<sup>18</sup> Cathcart, A. (2009) 'Directing democracy: the case of the John Lewis Partnership', PhD thesis, Leicester: University of Leicester.

entrepreneurship - credited with inventing the concept of social business<sup>19</sup> - but his Nobel Prize Winning achievement was to build a member-owned co-operative, a rural bank owned by 6 million people, mainly women. Similarly, Fr Arizmendi (in Spain) and John Spedan Lewis (in the UK) may have been determined to build worker co-operatives (and often shunned credit for doing so), but their standing as social entrepreneurs is now assured by the movements that were built in their name and the number of organisation developers, researchers and policy makers who invite us to apply their ideas.<sup>20</sup> Project partners encountered these attitudes amongst early adopters of the FairShares Model (see Annex 2, p. 115) and report more fully on them through a relevant cases (Annex 6, p. 121).

Now we have identified the need to communicate with both 'problem-solvers' and 'better-world seekers', we turn our attention to project goals and outcomes, the means by which these will be achieved and the resources needed to support the project.

## 1.4 Objectives

### 1.4.1 Project Goals and Impact

In our bid document, we set out the goal of empowering people through training and the goal of building the capacity of communities to engage in cooperative social entrepreneurship (CSE). This means that there is a strong adult education component, facilitated by activities that will bring experts in various fields together in a FairShares Lab. They will offer a learning environment that extends both professional development and entrepreneurial opportunities by evolving practices that support CSE.

We can extrapolate from these commitments the following four project goals:

- 1) To develop and refine the process for creating, replicating and expanding FairShares Labs in support of social/blue projects and enterprises;
- 2) To create a range of learning tools for FairShares hubs, labs, learning groups, coaches and trainers that support CSE;
- 3) To create an online FairShares Planner and e-Learning and Exchange Platform to facilitate the sharing and dissemination of knowledge;
- 4) To build a 'train-the-trainer' network to propagate both the FairShares Model and FairShares Labs so that a global network of social/blue projects and enterprises can develop.

FairShares Labs concepts, tools and platforms will motivate and equip the project partners and civil society stakeholders to establish FairShares Labs as learning centres that foster CSE in their neighbourhoods. They will also be able to collaborate and interact with other centres across Europe using a web platform. They will acquire both social and civic competences and develop a cooperative approach to initiative generation. Furthermore, they will learn about different forms of

<sup>19</sup> See Yunus, M. (2007) *Creating A World Without Poverty: Social Business and the Future of Capitalism* (Kindle edn). New York: Public Affairs.

<sup>20</sup> See Wilkinson, R. and Pickett, K. (2010) *The Spirit Level: Why Equality Is Better for Everyone*. London: Penguin; Piketty, T. (2014) *Capital in the Twenty-first Century* (Kindle edn). Cambridge, MA: Harvard University Press.



interaction through contracting, social licenses and new forms of exchange. The application of the FairShares Model enables the sharing of both power and the benefits of enterprise.

Within this project, partners will exchange relevant practice examples (Annex 6, p. 121) to understand more about what works in which country and why. They will also develop ideas and guidelines on how to implement social/blue economy ideas in different contexts and regions efficiently and effectively. The project has a target group that will develop over time - “FairShares Labs users”. This group will get the chance to participate in innovative projects (which may be their own) supported by new FairShares Labs. The labs will help people from disadvantaged or marginalised groups (like people with disabilities/limitations, seniors and migrants) to discover and employ their hidden potential and talents. The philosophy underpinning the FairShares Labs concept is special in the sense that it changes social power relations. Usually, professionals create inventions and services *for* disadvantaged groups. In this case, all professional efforts are aimed at supporting the creation of services *by* them. This new participatory integrated way of learning will work to innovate on different levels.

Civil society and community leaders will be empowered to act as experts in their own affairs, with learning and support materials made available to help develop them as blue and social innovators. They will be involved in shaping the entire process, involved at different levels to act with people in their neighbourhoods, as participants in local and virtual workshops, as participants able to develop innovative ideas alone or in a group, with the goal of creating blue/social enterprises through their efforts. The emphasis is on informal, non- or semi- formal learning processes that foster entrepreneurial mind-sets and skills. Rooted in the values of both citizenship and entrepreneurship, the goal is impact for participants and wider society.

Finally, by sharing project ideas in the FairShares Planner and uploading learning materials to the FairShares e-Learning and Exchange tool, we will create a platform for people all over Europe to build virtual spaces in which to develop their social and blue economy ideas. The [FairShares Platform](#) will support searching for and building relationships with potential partners through an interactive landscape that offers a database of supportive mentors and coaches. This platform’s impact will be to create a new European cooperative platform for learners that is designed to remove barriers that affect segregated and disadvantaged groups. Using the platform, they can share and participate in the development of socially innovative ideas, projects and enterprises that can be replicated and adapted in other European countries. The long-term vision is to impact the development of the social economy, promote social inclusion and create both employment and self-employment through the application of the [FairShares Model](#) to CSE.

### 1.4.2 Outcomes

In the first instance, this effort is supported by the production of five intellectual outputs:

- Methodology for Creating a FairShares Lab (IO1)<sup>21</sup>
- A FairShares Planner for hubs, labs and groups to prepare FairShares Plans (IO2)
- A FairShares e-Learning and Exchange tool for social enterprise (business) planning (IO3)
- Train-the-Trainer tools for FairShares Lab coaches and trainers (IO4)
- Final reports on the implementation of FairShares Labs in each national context (IO5)

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<sup>21</sup> This document.

### 1.4.2.1 Target Outcomes

Number of implemented local labs: 6

Number of implemented virtual labs: 1

Number of implemented pilots/trainings:

- IO2: 6 national
- IO3: 15 transnational
- IO4: 1 transnational, 6 national

Number of learners:

- IO2: 15 national each (90)
- IO3: 90 international
- IO4: transnational pilot 18 / national (5 learners per lab - total 30)

Number of original entrepreneurial ideas:

- 10 per lab (60)
- 10 from virtual platform

Number of developed entrepreneurial ideas:

- 5 per lab (30)
- 5 from virtual platform

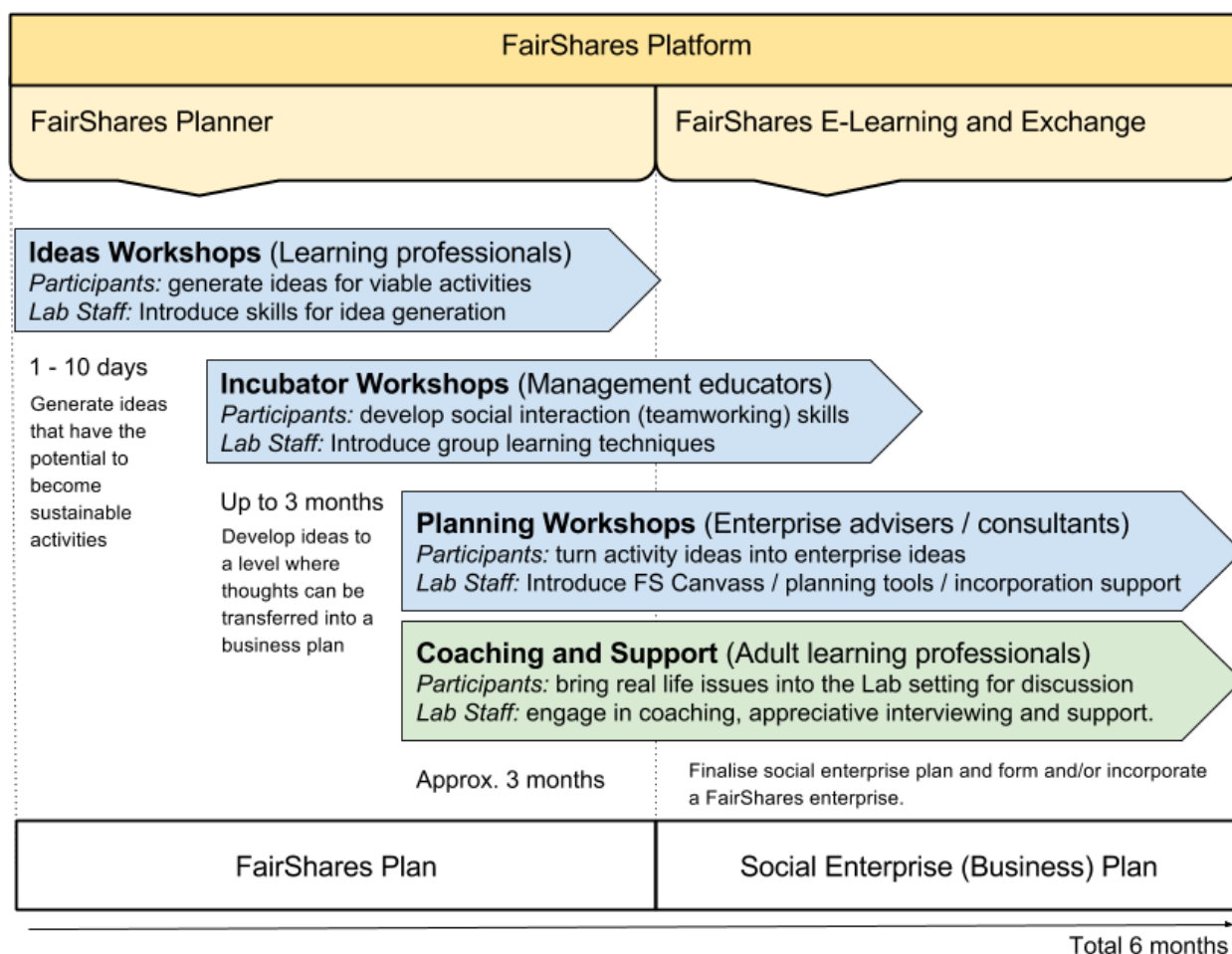
Number of social enterprises start-ups / founded

- 2 per lab (12)
- 3 from virtual lab

## 1.5 Means

Every research informed activity is guided by a methodology. Methodologies are different to methods (specific activities to gather and interpret information) because they carry within them specific commitments regarding the nature of society, people and knowledge. In this project, there are assumptions that guide both learning activities, enterprise creation activities and organising activities that are expressed through a 3-stage process of enterprise development (see Figure 1.1). In this introduction, we set out initial assumptions for effective learning and development for multi-stakeholder co-operatives in a FairShares Lab.



**Figure 1.1 - FairShares learning and development overview**

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## 1.6 Definitions/Key aspects

### 1.6.1 Blue Economy and Innovation

The blue economy concept originates from the work of Günter Pauli, sometimes called the “Steve Jobs of sustainability”.<sup>22</sup> Gunter Pauli was born in 1956. He is a graduate from St. Ignatius Loyola's University in Belgium in Economics (1979) and obtained his MBA from INSEAD (1982) in Fontainebleau, France. He also has an honorary Masters in Systemic Design from the Politecnico di Torino (Italy) and an honorary PhD in Economics from the University of Pécs (Hungary). He has been active as an entrepreneur setting up a dozen companies, as a lecturer at the Politecnico di Torino and the University of Pecs, and as a commentator on culture, science, politics,

<sup>22</sup> Pulakkat, H. (2017) ‘The Belgian entrepreneur who has unique ideas for solid waste management’, *The Economic Times*, 7th Feb. To engage his ideas in German, see ‘The Steve Jobs of Sustainability’ at <https://www.youtube.com/watch?v=vcyXMpaFpn8>

sustainability, innovation and the environment. He is a member of The Club of Rome, The Young President's Organization, and Chairman of Novamont SpA. He built the first ecological factory in the world when a shareholder, Chairman and CEO of Ecover. Under his leadership, this building became a worldwide acclaimed ecological building.

His book *The Blue Economy* - originally a report to the Club of Rome - became a commercial book with the twin aims of stimulating entrepreneurship while setting up new and higher standards towards sustainability. However, his work focussed on how good health and environmental management could be done without increasing overall costs and consumer prices. The book describes the principles of the blue economy and provides one hundred business cases that illustrate these principles. The targets he sets are high: to create 100 million jobs and substantial capital value through 100 innovations in the 2010-2020 decade. A few years later, he reviewed progress in *The Blue Economy 2.0*, to discuss the evolution of what is being realised worldwide.<sup>23</sup>

The essence of the concept is to eliminate waste and the additional costs of waste management. His thinking is less about pollution and more about improving the utilisation of materials. In the natural ecosystem there is no waste at all, because secondary products created by one life form are the inputs (or 'foods') for another living process. These principles can be applied to the operation of other ecosystems so that they become sustainable from all points of view. Businesses could be designed to use what is already available, drawing on what occurs (and is replenishable) in nature, using energy sources that arise out the physics of the natural environment and its systems. Another important highlight in Pauli's work is efficient entrepreneurship, which is regarded as necessary for a healthy (sustainable) economy. Without new, socially – economically – environmentally balanced enterprises, the result is stagnation.

With this main concept, the blue economy has created over 200 projects which attracted approximately \$4 billion in investments by 2016 and generated some 3 million jobs. These innovative pilots were summarised in case studies to show a new basis for entrepreneurial innovation, with a new innovative mindset. The success of these investments were based on the blue economy concept as adopted by innovative entrepreneurs. Pauli argues that merging these have been the key to success.

The blue economy is ZERI's philosophy in action.<sup>24</sup> The best ideas for health and the environment are those based on the cheapest ways of producing the necessities for life, potentially offering them free through local systems of production and consumption that work with resources already abundant in a community. This philosophy is governed by an Innovative Business Model capable of realising products and services (within and beyond commercial markets) by responding to basic needs. This can be done by building social capital and combining it with mindful living<sup>25</sup> in harmony with natural systems. The mixture of the philosophy with innovative business models results in more effective (and competitive, in traditional market terms) economic, social and natural development. For this project, we organised and interpreted the claims of Pauli's work on the blue economy<sup>26</sup> as follows:

<sup>23</sup> For more information see [https://en.wikipedia.org/wiki/Gunter\\_Pauli](https://en.wikipedia.org/wiki/Gunter_Pauli)

<sup>24</sup> See <http://www.zeri.org/>. ZERI stands for Zero Emission Research and Initiatives.

<sup>25</sup> Langer, E. and Moldoveanu, M. (2000) 'Mindfulness research and the future', *Journal of Social Issues*, 56(1): 129-39.

<sup>26</sup> See <http://www.theblueeconomy.org/principles.html> for the original list. In this work, it is helpful to organise the list in terms of the implications for economic thinking, scientific thinking, organisation and management.

### 1.6.1.1 Implications for economic thinking

- Respond to the basic needs of all with what you have, deploying innovations inspired by nature, generating multiple benefits, creating jobs and spreading social capital. It offers more with less.
- Substitute 'something' with 'nothing' where possible – question whether resources are necessary for continued production.
- Nature provides examples that eco-entrepreneurs can use to argue that it is possible to do more with less.
- Nature responds to basic needs and then evolves from sufficiency to abundance. The present economic model relies on scarcity as a basis for making choices about production and consumption (to maximise opportunities for profit).
- In Nature water, air, and soil are the commons, free and abundant.
- Nature searches for economies of scope (not scale).
- Nature is efficient. Sustainable business can focus on maximising use of abundantly available material and energy to reduce the unit price to the consumer.
- Innovation in nature is oriented towards benefits for all.

### 1.6.1.2 Implications for scientific orientation/thinking

- Solutions are first and foremost based on physics. Deciding factors are pressure and temperature in the local environment.
- Natural systems cascade nutrients, matter and energy – waste does not exist. Any by-product should be seen as the source for a new product.
- Gravity is the main source of energy.
- Solar energy is the second renewable fuel.
- Water is the primary solvent (no complex, chemical, toxic catalysts).
- In nature, change is constant - innovations take place every moment.
- In nature, everything is biodegradable – it is just a matter of time.
- In nature, one process generates multiple benefits.

### 1.6.1.3 Implications for organisation and management

- Nature works with what is available locally. Sustainable businesses evolve when local resources, cultures and traditions are prioritised and respected.
- Nature evolved from a few species into a rich biodiversity. Wealth is diversity. Industrial standardisation is contrary to this principle - it systematically diminishes our wealth.
- Nature - as an ecosystem - does not encourage monopolisation. It encourages diversification.
- In natural systems everything is connected and evolving towards symbiosis.
- Natural systems are non-linear.
- Natural systems share risks. Risks motivate innovation.
- Nature optimises through grouping/organising elements within a canopy or envelope.
- In nature, negatives are converted into positives. Problems are opportunities.

These basic values and principles can be used and harmonised with social entrepreneurship by integrating them more deeply into the FairShares Model. In this project, we will seek to develop

innovative models based on these assumptions by applying them to social, economic and natural systems. We can use and develop our environment in the most innovative and collaborative way (to compete in market-based system, when necessary) without ignoring social facts.

## 1.6.2 Social Enterprise and the Social Economy

In this section, we describe three interests and four approaches that shape our understanding of social enterprise. At present, many social enterprise researchers from around the world are participating in a global study of social enterprise models. To help them, the lead researchers (members of the EMES research network) have developed a theory that social enterprise involves serving two or more interests concurrently.<sup>27</sup> The theory advances a typology and set of logics that are consistent with the works of one of the project partners.<sup>28</sup> In both cases, the theory moves well beyond popular text descriptions of social enterprise (such as those adopted by governments or the European Union) to outline four distinctive approaches to social enterprise that each create social value in specific identifiable ways. As social value creation is framed as a by-product of interests that bring social enterprises into existence and shape its development, we set out what those interests are (general, mutual and private) and then relate them to options available in the FairShares Model. In doing so, we integrate our comments with the assumptions behind a blue economy.

### 1.6.2.1 The General Public Interest

We all share an interest in some things. Everyone would like to drink clean water, to breathe clean air, to eat food that is healthy and tasty, and to live in dwellings that provides shelter and security. In blue economy thinking, these elements of life can be regarded as commons resources that are needed for the benefit of all (as occurs in nature).<sup>29</sup> Enterprises that offer a desired product or service to everyone (universal access) - or which seek to produce health outcomes for everyone's benefit - are operating in the public interest.

For many years, especially in Europe after World War II, there has been an expectation that public goods - goods needed by everyone - will be organised by the state and made abundant to all who need them. The state organised and owned enterprises to provide everyone within their jurisdiction with clean water and air, food that is affordable and healthy, social housing for those unable to build or buy a home, and welfare in the form of education, health and social care services. In the last 30 years, there has been a significant change. Under the influence of neo-liberal doctrine, many governments have pursued policies to reform public services so that

<sup>27</sup> See Defourny, J. and Nyssens, M. (2016) '[Fundamentals for an International Typology of Social Enterprise Models](#), ICSEM Working Papers, No. 33, Liege: The International Comparative Social Enterprise Models (ICSEM) Project.

<sup>28</sup> See Ridley-Duff, R. and Bull, M. (2016) *Understanding Social Enterprise: Theory and Practice*, London: Sage Publications. (The first author is a director of Social Enterprise International Ltd).

<sup>29</sup> Ostrom, E. (1990) *Governing the Commons: The Evolution of Institutions for Collective Action*. Cambridge: Cambridge University Press.

they are created or run by organisations that are not owned by the state.<sup>30</sup> This is one of the drivers for social enterprise creation in the field of public services.<sup>31</sup>

### 1.6.2.2 Mutual Interests and Cooperative Action

Sometimes, a group of people have a shared interest. Perhaps they all want to play or watch a particular sport (such as baseball or football). Perhaps they all share an interest in making and consuming a particular thing (such as a type of music or organic food). In this case, there is no general public interest. There is a combination of mutual and private interests in the production and use of specific goods and services. The parties to a mutual project - as in nature - respond to their environment or use local resources to create something that satisfies their mutual interests. Mutual interests can be advanced by creating a members' association or co-operative society to share the work and benefits arising from a shared interest.

Over the last 170 years, there has been a steady increase in the creation of co-operative and mutual societies. This happened rapidly in places like Japan, China, India and South Korea where they have also grown large. Co-operatives remain popular in parts of Europe dominated by Franco-Spanish-Portuguese traditions, but - for a while - became less popular in Anglo-American cultures (because of the rise of neo-liberal economic thinking contrary to the principles of the blue economy). The co-operative movement has proved resilient and new forms of cooperation continue to develop and thrive as it benefits from the loss of confidence in traditional approaches to business,<sup>32</sup> particularly in the wake of the global financial crisis of 2008.

Co-operative enterprises are designed to promote shared responsibility for production and consumption and are therefore aligned with blue economy principles. They tend to respond to local needs first, then share surpluses equitably for the benefit of all. With the growth of the internet, it is easier and cheaper to create them. Co-operative societies can organise the creation, exchanging, swapping, sharing, buying and selling of goods amongst their members to move beyond commercial markets (regulated by commodity prices) to ethical markets (regulated by needs and ethics). They can also produce goods for sale to the general public through supermarkets. Mutual societies organise services such as social insurance and banking to protect their ecosystem from shocks and unexpected events. For the purposes of this project, we regard all co-operative and mutual enterprises (CMEs) as social enterprises if they observe [ICA Values and Principles](#).

### 1.6.2.3 Private Interests Advancing a Public Benefit

Lastly, there are individuals who pursue social change through proactive business creation activities.<sup>33</sup> For the last 20 years, these have been studied through the new discipline of social entrepreneurship.<sup>34</sup> For motivated individuals, pursuing a private interest by creating public or

<sup>30</sup> See Hood, C. (1995) 'The new public management in the 1980s: variations on a theme', *Accounting, Organisation and Society*, 20(2/3): 93–109 for changes in public sector management.

<sup>31</sup> See Ridley-Duff, R. and Bull, M. (2016) *Understanding Social Enterprise: Theory and Practice*, London: Sage Publications, Chapter 3 has details of the application of New Public Management (NPM) to social enterprise.

<sup>32</sup> See Restakis, J. (2010) *Humanizing the Economy: Cooperatives in the Age of Capital*. Gabriola Island, BC: New Society Publishers.

<sup>33</sup> See Yunus, M. (2007) *Creating A World Without Poverty: Social Business and the Future of Capitalism* (Kindle edn). New York: Public Affairs

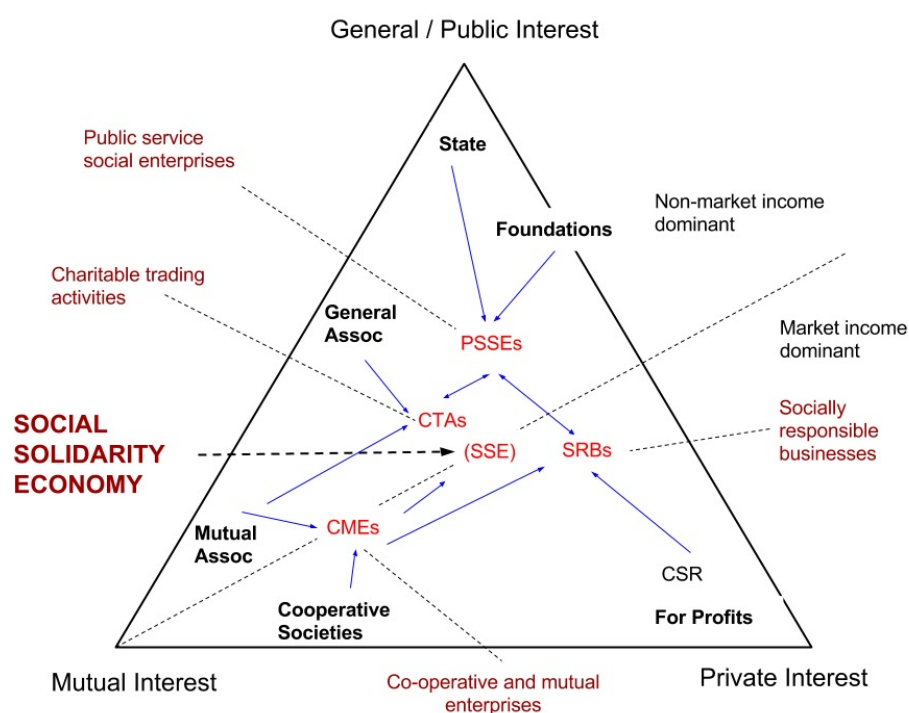
<sup>34</sup> Nicholls, A. (2006) *Social Entrepreneurship: New Models of Sustainable Social Change*. Oxford University Press.

social benefits leads to a more diversified and satisfying working life. The private interests of social entrepreneurs are different to those of commercial entrepreneurs because they find more satisfaction in charitable trading than the accumulation of money. Early writings in this field alerted both academic institutions and governments to a new movement of entrepreneurs who undertake business activities to bring about community or public benefits.<sup>35</sup> Some industries are well suited to this 'blended-value' social entrepreneurship<sup>36</sup> that combines social change goals with commercial skills acquired in the private sector. Industries such as waste management (recycling and upcycling), clean energy production, financial services in poor communities, low cost housing and construction all offer opportunities for skilled social entrepreneurs to pursue private interests while creating goods that produce a public benefit.

### 1.6.3 Four Approaches to Social Enterprise

Figure 1.2 shows how each combination of interests produces an approach to social enterprise.

**Figure 1.2 – Combined interests in models of social enterprise**



Interpreted from works by Ridley-Duff and Bull (2016) and Defourny and Nyssens (2017)

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<sup>35</sup> Leadbeater, C. (1997) *The Rise of the Social Entrepreneur*. London: Demos.

<sup>36</sup> Emerson, J. (2000) 'The nature of returns: a social capital markets inquiry into elements of investment and the blended value proposition', working paper, Harvard Business School.



The first approach comes from the desire of people in the public sector and state institutions to rethink how public services and public benefits can be created. Whilst there may be a motivation to cut the cost of state activities, this is not the only motivation. There are public servants convinced that enterprising individuals can create social enterprises that produce better outcomes for the public than state industries and monopolies on their own. Public service social enterprises (PSSEs) develop out of a commitment to the public or general interest. They are supported mainly by the state and private charitable foundations but may also engage in trade with the public. A good example is the [Grameen Bank](#) in Bangladesh which started with public funding and the backing of the Grameen Foundation. Gradually its membership grew until members became majority owners. It is now – effectively - a mutual society. The Grameen Foundation won a Nobel Prize in 2007 for the way it provides services to millions of people in rural communities. It has expanded to provide other public infrastructure such as telecommunications (Grameenphone) and renewable energy (Grameen Shakti). In other countries, these may be state-owned industries, but in Bangladesh they are being developed as PSSEs.

Foundations and associations can also promote social enterprise through charitable trading activities (CTAs) that support their primary missions. In the EMES network these are referred to as enterprising non-profits (i.e. non-profit enterprises that rely on trading rather than grants and donations). There is another good example in Bangladesh called [BRAC](#). This switched from 90% donor funding to 80% trading income between 1990 and 2000.<sup>37</sup>

Co-operative and mutual enterprises (CMEs) build on the history and values of the co-operative movement by emphasising the 2<sup>nd</sup>, 6<sup>th</sup> and 7<sup>th</sup> co-operative principles (democratic participation, inter-cooperation and concern for community). A particularly good example is the [social co-operative movement in Italy](#). In social co-operatives, work is seen as a health and well-being issue. Carers, medical professionals and patients form a co-operative society to work on improving members' health.<sup>38</sup> Of course, the co-operatives also meet social and economic needs, but their focus is on ensuring health and well-being. For example, in Italy, people who need to improve their mental health can learn both technical and social skills over a 3-year period whilst receiving medical care. More than half (65%) find another job before their training ends.<sup>39</sup>

Lastly, private individuals committed to advancing public benefit are creating socially responsible businesses (SRBs). These go well beyond the limited aspirations of corporate social responsibility (CSR). A good example of this is [Toms Shoes](#)<sup>40</sup> which makes a pair of shoes (or other locally needed product) for a poor child each time one is purchased in a developed country. Similarly, Tim Smit's [Eden Project](#) generates additional income by exporting its expertise in green technology and zero-waste management. Whilst the former example partially meets blue economy principles (satisfying a local need), the latter zero waste consultancy does so more fully.

By combining private, mutual and public interests, four distinct approaches to social enterprise development have been identified. When taken together, they provide four starting points for

<sup>37</sup> Jonker, K. (2009) "In the Black with Brac", *Stanford Social Innovation Review*, Winter 2009.

<sup>38</sup> The documentary 'Together' contains a segment devoted to the national network of social co-operatives in Italy. See <http://www.together-thedocumentary.coop/>

<sup>39</sup> See Borzaga, C. and Depedri, S. (2014) 'When social enterprises do it better: efficiency and efficacy of work integration in Italian social co-operatives', in S. Denny and F. Seddon (eds), *Social Enterprise: Accountability and Evaluation Around the World*. London: Routledge, pp. 85–101.

<sup>40</sup> For discussion of Toms Shoes see Ridley-Duff and Bull (2016), Chapter 2. Video at <http://vimeo.com/2567675>.

building a social solidarity economy (SSE). How can these approaches be expressed and described more fully? Table 1.1 gives further details of the four approaches in terms of their dominant legal forms, organisational characteristics and social value propositions. The social value created is different in each case and is also different from the financial value created.

**Table 1.1 - Summary of approaches to social enterprise development**

Approach	Acronym	Typical forms	Characteristics	Social Value
Co-operative and Mutual Enterprises  (includes social cooperatives and solidarity enterprises)	CMEs  (Or SCs)  Primary approach to SSE	Co-operative Societies / Banks Mutual Societies Credit Unions Building Societies Social and Solidarity Co-operatives	Led by member-owners Elected governors Democratic participation <b>Production for use and market</b>	<b>Social inclusion:</b> · Co-ownership · Participatory management · Equitable profit sharing · Improved working / living conditions
Public Service Social Enterprises	PSSEs	Charities and/or Companies and/or Corporations and/or Co-operatives that... ...work closely with state institutions to extend public services	Public servants work with community leaders Create partnerships with other social enterprises Public investment <b>Favours production for use</b>	Improved access and/or higher quality <b>public services</b> .
Charitable Trading Activities (Referred to as 'enterprising non-profits' (ENPs) in EMES global study).	CTAs  (or ENPs)	Foundations Charities Community Benefit Cooperatives Non-Profit Enterprises Charity Trading Subsidiaries	More entrepreneurial than traditional non-profits Protect assets for community / public benefit They mix grant/donor income with trading. <b>Production for use and/or market</b>	Provision of goods and services that produce a <b>public benefit</b> .
Socially Responsible Businesses (also called 'social businesses')	SRBs  Or SBs	Company / Corporation with social objects Benefit Corporations Community Enterprises	Use of private / commercial finance Corporate partnerships Ethical / impact investment <b>Favours production for market</b>	Market action to achieve <b>sustainable development goals</b> .

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### 1.6.3.1. Summary

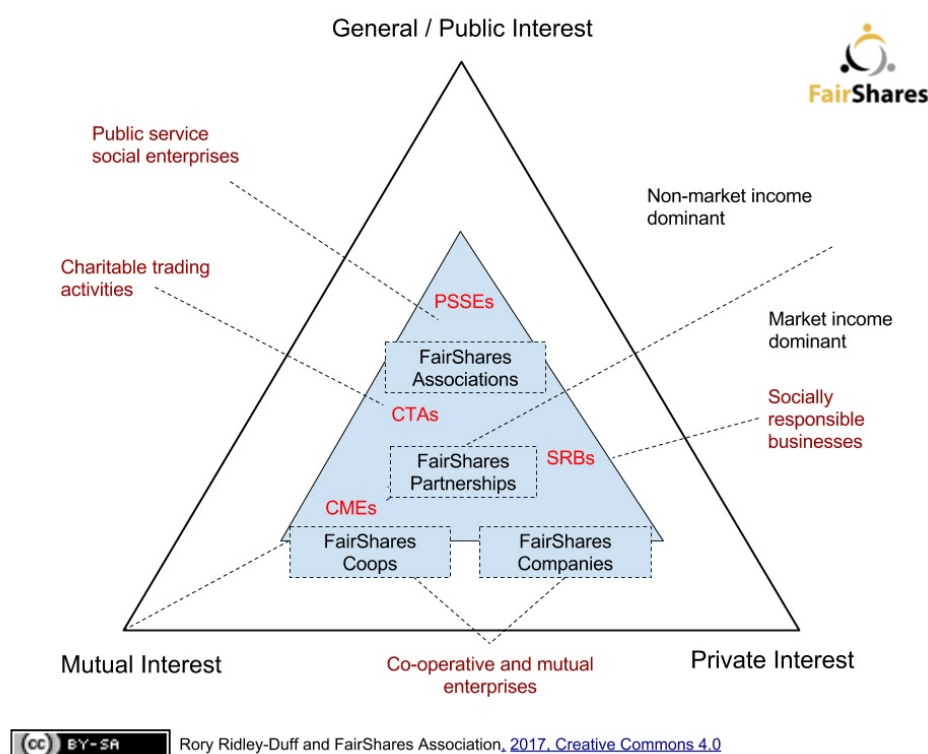
Given the theoretical perspective set out above, it should not come as a surprise that there is - and will continue to be - considerable variation across the field of social enterprise, and that this will be



one of the challenges in setting up a FairShares Lab. An enterprise applying the FairShares Model may exist within the SSE, but it is not exempt from the challenges of deciding between different legal forms and wrestling with competing logics and interests. There will be no one definition or approach that can satisfy all contexts.

The challenge in preparing a FairShares Lab is advancing knowledge amongst social enterprise advisers in consultancies and infrastructure bodies who are not yet familiar with (or prepared to recognise) all four approaches. Beyond that lies the challenge of FairShares education and training that prepares advisers to embrace the variations provided for in the FairShares Model that cope with the complexities of making an informed choice (see Figure 1.3). Not every law to regulate social enterprise, and not every trade mark and strategy developed to promote it, is cognisant of the knowledge required to pursue different (combinations of) social enterprise thinking. However, the FairShares Model both recognises and accommodates this framework for understanding the diversity of social enterprises. Rather than seek to define new laws, it offers ways to adapt existing company, co-operative, association and partnership laws to enfranchise multiple stakeholders and offer them member-ownership.

**Figure 1.3 - Positioning FairShares in the field of social enterprise**



In finalising this section, we draw attention to the issue that the definition of a social enterprise is not an abstract intellectual exercise. It is an unfolding process that dynamically updates the field as new practices are adopted by communities.<sup>41</sup> The FairShares Model, and the FairShares Labs that

<sup>41</sup> See Wenger, E. (1998) *Communities of Practice: Learning, Meaning and Identity*. Cambridge: Cambridge University Press.

will embed it, represents a new chapter in the development of the social/blue economy. To make it work effectively, project partners will seek to move beyond choosing one approach to social enterprise development to focus on building communities of practice in 'living labs' that foster social/blue economy projects and enterprises.

## 1.6.4 Living Labs

### 1.6.4.1. FairShares Labs and its relation to the Living Lab movement

The FairShares Labs project is not only an attempt to integrate blue economy concepts into the FairShares Model, it is also an attempt to organise and incubate new ventures by deploying the main principles of the Living Lab Movement (LLM). The European Network of Living Labs (ENoLL), founded in 2006, has registered nearly 400 members in the LLM since its inception (170 are current). It describes them as:

"user-centred, open innovation ecosystems based on a systematic user co-creation approach integrating research and innovation processes in real life communities and settings. In practice, living labs place the citizen at the centre of innovation and have thus shown an ability to better mould the opportunities offered by new ICT concepts and solutions to specific needs and aspirations of local contexts, cultures, and creative potentials"<sup>42</sup>

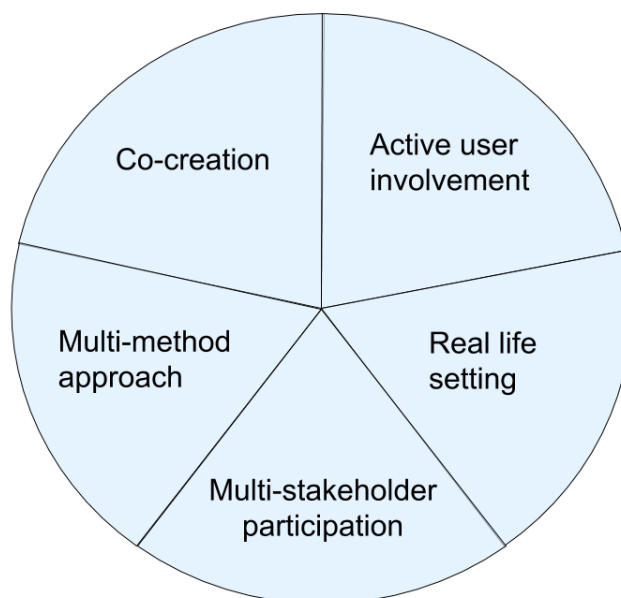
The project partners look at the LLM in two ways. On one hand, they see organisations or structures in which open and collaborative innovations are situated. On the other hand, they are activities that occur in real life settings and environments. In both cases they represent examples of "open innovation, and user innovation processes, [which] can be studied and subject to experiments, and where new solutions are developed."<sup>43</sup> To describe it a different way, Living Labs are attempts to "generate concrete, tangible innovations based on user and community contributions, and at the same time to advance (academic) understanding of open and user innovation principles and processes."<sup>44</sup>

The five principles of the LLM (see Figure 1.4) are: **co-creation; multi-stakeholder participation; active user involvement** through a **multi-method approach** in **real life settings**. These are all consistent with FairShares (Lab) principles and the learning methods/platforms we describe later in sections 2.1.1 to 2.1.5. The real-life intervention element - the fourth Living Lab principle - is realised through locally organised, community-based FairShares Labs. In our conception of FairShares Labs, all groups of involved stakeholders are asked to describe the value proposition of a new project and commit to the equitable distribution of power, benefits and surplus wealth across all groups. This is why FairShares Labs promote (and are oriented towards) cooperative economics, approaches and structures.

<sup>42</sup> Robles, A., Hirvikoski, T., Schuurman, D. and Stokes, E. (eds) (2015) *Introducing ENoLL and its Living Lab Community*. ©ENoLL, p. 12.

<sup>43</sup> *ibid.* p.13.

<sup>44</sup> *ibid.* p.13.

**Figure 1.4 - Common elements in Living Labs**

Based on image sourced from: <http://www.openlivinglabs.eu/node/1429>

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The LLM is constantly evolving its multi-method approach through different learning and development methods. FairShares Labs will focus on informal/non-formal learning settings so that different stakeholder groups can offer specific (and local) knowledge to each other. Two outputs from this project (IO2 and IO3) will this potential. FairShares Labs will build and integrate a [FairShares Platform](#) that offers a FairShares Planner and FairShares e-Learning and Exchange tool. This will make it possible to initiate and track innovations to disseminate them to practitioner and academic communities. The FairShares Platform will aid replication of working practices and results in other locations. Key innovations that an ICT-driven FairShares Platform will offer include: tools to involve a wide range of external experts; tools to reach a broader community of capital providers (i.e. future investor members); tools to create cross-border social innovation projects.

Now that we have a grasp of the field of social enterprise and the principles of the LLM we can position FairShares Labs more clearly. They are vehicles for realising action based on the integration of blue economy, social economy and LLM through the application of the FairShares Model to social enterprise development (for full details see Section 2.1). This endeavour will create collaborative developmental processes - CSE in action - to support the creation and conversion of social and blue enterprises that distribute wealth and power more fairly.

## 1.7 FairShares Labs

FairShares Labs are real and virtual laboratories in which the relevant stakeholder groups (Founder, Labour, User and Investor) are brought together to practice CSE within the social/blue

economies. Real FairShares Labs are co-working spaces organised as locally based centres in which training opportunities, communications, workshops and social enterprise conversions and start-ups will be supported. FairShares Labs can also be situated where four primary stakeholder groups meet for specific projects (either face-to-face or online). The virtual environment allows any stakeholder to place offers, find each other and use FairShares learning tools to create a virtual FairShares Lab. External and internal business experts will provide coaching to people who participate in face-to-face (real) FairShares Labs and the (virtual) FairShares Platform.

FairShares Labs will be incubation spaces (breeding grounds) where the principles are applied to foster equitable relationship and cooperative learning<sup>45</sup> amongst the future Founder, Labour, User and Investor members/shareholders of a social enterprise. Customer/user-oriented initiatives will proactively link their efforts to sustainable development goals on the one hand and social inclusion on the other. Citizens will work together with experts to initiate, organize and implement social enterprises that innovate to tackle problems in their working and living environments. Adult educators will improve their skills and competences by moderating activities.

### 1.7.1 FairShares learning

In this section, we describe two relevant training tools for adult learners and for adult trainers (coaches/mentors) that will help us fulfil our aim of providing guidelines for “self- and blended learning tools for FairShares hubs, labs and learning groups” and “FairShares Labs train-the-trainers tool for coaches and mentors”. The project partners deploy learning and development methods in FairShares Labs that draw on blended-learning courses, learning options and activities that support co-operative learning.<sup>46</sup> The learning approach is strictly non-formal because the expertise of the people themselves must be the main source of empowerment.

#### 1.7.1.1 Tools for FairShares hubs, labs and learning groups

The learning content will be made available through the FairShares Platform in the form of a FairShares Planner (a series of questions to guide the initial stages of developing a FairShares Plan) and an e-Learning and Exchange tool that supports more detailed work on a social enterprise (business) plan. Both will be integrated with a curriculum for the different phases of developing social projects/enterprises that distinguishes idea generation, incubation and planning/coaching phases. Labs members will be able to populate the pages of an interactive FairShares Planner, in which they - as adult learners - are guided individually or collectively through the entire process of developing a FairShares Plan. Once this is published, coaches will support founders to fill out a [FairShares Canvass](#) and incorporate a FairShares Enterprise.

<sup>45</sup> Roger, T. and Johnson, D. “An overview of cooperative learning”, in Thousand, J., Villa, A. and Nevin, A. (eds) *Creativity and Collaborative Learning*, Baltimore: Brookes Press.

<sup>46</sup> See Bersin, J. (2004). “How Did We Get Here? The History of Blended Learning”. *The Blended Learning Book: Best Practices, Proven Methodologies, and Lessons Learned* (PDF). Wiley.

### 1.7.2 FairShares enterprises

FairShares is a brand and development model for self-governing social enterprises operating under association, partnership, co-operative and company law. It was developed by Rory Ridley-Duff and Cliff Southcombe with members of the [FairShares Association](#). It offers a unique multi-stakeholder approach through its integration of entrepreneurs (founders), producers (labour), consumers (users) and financial supporters (investors) using Creative Commons Licences to manage members' intellectual property. FairShares enterprises follow these principles to guarantee that the four stakeholder groups can share the benefits, wealth and power created by their efforts. Under company and co-operative law, members can acquire [Founder](#), [Labour](#), [User](#) and [Investor](#) Shares to represent and benefit from their participation in the enterprise.

FairShares enterprises commit to five generic values and principles, then add their own:

1. Wealth and power sharing amongst primary stakeholders
2. Specification of social purpose(s) and auditing of social impact(s)
3. Ethical review of the choice of goods/services offered
4. Ethical review of production and retailing processes
5. Social democratic models of ownership, governance and management

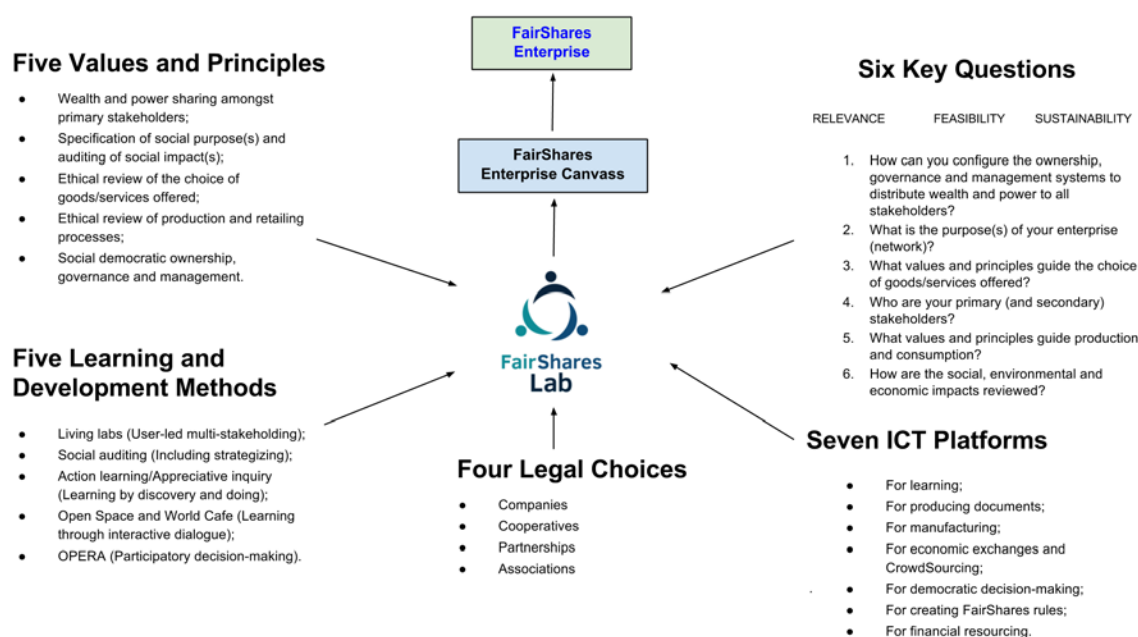
There is a detailed discussion of these values and principles in the next section of this document.

## 2. The Components of a FairShares Lab

### 2.1 Models, processes and methods

In Figure 2.1, we set out an overview of the challenges in assembling the resources to create a FairShares Lab. In the sections that follow, we take each part of the overview and discuss it in more detail. We start with a discussion of underlying FairShares values and principles agreed by project partners, the key questions that arise out of these, the legal choices available to operationalise principles, and the ICT technologies and learning/development methods that make cooperative social entrepreneurship (CSE) possible. Each FairShares Lab will support groups of people as they use the FairShares Planner and undertake e-Learning activities to complete a [FairShares Canvass](#) - a quick summary of their social enterprise (business).

**Figure 2.1 - Overview for developing a FairShares Lab**



Rory Ridley-Duff, David Wren and FairShares Association Ltd, 2017, [Creative Commons 4.0](#)

The first part of planning a FairShares Lab is to engage with FairShares values and principles. In [V3.0 of FairShares](#), they have been proactively aligned with the concepts of a Living Lab (p. 19), blue economy (p. 10) and social enterprise (p. 17). In the next section, we set out the meaning of each of the five principles.

## 2.1.1 Five values and principles (model)

### 2.1.1.1 Wealth and power sharing amongst primary stakeholders

A FairShares enterprise structures itself as a company, co-operative, association or partnership that advances equality and equity between members, stakeholder groups and trading partners. Any wealth created is shared fairly amongst founders, producers, users and investors to promote mutuality and reciprocity. It does this in several ways - through membership rights; through issuing shares (in companies and co-operatives); through creating funds that directors, producers and users can each decide how should be spent. This inclusive approach encourages participatory management and governance that spreads decision-making to all primary stakeholders and gives them a voice in the decisions that affect the future of their joint enterprise.

### 2.1.1.2 Specification of social purpose(s) and auditing of social impact(s)

The members of a FairShares enterprise are empowered by their constitution to establish social goals (such as specific improvements to their own, their community's and the wider environment's health and well-being). The achievement of these goals can be reviewed through social auditing (provided for within model FairShares constitutions). Social auditing is a process for checking with stakeholders whether the economic, social and environmental outcomes desired are being achieved, and for deciding what to do if they are not.

### 2.1.1.3 Ethical review of the choice of goods/services offered

The managers and members of a FairShares enterprise are encouraged to think carefully about the well-being that their joint enterprise creates (or could create) through designing and offering products and services. In short, there is a commitment to creating goods/services that are good for people, society and the environment (a triple-bottom line outcome). If it is not possible to create products and services that improve well-being, this should trigger debate on stopping production.

### 2.1.1.4 Ethical review of production and retailing processes

The managers, workforce and users of a FairShares enterprise's products and services are encouraged to consider how the process of production and retailing affects members, society and the environment. In short, there is a commitment to producing and retailing goods/services in a way that enhances the well-being of the stakeholders who produce and consume them. If it is not possible to produce or consume in a way that advances well-being and/or improves environmental management then debates should take place on stopping production or adopting alternative production/consumption practices.

### 2.1.1.5 Social democratic models of ownership, governance and management

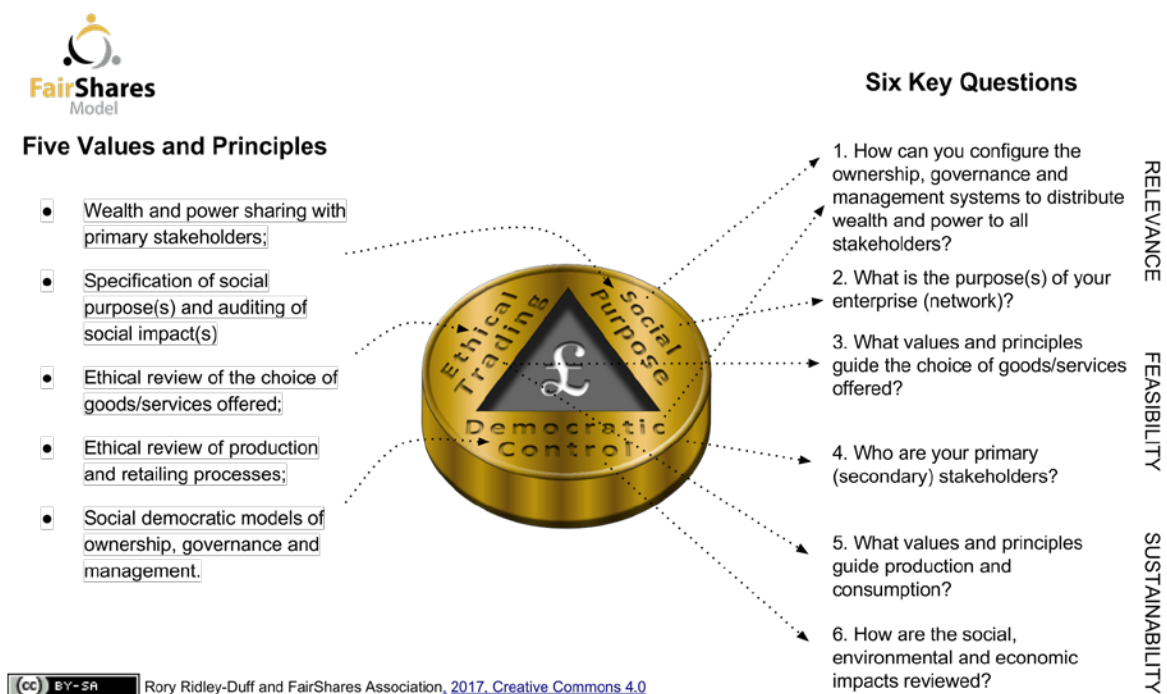
A FairShares enterprise seeks to extend ownership amongst all primary stakeholders directly affected by its operations (founders, producers, users and investors) so that they have a clear right to participate in decisions on how the capital they contribute is managed. 'Capital' within a FairShares enterprise is understood to include natural capital (resources provided by nature – e.g. air, water and minerals), manufactured capital (tools, machinery and premises), social capital

(networks of people), human capital (workers' energy, skills and abilities), intellectual capital (workers' ideas and designs) and financial capital (contributions of money). The goal of the model is to compensate the providers of each type of capital fairly and equitably.

## Linking values and principles to key questions

To build an enterprise, values and principles need to be explored concretely through a series of questions. In Figure 2.2, we set them out and link them to questions that members of the new enterprise need to answer. In the next section, we start to consider more carefully why each question is asked, and which stakeholder(s) are in the best position to answer them.

**Figure 2.2 - A model, process and method driven by values and principles**



### 2.1.2 Six key questions (process)

*This section describes the six key questions that members need to answer to produce a FairShares Plan. It helps you consider all five FairShares values and principles whilst designing your social enterprise. By answering all six questions, knowledge of the five values and principles are developed through practical discussions and the making of proposals.*

The six questions cover three important aspects of planning:

- **Relevance** - the enterprise's purpose and the rationale for its existence;
- **Feasibility** - the viability of the proposed systems for achieving the stated purposes;
- **Sustainability** - how systems make an ongoing contribution to sustainable development.

**The first two questions examine the relevance of the enterprise to its stakeholders.**



### **2.1.2.1 How can you configure the ownership, governance and management systems to distribute wealth and power to all primary stakeholders?**

This is the big one. It is the primary purpose of FairShares itself before any additional purpose(s) are added by the members of FairShares enterprises to benefit a target group or meet local market needs. Answering this question provides a response to value/principle 1 (Power and Wealth Sharing) and value/principle 5 (Social Democratic Control). To achieve 1, discuss how to manage finances transparently and how markets can be developed without inequitable exploitation of people and resources. Ask yourself how you can build equitable relationships using a circular (rather than linear) economic model so that wealth and power circulates rather than accumulates. Discuss how to build management systems that respond to the views and decisions of stakeholders and allow them to regulate their participation in decision-making.

### **2.1.2.2 What are the purposes of your enterprise (network)?**

This question addresses value/principle 2 (Social Purpose and Auditing). A FairShares enterprise seeks to do more than make a profit. It is this 'something else' that this question seeks to clarify. What is the purpose of the enterprise (network) beyond sharing power and wealth more equitably? How - specifically - will it improve the lives of people, society and/or the environment? Answering this question will enable you write the social object(s) that you put into your FairShares constitution and present the vision/mission of your enterprise to potential supporters.

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**The next two questions seek clarity on the feasibility of organising the enterprise**

### **2.1.2.3 What values and principles guide the choice of goods/services offered?**

This question addresses value/principle 3 (Ethical Product/Service Offer). The goods/services that your enterprise offers represent an ethical statement about your priorities. Answering this question helps you to articulate the value (and wealth) you will create by producing (or retailing) your products/services. Identify the value created for each stakeholder (not just users) so that the value propositions you write into your [FairShares Canvass](#) addresses the goals/needs of founder, labour, users and investor/supporter members. In short, given your enterprise's overall purpose, what products and services will enable you to achieve it? Are your product/services offers consistent with your purpose?

### **2.1.2.4 Who are your primary (and secondary) stakeholders?**

This question addresses both value and principle 1 (Wealth and Power Sharing) and 5 (Social Democratic Control). Before you can share wealth and power, you need to identify primary stakeholders. Who will provide entrepreneurial energy (by establishing the enterprise)? Who will make the products/services (i.e. provide the labour)? Who will consume or purchase the products/services (i.e. become users)? How will you find or reach your users? How will you enable them to influence your product/service offers? Lastly, who will support and finance the enterprise (investors/supporters)? Once you have identified these groups,<sup>47</sup> you can configure the ownership

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<sup>47</sup> It is possible for one group or person to have more than one stakeholder role. A single person or group of Founders who finance the enterprise and make its goods/services will have three stakeholder interests (as founders, as labourers and as financial supporters). This would be the norm in the early life of a worker co-operative, for example.

and governance systems accordingly so that wealth and power is shared between them (see 'Four legal identities'). You can also work on systems for a multi-stakeholder democracy in which each stakeholder can moderate the influence of other stakeholders and maintain democratic control over capital they have contributed and created. In distinguishing primary stakeholders (e.g. founders, labour, user and investors) from secondary stakeholders (i.e. community, environment, region, nation), you can develop communication systems and social auditing processes that enable your primary and secondary stakeholders to interact and influence each other. Instead of devising systems for 'divide and rule' you can create strategies 'convening and collaborating'.

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**The final two questions examine how to achieve sustainability.**

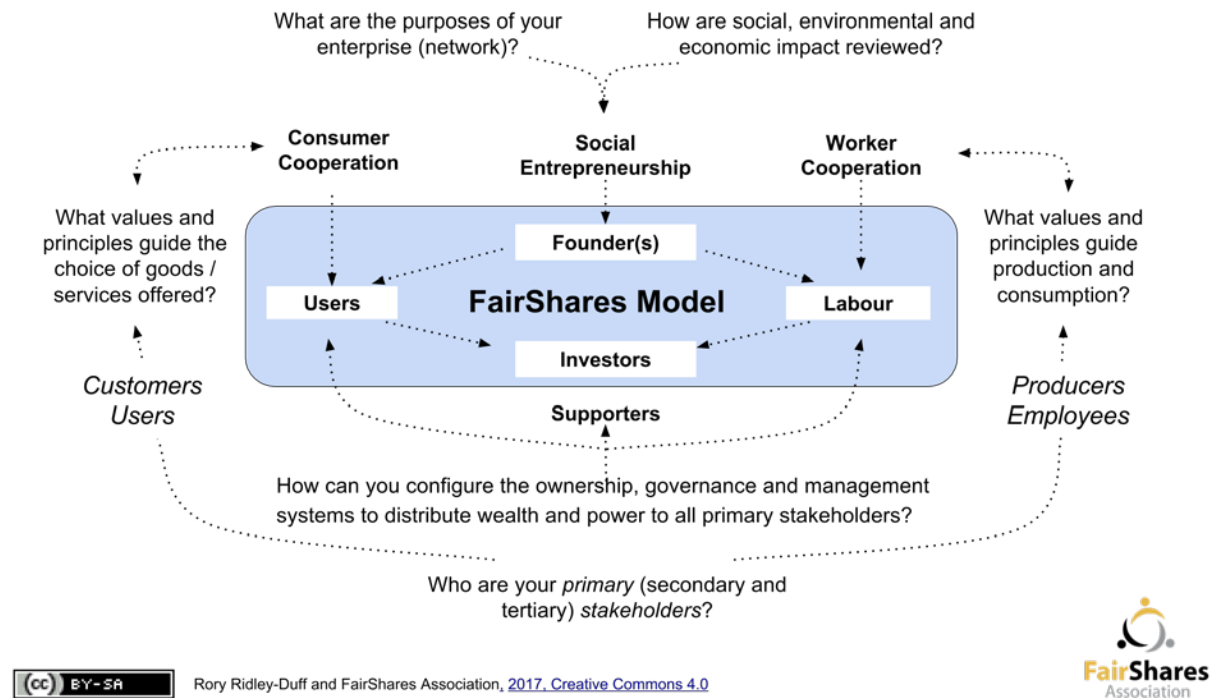
### **2.1.2.5 What values and principles guide production and consumption?**

This question focuses on value/principle 3 (Ethical Production and Consumption). Aside the intrinsic benefits of offering specific products and services for users, additional value can be created in the way they are produced and consumed. Some production systems add more value (or mitigate more harm) than others. For example, could the production process add value by creating additional opportunities for people to learn how to participate in decision-making? Can the production process respond to user/community concerns about the environment (i.e. by recycling or upcycling goods?) On consumption, can advice be offered to users to improve or reduce the impact of product/services they use? For example, advice on using renewable energy products at the point of sale could further reduce any carbon footprint using them creates. Can life-enhancing/life-saving services be sold at a price (or gifted) so that more people can access them?

### **2.1.2.6 How are the social, environmental and economic impacts reviewed?**

The last question addresses the 'impact' issues in value/principle 2 (Social Purpose and Impact Auditing) as well as the creation of enhanced value from implementing value/principle 5 effectively (Social Democratic Control). A good social auditing process is inclusive. It is designed to allow primary and secondary stakeholders to comment on the value created during production and consumption activities as well as the way they use products and services. Social auditing enhances democratic accountability, particularly where a report is published and discussed in meetings of primary stakeholders. The dialogue created by the report can be used to update information in the FairShares Planner (or the Planner could facilitate the social audit process).

*Answers to these questions help you prepare and keep up-to-date a [FairShares Canvass](#) - a representation of your social enterprise (business) model. During start-up or conversion, it provides a context in which to deliberate on appropriate legal models. Plan your social enterprise first, then discuss whether a FairShares company, co-operative, partnership or association will be the best option to create value by/for primary and secondary stakeholders.*

**Figure 2.3 - Who can answer the key questions needed to plan an enterprise?**

## Answering the key questions

Knowing what questions need answering is not the same as knowing who is best positioned to answer each question. In the sections that follow, we will consider in more detail the learning/development methods (2.1.3, p. 29) and ICT platforms (2.1.5, p. 36) that can provide stakeholders with meaningful input and decision-making power in the process of answering these questions. For now, we put forward the argument that different stakeholders are in a better position to answer different questions.

For example, questions about relevance (and social purposes) are best addressed by founder members in collaboration with potential product/services users. Users are particularly well placed to consider which products/services they would use, and the ethical, social and environmental impacts from their use. However, once we consider questions regarding feasibility, other groups are better placed. Providers of labour (suppliers, producers, employees) are better positioned to answer questions about production processes and their contribution to the social goals of the enterprise. Providers of finance capital may be better able to work out the feasibility of the financial plans and underlying economic assumptions. Figure 2.3 summarises how a successful implementation of the FairShares Model provides each stakeholder with a concrete role in reviewing the answers to specific questions they are well placed to answer.

### 2.1.3 Five learning and development methods (process)

*In this section, we look at five learning and development methods that have been used successfully by partners to build participatory democracy in workplaces and community development projects. **In the context of a FairShares Lab**, learning/development methods are essential management skills that will elicit answers to the [‘Six Key Questions’](#) and which promote the five principles of co-operative learning.<sup>48</sup> Answering these questions in a way that is accountable, inclusive and responsive to stakeholder opinions is not straightforward. The five learning/development methods described each have a different role to play in building local democracy (based on accountability to the governed). Their adoption supports **holacracy** in which participation takes place in overlapping self-managing teams that collaborate to reach decisions.*

#### 2.1.3.1 Living Labs (User-led multi-stakeholding)

The Living Lab<sup>49</sup> is a core learning method for a [FairShares Lab](#). It brings potential users of a product or service into the same space as those who can produce and fund it. Living Labs, therefore, start from the same multi-stakeholder assumptions as the [FairShares Model](#). Living Labs tend to be organised geographically, in districts, regions and cities, to promote *co-production* of community services. A FairShares Lab deploys Living Labs to design social enterprises that act as community services. Living Labs, theoretically, are an attempt to realise New Public Governance<sup>50</sup> by drawing on a sociological/network view of design processes to achieve vocal plurality during decision-making. Whilst other participatory techniques are linked, Living Labs place more emphasis on experiential learning and practical engagement in design and testing. It represents a rejection of the system of New Public Management<sup>51</sup> advanced in public service delivery over the last 30 years.

#### 2.1.3.2 Social auditing (Inclusive strategizing)

While Living Labs place an emphasis on the early stages of enterprise creation, social auditing comes later in the enterprise life cycle. It is an inclusive process for reviewing, updating and developing a governance system collaboratively. Pioneered in the 1980s by Freer Spreckley,<sup>52</sup> it was further developed with Cliff Southcombe throughout the 1990s as a methodology for social enterprises to improve both their internal governance and responsiveness to the local community. Social auditing has its own learning cycle that starts by exploring the values that underpin a system of governance, which then progresses to comparing internal and external stakeholder views of the outcomes achieved. The process requires a commitment to publishing social accounts that can be scrutinised by stakeholders. **In a FairShares Lab**, social auditing can examine whether the ‘Five FairShares Values and Principles’ (p. 24) are operationalised to the satisfaction of stakeholders, and also identify local values and principles that need to be monitored in that context.

<sup>48</sup> Roger, T. and Johnson, D. (1994) “An overview of cooperative learning”, in Thousand, J., Villa, A. and Nevin, A. (eds) *Creativity and Collaborative Learning*, Baltimore: Brookes Press.

<sup>49</sup> See the special issue of [Technology Innovation Management Review](#) devoted to Living Labs, Sept 2012

<sup>50</sup> See Osborne, S. (2006) ‘[New Public Governance](#)’, *Public Management Review*, 8(3): 377-88.

<sup>51</sup> See Hood, C. (1995) ‘[The New Public Management in the 1980](#)’, *Accounting, Organisation and Society*, 20(2): 93-109.

<sup>52</sup> See Spreckley, F. (2008) ‘[The Social Audit Toolkit](#) (4th Edition)’, Local Livelihoods: St Oswald’s Barn.

All variants of FairShares Rules (from v2.x onwards) to incorporate an enterprise include a clause committing members to social auditing once a member threshold has been reached. Clause 47(b)(iii) calls for an:

“audit of the internal democracy and decision-making of the [legal form], the wages, health and safety, skill sharing and educational opportunities of its members and employees, or other matters concerning the overall personal or job satisfaction of members and employees; an assessment of the [legal form]’s activities externally, including effects on people, the environment and other organisations.”

Both Living Labs and social auditing are more likely to thrive when people are included in learning and reviewing the effectiveness of processes. The next three learning and development methods provide a skillset for effectively engaging people in group deliberations. Each technique enables people to feel heard and included in learning and decision-making processes. We start with action learning (and appreciative inquiry), then move onto Open Space and finishing with OPERA and World Cafe. All the techniques work with small, medium or large groups to promote cooperative learning and decision-making.

### 2.1.3.3 Action Learning/Appreciative Inquiry (Learning by discovery and doing)

Action learning takes place in learning sets: small groups (normally about 6 people) deliberate on issues or problems brought to the group by its members. In the learning set, members reflect on the actions they have taken, or could take, in the future.<sup>53</sup> Learning is focussed on individual development with group support - issues and topics brought by everyone to the learning set prompt other members to ask clarifying questions (rather than judge or evaluate). Good questions stimulate reflection by the person who introduced the issue. In combination with Appreciative Inquiry<sup>54</sup> - which focuses on moving through a cycle of discovery and design to support learning - these techniques provide an alternative mode of learning that confronts the complexities of social situations and technical challenges. **In the context of a FairShares Lab**, learning sets are useful for working through individual challenges faced by lab members. Whilst action learning is not appropriate for strategic planning, in combination with Appreciative Inquiry it can be. It can also be combined with Open Space, World Cafe and OPERA (see below) to work with larger groups.

### 2.1.3.4 Open Space and World Café (Learning through interactive dialogue)

Open Space is based on the same assumptions about learning as action learning sets - but focusses more on large group interactions - Open Space Technology is a method for groups of people to develop knowledge about one or more challenges facing the group in a relatively short space of time. It requires little preparation beforehand because topics are advanced during the session by group members. It can also be used to organise research days where research topics are not selected in advance, but chosen on the day. World Cafe, on the other hand, revolves around well-defined topics or questions selected in advance. These could be set ‘top-down’ by an entrepreneur, manager or ‘bottom-up’ using a group process like OPERA.

<sup>53</sup> See Pedlar, M., Brook, C., Burgoyne, J. (2005) [‘What has action learning learnt to become?’](#), *Action Learning: Research and Practice*, 2(1): 49-68.

<sup>54</sup> See Ridley-Duff, R. and Duncan, G. (2015) [‘What is critical appreciation?’](#), *Human Relations*, 68(10): 1577-99.

**In a FairShares Lab context**, Open Space fits well with the participant-led (user-led) selection of ideas, and both Open Space and World Cafe are good for breaking down an issue into sub-topics for small group discussion. If used to support enterprise creation, notetakers (with a camera) can capture the results of sub-groups' deliberations and create a conference report quickly. With appropriate resourcing, Open Space and World Cafe can generate responses to complex problems in a short space of time. Their strength lies in support for intensive engaging discussion in small groups.

### 2.1.3.5 OPERA (Participatory decision-making)

For this reason, the last learning and development method introduced is decision-making with OPERA (own ideas, pairing, explaining, ranking and arranging). Pioneered by Innotiimi,<sup>55</sup> it has been adopted in social enterprise development work and [social innovation education](#). Recently, it was studied as a process that can support Appreciative Inquiry in medium-sized groups.<sup>56</sup> Unlike Action Learning and Open Space, OPERA is oriented towards collective decision-making where many ideas are generated, then filtered, by a group of people. Unlike other group techniques, people work initially on their own, then in pairs, before they present ideas to the rest of the group. A 'ranking' phase promotes participatory democracy (members vote for preferred proposals). The final 'arranging' phase is a form of action planning.

In short, OPERA progresses ideas so that practical action can be taken. It is more effective than Action Learning, Appreciative Inquiry or Open Space when group decisions are needed. **In the context of a FairShares Lab**, OPERA can be useful for generating and selecting enterprise ideas, deciding on organisation structures and priorities, or to prime an Open Space or World Cafe.

*Once stakeholders can clarify the relevance, feasibility and sustainability of a potential enterprise (network), the legal frameworks that will provide the best support can be considered. It is important that legal identities are driven by values, principles and social enterprise model considerations together because each legal model enables and constrains how a social enterprise model can be operationalised. In the next section, the impact of four legal options (companies, co-operatives, partnerships and associations) are considered to help consider the impact of legal frameworks on the achievement of purpose(s).*

### 2.1.4 Four legal identities

*This section describes the four legal identities for member-owned FairShares social enterprises (companies, co-operatives, partnerships and associations). The choices presented can be informed by answers to questions on a [FairShares Canvass](#).*

The four sections below describe the opportunities and constraints offered by four sets of model rules for constituting [FairShares Enterprises](#). FairShares values and principles apply across all legal models. However, each legal form facilitates or constrains how the principles can be

<sup>55</sup> See [Innotiimi's 'best practice' page](#) for suggested readings on OPERA.

<sup>56</sup> See Ridley-Duff, R. and Grant, S. (2017) 'Asset-based co-operative management: OPERA as a form of critical appreciation', *Journal of Co-operative Studies*, 50(2): 29-44.



expressed. Legal forms can be combined in a group structure if members have the skills/knowledge to handle the complexities that will arise.

The options for applying these choices will be different in each EU country. There is a helpful report published by ESELA<sup>57</sup> which sets out the legal structures most commonly applied in social enterprise development: associations, foundations, non-profit companies, co-operatives (and mutuals) and share companies. FairShares Association Ltd provide options for constituting four of these (associations, non-profit companies, co-operatives and share companies) and has also produced a first draft of model rules for FairShares Partnerships, which we argue below is a good vehicle for corporate partnerships between social enterprises that have adopted different legal identities. Below we list the commonly used legal forms identified by ESELA in the project partners' countries (Hungary, Croatia, Germany, Netherlands and the UK).<sup>58</sup>

**Table 2.1 - Most popular legal forms for SE in each partner country**

Croatia	Share Company	Social Co-operative	Association
Germany	Sole Proprietor	Share Company	Entrepreneur (Limited Liability) Company
Hungary	Non-Profit Company	Foundation	Association
Netherlands	Foundation	Association	Co-operative
UK	Share Company (CIC)	Non-Profit Company (CIC)	Co-operative

Source: Social Enterprise Law in Europe, Annex 2 (p. 52).

Country reports from the ICSEM project do not necessarily support the findings of the Social Enterprise Law report. For example, the ICSEM country report from Croatia<sup>59</sup> reports that associations and co-operatives are used much more widely than companies, and that only a few SRBs could be found (mainly as university spin outs). The German report (Part 1),<sup>60</sup> discusses translation and interpretation difficulties because the literal translation of 'social enterprise' (Sozialwirtschaft) means a social service organisation, irrespective of legal form. Moreover, the social enterprise types identified by the ICSEM study do not list 'sole proprietor' at all (see p. 6-9). In Hungary,<sup>61</sup> non-profits, foundations and associations are used for social enterprise projects, but the historical outlawing of foundations and state support for co-operatives complicates current policy. For example, in 2006 social co-operatives were enabled in law and enjoyed some growth. By 2016, changes to the Civil Code required state and non-profit organisations to sit on the boards of social co-operatives. This compromises their integrity by undermining self-help, ending their

<sup>57</sup> European Social Enterprise Law Association.

<sup>58</sup> Bates Wells and Braithwaite (ed) (2015) *Social Enterprise Law in Europe: Developing Legal Systems Which Support Social Enterprise Growth*, ESELA. Downloadable from: [http://esela.eu/wp-content/uploads/2015/11/legal\\_mapping\\_publication\\_051015\\_web.pdf](http://esela.eu/wp-content/uploads/2015/11/legal_mapping_publication_051015_web.pdf)

<sup>59</sup> Vidović, D. and Baturina, D. (2016) "[Social Enterprise in Croatia: Charting New Territories](#)", *ICSEM Working Papers*, No. 32.

<sup>60</sup> Birkhölzer, K., Göler von Ravensburg, N., Glänzel, G., Lautermann, C. and Mildenberger, G. (2015) "[Social Enterprise in Germany: Understanding Concepts and Context](#)", *ICSEM Working Papers*, No. 14.

<sup>61</sup> Fekete, É. G., Hubai, L., Kiss, J. and Mihály, M. (2017) "[Social Enterprise in Hungary](#)", *ICSEM Working Papers*, No. 47.

autonomy and inhibiting grassroots democracy, all of which are core principles in the statement of co-operative identity published by the International Co-operative Alliance.<sup>62</sup>

In addition to the adaptation of the above legal forms for social enterprise use, some governments in partner countries have passed specific laws that support social enterprise. For example, in Croatia the Co-operatives Act was amended (OG 34/11, 125/13). In Hungary, the Social Co-operatives under Act no. X of 2006 were recognised in co-operative law. Lastly, in the UK, Community Interest Companies Act 2004 (CIC) came into force in 2005. Lab organisers should not assume FairShares values and principles will be supported by legislation. Moreover, they will need to explore whether their FairShares Lab can apply multi-stakeholder principles in each body of law available to assess whether social goals can be combined with inclusive management, wealth and power sharing. By the end of this project, we will be able to update the [FairShares Platform](#) with advice on the legal options for FairShares in each country.

### 2.1.4.1 Companies

Companies are popular for many types of enterprise and are currently the dominant legal model in many OECD countries. Recent legislative changes mean that companies can now be used for social economy development. For example, UK companies can be registered for 'private', 'charitable' or 'community interest' purposes. Legal tests to establish Benefit Corporations (B-Corps)<sup>63</sup> have developed in many countries and there are now 'social purpose company' laws in some EU states.<sup>64</sup>

To register a FairShares Company, you need company laws that allow for incorporation with bespoke Articles of Association or additional ByLaws. [Investor Shares](#) have many of the characteristics of ordinary shares (UK) and common stock (US). Investor shares change value depending on an enterprise's profitability. As a result, a FairShares company can engage with private sector institutions more easily than its co-operative, association and partnership cousins. Moreover, Investor Shares can be relabelled to 'Ordinary Shares' or 'Common Stock' using the new [FairShares Company Rules Generator](#). Investor Shareholders, however, still only get 1 vote irrespective of the number of shares held. Profits and value creation can be shared without undermining the social economy governance norm of one member, one vote.

Adopting a FairShares Company structure could create barriers to recognition as a co-operative in countries that only recognise organisations constituted under Cooperative Law (or which require a cooperative or associational legal form for public/charitable funding). Choose a company if you are confident you can fund the enterprise primarily through market trading, member and private loans, but check further if you want to access public/charitable funds.<sup>65</sup>

<sup>62</sup> See ICA values and principles at: <https://ica.coop/en/whats-co-op/co-operative-identity-values-principles>

<sup>63</sup> For more information, see <https://www.bcorporation.net/>

<sup>64</sup> Galera, G. and Borzaga, C., (2009) "Social enterprise: An international overview of its conceptual evolution and legal implementation", *Social Enterprise Journal*, 5(3): 210-228.

<sup>65</sup> For a comparison of legal characteristics see '[The FairShares Model](#): an ethical approach to social enterprise development?'



### 2.1.4.2 Co-operatives

In an important sense, all FairShares Enterprises are co-operatives (co-ops) - they commit to advancing ICA<sup>66</sup> values and principles in their rules. However, a FairShares co-op in the stricter sense is one registered under laws specifically designed for co-operative societies. There are three main differences to a company. Firstly, under Co-operative/Society Law, shares have a par value (a face value does not change when profitability changes). While par value shares are optional under Company Law, they are the norm under Co-operative Law. Secondly, there may be a cap on the number of shares that an individual can purchase. Thirdly, there are usually legislative requirements for democratic member control. There can be a fourth requirement - that part of the surplus is converted into 'co-operative capital' to ensure it can only be invested in the co-operative economy or other co-operatives.

A FairShares co-op, therefore, will issue all shares as par value shares. It is the number issued, rather than their face value, that determines entitlements to interest on financial capital and dividends based on participation.<sup>67</sup> FairShares co-ops are based on multi-stakeholder (solidarity) principles: they enfranchise workers, consumers, entrepreneurs and (financial) supporters within a single legal structure. Some countries may not support multi-stakeholder co-ops because their co-op laws are designed for specific industries (e.g. Agriculture, Housing, Finance). So, check if Co-operative Law statutes allow more than one class of member before you attempt establish a multi-stakeholder enterprise using co-operative law. If you can, the [FairShares Cooperative Rules Generator](#) allows you to choose your own labels for founder, labour, user and investor members, so you may be able to configure a FairShares co-op to meet industry norms. However, if there is no legislative support, you will have to choose between a company, partnership or association.

Adopting a FairShares co-op legal form will be important if you need the kudos of being a *bone fide* co-op for marketing/fundraising. However, if you want to operate as a hybrid with non-co-op/mutual investors, you will have to weigh up the pros and cons of choosing between a co-op and company legal form.

### 2.1.4.3 Partnerships

Next, there is the legal form of a partnership. Limited liability partnerships (LLPs) have increased their popularity over the last two decades and for this reason have become a viable choice for worker co-operatives. LLPs are also good for professional groups and corporate partnerships. Based on our investigations to date, we believe that partnerships offer one key benefit and disadvantage compared to the other legal forms. The benefit is equality in the status of partners. Partnership Law mitigates the employer-employee relationship. All the other forms necessarily must engage with employment law when they take on a workforce. FairShares rules mitigate employment law effects but cannot remove the legal responsibilities of employers towards their employees. In a partnership, this distinction does not exist so partners are not subject to employment law. This enables an egalitarian member-ownership culture to develop by changing the legal framework.

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<sup>66</sup> International Co-operative Alliance.

<sup>67</sup> This [YouTube Video](#) is particularly good at explaining how surpluses are handled in a (worker) cooperative.

The key downside, however, is the tax position of partners. They are typically treated as micro-businesses that must register individually with tax authorities. The partnership may have obligations to inform tax authorities when partners join and leave. If there is high staff turnover (as there can be with seasonal employment), this creates an administrative burden. For this reason, we recommend you consider the [FairShares Partnership Rules Generator](#) if there is a stable group of professionals working together, or - more likely - there are corporate partners with different legal structures who want to create a FairShares enterprise together. For joint ventures, partnerships could be simpler than company groups or primary/secondary coops, particularly if the number of corporate partners is stable and they value their autonomy. As each corporate partner manages its workforce outside the (legal) boundaries of the partnership, it can simplify employment relations.

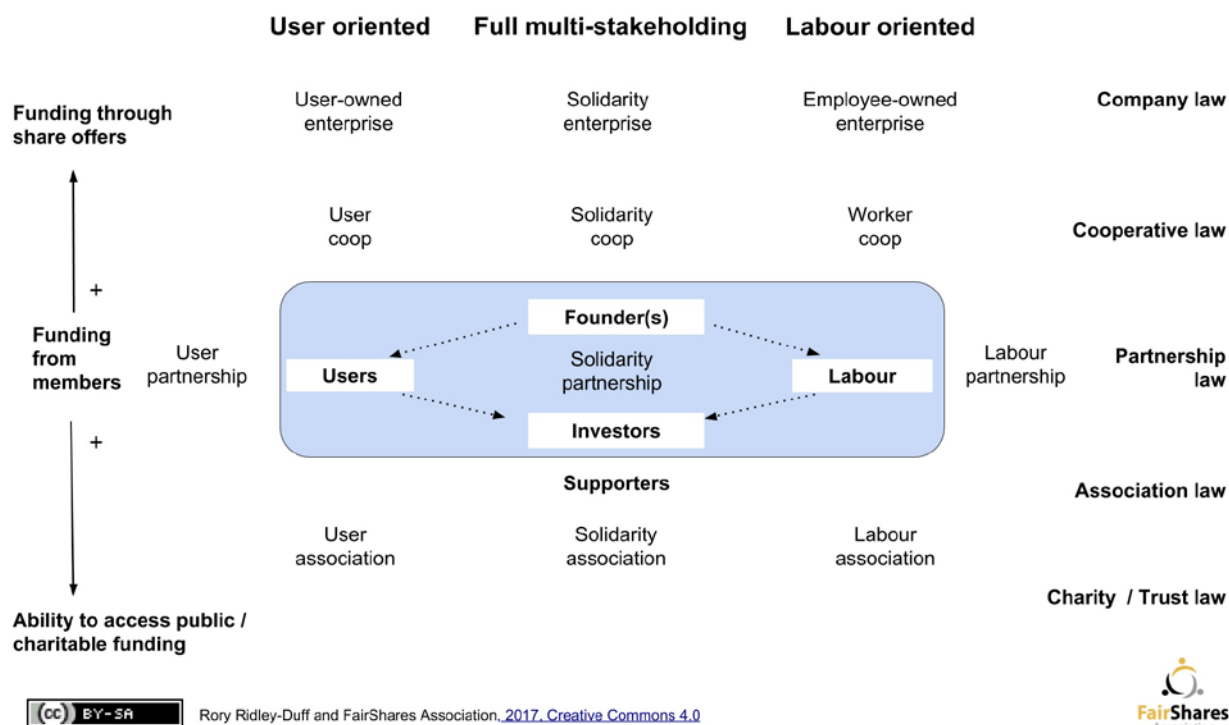
#### 2.1.4.4 Associations

Companies, co-ops and partnerships can create social value through the distribution of economic surpluses to founder, labour, user and investor members. What about situations when you want a legal structure to ensure the reinvestment of all surpluses into a community or public service? For this situation, a [FairShares Non-Profit Association Rules Generator](#) exists. Trading surpluses are still divided amongst stakeholders, but they are allocated to restricted funds that are controlled by each stakeholder group. A FairShares Non-Profit Association ensures that surpluses are spent on projects aligned with the association's objects. Funds are controlled by, rather than distributed to, primary stakeholders.

A FairShares Non-Profit Association does not issue shares or have shareholders. It issues memberships that confer membership benefits through access to a collectively managed resource or service. On account of its non-profit status, it may be eligible for funds unavailable to companies, co-operatives and partnerships, but it will be harder to raise funds from sources used by private companies. Crowdfunding technologies, however, are well-suited to the needs of associations and may provide a handy solution for member-funded or publicly-funded initiatives. Choose an associational legal form if non-profit status is important to your marketing and/or income generating strategy, or if you need to guarantee to funders that investments will go towards community and/or public services.

#### Mapping legal identities against FairShares branding/legal forms

[FairShares Rules Generators](#) produce rules that can be used to incorporate under each of the legal forms (see Figure 2.4). Each constitution also includes clauses about branding based on whether three or four of the primary stakeholder groups are enfranchised. The number of stakeholders is determined by [qualifying contributions](#) that are set after incorporation by members in General Meeting. The qualifying contributions for Founders and Investors are straightforward. Founders qualify through activities to establish and/or incorporating the enterprise. If a person signs the papers that bring the enterprise into existence, they are a Founder member. Investors can qualify in two ways (in companies and cooperatives): firstly, by generating financial surpluses (through work/trading activities) or by directly investing financial capital (through share purchases). To claim FairShares status (and use FairShares branding), however, additional qualifying contributions for Labour and/or User membership need to be agreed.

**Figure 2.4 - Legal identities and FairShares branding**

If a qualifying contribution is set only for Labour membership, the enterprise is branded as an employee-owned enterprise, worker co-op, labour partnership or labour association depending on the law of incorporation. If there is a qualifying contribution only for User membership, the enterprise is branded as a user-owned enterprise, user co-op, user partnership or user association. If both qualifying contributions are set, then the prefix 'solidarity' can be used (e.g. solidarity co-op) to indicate that both producers and consumers will co-own / co-manage the enterprise. Figure 2.4 provides a summary of way legal choices feed into the branding of FairShares enterprises.

### 2.1.5 Seven ICT platforms (method)

*In this section, we consider seven ICT technologies that can assist with the development of a FairShares Lab. In identifying the technologies, the issue of whether to integrate local solutions or re-invent them through software development will become salient. In this document, we concern ourselves only with identifying useful ICT platforms to help with business planning and support.*

#### 2.1.5.1 A platform for learning

*(A platform that enables members to access learning materials and engage other learners)*

A key part of a FairShares Lab will be the provision of education and training to business advisers as well potential members of future FairShares enterprises. A learning platform enables materials to be organised into curricula for both self-paced and collaborative learning. The platform is not the content - it is the software through which the content is presented to learners, and which educators can use to create, store and make curricula and learning activities available. The platform also

offers administrative options to allocate and assess submitted work and make awards. One option is to commission a learning platform from a web developer. This option has to be weighed against using one of the numerous existing platforms.<sup>68</sup> Moodle, for example, is now available in a Cloud edition (simplifying the process of getting started compared to managing 'in-house' installations). Moodle's maturity is attested to by university adoptions amongst its large client base and is also an open source platform (which means it can be tailored by developers). Open source solutions compete with private ones. Google promotes 'Google Classroom' to educational institutions and this is the next in a long line of private platforms such as Coursera, edX and CanvasNet. While some require a university partner, CanvasNet is available to professional bodies.

**In the context of the FairShares Labs project**, IO2 will report on a platform for learning during project initiation (FairShares Planner). IO3 will report on a platform for project incubation and incorporation activities (FairShares e-Learning and Communications).

### **2.1.5.2 A platform for producing documents**

*(A platform that enables document creation and storage amongst members)*

As part of the learning process (as well as for social enterprise development), a suite of productivity applications will be required. Microsoft Office is still dominant, but more and more people are attracted to Google Apps (GSuite) as they are offered 'free' with cloud-based storage solutions. In this space, there are also open source solutions like OpenOffice and LibreOffice. It is likely that a FairShares Lab will need productivity applications for its own work, as well as clients developing social enterprises.

### **2.1.5.3 A platform for manufacturing**

*(A platform for sharing/collaborating on hardware designs for 3D printers)*

Open source production brings new opportunities for sharing designs and manufacturing them through internet technologies. Social enterprises engaged in hardware projects can use platforms like Wevolver for collaborative design, then allow other social enterprises to download open source designs for manufacture with other technologies (such as 3D printers). Examples of open source 3D printing projects can be explored at <https://3dprintingindustry.com/open-source/>. Whilst this technology looks immature, there is space for both technical and social innovation to build new supply chains based on mutual principles.

### **2.1.5.4 A platform for economic exchanges and crowdsourcing**

*(A platform that enables economic exchanges between members)*

A FairShares Lab will need to engage in exchanges (of knowledge, ideas, documents, products, services) and account for these exchanges in several ways. A decade ago, systems like eBay showed how exchanges could take place online and be supported by online payment systems (e.g. PayPal). Today, there are commercial options (like eBay) alongside attempts to integrate 'stores' into social networking sites (e.g. Facebook). However, new platforms committed to the

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<sup>68</sup> Here is an example of a review of 15 learning platforms - <https://financesonline.com/15-popular-learning-management-systems-one-best/>.

social economy might make good partners (Fairmondo<sup>69</sup>, AnyShare Society<sup>70</sup> and Locoso.co<sup>71</sup>). Their existing commitment to the FairShares Model may make them preferred partners as their technologies mature. These platforms allow their users to gift, rent, borrow, lend, buy, sell and share goods, services or just share ideas/availability. They are likely to be owned or constituted as multi-stakeholder cooperatives.

#### 2.1.5.5 A platform for democratic decision-making

*(A platform through which members can secure democratic participation in decision-making)*

In addition to a platform for exchanging goods and services, any enterprise (network) will also need a way to debate and discuss ideas and reach decisions. Many decision-making platforms are emerging that support the values and principles of the social solidarity economy. For example, Resonate (see 'relevant cases', p. 130) and the FairShares Association both use [Loomio](#), an OpenSource software product created by a worker co-operative in New Zealand that is part of the Enspiral network. In South America, social movements are piloting DemocracyOS. For PC users, there is an app for decision-making based on the OPERA process (own ideas, pairing, explaining, ranking, arranging). Online decision-making platforms support virtual communities as well as improved auditing of decisions after face-to-face meetings. FairShares Labs have their own platform ([www.fairsharesplatform.eu](http://www.fairsharesplatform.eu)) that supports multi-stakeholder decision-making during the planning of a FairShares enterprise.

#### 2.1.5.6 A platform for creating FairShares rules

*(A platform to generate documents needed for enterprise registration and governance)*

Prior to FairShares V3.0, creating a set of rules meant adopting and adapting a Word format template. From V3.0, there is an online [platform to generate rules for companies, cooperatives, partnerships and associations](#) provided (and supported) by FairShares Association Ltd and the FairShares Institute for Cooperative Social Entrepreneurship at Sheffield Business School. This is achieved using a combination of Google Sites, Forms, Docs and Sheets. However, a key challenge is preparing rules in different languages, and configuring them to fit the laws and customs of different countries, states and provinces. Nevertheless, what previously took a day can now take as little as 15 minutes using pre-filled templates. These ease regional development issues as knowledge is created. A second key benefit is better record keeping. Copies of documents are filed and logged automatically so that impacts can be evaluated more easily. Lastly, the platform protects core FairShares IP by ensuring that everyone accepts a Creative Commons Licence before use.

<sup>69</sup> A FairShares Coop / Somerset Cooperative Rules hybrid using German platform technology (<https://fairmondo.uk/about>).

<sup>70</sup> A US-Based FairShares Company offering subscriptions to create sharing platforms (<http://anyshare.coop>).

<sup>71</sup> A UK-based social business offering online stores based on FairShares principles (<http://locoso.co/>).

### 2.1.6.7 A platform for financial resourcing

*(A platform for raising funds, making payments and accounting)*

The last ICT platform needed to support a FairShares Lab is one for finance. Crowdfunding technologies have advanced in the last 5 years. Through [Kickstarter](#) and [Indiegogo](#), people all over the world have access to platforms to seed fund social ventures and projects. The choice of platform varies internationally and needs to be sensitive to local norms and laws. Each FairShares Lab, therefore, might choose local platforms for philanthropic funding (for associations) and for commercial/peer-to-peer loans and equity (for co-operatives, companies and partnerships). UK/Eire examples include [Funding Circle](#) for peer-to-peer lending, [CrowdCube](#) for commercial equity and [Crowdfunder](#) for philanthropic / community projects. There are already dedicated sites for [community shares](#) and [platform co-operatives](#). One FairShares Lab partner (SEi) are proactively working with VME Retail (<http://www.vmeretail.com/>) to create a FairShares (Co-operative) Exchange to provide a platform for public/member funding of FairShares enterprises. Beyond ICT platforms for funding, there is a choice of platforms for payment processing and accounting (such as [www.xero.com](http://www.xero.com) and [www.quickbooks.com](http://www.quickbooks.com)). Alongside [PayPal](#) and [Stripe](#) (linked to traditional banking), there are alternative networks such as the co-operatively owned [Faircoin](#) and LocoCoin; both seek to support alternative markets and virtual currencies. Integrated fundraising, accounting and payment processing platforms are a potential area for socio-economic innovation.

### Summary

*In three of the above sections, we have considered the values and principles (2.1.1), key questions (2.1.2) and legal identities (2.1.4) that the organiser of a FairShares Lab will need to raise with lab members, and around which programmes of training and support can be developed (see Sections 3 and 4). In two other sections, we considered the ICT platforms and learning/development methods that a FairShares Lab organiser can use to help members answer the questions about their new FairShares enterprise. Taken together, they offer a suite of methods for CSE and co-production of ideas in democratic fora to address social and environmental concerns.*



### 3. Preparation of the Learning Materials and Platform

In this section, we examine the learning process in more detail and discuss the development of learning materials that can be used in both real and virtual [FairShares Labs](#). As the partners accept certain assumptions about the nature of adult learning, we start by discussing differences between learning and training, and the competencies that adult educators are assumed to possess. We then discuss how business coaches in a FairShares Lab need to consider more than their technical knowledge and commit to developing their awareness of andragogy (the study of adult learning) and adult education skills. Later in this section, we contextualise this discussion and gauge how this will influence the practices that occur in FairShares Labs.

#### 3.1 Differences between learning and training

We often talk about learning and training as if they were the same thing. It is sensible to consider whether these terms are equivalent to each other. Learning can be understood as a much wider term than training. Learning can be regarded as the act of acquiring, modifying or reinforcing existing, knowledge, behaviours, skills, values or preferences. Learning often leads to changes in the way a person synthesises information. It changes the depth of their knowledge, affects their attitudes and behaviours depending on the range of previous experience they possess.<sup>72</sup> Progress over time follows a learning curve. Learning does not happen all at once - it builds upon and is shaped by previous knowledge.<sup>73</sup>

To that end, learning may be viewed as a process, rather than a collection of facts or capacity for remembering procedures. Learning produces changes in the organism that is learning, and the changes produced can be durable over long periods of time.<sup>74</sup> Learning may be goal-oriented (undertaken to enable the learner to do something new) and may be aided by context specific or learner specific motivations. The study of how learning occurs is inter-disciplinary, shaped by knowledge from educational psychology, neuropsychology, learning theory, pedagogy (studies of the way children learn) and andragogy (studies of the way adults learn). **In the context of FairShares Labs**, learning needs to be understood as the ongoing process of andragogy, in which learners shape, and are shaped by, FairShares IP. They are learning by doing, learning from their own planning and organising activities, learning by trying to change themselves and their community, learning from experience and their mistakes.

Human learning may occur as part of a formal education course, as part of personal development activities, during schooling or during training. **Training**, therefore, is different in that there is a proactive element of people teaching or developing themselves and others to acquire skills and knowledge related to a specific goal or competency. Training has specific goals for improving one's capability, productivity and performance. In addition to the basic training required for a trade, there can be occupational and professional training that covers a field of activity. Recent trends in labour market studies stress the need to engage in continuous professional

<sup>72</sup> Gross, R. (2013) *Psychology: The Science of Mind and Behaviour*, 6th edition, Hachette UK, ISBN 9781444164367

<sup>73</sup> This assumption is based on the philosophy of *constructivism* - that learners construct knowledge by combining information given to them in a current context and situation with information acquired from previous experience.

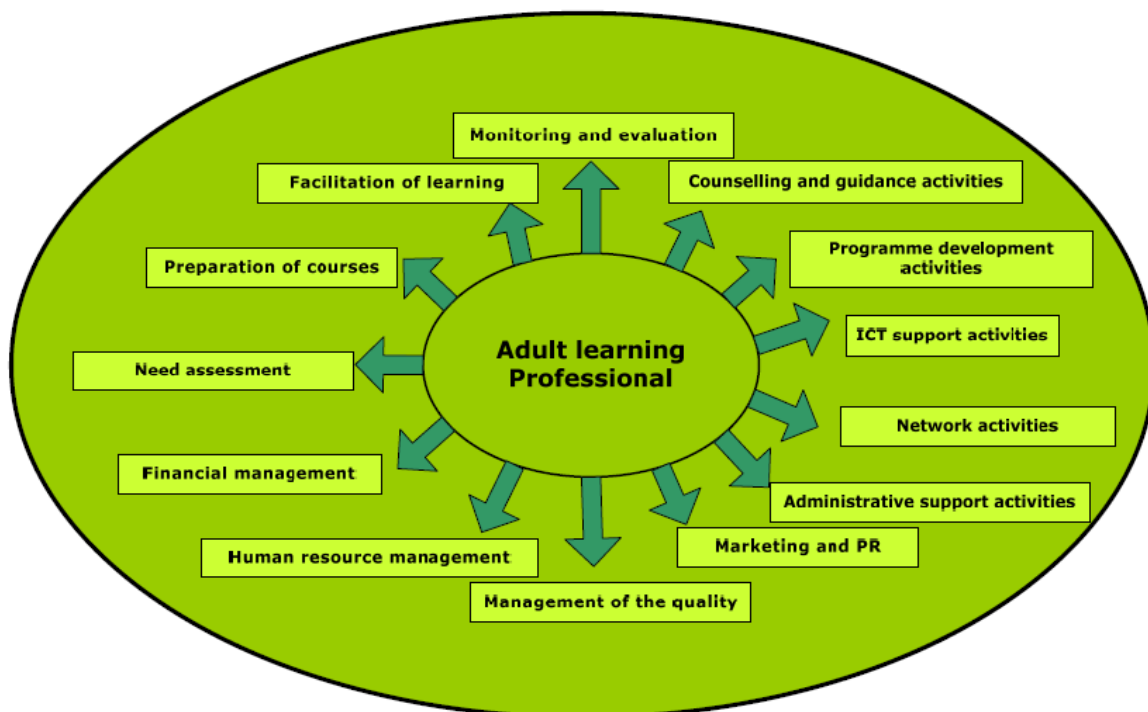
<sup>74</sup> Schacter; D., Gilbert, D., Wenger, D. (2011) *Psychology*, 2nd edition. Worth Publishers. p. 264. ISBN 978-1-4292-3719-2.

development (CPD) beyond initial qualifications to maintain, upgrade and update our skills throughout our working lives.

### 3.1.1 Coaches: Advisers/Consultants versus Adult Educators

FairShares Labs coaches may be mainly business advisers and consultants, not adult educators. They may have a lot of knowledge and experience of social enterprise and/or the FairShares Model but not have good knowledge and experience of structuring a learning process. Therefore, it is helpful for FairShares Labs coaches to reflexively assess themselves against the competency model of adult educators. Figure 3.1<sup>75</sup> shows the repertoire of activities that adult learning professionals carry out at an institutional level.

**Figure 3.1 - Activities of adult learning professionals**



Source: Buiskool et al. (2010).

### 3.1.2 Key competences for adult learning professionals

When committing to a professional role, there are assumptions regarding the training and coaching skills that will need to be developed. Adult learning professionals/staff play a key role in:

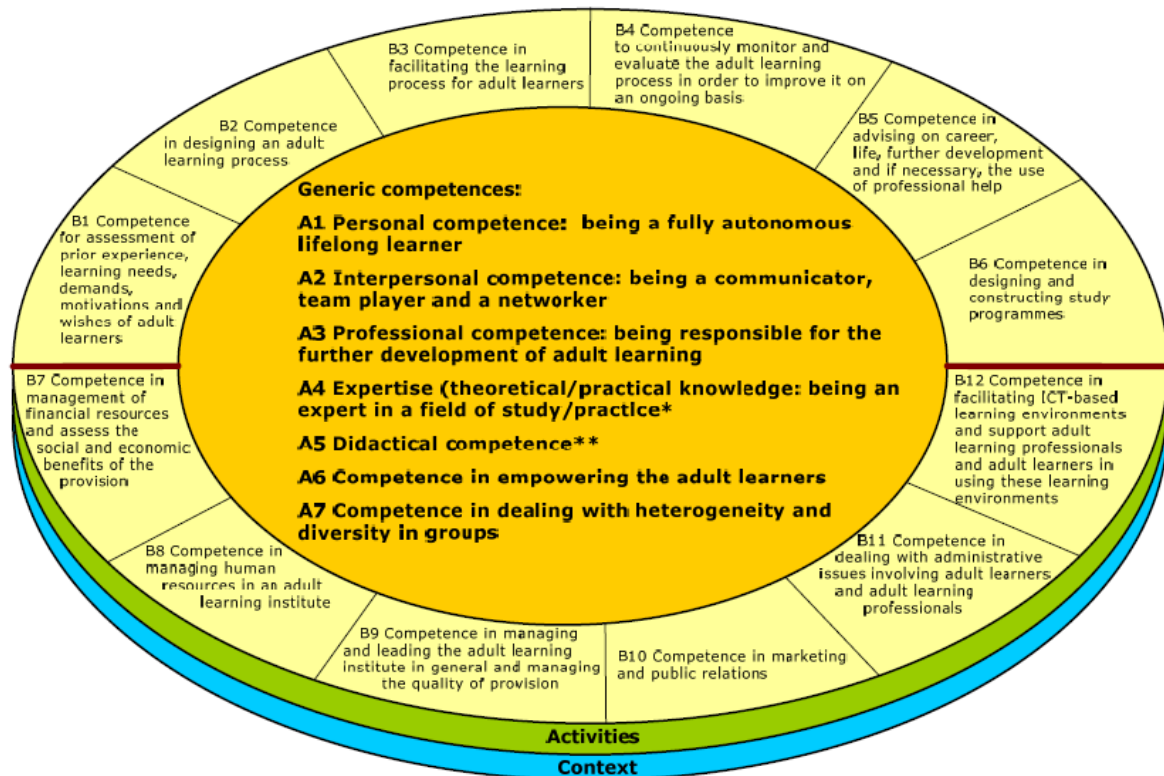
- making lifelong learning a reality.
- helping learners to develop knowledge, skills and attitudes throughout their lives.

<sup>75</sup> Buiskool, B. J., Broek, S. D., van Lakerveld, J. A., Zarifis, G. K., & Osborne, M. (2010). *Key competences for adult learning professionals*. Research voor Beleid, Zoetermeer.



Indeed, the professional development of people working in education and training is one of the vital measures to improve the quality of learning at all levels.

**Figure 3.2 - Key competencies of adult learning professionals**



Source: Buiskool et al. (2010)

Figure 3.2 presents an overview of three layers (1-A+B competences, 2-Activities, 3-Context) and provides detailed information on key competences for working in the adult learning sector. The generic competences (A 1-7) are those that are relevant for carrying out all activities in the adult learning sector. Every professional working in the sector would be expected to possess these competences, regardless of whether they carry out teaching, management, counselling or administrative roles.

The specific B competences are those needed to carry out a specific area of activities. These competences are needed for professionals responsible for a specific field of activity (e.g. facilitating learning, managing the institute etc.). The specific competences are thus not required for all the professionals working in the adult learning sector. A distinction is made between specific competences directly linked to the learning process (upper half, B1-B6), such as teaching or counselling, and specific competences indirectly linked to or supportive of the learning process (lower half, B7-B12) such as management and administrative support.

This model can be used for self-assessment and for identifying learnings needs of people in the Train-the-Trainer Programme (IO4).

## 3.2 Experiential learning

Broadly speaking, experiential learning is any learning that supports students in applying their knowledge and conceptual understanding to real-world problems or situations where the instructor directs and facilitates learning.<sup>76</sup> A classroom, laboratory or studio can serve as a setting for experiential learning through embedded activities such as case and problem-based studies, guided inquiry, simulations, experiments and art projects. When students are given opportunities to learn in authentic situations in the classroom or in the community (like those provided in internships, field placements, clinical experiences, research and service-learning projects) the learning becomes significantly more powerful. By engaging in formal, guided, authentic, real-world experiences, participating individuals:

- deepen new knowledge and skills through repeatedly acting and reflecting on actions
- hone new skills through active practice and further reflection
- support the construction of new understandings when placed in novel situations, and
- extend their learning as they bring their learning back to the classroom.

Experiential learning teaches students the competencies they need for real-world success. Although we can simulate the real world in the classroom and laboratory, authentic experiential learning creates an invaluable opportunity to prepare students for a profession or career, learn the craft of a fine artist, or discover how the discipline creates evidence to contribute to its body of knowledge. Adult education should bridge the gap between theory and practice. Experiential learning provides the conditions for optimally supporting student learning. When students are engaged in learning experiences in which they see the relevance, they increase their motivation to learn. To complete these tasks, students need to figure out what they know, what they do not know and how to learn to bridge the gap. This requires students to: reflect on their prior knowledge and deepen it through reflection; transfer their previous learning to new contexts; master new concepts, principles and skills; and be able to articulate how they developed this mastery. Ultimately, these skills create students who become self-directed, lifelong learners.

Kolb<sup>77</sup> developed the concept of a cycle of learning that depicts experiential learning processes (see Figure 3.3). A great deal of learning theory has evolved from Kolb's integration of:

- Knowledge creation — developing concepts, establishing facts and information acquired through formal learning and past experience;
- Activity — the application of knowledge to a “real world” setting; and
- Reflection — the analysis and synthesis of knowledge and activity to create new knowledge.

Early development of Kolb's work produced a picture of the role of the adult educator. It was envisaged to be one that:

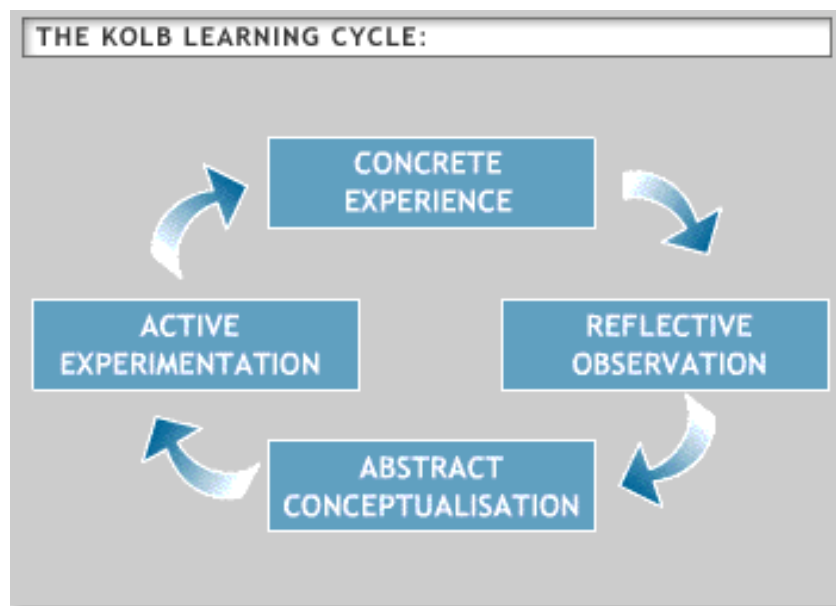
- Selects suitable experiences that meet the criteria above;
- Pose problems, set boundaries, support learners, provide suitable resources, ensure physical safety;

<sup>76</sup> Beard, C., & Wilson, J. P. (2013) *Experiential learning: A handbook for education, training and coaching*. Kogan Page Publishers.

<sup>77</sup> Kolb, D. (1984) *Experiential learning as the science of learning and development*, Englewood Cliff, NJ: Prentice Hall.

- Provide emotional safety and facilitate the learning process;
- Recognize and encourage spontaneous opportunities for learning, engagement with challenging;
- Create situations, experimentation (that does not jeopardise the wellbeing of others) and which promotes the discovery of solutions;
- Helps the learner notice the connections between one context and another, between theory and the experience and encouraging this examination repeatedly.

**Figure 3.3 - Kolb's learning cycle**



Source: <http://www2.le.ac.uk/departments/gradschool/training/eresources/teaching/theories/kolb>

The application of Kolb's insights have evolved. Firstly, Beard and Wilson<sup>78</sup> provide an extensive review of the environmental conditions that inhibit and facilitate the transformation of concrete experience into reflective observations and abstract concepts. The field of Appreciative Inquiry (AI) has focussed on the nature and impact of questions. The way questions are framed can provide more scope for positive experiences in the learning process and the design of solutions. Moreover, AI promotes reflection through a more dialogic style that supports co-operative learning. One challenge for coaches in a FairShares Lab is to build on Kolb's learning cycle and apply it *at the group level*. Where stakeholders seek to form a co-operative, their efforts need to be guided by principles co-operative learning<sup>79</sup> (see section 2.1.3, p. 29).

<sup>78</sup> Beard, C., & Wilson, J. P. (2013). *Experiential learning: A handbook for education, training and coaching*. Kogan Page Publishers.

<sup>79</sup> See Kagan, S. (1985). "Co-op co-op: A flexible cooperative learning technique", in R. Slavin, S. Sharan, S. Kagan, R. Hertz-Lazarowitz, C. Webb & R. Schmuck (Eds.), *Learning to cooperate, cooperating to learn*, New York, NY: Plenum, pp. 67-96.

**Co-operative learning theory** observes five key principles:<sup>80</sup>

- 1) positive interdependence;
- 2) promotive face-to-face interaction;
- 3) individual and personal accountability for group success;
- 4) frequent use of interpersonal and small group skills, and;
- 5) frequent and regular reviews of group working.

The first principle is sometimes framed as ‘sink or swim together’ (that group members need to believe that their individual success is inextricably tied to the group’s success). The techniques set out in section 2.1.3 enable facilitators and coaches to advance both the first and second principle (promotive interaction) because they rely on collective deliberation regarding specific questions (about purpose, values and principles). As the goal is an enterprise based on ideas and value propositions that are workable for all stakeholders, co-operative learning supports social democracy. The third principle (accountability for group success) can be developed by agreeing role responsibilities and reporting mechanisms *to the group* (not its leader). The fourth and fifth principles - interpersonal skills and group processing - are cornerstones of appreciative inquiry, OPERA, Open Space and World Cafe. Each uses pairing and small group discussions to develop ideas and make decisions.

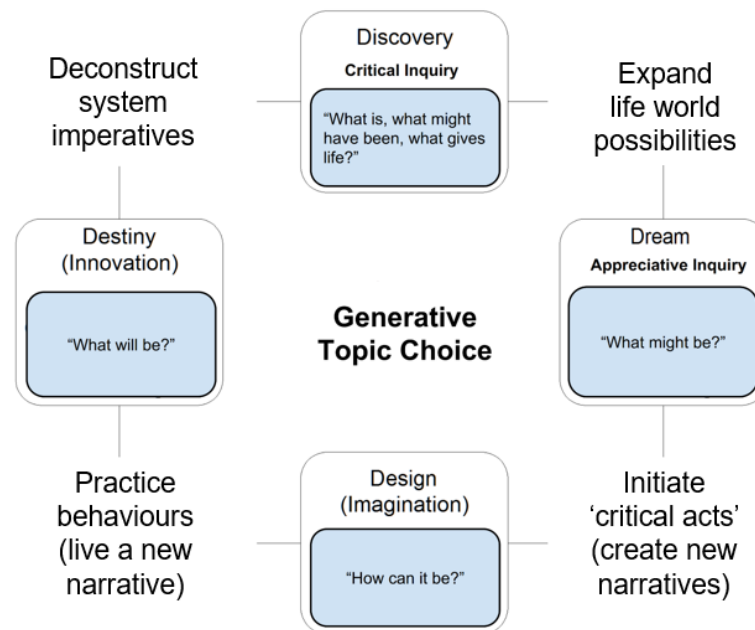
Co-operative learning can also be advanced by using an enhanced AI cycle called a critical appreciative process (see Figure 3.4). This learning cycle implements Kolb’s ideas by developing a narrative about community norms and ‘rules’ so that group members understand how they shape the interpretation of ‘concrete experience’. Ridley-Duff and Duncan’s study<sup>81</sup> showed that presumed ‘rules’ are not set in stone. They can be made more amenable to change by listening to shared stories about their impact so that members can evaluate their value to the group. FairShares Labs coaches, therefore, will not only help people through Kolb’s learning cycle. They will also promote critical appreciation of the way norms affect a community and shapes its thinking.<sup>82</sup> By drawing attention to the way norms can be reshaped (i.e. “to make the world a better place”) participants can become more engaged in social enterprise development processes.<sup>83</sup>

<sup>80</sup> Roger, T. and Johnson, D. (1994) “An overview of cooperative learning”, in Thousand, J., Villa, A. and Nevin, A. (eds) *Creativity and Collaborative Learning*, Baltimore: Brookes Press.

<sup>81</sup> Ridley-Duff, R. and Duncan, G. (2015) ‘[What is critical appreciation?](#)’, *Human Relations*, 68(10): 1577-99.

<sup>82</sup> See Cooperrider, D. L., & Srivastva, S. (1987). Appreciative inquiry in organizational life. *Research in organizational change and development*, 1(1), 129-169.

<sup>83</sup> See Ridley-Duff, R. and Grant, S. (2017) ‘Asset-based co-operative management: OPERA as a form of critical appreciation’, *Journal of Co-operative Studies*, 50(2): 29-44.

**Figure 3.4 - Critical appreciation as an evolution of Kolb's learning cycle**

Interpretation of Ridley-Duff, R. and Duncan, G. (2015),

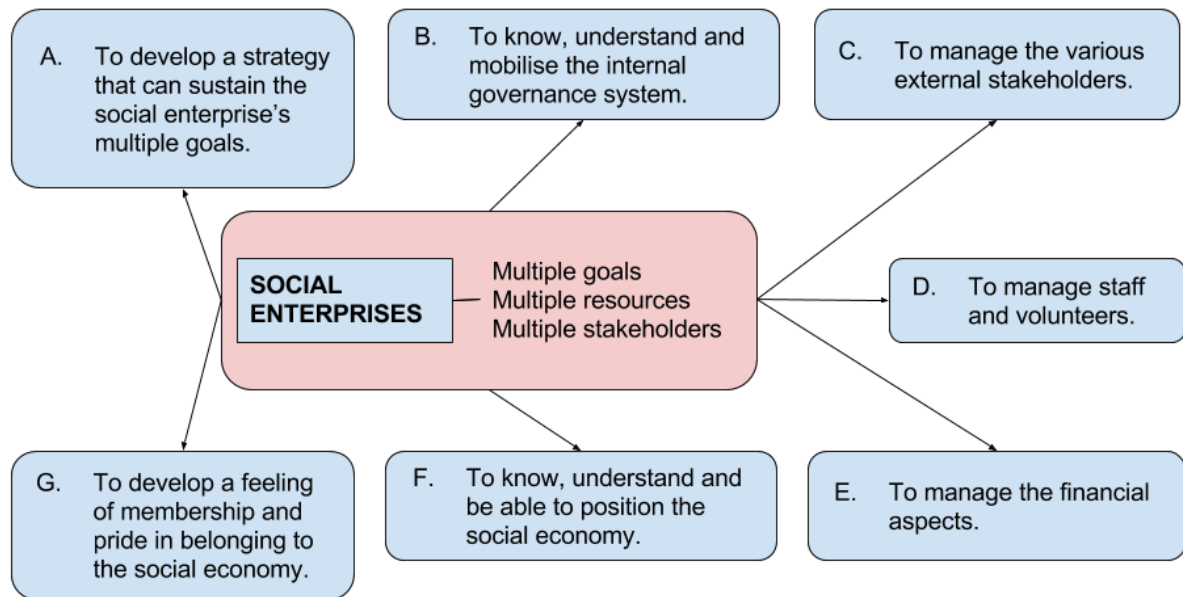
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The 'concrete' aspects of experience ('discovery') are shaped by social and physical systems - the institutional arrangements that provide us with stability and relative certainty in our lives. These are amenable to change when conditions are conducive within a group for reflecting on, then imagining, new worlds they can create ('dream'). By articulating 'dreams' as new ways of being, participants work out *how* it can be ('design') and then start living the new narrative by trying out new behaviours and practices ('destiny'). Effective critical appreciative processes depend on active dialogue to test the reliability of knowledge of existing social systems (our experience of them as 'real'). FairShares Labs, therefore, can be seen as spaces for reimagining enterprise norms based on the new arrangements posited by FairShares values and principles (Section 2.1.1, p. 24).

### 3.3 FairShares learning

Coaches also need to become familiar with methods and processes which are necessary to support the development social enterprises generally, and FairShares enterprises specifically.

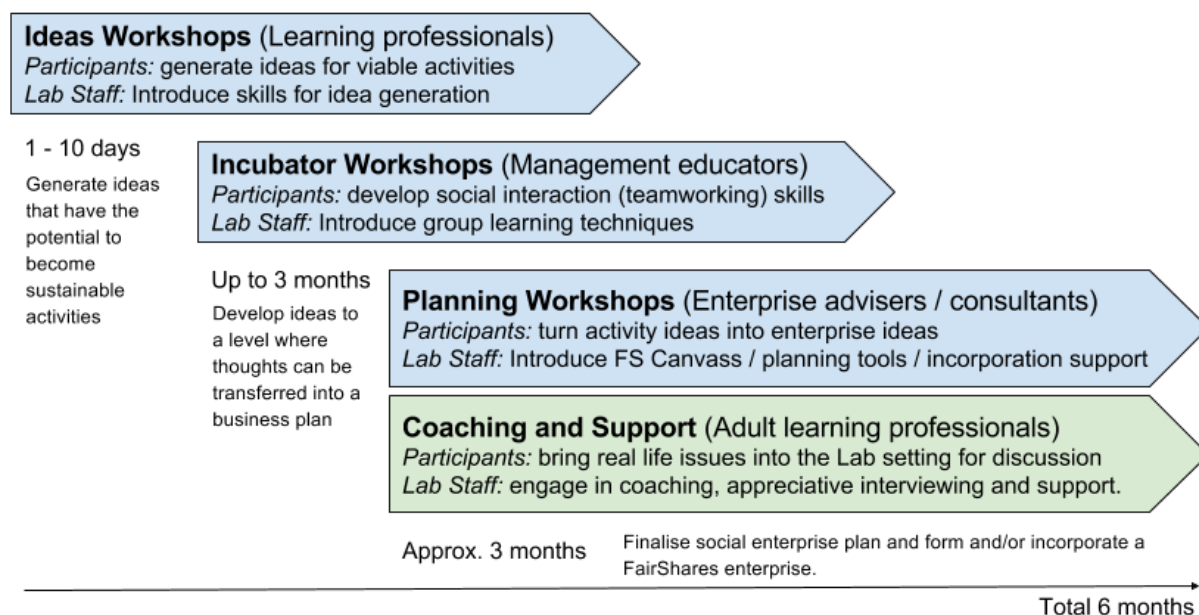
**Figure 3.5 - Competency framework for social economy management**

Adapted from: Moreau, C. and Mertens, S. (2013) 'Managers' competences in social enterprises: which specificities?', *Social Enterprise Journal*, 9(2): 164-83.

In short, they need training to act as adult educators that develop skills and abilities in forming new multi-stakeholder social enterprises. As a previous EU study has already tracked and developed a curriculum model for social enterprise management education, and it is useful to show it here. The skills of adult learning professionals can be geared towards developing the above curriculum by integrating the material in Section 2.1. Section 2.1.1 (Values and principles, p. 24) primarily addresses competencies G and F. Section 2.1.2 (Six key questions, p. 25) helps to develop thinking on competencies C, D and E. Section 2.1.3 (Learning and development methods, p. 29) addresses competencies A, B, C and D, while sections 2.1.4 (Legal Identities, p. 31) and 2.1.5 (ICT platforms, p. 36) shape responses to competencies B and E. In the sections below, we examine the way in which blended- and self- learning materials can be developed to support the goals of adult educators/coaches in a FairShares Lab.

### 3.3.1 Approach: Exchange Platform + Workshops + (online) Coaching

The favoured learning method of FairShares Labs is blended-learning delivered in a variety of ways. The learning philosophy is strictly non-formal because the expertise of the people must be the route to empowerment, with facilitators assisting its adaptation to the context of the workshop. Learning content will be made available through the [FairShares Platform](#) (the FairShares Planner and the FairShares e-Learning and Exchange tool).

**Figure 3.6 - Overview of FairShares Lab workshops**

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### 3.3.1.1 Curriculum for FairShares enterprise members

The curriculum is divided in three sub-curricula: 1) idea workshops; 2) incubator workshops and 3) social enterprise start-up/implementation workshops. Each workshop will help participants to prepare a FairShares Plan (using the FairShares Planner), then undertake further learning activities to fill out a [FairShares Canvass](#) to hone ideas and build confidence in pitching the enterprise to potential members and/or supporters and investors. The **Ideas Workshop** is the first stage. Its role is to generate relevant ideas that have the potential to become sustainable activities. Potential and interested stakeholders from local neighbourhoods (or online communities) will be invited to a creative workshop that explores their expertise and interests in a way that generates creative ideas. The objective is to identify potential innovations/ideas that can be added to the FairShares Platform as a project. Each stakeholder can comment and develop the idea using the FairShares Planner. The design of the workshop and the FairShares Planner will enable learners to interact with each other, promote their right to participate and increase their creative potential.

In Section 2.1.3 (p. 29), we set out examples of approaches to collaborative learning. In the ideas workshops, activities for *generating* ideas include OPERA and Open Space (2.1.3.4). OPERA is more structured, with five stages of facilitation:

- **Own ideas** – each person works independently to think of their responses to the topic/question posed.
- **Pairing** – building on the assumption that working in pairs is a ‘safe’ way to share ideas, people share their responses with each other.
- **Explaining** - Each pair decides which ideas to present to others. Ideas may be related to the initial question posed or something that surfaced during discussion.



- **Ranking** – Still working in pairs, each group casts votes for the ideas they want to carry forward. Only 1 vote can be cast for their own ideas.
- **Arranging** – Statements that receive no votes are removed and the remainder are arranged into common themes to shape and clarify action plans.

OPERA has the capacity to generate a lot of ideas in the O and P stages of use, and these are screened in the E and R stages for levels of social support. Any idea that survives to the final A stage has had three levels of validation (in the O, E and R phases). Importantly, OPERA is non-competitive and socially inclusive. It actively mitigates the problems created by dominant voices in other group settings (such as roundtable meetings) that inhibit quieter, more introverted people from participating effectively. Secondly, OPERA is highly interactive at the level of the 'pair' - they discuss, explain and vote together breaking down the idea of individual ownership of ideas and promoting positive interdependence. Open Space, on the other hand, is generative in the initial stages of arranging a meeting agenda (only ideas that come from the floor on the day are discussed, not those pre-planned by organisers). Whilst weaker than OPERA on group decision-making or the selection of supported ideas, Open Space is stronger on self-directed learning and giving power to participants to select their preferences and learning processes.

Both OPERA and Open Space would be useful on Day 1 of a 'Start-up Weekend' (4.2.1, p. 56) because they overcome the limitations of other techniques that inhibit idea creation. Indeed, an OPERA session might be followed by an Open Space or World Cafe to identify, then develop ideas. OPERA gives everyone in the workshop a chance to discuss and put forward ideas, and for these ideas can be explored effectively as topics in an Open Space or World Cafe discussion.

The Idea workshops will take between 1 and 10 days depending on number of participants, the scale of any limitations or handicaps that affect participating citizens, the rate of progress towards defining innovative ideas, and the time it takes to structure and work on them. Participation is voluntary and daily time commitments will vary, as well as the resources and abilities of the participants. Learning objectives include: empowering local people; supporting their creativity and result oriented work; identifying interesting innovations; identifying potential entrepreneurs.

**Incubator Workshops** are the second stage of a FairShares Lab. Ideas carried forward from Ideas Workshop will be structured by local stakeholder/citizens using the FairShares Planner. They may be blue/social entrepreneurs - single people or recognisable groups - who have the objective of developing and establishing a blue/social enterprise. During this second stage, the objective is to support potential entrepreneurs to work alone or in a group on their innovative business ideas and to develop them to the level where their thoughts can be formed into a FairShares Plan, then transferred into a social enterprise (business) plan (using a [FairShares Canvass](#)).

During incubator workshops, further OPERA sessions can be organised to clarify and determine support for related ideas and arrangements. The questions that can be put forward in OPERA sessions (which can be in small or larger groups) vary considerably,<sup>84</sup> and address each part of the critical appreciative process:

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<sup>84</sup> See Slaen, T, Mantere, V. and Helin, K. (2014) *OPERA: A Guide for More Efficient Meetings*, Stockholm: Integrated Consulting Group, translated by L. Tollet for a detailed discussion of all the different question types and their uses.



1. Deficit-based questions (What problems do we have doing / operating in x?)
2. Descriptive questions (What factors influence x?)
3. Positive change questions (How can we change x to y?). What is the best way to develop x?)
4. Affirmative problem-solving questions (How can we overcome problem x?)
5. Target achieving questions (How can we halve the waste of x? How can we meet target y?)
6. Generative choice questions (What reward systems could we consider?)
7. Purpose setting questions? (Why do we want to lead on this issue?)
8. Ideal state questions (What do we want to accomplish in this project?)
9. Priority setting questions (On which projects shall we concentrate?)

OPERA sessions can be combined with 'appreciative interviewing' by support professionals to develop each individual's capacity to contribute to OPERA and Open Space sessions.

As participants move from idea creation to development, the *systems* they need to develop will need consideration. Neither OPERA nor Open Space are an appropriate group learning methodology if the goal is to enable everyone in a group to contribute to a *given* set of ideas. For this, it is worth considering a World Cafe (where all participants work around a series of tables on which pre-formed ideas are located). In a World Cafe, each table needs one person to capture the thoughts of people who visit the table. They collate and report back at the end of the session. The relative advantage of World Cafe (over OPERA and Open Space) is that everyone contributes to each idea tabled. However, it also removes the autonomy of participants. It is best used when everyone in the group has invested (emotionally) in an enterprise idea and now needs to work out systems to support and develop it.

The incubator workshops will go on for a longer period - up to 3 months - depending on the number, limitations and disabilities of participants, the speed of progress transferring ideas into the FairShares Planner and getting feedback from invited stakeholders. Participation remains voluntary (and free during the pilot programme) for all citizens/stakeholders who wish to take part. Learning objectives are: further empowering and training local people; supporting their creativity, and; advancing their results so that they can turn their ideas into FairShares Plans. As the plan develops, areas that need further work (e.g. market research, benchmarking, operational and management systems) can be identified and acted on in the next phase.

The last step in the FairShares Lab is **Planning Workshops** in which individual and/or groups are supported by **coaching** to help create of blue/social enterprises. The final stage involved taking outputs from a FairShares Planner, using e-Learning and Communication tools, to help stakeholders create/convert and develop an enterprise. The objective is to support a defined group of people (perhaps led by a single entrepreneur) through the process converting their FairShares Plan into an actionable social enterprise (business) plan. This coaching process is more individual and will last (in our pilot phase) for up to 3 months depending on number of participants and factors that affect their capacity to participate and the progression of their business idea into a viable social enterprise.

In this case, action learning and appreciative interviewing become more prominent as support techniques and participants will need to use the FairShares Platform in addition to choosing appropriate additional platforms for their enterprise's operations. Participation becomes more guided by contractual obligations and/or governance rules of the FairShares Lab, supported by working practices and the governance rules of the enterprise itself. It may require social licenses

and the creation of a FairShares constitution (company, co-operative, partnership or association) using the [FairShares Rules Generator](#). This helps to formalise commitments to a legal form so that stakeholders have the legal power to share the benefits their enterprise generates. The power and wealth distribution arrangements in the constitution can be agreed face-to-face or using technology platforms that support multi-stakeholder decision-making. The learning objective in the final stage is to train people in CSE so they can finalise their arrangements for starting-up and operating their blue/social enterprise.

### **3.3.1.2 Interactive project development template**

Through the FairShares Planner, learners are guided through the entire development process using a flexible and adaptable script, coupled with sub-questions that help to answer the key questions set out earlier (p. 25). By the end of the process, they will have a FairShares Plan for a new blue/social enterprise that can be validated using checklists, supported by links to additional materials and information on mentoring and support. This template is structured to align with the curricula described above and the [FairShares Canvass](#). The FairShares Labs provide self- and blended-learning tools for adult learners which can be used directly in local (physically real) FairShares Labs as well as in virtual FairShares Labs organised wholly through the FairShares Planner and e-Learning and Exchange tool.

### **3.3.1.3 FairShares Labs Train-The-Trainers tool for coaches and mentors**

For coaches/trainers in FairShares Labs, special training is needed on the FairShares Labs methodology itself, and the use of the self- and blended learning tool for adult learners in FairShares Labs. There will need to be training in the functionality of the FairShares e-Learning and Exchange tool. Learning activities are also needed for the different workshops in the labs and the coaching/supporting of participants/learners with special needs. Therefore, a Train-the-Trainer Programme has to be developed as a curriculum within the e-Learning and Exchange tool, adapted to the FairShares Labs methodology and the requirements of the “Self- and blended learning tool for adult learners”. This tool will be piloted in a 2-day transnational training session with coaches and can be made available in three ways:

- As a 3-day face to face course with external trainers
- As a self-learning tool with a virtual trainer
- As a blended learning course.

### **3.2.1.4 Curriculum for FairShares Coaches**

The methodology behind the “Training Course for Service Staff and Coaches/Mentors in FairShares Labs” will summarise the objectives, structures and requirements as well as the methodologies and curricula of the FairShares Planner to help adult learners. It will also describe the appropriate training/learning methods and tools for the Train-The-Trainer training as well as a curriculum for training trainers and mentors. The curriculum for coaches/trainers must take care to identify different learning steps and the amount of time needed, the content, the available and usable learning methods, control tasks and links to training tools, technical equipment, staff requirements, checklists, templates and guidelines for the coach/trainer. Lastly, it will need

guidance and recommendations to reach people with different gender identities and accessibility challenges so they are included in the objectives of FairShares Labs.

### 3.3.1.5 Online learning tool

The FairShares Platform will host an Online-Learning-Tool for Self- and Blended Learning so that external trainers can provide services to FairShares Labs. This shall provide exercises that promote understanding, and act as a tool for alumni who are working with a mentor in either a physically real lab or FairShares Platform. The training course will be made available in all partner languages.

### 3.3.2 Target groups

The first target group are potential and interested stakeholders from local neighbourhoods who have an interest in changing something in their community, plan an intervention, or wish to create new services or products. They can participate in the *idea* workshops, create a project on the FairShares Platform and use the FairShares Planner to share and develop their ideas. They will be able to invite other primary stakeholders to improve their answers to key questions (p. 25).

The second target group are local stakeholder/citizens who may be potential blue/social entrepreneurs: they can join the incubator workshops and will find supportive materials for self- and blended learning to identify and develop ideas that can be registered on the FairShares Platform. Different pathways are possible. We expect some will be willing to start quickly, rapidly incubate their ideas after the Ideas Workshop and progress rapidly through initial planning so they can access coaching from more experienced FairShares coaches. They also will use the self- and blended learning activities uploaded to the FairShares e-Learning and Exchange tool.

## 3.3 FairShares: Train-the-Trainer Programme

The Train-the-Trainer programme (IO4) is meant for business advisers and consultants who want to be FairShares Lab advisers and support potential social/blue entrepreneurs as coaches and mentors. The Train-the-Trainer Programme includes a curriculum on the FairShares E-Learning and Exchange tool (IO3), adapted to the FairShares Labs methodology and the requirements of the “Self- and Blended Learning Tool for Adult Learners” (IO2). The curriculum for coaches/trainers must take care to consider the different learning steps, time needed, content, available and usable learning methods, tasks of control and links to training tools, technical equipment, requirements for staffing, checklists, templates and guidelines for the coach/trainer. The Train-the-Trainer programme will be based on self-assessment reflecting the competences of an adult educator and identifying the learning needs of the participants through an online questionnaire. The training programme generally will discuss knowledge versus process, identifying the learning styles and practices of experiential learning, and preparing participants to use the FairShares e-Learning and Exchange tool, the set-up of idea, incubator and planning workshops, start-up support and online coaching.

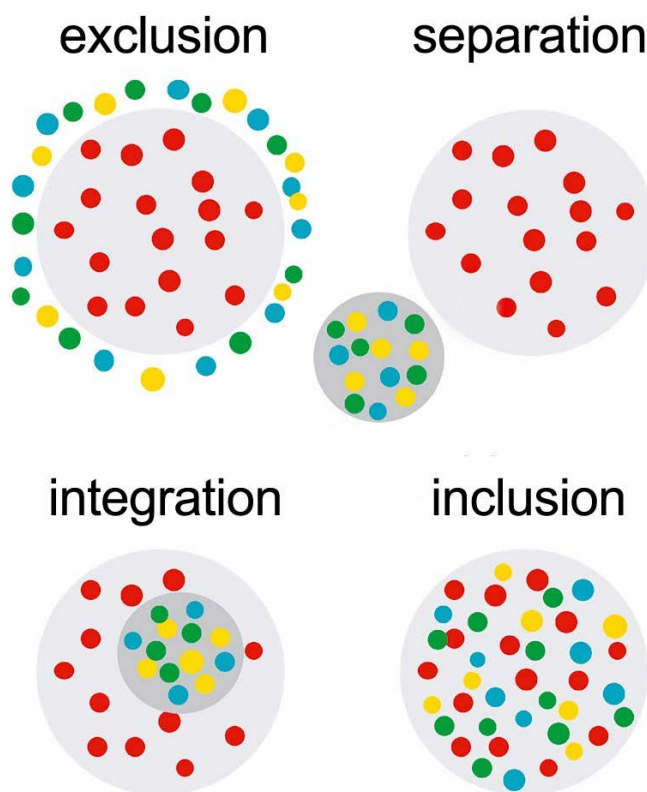
## 4. Running Living Lab events

*In this section, we describe methods for running workshops in Living Labs that can introduce FairShares values and principles and/or generate ideas that can be incubated by applying the [FairShares Model](#) to cooperative social enterprise development.*

### 4.1 Accessibility

The FairShares Model argues for methods that help to connect people with very different backgrounds and needs. It is a design process that promotes inclusion. But what does inclusion mean and how can the FairShares Platform help to build an inclusive enterprise development process and society? The infographic (Figure 4.1) shows four different ways of living together, and the differences between exclusion, separation, integration and inclusion.

**Figure 4.1 - Differentiating exclusion, separation, integration and inclusion**



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When it comes to people with special needs or different ways of living, like people with different sexual identities (LGBTIQA),<sup>85</sup> most societies act in an integrative way: they accept the existence of these people but often do not really let them participate in everyday activities. There are, for example, special schools or workplaces for people with disabilities but they are rarely employed in regular companies. LGBTIQA people are far more accepted in most European societies today but still face problems when it comes to inclusion in everyday situations. In a FairShares enterprise it is important to make it possible for everybody - regardless of their origin, ability, sexuality, age - to work, invest or buy products. But how can this aim be achieved, especially for employees and customers with special needs? What does the enterprise have to provide and how can the FairShares Labs help to build an inclusive structure during the mentoring phases?

All model FairShares constitutions (Section 2.1.4, p. 31) contain Clause 5 (f) to commit organisation members to equality of opportunity and equitable treatment:

- 5 f. 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;

The challenges people with special needs face are as multiple as the people themselves but there are a few basic things that can be kept in mind to make FairShares Labs and enterprises as accessible as possible. The most obvious problems will be infrastructure barriers such as stairs and hard to reach furniture. These problems are mostly faced by wheelchair users or people of short stature, but they can also be challenging for people with visual impairment. These challenges are often quite easy to avoid by setting the Lab or social enterprise in a building with an elevator and/or having ramps at hand. For those visually impaired, it is important to have orientation systems and rooms rich in contrast so that it is easy to distinguish doors, windows and walls from each other. They often also need adaptive technical equipment like brailers and braille printers, screen reading software and large computer screens. A third big group of people with disabilities are those with hearing impairments. For them, it is very important to have hearing aids such as induction loops or special telephones. Deaf people require sign language interpreters but also visual signals like lights in addition to acoustic signals (e.g. door bells, fire alarm etc.). In table 4.1, the needs of people with different forms of limitations are shown in a more detailed way:

**Table 4.1 - Helping people with mobility, visual, hearing and learning issues**

Limitation	Need
Mobility problems	<ul style="list-style-type: none"> <li>• access without stairs/with elevator</li> <li>• even floor (e.g. no thresholds or carpets)</li> <li>• automatic and wide doors</li> <li>• adjustable furniture (e.g. height-adjustable desks)</li> <li>• adjustable hardware (headsets, movable screens, keyboards, remote controls)</li> <li>• adjustable software (connectable to wheelchair or special technical aids like eye control)</li> </ul>

<sup>85</sup> LGBTIQA = lesbians, gays, bisexuals, transgenders, intersexes, queers (or those questioning their gender identity or sexual orientation), and allies (or asexuals).

Limitation	Need
	<ul style="list-style-type: none"> <li>• accessible toilets</li> <li>• enough space for moving with wheelchair, crutches etc.</li> </ul>
Visual impairments	<ul style="list-style-type: none"> <li>• high contrast environment</li> <li>• orientation systems</li> <li>• freeways (nothing standing in the way)</li> <li>• brailers and braille printers, screen reading software, large screens.</li> <li>• acoustic signals</li> <li>• anechoic rooms for better acoustic orientation</li> <li>• information material available in braille</li> </ul>
Hearing impairments	<ul style="list-style-type: none"> <li>• induction loops</li> <li>• sign language interpreters</li> <li>• visual signals</li> <li>• transparent doors or doors with windows</li> <li>• anechoic rooms for less hearing problems</li> <li>• information material available in sign language</li> </ul>
Learning difficulties	<ul style="list-style-type: none"> <li>• easy orientation (e.g. colour or symbol-based orientation system)</li> <li>• easy language</li> </ul>

Many special adjustments are helpful for people without disabilities too. Height-adjustable desks, headsets, automatic doors and elevators can be used by everyone to improve their working environment and to create a better and more relaxing atmosphere. Even anechoic rooms create a more silent and organised working atmosphere that benefits everybody.

There are other aspects that can be kept in mind so that social enterprises encourage everyone to participate: in most countries the social power of people with different genders identities persists. Less women than men are working in high paid jobs or even in full time jobs. Many couples delay having children because of the complexities of working and managing childcare at the same time. This problem especially affects business owners because it is more complicated to take a day off to care for the child. This is a point that FairShares social enterprises and Labs should also respond to. How can they let people of every gender, plus parents and caretakers of sick relatives, participate in their social enterprise or Lab? A good possibility can be to have childcare offers or to offer the possibility to work or learn online if one does not have the possibility to attend the lessons in the Lab in person.

There are many ways to provide assistance for people with the most different needs and not all of them are easy to combine in every social enterprise. The most important issue is to keep an open mind and look for solutions together with the affected persons. They are experts in their own situation and every one of them knows exactly what he or she needs to improve their environment, either as a worker or a customer.

## 4.2 Generating ideas, teams and formulating projects

### 4.2.1 The “Start-up Weekend”

The start-up weekend is a fun, intensive and effective method to generate ideas, teams and find team members in an open short workshop, described in full as a “[start-up weekend](#)”. The approach has been adapted to the needs of the FairShares Lab project, and each project partner can refine it further to suit the place, time, topic, size and characteristics of groups they attract. After a start-up weekend, a FairShares Lab should have ideas and teams ready to enter the lab.

The start-up weekend unfolds over three days (Friday afternoon to Sunday evening). The goal is for individuals or pre-existing teams to create new teams, ideas and start-up intentions:

- **Day 1:** Everybody meets during the afternoon, gets information about the event, schedule, and rules. They generate as many ideas as possible (using a process like OPERA, p. 48) before choosing which idea they would like to work on. Teams form around the ideas. Those who do not like any of the ideas can leave. If they stay, they work up an idea on Day 2 for presentation on Day 3.
- **Day 2:** Everybody works on their chosen idea in a team for as long as they want with all the materials they need, using techniques like appreciative interviewing and learning sets. Food and drinks are available. Experts are around to support and counsel.
- **Day 3:** Teams get their ideas ready to present.<sup>86</sup> Experts in presentation skills can help them articulate their ideas. After technical checks, teams explain their ideas to other participants, vote which to keep then celebrate with everyone else.

Participants do not need more than interest, but it helps if some of them have firm ideas to suggest. You need an open room big enough to work with the number of teams you expect, at least half as many experts to counsel as you have teams, food and drinks so nobody needs to leave, workshop materials, an animateur/facilitator and a team to organize and run the event.<sup>87</sup> Previous experience suggests that experts are easy to find and do not ask for money - their curiosity and desire to work with motivated people is usually sufficient. Most of the effort concerns organising funding, food and drinks.

### 4.2.2 Design thinking task for two

“Design Thinking” is a process for creating user-oriented (human-centred) value propositions and business ideas. The full process can take weeks or months and there are costly training programmes to become certificated design thinking facilitators. However, the principles of the process are easy to understand and are aligned to the work that project partners have already participated in. By following carefully designed phases (see below), project partners can create their own approach:

<sup>86</sup> The questions from the ‘Ideas Workshop’ part of the FairShares Canvass - those in the left-most column - may help with structuring a presentation.

<sup>87</sup> Entrepreneurial incubators where participants believe in the value of competition may wish to recruit a jury and offer prizes to ‘winning’ teams. An alternative, however, is to follow *participatory budgeting* practices and allow teams to vote for each others’ ideas (without any jury or panel) to keep decision-making power with the participants.

- Empathise (getting a deep understanding of the challenge(s) and the human)
- Define (defining the concrete challenge, deciding the characteristics)
- Ideate (creating solutions, ideas, proposals)
- Prototype (building something to demonstrate feasibility, usable with minimal features)
- Test (getting users to test your prototype)

The basic idea is to avoid over thinking solutions on your own, investing time, money and energy only to fail because your solution is one that nobody wants. It is better to start with exploring the human customer, her/his needs, dreams, emotions, situations and beliefs so you can co-create a solution.

Whilst design thinking programmes are promising, fun methods, they may take too long to get to first ideas in a FairShares Lab without a “crash course” based on a 60-minute task for two people that takes them through a design thinking process. By undertaking an intensive process to build a positive relationship around a human-centred solution, it is possible to accelerate the process by which people come together to talk about their challenges, get in touch and strive for solutions. Stanford University have prepared a virtual crash course (‘The Gift Giving Project’), available under a Creative Commons Licence, and described in [this video](#),<sup>88</sup> with an additional [workbook](#).

Based on previous experience, this is a robust, fun way to support participants doing almost everything on their own. It needs only sufficient craft materials, a big room, tables and chairs for each pair, and a small prepared workbook for sketches and notes. The challenge for project partners will be to define the right frame, the right initial question. Like OPERA (p. 48), one leading question defines each session. In the video sample, they are asked to redesign a gift experience. What would it be for us? Redesign a moment of exclusion? In a FairShares Lab, a well-prepared starting point is needed to deliver a crash course in design thinking.

#### 4.2.3 Search, offer, match

There is one other impressively simple method to get people together, generate ideas and develop projects. Invite people to a meeting with an impulse topic (e.g. “what needs to be done in our neighbourhood”, “I want fair trade”, “What is ‘good’ work?”). When they are together, start the event by explaining the rules: each person says their name, what they are searching for, what they can offer. When you recognise a match, start a direct conversation. Around 10 people is enough to catalyse productive conversations, find a match and begin to act or feel inspired. There is no need to complete the cycle of everybody getting introduced to everybody else or remember everybody’s name. The point is to get people to explore and recognise mutual interests quickly, then find unexpected possibilities and allies.

For this, you need a room or situation where people can engage in personal conversation while talking to others. You can set it up like a bar. You will need a way of capturing the ideas, matched pairs and plans before participants leave.

<sup>88</sup> <https://dschool.stanford.edu/resources/virtual-crash-course-video>, Licence: Creative Commons BY-NC-SA, 4.0 International.



## 4.3 Building the FairShares Lab

### 4.3.1 Five dimensions

The process of establishing a FairShares Lab has five dimensions:

- **Space:** Every lab needs a co-working space where people can meet, express and discuss their ideas about working together (whether virtual or physical).
- **Marketing:** Every lab needs to find ways, occasions and opportunities to let people know about the lab, and to join its activities.
- **Learning activities:** There must be activities organised that can get people to develop entrepreneurial competences, and to proceed from ideation to start-up.
- **Participant activities:** There will be activities that the lab's participants need to do, self-assessments, initiating an idea, preparing their application for the lab.
- **Stakeholder activities:** A FairShares lab is built on the fullest possible participation of all stakeholder groups, so marketing will require activities 'for stakeholders' (to invite and involve them in the process).

### 4.3.2 Five phases

Each lab will be established step-by-step over five different phases (see Figure 4.2, p. 59).

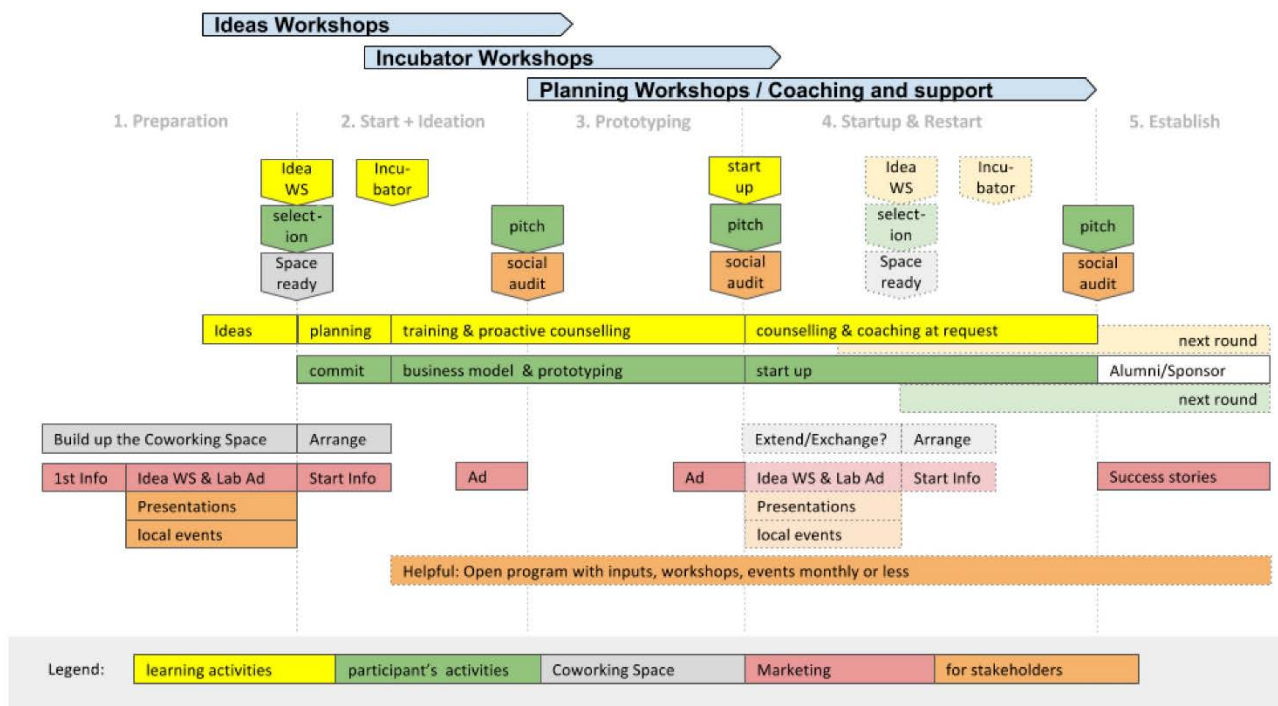
However, the duration and scale of the activities may vary, adapted to local conditions. Figure 4.2 shows the five dimensions and inter-linked phases, and how they relate to each of the workshops (p. 48).

#### 4.3.2.1 Preparation

*Goals: To start the lab, you need co-working space(s), participants, an entrepreneurial learning program, peers, consultants, experts and support resources. So, the first stage aims to acquire and prepare all of that.*

##### Space

To set up a physical temporary or permanent co-working space you need space, tables, chairs enough for the number of teams and participants you want to receive. Some might need special rooms (e.g. ateliers, workshops, storage) which can (but do not need to be) part of your property. You need access to WiFi, electricity, a kitchen, lockable rooms or lockers, a printer, toilets, a training/meeting room, a room for relaxing, chatting and spending free time. In summary, this is a place easy to access, with no or low costs, equipped with everything you need to work, meet, have your meals and breaks. Discuss with potential users whether they would be able and would like to work there. Additional attractive offers would include: low-cost services for bookkeeping; tax management and marketing. These are value propositions that you or others in the property could offer. Furthermore, key features of FairShares (like strong connections to potential users, labour, investors and secondary stakeholders) would add value to a co-working space.

**Figure 4.2 - FairShares Lab process overview**

**“Pitch”** = a verbal or video explanation/advertisement of a FairShares Plan or social enterprise (business) plan to other lab participants, crowd-funding platform members or institutional funders to secure support and/or finance.

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Virtual co-working spaces are similar, but without the physical rooms. They will still facilitate working together, communication, meeting and presenting information to learn and teach each other. Although you need no kitchen, toilets or leisure facilities, prepare all other offers.

## Marketing and Stakeholders

While setting up the co-working space, the lab offers need to be advertised, to potential participants, to multipliers, to consultants and experts, and to persons and organisations that might be relevant for the sustainable establishment of the FairShares lab. At the outset, prepare simple, descriptive, attractive and brief information media<sup>89</sup> so you can start, spread and present it to your target groups. As soon as the co-working space is ready to show, to give an impression of what it will be like, invite target groups to visit it. At information events,<sup>90</sup> you can check the actual demand, get to know early adopters and believers, explain the terms for entering the lab, discuss your concept and vision, collect contacts and potential participants, stakeholders and supporters. The best events make all your guests want to stay and work there, so they recommend it to others. Diverse target groups might need diverse events or creative approaches.

<sup>89</sup> Short facts flyer example: <http://www.werft34.de/?timeline=gruender-setzen-segel>.  
Video teaser example at: <https://vimeo.com/78580223>

<sup>90</sup> See <http://www.werft34.de/?timeline=eroeffnungsveranstaltung> for an example.

## Learning

Eventually, you invite people to the ideas workshop. This might range from a two-hour evening sessions to introduce and use OPERA (p. 48) to generate viable ideas, to an event that lasts several days so that ideas can be worked into plans, teams and fund applications using Open Space and World Cafe workshops (p. 29). The Start-up Weekend can help you achieve several goals. You can come up with teams committed to working on their ideas. You can test out peer-review mechanisms and recognition systems to celebrate good ideas. You can attract consultants and experts who will support specific lab participants and projects while they develop their FairShares idea. With their help, teams can define and finalise how they will use the lab, who will do what and when.

### 4.3.2.2 Start and ideation

*Goals: Get the lab running, participants creating ideas, working in the co-working space, building teams and getting stakeholders involved.*

When participants and ideas have been selected, and the co-working space is ready, the lab can start expanding its operations.

#### Participants

All participants need to meet with lab staff in the co-working space. They need to get to know each other's ideas, expectations, potentials and goals. Everyone needs to explore the space, find and agree places for team meetings and get an impression of how to work there. Introduce lab programmes, offers, duties and goals so they can be discussed and agreed by participants. Some participants may be able and willing to work many hours each week in the co-working space whilst others may prefer to work mostly at home. Some may be highly committed, but unable to invest financial capital because of their responsibilities to job and family.

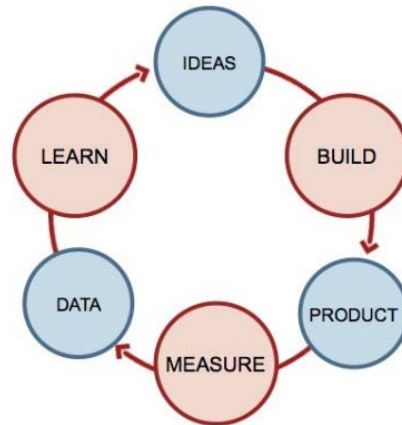
The expectations and limits of the lab and of all participants need to be developed using learning methods (See 2.1.3, p. 29). For the lab, think of the impact of setting 'minimum hours' for lab work, or minimum trainings or consultations to take part in, a maximum time to develop a FairShares plan, a maximum time to get a full stakeholder profile. Decide whether these criteria are applied to all individuals or each team. What consequences would follow a violation (e.g. a reduction in free of charge space or services)? It is important that everyone develops an understanding and attitude that the lab is more than a cheap place to work. Participants are selected, and staff are working to make FairShares flourish.<sup>91</sup> That will take some time. Eventually the lab and every participant or team signs a commitment about offers, duties, properties and goals, a general commitment to participating in the lab. After making a 'qualifying contribution' (something recognised by other lab members), they start working on their FairShares idea, follow their lab plan, build models and test prototypes (Figure 4.3).

Twice in that stage they should pitch their results (verbally or through a video that could become the basis of a crowd-financing campaign). This enables a team to test if their FairShares idea can attract stakeholders. Together they should receive feedback and work together to improve their

<sup>91</sup> FairShares uses the concept of a 'qualifying contribution' (i.e. what a person commits to doing/or does that earns them their right of membership). Psychological studies that show if you ask someone to do something for you, and they choose to do it, they may like you more as a result because they undergo an internal psychological process to justify to themselves that it is worth doing.)

idea. At the same time, they can build valuable networks and secure public attention. These moments are milestones to keep on track or make fundamental changes.

**Figure 4.3 - A learning cycle for product prototyping**



Interpreted from Enigma Swiss Image

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## Space

Participants should be allowed to arrange their individual place of work (e.g. choose how to decorate their table, paint their wall, add an espresso machine etc.). The more they do to create their own space, the more they will endow it. There is a balance to strike: the longer it takes to have it ready, the later will be their progress on their idea. To arrange the social conditions of the co-working space, it helps to initiate some group activities like cooking, eating together, sharing movies or going to sports events.

## Learning

Trainers and consultants meet the teams, get to know each other, develop norms for working together and achieving individual and team goals using co-operative learning techniques (p. 45). This plan aims to focus efforts on all sides and should be monitored and adjusted if needed. It is progressed through incubator workshops that provide training in group development and personal coaching to develop entrepreneurial competences and FairShares ideas. To involve all stakeholders, accelerate development and select the resources, participants should be taught, encouraged and supported to use an iterative create-test-learn cycle (for agile, lean or design thinking shown in Figure 4.3).

## Marketing

When teams enter the lab, start to get to know each other and begin their work, it is a good opportunity to introduce them (as well as the lab and your mission) to the wider public. It offers an opportunity to tell a concrete story, what has happened, what is planned and intended as an outcome. Hence, some months before each pitch, stakeholders need to be attracted and

committed to taking part. While each pitch/video presentation provides an occasion to tell stories and raise public awareness of FairShares values and principles (p. 24), the lab staff and participants are the primary carriers of messages into the public domain.

## Stakeholders

Each pitch, video presentation and related crowd-financing initiative provides excellent opportunities to involve stakeholders and implement the FairShares multi-stakeholder approach. You can plan for several within the lab time allocated to each participant and support the process so that it is an enriching developmental experience. It is best if several interested parties can attend successive pitches by the same lab participant. Teams can invite stakeholders to enrol on the [FairShares Platform](#) and provide feedback to ideas posted in the FairShares Planner.

Parallel to the lab programme, run workshops open to both lab participants and the wider community. Topics can be based on discussion of FairShares itself, cooperative development, social entrepreneurship and CSE (including the skills, knowledge and capabilities needed to pursue them). This can also help gather public attention, stakeholders, knowledge and experience to the lab, widen networks and advance arrangements for peer support.

An effective approach might look like this:

1. Ask lab participants for serious challenges, e.g. fundraising your professional staff or setting the right pricing;
2. Convince at least one of the more experienced participants to introduce/explain how they overcame that challenge (as a case study for others);
3. Agree a date for a workshop and issue an open invitation with a catchy title that identifies the challenge;
4. When the workshop begins, the lab trainer can introduce the general challenge and then hand over to the “real case expert” to introduce their case;
5. In small groups, workshop participants discuss that case, their associated challenges, share their experiences and suggestions;
6. Lastly, the full assembly shares important learnings.

This peer-review method can work without paid experts and has a strong pay off in terms of gaining experience, new partners and improving self-confidence and feelings of competence.

### 4.2.2.3 Prototyping

*Goals: Get participants to test and improve their ideas and work with stakeholders until there is a ‘minimum viable product/service’ available.*

Everything continues as in phase two, but there is a tighter focus on the participant’s work and new offers of lab assistance. Teams finalise their FairShares Plan (using the FairShares Planner) and graduate to building their social enterprise (business) plan in more detail. As time progresses, the coach can (re)introduce more and more questions from the [FairShares Canvass](#) so that team members can craft their responses.<sup>92</sup>

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<sup>92</sup> Teams will have probably fed back on these questions using the FairShares Planner. Further discussion enables team members to populate their FairShares Canvass using succinct language.

They may use feedback from their first pitch and progress from ideation to prototyping (Figure 4.3) so that a minimal viable product or service (MVP/MVS) can be defined. By taking a proactive approach to potential stakeholders, teams can test what will make their product/service viable. In short, they should test the assumptions behind their ideas with someone who (or on something that) can provide feedback about relevant features. The goal is to maximise feedback with minimum physical effort and/or financial investment until MVP/MVS status is achieved. Remember, social enterprise development may involve many iterative learning cycles and ideation activities before MVP/MVS status is achieved.

#### 4.2.2.4 Start-up and restart

*Goals: Help participants prepare a [FairShares Canvass](#) and social enterprise plan by setting out value propositions, business models and operating arrangements. Depending on context, organise crowd-financing activities or opportunities to talk to potential funders. Begin discussions on the best (long-term) choice of legal form.*

The learning activities should change focus. Now the coaching can be more of a service, an offer to meet lab participants needs as requested. Other experts will become more important (law and tax advisers). In this phase, the work is less about the potential of an idea or value proposition, and more about the viability of its implementation and impacts on primary stakeholders.

Once your lab has projects at this stage, the lab program cycle and start again with a call for new lab participants.

#### 4.2.2.5 Establishing

*Goals: Get procedures, programme information, expert advisers, stakeholder groups (i.e. all phases of lab development) settled. Clarify how the lab can continue to work to generate impact.*

By now, it should be clear what a FairShares Lab needs, how it works, what goals its founders can hope to achieve. The task, in summary, is to find solutions and sources of (natural, human, social, intellectual, manufactured and financial) capital that can sustain the lab and its users. That may involve contracting with partners to take over elements of the lab, standardising its service offers to secure sympathetic funding. Lastly, each lab might consider constituting itself in such a way that it can take a minority equity holding in the FairShares lab companies/cooperatives it creates, and/or raise money from local (community-based) investors. The Lab itself could put itself through the process to determine if it too might benefit from reconstituting as a FairShares company, co-operative, partnership or association to help recycle wealth back into lab development.

## 5. Marketing the FairShares Labs

### 5.1 Marketing actions

Marketing is a complex process requiring strategic and tactical planning to set up coordinated sets of decisions and actions leading to the achievement of marketing goals and brand positioning in target markets. Although FairShares Labs have been generated by combining Living Labs concepts with the FairShares Model to produce an innovative, multi-stakeholder and multi-method approach, it is important to make a clear distinction between these two concepts.

The marketing plan for FairShares Labs will focus on communicating the idea, approach and the concept of applying the [FairShares Model](#) through:

- Five values and principles
- Six key questions
- Five learning and development methods
- Four legal choices
- Seven technology platforms and
- European cooperation and operability

At the same time, it will promote and communicate the benefits of [FairShares Labs](#) to be set up in all partner countries and with European scope. Marketing actions will be directed towards clearly segmented and targeted groups (Table 5.1) based on key drivers for each of the target groups on local, regional, national and European level:

#### a. Business/political actors

- Potential Funders
- Advisers
- Politicians

#### b. FairShares stakeholders

- Founders
- Labour
- Users
- Investors



**Table 5.1 – Target groups, drivers and messages**

Target group	Main drivers	Message to be communicated
<b>1. Business/political actors</b>		
Potential Funders	<ul style="list-style-type: none"> <li>• Innovative platform</li> <li>• Clear social purpose</li> <li>• Sustainable approach</li> <li>• Return on investment</li> <li>• Clear rules</li> </ul>	It is a safe and socially desirable platform and a way of doing business
Business Advisers	<ul style="list-style-type: none"> <li>• Innovative platform</li> <li>• Clear social purpose</li> <li>• Sustainable approach</li> <li>• Space for co-creation</li> </ul>	It is an opportunity to participate in the creation of new economy concepts and models in a European context.
Community leaders / Politicians (local and regional)	<ul style="list-style-type: none"> <li>• Innovative platform</li> <li>• Clear social purpose</li> <li>• Solving local problems</li> <li>• Adjustable to local needs, resources and development potentials</li> <li>• Creating jobs (low investment)</li> <li>• Involving local stakeholders</li> <li>• Sustainable approach</li> <li>• Return on social investment</li> <li>• High visibility</li> <li>• Compact service/all-inclusive approach</li> </ul>	<p>The FairShares Model works – it provides an efficient, multi-stakeholder, fair platform for creating jobs/solutions for local communities.</p> <p>It offers networking opportunities with others, especially at a European level.</p>
<b>2. FairShares stakeholders</b>		
Founders	<ul style="list-style-type: none"> <li>• Innovative platform</li> <li>• Clear social purpose</li> <li>• Sustainable approach</li> <li>• Return on investment</li> <li>• Clear rules</li> </ul>	<p>I can create and use my know-how.</p> <p>I can have European (international) contributors</p>
Labour	<ul style="list-style-type: none"> <li>• Sustainable approach</li> <li>• Participation in decision making process</li> <li>• A fair share of profit distributions/surpluses</li> <li>• Good working conditions</li> </ul>	I can contribute, participate in management and be a co-owner. I can contribute at a local or European (international) level.
Users	<ul style="list-style-type: none"> <li>• Sustainable approach</li> </ul>	I can be a part of something valuable by simply buying products/services at a local or European level.
Investors	<ul style="list-style-type: none"> <li>• Sustainable approach</li> </ul>	I can make a change through meaningful social investment on a local or European level.

### 5.1.1 Key words

The key words and phrases that need to be communicated through the implementation period of the project so that the FairShares Lab becomes recognisable through those words are:

- FairShares Model
- FairShares Labs
- FairShares Platform
- Social impact
- Integrated approach
- Value-driven approach
- Social enterprise governance model
- Experiential learning
- Accountability
- Self-managed teams
- Participate in a safe investment

### 5.1.2 Messages

The main messages that need to be communicated to stakeholders, target market groups and to all other interested parties are as follow:

- **The FairShares Model works** – it provides an efficient, multi-stakeholder, fair platform for creating jobs
- **FairShares Lab know-how** - all-inclusive resource/support centre providing know-how, tools and guidance through FairShares Model implementation
- **FairShares Platform innovation** – experiential learning platform providing know-how and potential partners/investors and opportunity for transnational and European cooperation.

## 5.2 Market segmentation

Market segmentation is a process of dividing a market of potential customers into smaller groups – segments – based on different characteristics (demographics, geographic, behavioural, interests, lifestyle etc.). It is used to better target marketing efforts and create a marketing mix which is adapted to consumer needs and desires. For this project, a multi-segment strategy will be used, focussing marketing efforts to several target groups.

At the same time, respecting the different framework of social economy development, the trends and challenges partners are facing in their countries, several different approaches will be used in dissemination and outreach processes. To reach project goals and objectives each partner will use specific tools in their on-going programs (membership in related networks and existing networks of expertise, projects, premises). That way, different approaches will be tested and lessons learned shared through the evaluation process.

### 5.2.1 What are the main target groups? How to reach them?

In Germany VSBI and KHuF will utilise existing community centres/FairShares Labs and involve different target groups they already work with using direct marketing tools. That way the most vulnerable groups will get an opportunity to actively participate in the application of the FairShares Model to new/existing initiatives. Main target groups include: senior citizens, migrants, people with disabilities, local citizens and refugees. At the same time intermediary organisations, adult learning experts and business advisors will be reached through direct marketing tools, public events and FairShares Labs Newsletter. Both partners will use their links to related organisations to get the multiplier effect and reach wider target groups.

In the Netherlands, Elephant is targeting elderly people as well as refugee job seekers as the most vulnerable groups. Both groups will be reached indirectly through several intermediary organisations and referred to FairShares Lab services. The Elephant will utilise their partnership network such as medical centres, health insurance companies, labour agencies and refugee organisations as well as local governments in the targeted regions to reach the target groups and also actively participate in the process.

In Hungary where the FairShares Model is still a novelty, main target groups will be reached through intermediary and support institutions such as the University of Pecs, municipalities, Chambers of Commerce, job centres as well as civil society organisations and local entrepreneurs. They are seen as potential founders and investors while other stakeholder groups are to be found among local entrepreneurs, job seekers, entrepreneurs and wide citizen groups.

In Croatia, where Slap has been promoting the FairShares Model as a concept for several years, this project will help take the entire process to the next level. Slap is reaching vulnerable groups through several related networks (such as Croatian Rural Development network, CEDRA HR, Ethical Funding Cooperative, Local Action Groups). Prime vulnerable groups are young unemployed, women, people with disabilities and minorities. At the same time Slap will involve different stakeholders of several on-going social enterprise development projects to test and integrate the FairShares Model into their ownership and governance practices.

On the other hand, Social Enterprise International having an enabling environment for social enterprises and already existing FairShares practices. They can adopt a more direct outreach approach targeting existing social enterprises, especially ones that restructure economic relations to improve access to goods and services needed by vulnerable groups (minorities, migrants, unemployed, people with disabilities and others). SEi will also include individuals in corporates, individuals in companies and the sharing economy to take on roles in FairShares initiatives (founders, labour, funders). In the UK, there is a substantial pool of social enterprise advisers who will also be invited and get an opportunity to participate in FairShares Lab co-creation.

## 5.3 Market approach

Our entire marketing approach will be based on providing target groups with an opportunity to participate in co-creating something new, using a value-based platform for creating solutions for local communities. It needs to be an equal value proposition for all the primary stakeholders. The FairShares concept at its core provide a platform for the fair sharing of responsibilities, investments (in time, funds, purchasing power) and participating in the fair sharing of results (profit sharing,

access to benefits, participation in investment decisions and the allocation of wealth to community projects). All target groups can be involved to the level of their interest and participate in a role of their own choosing, whilst getting a fair and relevant return on their investment (time, money, social networks). As an open platform, it is in constant development depending on projects, communities and people involved. They are all contributing to the application of the FairShares Model in social enterprise development and will have the sense of ownership. That way, we will create a wider community of FairShares enterprises, communities, labs and advisers.

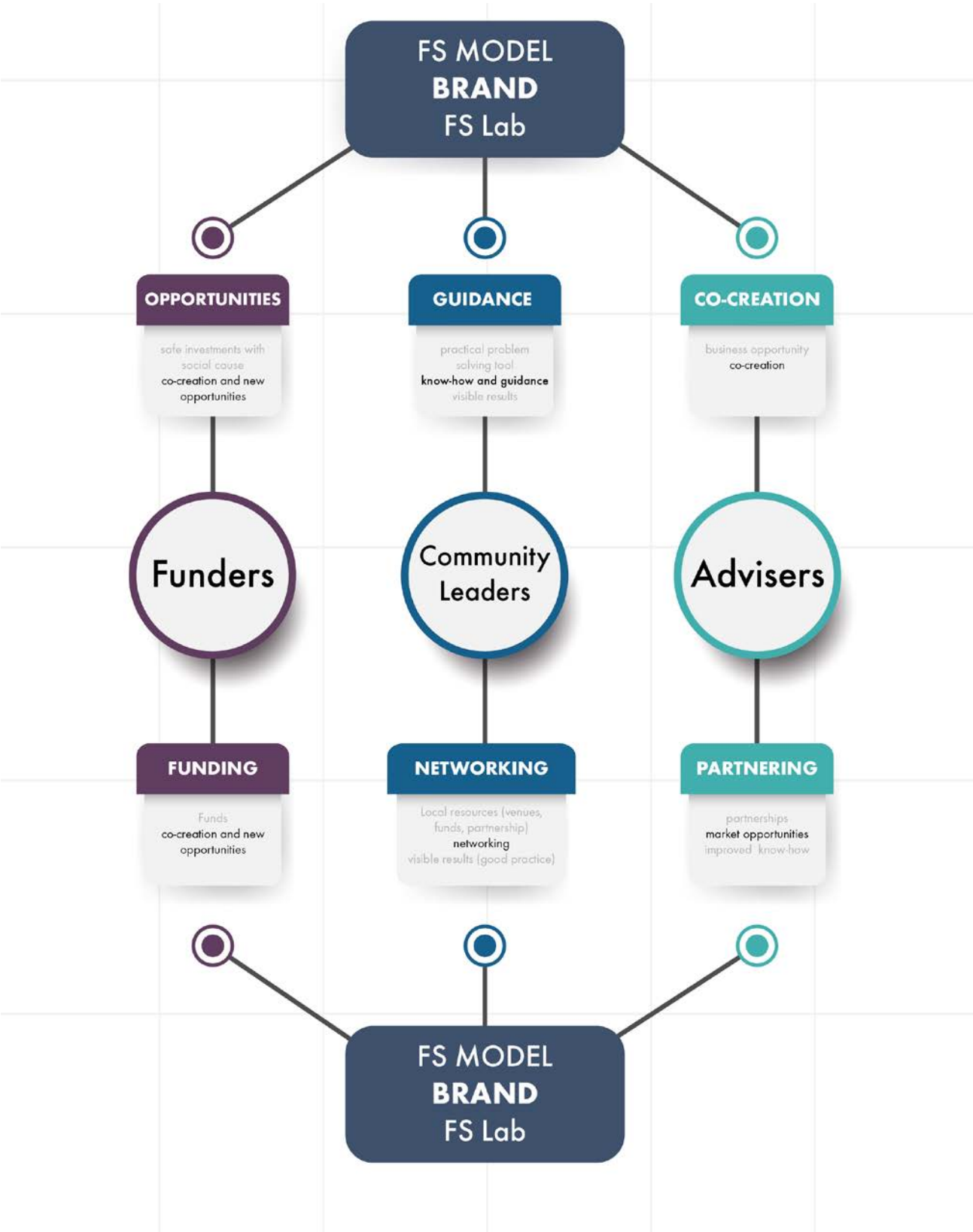
#### 5.4.1 Marketing communication tools

To reach the targeted markets in the most effective way (see Figure 5.1 and Table 5.2), various marketing tools will be used as an integrated package. Thus, the features and benefits of the FairShares Lab brand will be communicated in a coordinated way ensuring consistency in sending the message to each of the target groups. All five major marketing communication tools will be practiced using an Integrated Marketing Communication (IMC) approach:

- **Advertising** – reaching wider audience and building brand image
- **Sales promotion** – incentives to enhance buyers to take an action (try or buy)
- **Personal selling** – building trust and relationships
- **Direct marketing** – personal approach building relationships
- **Public relations** – building desirable image with the wider audience

As for the limited budget, preferably non-cost or low-cost methods will be used utilising the intangible resources of the project partners (professional and social networks, volunteer work, links to media and different communities).

Figure 5.1 – Value chain and main drivers



**Table 5.2 - Integrated marketing tools**

IMC Tools	Description	FairShares Lab (location)
<b>Advertising</b>		
On-line marketing	Using Google Adds to direct potential users to FairShares Lab Platform	Germany, Hungary, The Netherlands, UK, Croatia
Content marketing	Creating useful content (models, canvas, presentations) and make it available through various webs and platforms	Germany, Hungary, The Netherlands, UK, Croatia
Social Media	Using Facebook (info, news, contacts and links to FairShares Platform)	Germany, Hungary, The Netherlands, UK, Croatia
<b>Sales Promotion</b>		
Customer sales promotion	Premiums – offering additional services for free or at discounted price	Germany, Hungary, The Netherlands, UK, Croatia
Special offers	Creating specialized packages for different thematic groups	Germany, Hungary, The Netherlands, UK, Croatia
<b>Personal Selling</b>		
In-person sales	FS members and promoters approaching target groups and presenting benefits of the FairShares Model, FairShares Lab and FairShares Platform use	Germany, Hungary, The Netherlands, UK, Croatia
Internet sales	Using e-learning Platform to reach target groups – sell products and services	Germany, Hungary, The Netherlands, UK, Croatia
<b>Direct Marketing</b>		
Direct mail	Using FairShares Lab stakeholder list sending regular info on project development, best practices and thematic discussions to the target groups	Germany, Hungary, The Netherlands, UK, Croatia
Newsletter	FairShares Newsletter to be edited and distributed to the target audiences with well-designed content for different target groups	Germany, Hungary, The Netherlands, UK, Croatia
Direct sales	Using already established contacts to create an offer and present it to the target stakeholders in person (each partner within their respective regions)	Germany, Hungary, The Netherlands, UK, Croatia

IMC Tools	Description	FairShares Lab (location)
<b>Public Relations</b>		
Media relations	Using local and regional media to bring the story on FairShares Lab and promote best practices	Germany, Hungary, The Netherlands, UK, Croatia
Speeches on events	All project partners participating at related events and presenting the FairShares Lab model of learning	Germany, Hungary, The Netherlands, UK, Croatia
Publications	Using and making available various FairShares Model related publications	Germany, Hungary, The Netherlands, UK, Croatia
Voluntary work	Initiating and providing know-how to various local initiatives offering FairShares approach	Germany, Hungary, The Netherlands, UK, Croatia



## 6. Annexes

### Annex 1 - Country contexts

Each country report considered “The state, developments, opportunities and challenges of social economy (including the Blue Economy, Living Labs and FairShares enterprises) in the partner’s host country (Germany, Croatia, Hungary, Netherlands and the UK).

#### Methodology

Each partner was asked to prepare a short report on the definition and legal frameworks for social enterprise, significant trends, challenges and opportunities that might enable FairShares (FS) development, and the regions or areas where FairShares Labs (FSLs) might be located. Their work included a consideration of the environment for Blue Economy, Living Labs and FairShares Model (FSM) development in each country. Each partner undertook their own desk research to answer the following questions:

- 1) To what extent do social enterprises exist in your country and what understanding is there about them? What are the most popular **definitions**? (1 page)
- 2) What **legal framework** exists for the social economy to operate? Is there useful data relating to social/blue economy, (e.g. number of businesses (entrepreneurs), employed staff, involved employees, customers, turnover and evidence of any new developments)?
- 3) What **significant trends** are relevant to the FairShares Labs (FSLs) project? What makes the FSLs innovative, interesting and necessary in your country?
- 4) What are the **main challenges** for FSLs (and social, blue, FS enterprises) in your country?
- 5) What are the **opportunities** for FSLs (for social, blue and FS enterprises) in your country? What goals can be achieved within this project?
- 6) In what **regions and areas** will FSLs be located and why? What will be the target groups and how will they be attracted in terms of their location, demographics or economic activity?<sup>93</sup>

The unedited results (often much longer than the brief asked for) were saved together, collated, compared, edited and interpreted by Professor Rory Ridley-Duff (Social Enterprise International Ltd). The results of the editing were then sent to their original authors for final checking before preparing Annex 1 in the main IO1 report.

**This document shows the *final edited* text for all countries (also available separately).**

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<sup>93</sup> Reported in IO5.

# Croatia

## Definitions and State of the Art

In Croatia, 'social economy' is used as a synonym for 'solidarity economy' and defined as a wide range of economic activities taking place in the space between the market (private), the public (state) and the non-market (non-profit) sector. The aim of the social economy is the creation of social and economic benefits to society, although some scholars use the term to explain the variety of third, non-profit and voluntary sector activities. It is mainly understood as aligned with the values and principles of the sustainable economy (triple bottom line) and the social enterprise movement in its wider sense (accepting multiple stakeholders, with a strong emphasis on co-operatives and traditional associations).

In recent years, CEDRA HR has started using and promoting the term "eco-social economy" to stress the green and environmental aspects of sustainable development. It has adopted an inclusive attitude to parties who are community-based and follow solidarity principles, such as social enterprises, social enterprise support organisations, ethical banks, co-operatives, social co-operatives, community development and civil society organisations, networks, solidarity groups, local action groups and foundations.

In 2014, the Good Economy Co-operative initiated a Good Economy conference in Zagreb. This is an international gathering of social economy actors every spring, who work to promote values and models of good economy (See [www.dobra-ekonomija.hr/](http://www.dobra-ekonomija.hr/)). Good economy is defined as one that supports a decent quality of life for the entire community by creating lots of opportunities to satisfy needs without endangering others. The idea extends to taking responsibility for nurturing solidarity, using and sharing resources in a fair way while respecting the need to make a sustainable ecosystem. One key conclusions from the 2017 Good Economy Conference was:

"As good economy models spread trust and solidarity, sustainability and responsible production, democratic principles and participative approach, areas where good economy models are being practiced have a better chance of successfully passing through crisis periods and preserving the basis for a decent quality of life."

In Croatia, social enterprise has been officially defined within a national strategy (2014 – 2020) as a business activity based on principles of social, environmental and economic sustainability, where the profit/surplus is entirely or partly reinvested for the benefit of the community. At the same time, a social enterprise is defined as any legal entity engaging in continuous economic activity that can prove its business model is aligned to criteria for defining social enterprises.

These criteria include:

1. A social entrepreneur accomplishes a balance of social, ecological and economic objectives through business;
2. Social enterprises carry out the activity of producing goods, commodities or services to earn profit through market exchange while having a positive impact on the environment, local community and society as a whole;
3. Social enterprises create new values and achieve financial sustainability by raising at least 25% of revenues through business activities within a three-year period;

4. A social enterprise reinvests at least 75% of revenues or surpluses earned from business activities to realise their business objectives;
5. Social entrepreneurship is characterised by voluntary and open membership and a high degree of autonomous action. In the Republic of Croatia, local and regional government bodies, or a public authority, cannot be the sole founders of a social enterprise;
6. Social enterprise is characterised by democratic decision-making processes, and the process of decision-making is not exclusively a right of ownership or membership, but also includes key stakeholders: workers, beneficiaries or consumer and associate organisations;
7. Social enterprises monitor and evaluate their social, economic and ecological effects and impacts;
8. Social enterprises that close must transfer their property to another social enterprise with the same or similar business objectives, or to a local government body that will use it to support social enterprise.

Table 1 shows a range of progressive organisations in Croatia who may be interested in the FSM and provide support for FSLs.

**Table 6.1 – Key social economy support organisations (Croatia)**

Name	Acronym	Website	Activities
Cluster for Eco-Social Economy and Innovation	CEDRA HR	<a href="http://www.cedra.hr">www.cedra.hr</a>	CEDRA HR supports eco-social innovation and development through a network of support centres for existing and potential social entrepreneurs. It provides information, education, consulting, liaison and networking activities for people, organisations, institutions and communities with the same or complementary goals, values and endeavours.
Co-operative for Ethical Financing	CEF	<a href="http://www.ebanka.eu">www.ebanka.eu</a>	<p>CEF is the first ethical bank (E-bank) in Croatia, a member of the European Federation of Ethical and Alternative Banks (FEBEA) with the goal of registration with the Croatian National Bank.</p> <p>The investment areas of the E-bank will be:</p> <ul style="list-style-type: none"> <li>• agriculture, especially ecological agriculture and renewable energy;</li> <li>• small and medium sized companies in manufacturing, processing and professional services;</li> <li>• computerization and new technologies;</li> <li>• social enterprises / start-ups.</li> </ul>
Social Innovation Lab	SIL	<a href="http://hkkkki.eu/">http://hkkkki.eu/</a>	SIL promotes the concept of social innovation in the Western Balkans and is a constantly growing network of motivated and enterprising representatives of the academic, public, private and civil sector, promoting the concept of social innovation. It creates an environment that stimulates support for the development and application of social innovations.

Impact Hub Zagreb	HUB Zagreb	<a href="https://zagreb.impacthub.net">https://zagreb.impacthub.net</a>	HUB Zagreb is a space and community of entrepreneurs and social innovators that offers resources, inspiration and collaboration opportunities. Impact Hub Zagreb offers its members, individuals, companies and organisations a co-working space with wireless internet access, a private talk room, meeting room, printing and copying capability, combined with access to a local and global community of change makers.
Institute of Social Sciences Ivo Pilar	(based in Zagreb)	<a href="http://www.pilar.hr/">http://www.pilar.hr/</a>	Ivo Pilar is a public institute that has developed a comprehensive network for cooperation with foreign and local institutions, organisations and researchers including international and regional governmental organisations, institutions, associations and NGOs. It undertakes scientific research in the field of social sciences and humanities.

## Legal Framework

In Croatia, the legal framework does not recognise social enterprise as a separate legal entity. It is understood as a business and governance model that can be organised within the existing legal forms as a limited liability company, an NGO or a co-operative. A distinction is made between social enterprises registered as a Ltd company, operating within the NGO sector, operating as a social co-operative or within the remainder of the co-operative movement.

Relevant acts of law that influence the development of the social economy include:

- Act on Associations, OG 70/97, 106/97, 88/01, 11/02, 74/12
- Act on Co-operatives, OG 36/95, 67/01, 12/02, 34/11, 76/14
- Act on Foundations, OG 36/95, 64/01
- Act on Social Welfare Institutions, OG 76/93, 29/97, 47/99, 35/08
- Company Act, OG 152/11, 111/12
- Act on Vocational Rehabilitation and Employment of Disabled Persons, OG 143/02, OG 33/05, NN 157/13
- Act on Public Procurement, OG 90/11, OG 83/13, OG 143/13
- Act on the Promotion of Small Business Development, OG 29/02, 63/07, OG 53/12, NN56/13

Source: Vidovic & Baturina (2016) *Social Enterprise in Croatia*, ICSEM Working Paper No. 32.

Co-operatives have a long tradition in Croatia and are quite well organised through a Centre for Co-operative Entrepreneurship. There are precise statistics on membership, employment, turnover and profit within Croatian co-operatives. The Croatian 2016 Annual Report shows 1,218 active co-operatives registered, with 20,483 members creating 2,595 jobs. Most co-operatives are active in agriculture and forestry (41%), while others cover food processing, fisheries, construction, trade, tourism and other services. Collectively they had revenues of €216.95m (0.5% of GDP).

On the other hand, there is no official register for social enterprises as they are not recognised as such in law. All statistics gathered are based on mapping research done by support organisations such as Association for Creative Development Slap (Waterfall), CEDRA HR, Institute of Social Sciences Ivo Pilar and ACT Group. According to research from 2015 by the Ivo Pilar Institute, only 90 social enterprises fall within the criteria of the national strategy. Their research was based on earlier research on social entrepreneurship in Croatia done by Slap and CEDRA HR (2011 – 2013). Their study provided an analysis for 2013 and 2014.

Legal entity	Year 2013	Year 2014
Associations (48.9%)	45	44
Co-operatives (34.4%)	36	31
Companies (14.4%)	13	13
Institutions (2,22%)	1	2
TOTAL:	95	90

In the year 2013, a total of 95 social enterprises employed 784 persons, while the number of employees in 2014 slightly grew to 795 which were employed by the total of 90 legal entities. The annual revenue for the related social enterprises in the year 2013 was €25.1m with a small decrease to €23.8 in 2014.

Source: iPRESENT project 2015, Institute of Social Sciences Ivo Pilar

## Trends

Currently there are several trends in Croatia that may influence the environment for SE development and FairShares:

- **being innovative** – embracing a wide spectrum of innovation in the social sphere
- **being green** – businesses, platforms, coops that prefix their activities with ‘eco-’
- **co-working spaces and hubs** – developing in big cities mainly targeted at young entrepreneurs and social enterprises
- various **cooperation platforms** created around international projects or **networks** that develop common funding opportunities (most of them with no clear common goal or agenda thus not sustainable in the long run).
- **EU funded projects** - run by government institutions and development agencies

Unfortunately, the biggest trend in Croatia is the large number of young educated people leaving the country to look for jobs, career opportunities and a better standard of living. Most of them go to Ireland and Germany. Similarly, rural areas are being left without educated people due to internal migrations towards big urban areas. The government’s reaction has been to introduce an inefficient and expensive employment subsidy which – instead of creating new jobs – provides subsidised short term (4-12 months) employment.

## Challenges

### The existing support infrastructure is ineffective

There is a support infrastructure around regional development agencies, business centres and incubators heavily funded by government (national, regional and local) or the EU. Most of these

are not efficient as the key staff are employed and delegated through different political parties regardless of their professional profile and experience. They preferentially assist organisations and businesses that fit their politics.

CEDRA HR, on the other hand, is a cluster of resource centres for social enterprise. It does not have sufficient funds to provide an on-going support service to either social enterprises or other stakeholder groups. As this project is not securing funds for the operation of FSLs, Slap and CEDRA HR will need establish a more sustainable business model for its operation.

### **Social enterprises with and without support**

Social enterprises are facing many problems such as:

- not being recognised as social enterprises
- not having access to funding
- no support infrastructure (know-how, funds, access to the market)
- the public not recognising the existence and benefits of the social economy
- not having a visible impact on local economies
- no proper support to boost or scale up.

### **Croatian Legal System not a good Fit for the FSM**

In Croatia there are no specific social enterprise legal forms and the only relevant document is the National Strategy for SE development. At the same time, legislation on co-operatives and associations is not adjusted to FS principles of equal participation in governance and profit distribution to all main stakeholder groups. The FSM could be only organised in the legal form of a limited liability company using a measure of creativity, or in partnership rules that fit the rights of founders, investors and labour. It is still challenging to meet the voting and profit sharing rights of users.

Therefore, legal and financial experts will need to be involved into creating and testing specific governance models including a set of internal contracts and regulations to fit FSM principles.

The main challenges for further social development are as follows:

1. To ensure sufficient and systematic financial support for social enterprises that have ideas/products/services and the capabilities to survive in a market;
2. To improve tax measures and reliefs for social economy actors according to examples of successful practice in Europe;
3. To open the public procurement system to social economy actors in accordance with examples of successful practice in Europe;
4. To introduce social impact measurement after an in-depth analysis of its various models and their applicability in a diverse context to social enterprises in Croatia;
5. To integrate and implement education on social entrepreneurship in the Croatian education system at all levels;

6. To make social entrepreneurship visible to the public, and therefore appropriately evaluate social enterprises and
7. To create legal and institutional frameworks for social enterprise as a new legal entity to create the foundation for more creative governance models.

## Opportunities

### Rural Areas

Slap is already active ***covering specific rural areas***. It is active primarily by involving local action groups (LAGs) as generators of local development. In many cases, it includes local governments which are open to innovative approaches and are willing to test new models. Nevertheless, it would be crucial to have other local actors (NGOs, businesses, entrepreneurial individuals) leading the entire process and having LAGs as providers of space, facilitation, access to funds and decision makers.

We may be able to use available EU grants and the government's employment subsidies to help ***existing social enterprises*** reorganise their governance structure and fully apply the FSM. Slap has already assisted at least 15-20 social enterprises at various phases of development so there is trust. About half a dozen social enterprises have the capacities to apply the FSM.

### Goals to be achieved within the FSL project

1. To further promote the FSM and use of the FS Platform
2. To establish a FSL in Osijek and Zagreb (possibly in Split) and make them operational
3. To train 3-5 FSL mentors/experts to be available to FSL beneficiaries
4. To apply the FSM to the establishment of at least 2 FS companies in Croatia



# Germany

## Definitions and State of the Art

Social economy and entrepreneurship have a long tradition in Germany linked to the works of Friedrich Wilhelm Raiffeisen and Herman Schultze-Delitzsch. They were social reformers and founders of cooperative businesses and gave their name to the movement in Germany in the 19<sup>th</sup> century. Over time, social enterprises (SEs) have started to work in different fields like education, social and health care services, kindergardens, social inclusion, sustainability, environmental and consumer protection. Unlike countries where the social economy is associated with production (such as France and Spain), in Germany it is often identified in terms of social-welfare businesses, mostly provided by “Wohlfahrtsverbänden” (welfare federations) and their member organisations.

Their legal basis and rights are protected in the German Grundgesetz (constitution): they are counterparts to public authorities with their own responsibility for social affairs within “social welfare state principles”. Based on the subsidiarity principle, the state transfers the provision of social welfare services (e.g. youth, people with disabilities, unemployed, seniors, care etc.) initially to the “not for profit” sector and the social and welfare organisations. With the liberalisation of the market, some private and “for profit” SEs have become involved too. As financial regulations have changed, with less emphasis since the turn of the century on paying for these services through the state or public social insurances (care, healthcare), there has been a corresponding change from a cost recovery mindset to one of based on charges, market rules, cost-benefit ratios and business management. This trends has occurred in both the “not for profit” sector and welfare businesses.<sup>94</sup>

The Centre for Social Investment (2013) report that the social economy in Germany involves more than cooperative businesses and social welfare activities. It has developed from the traditional Third Sector in areas and industries financed by the welfare state. New and socially innovative cooperatives and businesses are now competing with traditional and well-established welfare organisations. As a result, they are starting to introduce established business and management tools whilst also seeking to be socially innovative.

In public and expert groups, there is agreement to adopt the definition of SEs from the European Commission's Social Business Initiative:

A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities.<sup>95</sup>

The Centre of Social Investment (2013) (p. 5) developed a further, more detailed, definition of social entrepreneurship that includes:

- SEs that take an innovative approach to help achieve public welfare goals in more effective or economical ways;

<sup>94</sup> Centre for Social Investment (2013) *Social Entrepreneurship in Deutschland – Potentiale und Wachstumsproblematiken*, p. 3.

<sup>95</sup> KOM (2011), 682 final, p. 2-3.

- SEs with a transformative impact;
- SEs that create new approaches to achieving sustainable welfare benefits.

Furthermore, social entrepreneurship involves:

- a basic orientation towards addressing social and ecological issues using social innovations and market-based income.
- Innovative third sector organisations (TSOs), even if they do not have market-based income;
- performance oriented TSOs, even if they are not especially innovative (e.g. provider of care-/health care services, kindergarden, care of children/youth/people with disabilities),
- and market-oriented organisations who are copying and adapting fair trade and sustainable consumption.

The last three are subsumed under a new category. From these definitions, the research report defines three main criteria for social entrepreneurship in Germany (p.4):

- A focus on solutions for social and ecological problems (public welfare approach)

This distinguishes them from regular commercial companies who support public welfare objectives through their profit distribution policies.

- Innovation

This is important for the political attractiveness of social entrepreneurship in the mind of the public. Innovation in social services that provide preventive strategies, or which are using voluntary resources, reduce long term dependence on public budgets to get higher quality services. Market-based approaches target self-help capacities through investment and knowledge transfer and/or bind themselves to higher ethical and ecological standards (e.g. fair trade, alternative energy).

- Performance-based income

This distinguishes SEs from civil society organisations (e.g. NGOs and foundations) which exist through donations and fundraising. Many SEs work in regular (pre-existing) markets and are generating incomes (e.g. fair trade, alternative energy and ecological agriculture). Other SEs contribute to quasi-markets in social services and care/healthcare. The SEs are paid fixed fees from public authorities for services that meet quality and quantity standards.

Birkhölzer et al. (2015)<sup>96</sup> have defined four historical types of social enterprises in Germany, similar to other European countries, based on criteria relating to economic activities, social aims, profit distribution and participatory governance:

1. Economic self-help and mutual assistance;
2. Charitable help for others;
3. Philanthropy and corporate giving; and
4. Community initiatives and civic engagement.

They see new movements alongside these four traditions “but the reasons for their emergence and the historical contexts in which they appeared are different”. New organisations such as work

<sup>96</sup> Birkhölzer, K., Göler von Ravensburg, N., Glänzel, G., Lautermann, C. and Mildemberger, G. (2015) “[Social Enterprise in Germany: Understanding Concepts and Context](#)”, *ICSEM Working Papers*, No. 14.

integration enterprises, volunteer agencies and enterprises, self-managed enterprises, self-help initiatives, socio-cultural centres, work integration companies, local exchange and trading systems and neighbourhood and community enterprises have emerged *outside* established co-operative and welfare support systems.”(*ibid.*, p. 11)

Birkhölzer et al. (2015) identified in their report (p. 11) three notable movements of SEs, which, on the one hand are “*reflecting ... on the older traditions*” and on the other hand “*trying to learn from successes and failures and creating new variations*”:

1. First, the foundation of new SEs caused by inadequate and insufficient social or public services for childcare, care for the elderly, health and safety, education and training, social housing, urban and rural environment;
2. Secondly, SEs as instruments to fight mass unemployment and social exclusion, and;
3. Thirdly, SEs as instruments of local (urban as well as rural) development.

These three demonstrate that SEs have both a long tradition and contemporary importance in Germany, and that developments and definitions share similarities with other European countries.

## Blue Economy and Living Labs

The understanding of ‘blue economy’ in Germany is mostly related to a sustainable maritime economy. In the context of FairShares Labs (FSL), there is no native understanding of a social-ecological and sustainable approach to blue economy in Germany. It is subsumed under the social economy in general. This contrasts German understandings of Living Labs, which have a more detailed scientific/research informed definition that constitutes a further approach.

A Living Lab is a user-centred, open-innovation and social ecosystem that creates common learning spaces and an environment to search for innovations within a public-private-people partnership. The number of Living Labs in Germany are not countable but many of them are dealing with technical and/or web-based innovations on social and ecological questions that matter to the future welfare of society. For example, this includes (amongst others) concepts for ambient assisted living, new mobility and urban development.

The European Network of Living Labs lists only three active (and twelve inactive) labs in Germany. It is not clear whether these are inactive in their role as member organisations or completely inactive. On Wikipedia, the article gives 14 as the number of Living Labs in the region of Baden-Württemberg. This is also the region in which public funds support Living Labs.

A detailed understanding of the FSM is new in Germany and will be published and supported by the partners of the FSL project. A definition in German was not available to the public before this project published a brochure. The best practices identified in IO1 show how the Raiffeisen-movement adopted some FairShares concepts. This agricultural movement includes producer cooperative that have social and financial commitments. However, companies in Germany with more than 2000 employees also have a *co-determination* approach to governance (which regulates for an equal number of labour and owner representatives on the supervisory board). In cases of stalemate, the president (who is typically a representative of the owners) has a casting vote. Co-determination rights in metal and coal-mining industries, however, are different. In this case, there is strict equality in executive board and supervisory board representation. Any stalemate triggers calling in a neutral person agreed by both sides. This person has the final vote.

The authors do not know of an example where clients/consumers have a share of the business with the exception of cooperative banks (Volks- und Raiffeisenbanken), cooperative housing and football clubs. In the Bundesliga, the 50+1 rules means that customers (fans) must be majority shareholders (Bundesliga.com notes two exceptions to this general rule).<sup>97</sup> Further to this, some SEs constituted as associations can admit providers of labour as members.

## Legal Framework

In Germany, there is no specific law for SEs or social economy. Regarding the enumeration of types of old and new SEs, we can identify some specific laws for the different legal forms. These laws focus on the legal basis and statutes of SEs, the tax laws and permissions granted to them as businesses (Gewerberecht = commercial law). Most of the popular SEs are registered as associations (“e.V.”) or companies with limited liability (“GmbH”) and as registered co-ops (“e.G.”).

### Tax law

SEs (whether associations, foundations, co-ops, limited (GmbH) and joint-stock companies) can apply for the status of “not for profit”, “for public benefit” or “charity” dependent to their statutes. This status can also be held by churches and welfare federations with specific objectives. The differences are important for the reporting and the disposal of donations.

The German “Abgabenordnung (AO), Article 52” defines a positive list of objectives which are accepted as “for public benefit”. These include a range of social purposes but also culture, sports and much more. The result is that these organisations are exempted from corporation tax and trade tax generally. However, these ‘not for profit’ companies must organise their bookkeeping and their business activities under four different categories: charitable activities, asset management, primary purpose trading (called Zweckbetrieb) necessary to achieve charitable objects and secondary trading “for public benefit”.

Income sources in the ‘not for profit’ sector like donations, membership fees and primary purpose trading must be fully disclosed and 90% of profits must be treated as a ‘restricted fund’ to reinvest in their objects or activities “for public benefit”. However, income from asset management and secondary trading can be placed in ‘unrestricted funds’ to fund additional activities or events. Even so, secondary trading must not dominate a not-for-profit organisation’s activities, nor are they allowed to use profits from charitable activities and primary purpose trading to cover losses from their asset management and secondary trading activities. The profits from secondary trading are subject to corporation and trade tax if profits exceed €5,000 per annum.

Many service offers can be made free of VAT. In the so called Umsatzsteuergesetz (UStG) (Article 4), there is a list of purposes and business activities which are free of taxes, or which have a reduced tax level of 7% compared to the normal level of 19%. This arrangement also includes some primary purpose trading as well as related businesses. However, most secondary trading will attract VAT if turnover exceeds a limit. Each enterprise/organisation must combine all activities on which VAT is payable across over all four categories of activity. The tax-free limit for so called “Kleinunternehmer” (small enterprises) is €50,000 annual turnover, providing the year is under

<sup>97</sup> See <https://www.bundesliga.com/en/news/Bundesliga/german-soccer-rules-50-1-fifty-plus-one-explained-466583.jsp>, retrieved 1<sup>st</sup> July 2018.

€17,500. All enterprises must prepare a tax return based on their legal status. Specific information is described in the sections below.

## **Commercial Law (Gewerbeordnung)**

Article 1 of the “Gewerbeordnung” (GewO) stipulates the right and freedom to undertake any kind of enterprise. For most enterprises, only registration is needed. However, some need specific regulations because of rules on labour and consumer protection (e.g. a bank business) or to protect professional ethics (e.g. lawyers, architects, tax advisors). Such regulations apply whether the organisation is ‘for profit’ or ‘not for profit’. This applies particularly to health and care services, services for children and young people, sheltered workshops, homes for people with disabilities and senior citizens. These need to meet regulatory requirements set by local and regional governments. They cannot operate without health/social care insurances.

## **Company laws, other relevant laws and legal types for social enterprises**

### **a) Welfare Federations and Associations**

Welfare federations have a constitutional basis and are organised as associations. Associations are one of the most widespread legal forms in Germany (Federal offices counted 600,000 in 2015). Seven people are needed to found an association, and they are legally defined in the Civil Law Book (BGB, §§ 21 continued). The ‘charitable’ associations must have ‘charitable’ objectives plus, a democratic structure with a minimum of two association bodies, a members’ assembly and a board which take legal responsibility. However, not all registered associations have a charitable purpose and therefore not all of them seek “charity” or “for public benefit” status.

German law also provides for *economic* associations. However, because of complicated registration issues it is rarely used. Charitable associations cannot have the objective of undertaking commercial trading in mainstream markets, but many of them (particularly those with social purposes, or which niche- or quasi-market orientations) can engage in primary purpose trading (called Zweckbetrieb). This trading is designed to support the objectives of the association, alongside commercial trading that has a minor role.

### **b) Registered Cooperative (eingetragene Genossenschaft)**

The founding of a “eingetragene Genossenschaft” (e.G.) needs statutes and a minimum of 3 founders. The e.G. must be registered in the register of cooperatives. Drawing on norms for associations and companies, the governing bodies of a e.G. include an executive board, a supervisory board and a general assembly. Members are liable up the value of their (cooperative) shares and the e.G. is liable to the extent of its assets. Co-ops must be members of an external auditing organisation which is covered by a specific law (“Genossenschaftsgesetz”). The objectives of an e.G. are expressed in terms of meeting the needs and interests of their members. In the case of for-profit co-ops, members receive interest on their shares. Co-ops can secure ‘charity’ and ‘for public benefit’ status if their objectives and membership are consistent with the law on public benefit organisations (e.g. providing health care, education or the social inclusion of its members). Co-ops would be a good alternative to associations when creating SEs.

### c) Company with Limited Liability (Gesellschaft mit beschränkter Haftung)

The “Gesellschaft mit beschränkter Haftung” (GmbH) form is popular. There are more than 1m of them in Germany. One or more shareholders, who can be natural or legal persons, can found or own a GmbH. The minimum capitalisation in Germany is €25,000. Managing directors must observe many restrictions and accept personal liability, especially in cases of financial crisis. There are trading laws specific to GmbH (Handelsgesetz).

If the objectives of a GmbH fulfil the requirements of corporation tax law (Abgabenordnung, AO), it can get “for public benefit” or “charity” status. Because the AO does not allow for “charities” or “for public benefit” enterprises to distribute profits to private persons as shareholders, there is a sub-type (“gemeinnützige GmbH”) which is used by associations which are “charities” or “for public benefit” to own subsidiary enterprises. However, “parent organisations” could also be GmbHs, foundations or stock companies creating a wide range of choices for SE development. The GmbH is often used in the social welfare sector to create separation between subsidiary enterprises and their parent organisations where economic risks are high. The GmbH has no requirement for a democratic structure like the association. This allows more entrepreneurial freedom to run as a business. For social enterprises without the status of “charity” or “for public benefit”, this may be a good approach if shareholders want some profits distributed to them.

### d) Stock Companies (Aktiengesellschaft)

Stock companies called “Aktiengesellschaft” (AG) have a minimum of €50,000 share capital. It also has two governing bodies: an executive board and supervisory board. The shareholders meeting has less power than the general assembly of an association or co-op, and even the shareholder meeting of a GmbH. The AG also allows changes in shareholders much more easily than in a GmbH and their disclosures regarding shareholders are not as public as for GmbHs. It *can* be a legal form for companies that are SEs, particularly it seeks eligibility as a “for public benefit” or “charity” enterprise. In respect of trading, the AG follows the same rules as a GmbH through compliance with Handelsgesetz (HGB) and Aktien-Gesetz (AktG).

### e) Foundation (Stiftung)

Foundations have no members. They set out in their statutes both their purposes and the way they will be achieved. Foundations can only distribute profits (surpluses from trading and investments) to beneficiaries, and tax laws vary as they do for associations based on whether their beneficiaries are ‘private’ or aligned with laws for the recognition of ‘charity’ or ‘for public benefit’ status.

## Other legal options

There are other legal arrangements to support SEs in Germany. If ‘for public benefit’ or ‘charity’ status is important (to generate donations or specific public grants) there is an “Unternehmergesellschaft” (UG). For this legal form, the founder(s) do not need a capital stock and liability is limited to the assets of the UG. Profits can be retained until the UG reaches the level of capitalisation required for a GmbH.

## Trends

It is difficult to get data about number of social entrepreneurs, staff employed in SEs and their turnover levels in Germany. Different sets of data need to be evaluated in relation to different definitions of SE. Below, we present data from two sources. The first comes from “The Social Economy in the European Union” (CIRIEC, 2012).

In 2009/2010, in Germany, employment, membership and volunteering in the third sector was estimated at:

- 830,258 in 7,415 co-operatives, with 20,509,973 members
- 86,497 in 328 mutual companies
- 1,541,829 in 102,393 other associations, with approximately 23 million volunteers.

**Figure 6.1 – Social economy breakdown (Germany)**

### THE SOCIAL ECONOMY IN GERMANY

**Table 6.15 (\*)**

Cooperatives and other similar accepted forms	Mutual companies and other similar accepted forms	Associations and other similar accepted forms
- All cooperatives (1) (2009: 830,258 jobs 7,415 enterprises 20,509,973 members) Of which: - Cooperative banks (2009: 168,000 jobs 1,197 enterprises) - Agricultural cooperatives (2009: 103,000 jobs 2,994 enterprises) - Industrial cooperatives (2009: 35,000 jobs 97 enterprises) - Consumer cooperatives (2009: 15,000 jobs 166 enterprises) - Housing cooperatives (2009: 26,258 jobs 1,869 enterprises) - Other cooperatives (2009: 483,000 jobs 1,092 enterprises)	- Mutual companies (2010: 86,497 jobs 328 entities) (2)	- Non-statutory welfare associations (2008: 1,541,829 jobs 708,523 full-time; 833,306 part-time) 102,393 entities) (3) 23,000,000 volunteers
830,258 jobs 7,415 enterprises 20,509,973 members	86,497 jobs 328 entities	1,541,829 jobs 505,984 entities 3,000,000 volunteers

(\*) Source: G. Lorenz & K. Birkhölzer (Technologie-Netzwerk Berlin) and U. Tiburecy (BAGFW).

(1) Cooperatives Europe, Intermediary Report, 2009

(2) ICMIF

(3) BAGFW - Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege e. V.

Other sources give the following data: For associations and similar, Anheier et al – Destatis / CSI (2011) give (2007) 2,284,410 jobs and 104,855 entities for the *dritter Sektor* ("third sector").

Source: CIRIEC, 2012, p.57.



As total employment is 2,458,584 out of a total working population of 38,737,800, 6.35% of working people are employed in co-operatives, mutuals and associations (p. 47/8). This is a 21% increase on the figure from 2002/3 of 2,031,837. Furthermore, 34% of the country's adult population (24,065,072) were engaged as volunteers (p. 51). The main employers in the cooperative economy are banks and agricultural producers.

The 2013 CSI report on SE points out that there is no trustworthy database available to count SEs. Only data for the third sector as a whole is available (which excludes SEs in a for-profit market relationship and may include social organisation that do not trade). As there are no links available to qualify their social and/or public welfare orientation, or their commitment to social innovation, accurate figures cannot be given. However, they do claim that:

- SEs turnover less than €250,000 in 50% of cases (categorised as small companies). A small minority turnover more than €5m / annum.
- The number of staff is inversely reciprocal to the number of volunteers.
- Most SEs work locally within Germany.
- There are higher concentrations of SEs in public social services (paid by public authorities through social welfare federations)
- Some 'for public benefit' and 'charity' GmbHs have a high turnover.

The reports differentiates between a wider and narrower definition, with a high five-digit number of SEs when using the wider definition, and a small four-digit number when using the narrow one.

Lastly, we look at the published data of six welfare federations in Germany for the year 2012 (Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege, 2012, p. 14). They publish that 105,295 entities/services with 3,702,245 places/beds employ 727,694 people full time and 946,167 part people part-time. This covers health/health care, youth, family, elderly/seniors services, support for people with disabilities, in special situations, training centres and others.

GDP for the social economy is estimated by Friedrich et al. (2012) at 7% (estimated at €165 billion), slightly higher than the employment rate of 6.35% (indicating economic efficiency). The executive summary (p. 9), shows SE (in its narrow definition) is a young movement, but that the existence of older movements show that SE is not a new phenomenon.

Social entrepreneurship is increasing, especially in cooperatives and GmbHs that apply for 'charity' and 'public benefit' status, as well as 'intrapreneurial' endeavours to create new business lines in existing enterprises. In Birkhölzer et al. (2015) it states that:

"the group of younger social economy movements has been emerging since the 1960s and 1970s, alongside the new phenomena of crises caused by transformation processes to a post-industrial society." (p. 15).

The author and the two German project teams recognise these arguments and see the trends in their own research, work experiences and consultancy work with SEs and social entrepreneurs. There is increasing activity within the sharing economy, the social economy and sustainable production (with consumers as co-designers or co-producers in new collaborative ventures).

Several developments in Germany indicate a growing interest in alternative, multi-stakeholder organisational structures and enterprise models. These include:

1. (New) Participatory urban developments -> these projects are searching for new sustainable business models.
2. The 'economy of common interests' -> a new business movement started in Austria and spreading to Germany (regular enterprises agree to re-invest a part of their profit in projects with a social and sustainable purpose, structuring balance sheets to show the orientation of the enterprise towards this new model of economy).
3. Holocracy -> a multi-stakeholder approach that is also a new trend in Germany.
4. Sustainable Development Goals (SDG) -> political and practical initiatives to create stronger local establishments, share of prosperity and encourage participation.
5. The political goal to substitute decreasing public funding of social activities by dissolving the barriers between for-profit and non-profit organisations when they seek entry into the market economy. Regular enterprises shall support public welfare and social purposes (e.g. through corporate social responsibility) and welfare businesses focus on better financial and management skills.
6. Registered cooperatives are gaining a profile for meeting the demand for fair participation in enterprises, ethical products and alternative business models (e.g. [Fairmondo](#)).
7. The sharing economy is emerging to challenge classical business models of buying or leasing by allowing the *sharing* goods and services. The objective is a mix of sustainable production with sustainable consumption.

The new "Bundesteilhabegesetz" (participation law) states that everybody should have the possibility to participate in all fields of everyday life. On the other hand, most disabled people are still working in separate places or are unemployed (at double the rate for people without disabilities). One reason is that many companies still feel uncomfortable hiring people with special needs out of a fear that they will not perform as well as "normal" workers. Companies lack awareness of state funds to pay for necessary equipment and medical support to help with hiring a person with special needs.

FSLs can provide information on how to fund equipment and medical support for people with different needs. Also, people with and without disabilities still rarely have contact with each other due to separate school and work systems for both groups. FSLs bring them together to help them get to know each other and break down social barriers. FSLs are a way to help create a society where everybody can live in equality, without prejudice, and workers and customers can feel comfortable with whatever need he or she has.

## Challenges

Many organisations claim to have a social impact, whether solving customer needs, providing products or services classified as welfare, taking corporate social responsibility, or focussing on social and sustainable impact on a structural systemic level. Because it is not possible to objectively decide which problems and impacts are inherently social, it depends on both perspective and concrete criteria. This is a task we have to solve in FairShares Labs. Our proposed solution is to use social auditing (with an embedded commitment in FairShares Model

rules). This asks the members of each FairShares enterprise to take responsibility for determining which problems and impacts are important to them. Objective standards do not, and should not, apply (except at the level of principles and processes). Local interpretations of problems and impacts guide the social auditing process. Our responsibility is not to define evaluation criteria, but to ensure that social auditing is taking place (with enforcement – if at all - at the level of process only).

The idea of a FairShares economy has similarities with the tradition of a cooperative commonwealth, or a network of partnerships. Cooperatives have a long tradition in Germany, but there are differences between western regions and new regions created after reunification. Cooperatives in eastern Germany had a poor image after WW2 because of the forced restructuring of the economy into co-ops. After 1989, only housing co-ops were saved and retained a positive image. Most 'forced' co-ops were dissolved. The eastern regions can be served by a pilot FSL in the city of Erfurt.

Fortunately, a new movement of co-op businesses and the idea of 'economy for the common good' appeals to a new generation in Germans in the east. They were born in the 80s and 90s, but are not yet familiar with the idea of a FairShares economy, nor is it well known or popular in other regions. However, social equality and justice are important issues not only for the younger generation but also people segregated on the basis of their disabilities, employment status, education, location or other kind of difference.

When it comes to building inclusive FSLs and FS projects, one of the biggest challenges might be accessible buildings and the cost of adapting equipment. Another challenge will be to find and fund staff to assist members (such as sign language interpreters and working assistants). Whilst they should be paid by the public authorities, it can be problematic to convince public institutions to pay for them.

## Opportunities

The trends and challenges described above indicate that there are opportunities for FSLs and FS enterprises in Germany. The new trend of the sharing economy, the strength of the social economy and the trend towards sustainable production (including co-production where consumers are also co-designers or co-producers) offers opportunities for FSLs. Taking a FS approach, it is possible to bring these trends and movements into clusters and create an effective movement. There is a societal need for alternatives to traditional economic thinking. In FSLs these alternative models can be developed, tested and integrated with existing approaches to add to the diversity of approaches to (social) entrepreneurship.

There are certain proposals and movements that try to foster social impact. A growing scene for this is social entrepreneurship label. Several labs, associations, institutions and legal actions promote, initiate and support social start-ups. It drives exchange and bridges the gap between for-profit and for-welfare organisations. Business ventures try to improve social impact and NGOs try to act in a more entrepreneurial way and generate profits (surpluses). The movement has several segments, like eco-entrepreneurship that focusses on ecological impact, cultural entrepreneurship that focuses on participation in arts and culture. Social businesses selling goods/services in open markets need to generate profits (surpluses), whilst welfare businesses need to secure a blend of public and private funding.

The focus on impact is currently dominant in this field. Other aspects such as fair working conditions, wealth sharing and participatory governance that gives a voice to the labour force and users (customers) still lack recognition and are in need of improvement. FSLs can support social start-ups and develop a holistic 'common good' business model with appropriate organisational structures, which implements additional values and principles that complement the focus on social impact.

### Three examples

#### a) FSLs as a process to support the social inclusion of people with disabilities

The new "Bundesteilhabegesetz" (participation law, Social Law Book IX) states that everybody (people with disabilities in a further definition) should have the possibility to participate in every field of everyday life. Most people with disabilities are still living in institutions, getting services from welfare federations, are excluded from the labour market in sheltered workshops, or are unemployed (at a rate twice as high as for people without disability). Services are mostly paid for through a quasi-market system in which public authorities directly purchase from providers. The receiver of the services is not involved in the system of contracts, not does it control either the quality or payment systems used by purchaser (public authority) and provider (welfare federation). Services are often not client-centred, nor economically viable. People with disabilities are segregated and cannot be an active part of civil society or engage in entrepreneurship. FSLs can and will empower people with disabilities to become part of the emerging culture of social entrepreneurship that facilitate the pursuit of new opportunities.

Another important in Germany is that people with and without disabilities rarely have contact with each other due to separate school and working systems. FSLs can be a place for them to come together, get to know each other and break down social barriers. FSLs can be an effective way to create a society where everybody can live in equality and without prejudice, where every worker and customer can feel comfortable whatever their need.

#### b) Bio / organic goods and the better and healthier live

Mainstream markets are more open to products that do not harm nature, or which avoid the use of synthetic ingredients that may harm customers. The production cycle can be organised to prevent ecological harm and preserve its resources. With organic labelling, there are many ways to communicate this (no animal torture, no genetic modifications, sourced from cows that live in open fields and green spaces). The opportunities for environmentally friendly products are part of the possibilities and opportunities for certification and quality management. Labels can help customers buy products that reflect their ethical standards. Customers can play a fuller role, by reflecting the diversity of the challenges and compromises needed to make products that are good for the environment. Customers can lose trust in a label (its certification criteria and quality system) if it does not match their ethical expectations. For this reason, the FSM can contribute to maintaining a quality system by giving a voice to customers and users. Positive social impact can be assisted by enabling producers to provide goods according to criteria set by a labelling system. They can help to implement ethical production, improve ecological outcomes and create greater social impact.

c) New cooperative housing like “Mietshäuser Syndikat (apartment house syndicate)”

To more fairly share power and resources, an innovation has occurred in the housing market. There is a popular solution called “Mietshäuser Syndikat” in which an association becomes the owner of a building or apartment. Everyone who rents space (living space or apartment) are members of the association and they decide and manage the house together. The association organises the required financial support. Because financial resources are separated from the members renting a room and all members have equal voting power. The network of these associations - the syndicate - is also a member of *each* local association as well. They mostly have a passive voice, a veto, that secures the house and keeps it off the real estate market. Another similar example is the Trias Foundation which buys houses and land for a group of people who want to keep their property off the commercial market. It then use the purchase as communal property and sets fair prices for its users.

FSLs can be incubators of new housing initiatives that adopt the FSM to underpin their SE model. FSLs can help to include people with different abilities in the job market and society. Its projects can offer everyone the possibility to work in ways they want. In FSM-based enterprises, it is possible to include people with disabilities from a target group as Labour or User members. If the enterprises are accessible and provide them information (e.g. in braille and sign language in addition to normal written material) then more people will benefit from the products that each enterprise offers.

# Hungary

## Definitions and State of the Art

There is no single and widely accepted definition of social enterprise in Hungary, nor is there a unified regulatory framework. It is also common to use the term without defining it. Moreover, the word “social” can be translated in two ways: as *szociális* or as *társadalmi*. The term “social enterprise” can thus have different translations. *Szociális* has a narrower meaning, referring to social mostly in connection with financial and welfare-related issues. *Társadalmi*, on the other hand, means “connected to society”. Though the narrower term (*Szociális*) was often used in the past, experts have recently started using the wider term (*Társadalmi*), thus emphasizing that the phenomenon is broader than a focus on employment and welfare-related challenges.

The concept of social entrepreneurship is not widely used across Hungary. The term itself was initially introduced in the second half of the 1990s by a few international development organisations focusing on social enterprises and social entrepreneurs. Relevant actors in the non-profit, private and public sector did not take much notice until recently. Based on the country report to the International Comparative Social Enterprise Models project (ICSEM)<sup>98</sup>, the expressions “social enterprise” or “social entrepreneur” are becoming better known in the country and there is a growing interest among development professionals, academics, leaders of non-profit organisations, public officials and even representatives of the business sector. In scientific and public discourse, the terms most widely used describe socio-economic organisations that are not specifically connected either to the for-profit or public sector. The concept of a “non-profit sector” and “civil society” gained recognition after the regime change and “social economy” entered public discourse at the time of EU accession. “Community enterprise” and “community development” are often related to local or rural development while “corporate social responsibility” (CSR) has been used to a certain extent. There are often no (or only minor) differences between the Hungarian and international definitions of these concepts.

In the new Hungarian Partnership Agreement for 2014 - 2020, the term “social enterprise” is explicitly used. An official definition was created for the first time in 2015, nearly ten years after it entered scientific discourse in higher education institutions. There has been a university course on social enterprise since 2006. As a result, the social enterprise concept is currently becoming more relevant in Hungary. Several social enterprises have been established and are in operation. Furthermore, support for the social economy and for social enterprises is expected to play an increasingly significant role in the future, especially as part of Hungary’s Europe 2020 strategy. There are varying traditions with definitions that influence the trajectory of social enterprise:

*Non-profit organisations (NPOs)* must meet three main criteria:

- they must not distribute profit;
- they must enjoy operational autonomy and be organisationally distinct from the state;
- they must be institutionalized as independent legal entities.

<sup>98</sup> Feteke, E., Hubai, L., Kiss, J. and Mihaly, M. (2017) ‘Social Enterprise in Hungary’, *Working Papers*, No. 47, Leige: The International Comparative Social Enterprise Models (ICSEM) Project.

Still, the most important characteristic here is the prohibition of profit distribution. The term “non-profit sector” is frequently used by researchers and policy makers to describe this group of organisations.

Civil sector and civil society organisations (CSOs) are other widespread terms. They are most commonly used by experts and traditional civil society organisations themselves. The concept of civil society (re)emerged in the 1990s but since its meaning is similar to the non-profit sector, both terms are used interchangeably in public discourse and policy documents. The most crucial element in CSOs is serving the common good through the active involvement of citizens and democratic participation.

The concept of *social economy* emerged in Hungary from 2000 onwards, mainly in connection to Hungary's accession to the European Union. It is used by policy makers and researchers in the field. Social economy organisations operate at a local level, between the public and market economy. They react to local needs left unsatisfied by private companies and public institutions by providing employment, generating income with the intention of becoming self-financing over time. A proportion of their revenues come from non-public sources (such as private philanthropy or market income) and their target groups include the long-term unemployed, early school leavers with employment difficulties, women responsible for caring for children, the elderly, people with disabilities or who struggle to integrate socially. The main motivation of social economy in Hungary, unlike countries such as France and Spain, is to overcome deficiencies of social policy and provide new opportunities for the relief of hardship.

There is no database or recent representative study on social enterprises in Hungary. Existing literature mostly analyses statistics related to the non-profit sector for specific legal forms, but not social enterprises. Studies also discuss qualitative case studies or are based on small samples for quantitative research. This makes any description of the sector in terms of the number of enterprises, their size, main activities and target groups unreliable. But despite the confusion, Hungarian definitions do exist. The main meaning of social enterprise is one that emphasises the financial sustainability and innovation of the enterprise. Social entrepreneurs are described as “extremely talented, creative and innovative personalities who are working with exceptional strength and determination, dedicating their talents to a wide range of solutions to social problems, taking on an active role in society” (Ashoka, 2015)<sup>99</sup>.

Lastly, there is the co-operative sector, which has seen both growth and contraction due to changes in the laws for co-operatives. There was a history of ‘forced collectivisation’ between WW2 and the 1980s which tarnished their reputation, but since 2006 there has been considerable growth in social co-operatives. Today in Hungary there are about 5,000 co-operatives (half of which are social co-operatives) with 1.8 million members and 800 billion HUF turnover. Their distribution is: 46% services, 28% agriculture, 17% industry, 6% commerce, 2% tourism and 1% other. Their core activities are reported as: community organising, member services, common consumption models, exploiting local conditions, market niches and innovation (Association of Social Co-operatives, SzOSzÖV, 2017.)

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<sup>99</sup> In theory terms, ASHOKA represents the ‘social innovation’ school of thought in a Hungarian context.



## Legal Framework

In 1989, the Law on the Right of Association was adopted, legally guaranteeing freedom of association. This was followed in 1990 by the abolition of a regulation on permits to found foundations and associations accompanied by new tax laws that allowed tax free donations to them by individuals and corporations. These new regulations led to growth of the third sector and the revival of traditional civil society organisations (CSOs).

The second half of the 1990s and first half of the 2000s were characterized by the further institutionalisation of the non-profit sector. There was the adoption of the 1% personal income tax law, in 1996, which widened the public's right to have a say in decisions about supporting CSOs. The Public Benefit Act of 1997 created the category of "public benefit and outstanding public benefit organisations", which made the activities of the organisations - instead of their legal form alone - the basis for defining whether an organisation qualified as a public benefit entity. Further initiatives included the 2002 Civil Strategy, the main principle of which was that the state should regard autonomous civil society as partners, followed by the creation of the National Civil Fund, in 2003, which aimed to provide financial support to NGOs. After the EU accession, the Act on public interest volunteer activity (2005) determined the content of volunteering and the legal guarantees of volunteer labour, and made it possible for CSOs to include in their accounts voluntary help or the reimbursement of the costs incurred by volunteers.

In 2006, the concept of "non-profit company" was introduced alongside non-profit limited partnerships, general partnerships, limited liability companies and corporations. The aim of the new regulations was to make it possible for former public benefit companies to become non-profit companies without changing their ownership structure (Act V of 2006). Many non-profit companies are thus the "successors" to previous public benefit companies founded by public entities to perform public services. In this sense, they are not traditional CSOs, but public service spin outs. Also in 2006, the social co-operative legal form was introduced. These organisations can obtain public benefit status but have more freedom to carry out business activities than NPOs (associations and foundations). After the introduction of social co-operatives, the growth in the number of NPOs stopped and social economy became more significant in public policy.

The situation changed in 2010. A new administration took a less pluralistic, more paternalistic attitude towards civil society organisations. The new Civil Law of 2011 settled certain legal relations (e.g. principles of cessation previously unregulated) and redefined public benefit status. However, it also "raised many questions, resulting in uncertainty and confusion among CSOs on how to adapt to the new rules" (USAID, 2013: 2). Individual tax incentives for charitable giving disappeared but corporate tax incentives remained. In 2013, a New Civil Code introduced sanctions for debts when terminating an association.

The situation for co-operatives improved in Hungary after 2006. Act X was introduced to create a new framework and the social co-operative movement grew rapidly. This was modified in 2012 (Act XXXVII), and again in 2013 (Act V of 2013 Civil Code). Over time, the relative freedom and flexibility of the law of co-operatives has been eroded. Since 2013, social co-operatives have been able to include legal persons (such as local government and NPOs) amongst their members, even if not actively taking part in the activities. In December 2016, the law was further amended to make the inclusion of institutional members compulsory for all social co-operatives, increasing the influence of the state and local governments in social co-operatives, decreasing their

independence and compromising ICA Principle 4 (Autonomy). Social co-operatives are no longer required to be grassroots organisations – they can be initiated by public sector actors.

Lastly, on June 13, 2017, a law on the Transparency of Foreign Funded Organisations started to require associations and foundations that receive more than 7.2 million HUF (around 20,000 EUR) in international support (not including EU funding) to register as foreign-funded organisations, prompting civil society experts and activists to comment that the law is unnecessary, stigmatising and harmful, and will have negative consequences for the third sector in Hungary.

In summary, there are different legal forms that Hungarian social enterprises can take. According to most recent data by the Hungarian Central Statistical Office, in 2015, there were 18,003 foundations, 31,354 traditional CSOs, 2,995 non-profit companies, and 4,577 co-operatives (of which 2,500 are social co-operatives).

## Trends

There is a long history of social entrepreneurial activities connected to non-profit and co-operative sectors in Hungary. The current situation is shaped by social and economic changes after the regime change in 1989, and accession to the European Union. There is now explicit support for social enterprise, and a first official definition in a policy document calling for applications to develop the social enterprise sector. This sets out a definition under which an organisation with the following characteristics can be considered social enterprises:

“non-profit and civil society organisations that have viable economic goals in addition to their social objectives; the profit of their business activities is reinvested for social objectives; and they implement the principle of participatory decision-making in their budgets and organisational functioning” (Ministry for National Economy 2015)

The programme intends to support non-profit organisations and social co-operatives that contribute to the employment of disadvantaged, unemployed and inactive people through their activities - traditionally expected to be carried out by the state.

Table 6.2 shows six major models of non-profit and for-profit social enterprise in Hungary that can be distinguished by their legal form, sectoral affiliation, social aims, field of economic activity and impact on employment. However, state programmes that target social enterprises consider for-profit legal forms - with the exception of social co-operatives - as ineligible for support. Organisations entitled to support include non-profit companies, social co-operatives, foundations and associations conducting business activities, where they contribute to the employment of disadvantaged, unemployed and inactive people (Ministry for National Economy 2015: 6).

**Table 6.2 - Main characteristics of Hungarian SE models**

	Public service provision SE	Enterprising CSO	Work integration CSO	Local development community enterprise	Social start-up	Solidarity economy initiative
Legal form	Association, foundation, non-profit company, social cooperative	Association, foundation, non-profit company	Association, foundation, non-profit company, social cooperative	Association, foundation, non-profit company, social cooperative	Beside non-profit legal forms, for-profit company and cooperative	All legal forms as well as informal groups
Sectoral affiliation	Close ties to the public sector	Close ties to civil society	Close ties to civil society	Close ties to local authorities	Close ties to the private sector	Close ties to civil society
Aim	Public service provision	Gaining extra income for the sustainability of the organization	Employment of the target group, providing economic benefits	Integrated local development	Realizing a socially useful, innovative idea	Promoting solidarity-based economy
Field	Social welfare, public utilities, employment	Social welfare, culture, environmental protection, etc.	Agriculture, social welfare, culture, environmental protection, communication	Any activity that fits in the local economic system	Culture, environment, IT, transportation	Alternative solutions in all fields
Employment	Important goal	Not a major goal	Important goal	Important goal	Not a major goal	Not a major goal

Source: ICSEM report: Social Enterprise in Hungary 2017

The social co-operative is the only legal form in Hungary intended specifically for social enterprise. They are organised according to three principles: care for others and the community, responsibility and solidarity. In Hungary, all non-profit organisational forms and social co-operatives can acquire public benefit status. The availability of different legal forms means that social enterprise groups can operate different legal entities together.

## Challenges

Supported employment and public work have long constituted an important source of income for work integration social enterprises (See ‘Public service provision social enterprises’ and ‘Work integration CSOs’ in Table 1). Supported organisations receive funding to employ underprivileged people but might not be able to maintain these jobs when the funding comes to an end. Without support, the third sector is not currently viable. Non-profit organisations in Hungary has long been characterized by excessive financial dependence on state and EU resources (which are now decreasing). The lack of local, corporate and individual donors and the small number of other possible resources means that the third sector in Hungary faces constant difficulties, particularly if small or starting up.

There is a “public employment” policy for long-term unemployed, particularly in regions where work opportunities are limited. Support is provided by the highly controversial public work programme (which eschews more empowering active labour market policies, such as training, support for entrepreneur wages or travel allowances). However, public employment does reintegrate participants into the primary labour market. It acts as a “trap-like” programme creating a feudalistic system. Hungarian governments have long considered public work an important tool for

employment generation through the completion of tasks in the public interest by the central state and local governments. Since 2011, the National Public Employment Programme has focused on achieving reintegration, in the labour market, of the highest possible number of workers, rather than focusing on the long-term, social aspects of inclusion. In contrast, market-oriented 'social enterprises' with social aims and sustainable business models remain relatively rare and are not sufficiently visible to the broader public.

## Opportunities

From 2014-2020, significant EU resources have been available to Hungary (the *Széchenyi 2020 Programme*) through ten operational programmes with a significant role for social enterprises. There are also international and domestic *private foundations* which have directly focused on social enterprise in Hungary for many years. Social enterprises have been supported by various key organisations in the past and opportunities for financing, professional assistance and networking are available today. Certain financial and other for-profit institutions have also been active in relation to social enterprises. These institutions typically offer funding, business education, pro bono consultancy and expert support as part of CSR activities.

There are several networks and communities supporting certain types of social enterprise. The National Association of Social Co-operatives was founded in 2010 and has 44 member organisations. It represents and promotes the interests of social co-operatives in legislation and other public decision making. The National Association of Charity Shops was founded in 2014 by 10 founding organisations operating 19 shops. The National Association of Social Enterprises was formed in 2015; it aims to represent its members' interests, and its economic development activities support members' entrepreneurial activities, particularly through promoting their access to markets. There are also fairs, conferences and programmes to facilitate networking; the most important of which is Social Enterprise Day (an annual fair for social enterprises organised by NESsT and National Employment Non-profit Ltd).

To sum up, besides the key role of the state (which focuses on non-profit organisations and social co-operatives that contribute to the employment of disadvantaged, unemployed and inactive people), certain non-governmental actors from both the non-profit and for-profit sector have financial or professional support activities targeting social enterprises and have played an important role shaping the development of the sector.

# Netherlands

## Definition

Social enterprising in the Netherlands (NL) is mainly seen as being an entrepreneur with a social mission. Another multilingual statement is that “social entrepreneurs seek innovative solutions to social challenges. Like any other company, a social enterprise supplies a product or service and has a profit model. Making money is not the main goal, it is a means of achieving the mission. The purpose of the social enterprise is to create social added value, also called impact.”<sup>100</sup>

Besides social enterprise, we talk in NL about corporate social responsibility (CSR). CSR means that companies are responsible for social problems such as air pollution, climate change, working conditions or aging. CSR begins with companies trying not to add to these problems. It is based on taking care of people, planet and profit. Others who go one step further contribute to solving these problems. Socially responsible companies therefore ideally consider the social impact of their activities. That applies to our entire business process. CSR is conceived as an integral view of the core business of the company. There are three kinds of CSR:

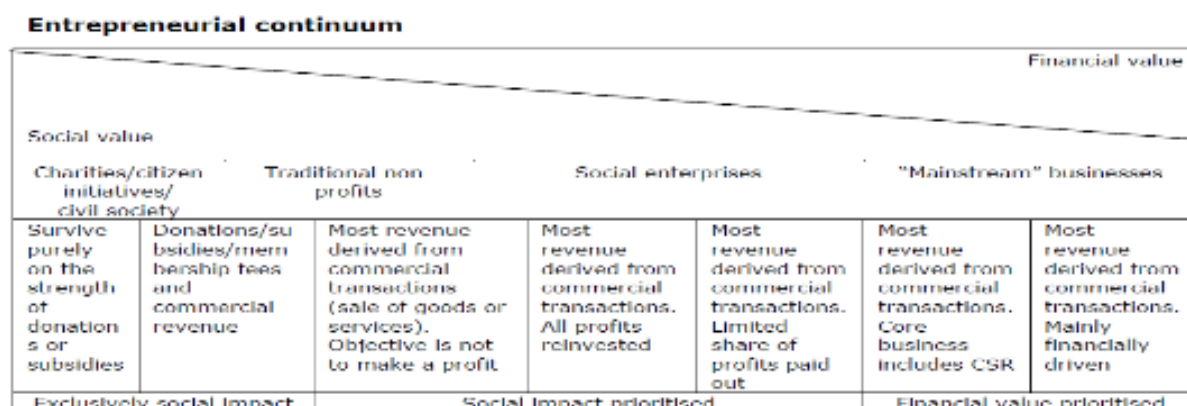
1. Standards and values for which a company stands: internal rules of compliance.
2. Social responsibility: the way in which a company realises its core activities and responsibility takes for the ecological and social context, often presented in a sustainability report.
3. Social involvement: the way in which a company gives something back to society, such as sponsor activities, donations for social purposes and allow employees to do voluntary work during company time. Companies do not necessarily communicate this activity.

In practice, it is not so easy and clear. CSR often means that a company operates in a way that is perceived as responsible in society (using common sense). This means that entrepreneurs who run socially responsible businesses are always consciously looking for ways to improve their business and not squeeze society.

In this way we can say that doing social enterprise is going further than CSR. The Social-Economic Council (SER) uses the following definition: “Social enterprises have in common that they are *independent enterprises* providing a product or rendering a service *primarily and explicitly* in pursuit of a social objective – in other words, with a view to solving a social problem. They are economically independent enterprises that do not rely entirely on grants, gifts and donations. They are also organisationally independent enterprises that can pursue a policy independent of government or “mainstream” enterprises. The financial objective of a social enterprise is subordinate to its primary, social objective. This is what distinguishes it from other enterprises.”

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<sup>100</sup> Source: <https://www.social-enterprise.nl/sociaal-ondernemen/>

**Figure 6.2 – Social enterprise Netherlands definition**

Source: Based on Social Enterprise NL (2014) *Iedereen winst*, p. 13; adapted by the Council secretariat.

In social entrepreneurship in NL, another phenomenon plays a key role, namely the concept of self-organisation. Complex social initiatives are not so much the result of government or private initiative, but the result of a process of self-organisation. Various approaches to self-organisation include care co-operatives, self-employed co-operatives and energy co-operatives, initiatives where residents are well-organised and can afford investments. Self-organisation has not only been taken as an explanatory concept, but also a political ideal. Self-organisation then refers to people who work outside the state and the market. There is renewed faith in self-organisation, among other things, because people via the internet can communicate much more easily and much faster than before. The government nowadays is embracing the organisational ideal of citizens' initiatives, self-direction and power "of your own".

Finally, we must pay attention to the existence of corporations and co-operative associations. These are not necessarily seen as social enterprises in NL or enterprises based on CSR, but they are a specific form of self-organisation that falls within the boundaries of social enterprise definition set out in IO1 (see Ridley-Duff and Bull, 2016; Defourny and Nyssens, 2017). A partnership is an organisation that is managed and funded by members who use that organisation. These can be consumers, entrepreneurs, but also employees or government organisations. In NL some 8,000 corporations of this type are registered in the Chamber of Commerce.

## State of the Art

Social entrepreneurship is growing in the Netherlands. The term 'social enterprise' is still young, certainly in comparison with our surrounding countries. Research by McKinsey (2011) indicates that there are about 4,000 social enterprises in the Netherlands. They are active in various sectors; from business facilities, social services, consumer products, care, education and international development. Employment in social enterprises in the Netherlands has increased by 36% between 2013 and 2015 and revenue grew by 24%.<sup>101</sup> These growth percentages are significantly higher than for regular SME companies. This success can be explained in several ways: a social enterprise does not strive for profit maximisation and will invest in its own company rather than pay

<sup>101</sup> Source: <https://www.social-enterprise.nl/sociaal-ondernemen/>

out dividends; an increasing number of customers are interested in the measurable value of a product or service; lastly, the number of impact investors is increasing because more is being invested in social enterprises (McKinsey, Social Enterprise Monitor 2016).

The Netherlands does not yet have a separate legal position for social enterprises. Most social enterprises operate as a limited company (BV). These companies have a profit objective and can attract venture capital. Others are registered as a foundation or co-operative. Some companies also have a BV and a foundation. The SER advises government to act with restraint in developing a policy that requires the strict delineation of social enterprises as a group. First, such policy will be impossible without a strict, precise definition. Second, the Council believes it would be problematic to introduce incentives and other far-reaching policy measures for social enterprises alone. The point is not to create and expand a separate sector for social enterprises but to increase the benefits for society. The SER describes several concrete action points in its advisory report for the government to consider:

- Invest as a group in social impact measurement
- Boost cooperation between social enterprises
- Improve knowledge within government and social enterprises
- Investigate the possibility of introducing a “quality label” for social enterprises
- Improve the climate for financing
- Create more flexibility in government procurement procedures

Following the exploratory SER opinion, the Cabinet plans the following actions:

- Joint investment in impact measurement: a one-time research project is being conducted at an academic institution in the Netherlands to develop an impact measurement methodology, involving social enterprises and utilising available knowledge. In this research, recommendations are made on how to best measure the impact of social enterprise.
- Enhanced knowledge of (decentralised) government and social enterprises: bundling of digital (government) information that is relevant and up-to-date for social enterprises on the website of the government, and learning from the European Social Business Initiative
- Investigate the possibility of a ‘label’ for social enterprises: it is up to the social enterprises themselves to take the initiative to create a new label. If such an initiative arises, the government will look at this with a positive look. The government then looks at what can be done with it.
- Improving the financial climate: continued commitment to existing generic tools and learning of (experimental) instruments such as Social Impact Bonds; further on, the government will examine what stumbling blocks are being discussed after consulting the SER about social enterprises.
- Better use of opportunities in government procurement: better utilisation of procurement legislation to integrate social objectives. This will also be brought to the attention of municipalities.
- Request continued SER advice: a SER follow-up will be requested to further elaborate on themes important to social enterprises.

In collaboration with McKinsey, Social Enterprise NL performs the "Social Enterprise Monitor" among its members each year. It is the largest survey of social enterprises in the Netherlands. Many topics are included such as: employment, turnover, what are the main obstacles of social enterprises, their legal form, whether they measure their impact and the motivation of founding entrepreneurs. The main outcomes of Monitor 2016 were:

- *Fourth consecutive year, robust growth in employment.*

The surveyed social enterprises show growth rates for the fourth consecutive year. Employment grew by 24% between January 1, 2014 and January 1, 2016. This image corresponds to previous years in which the sector also grew strongly. There is a clear trend: social enterprises create economic growth. Both employment and sales grow faster than the SME average.

- *High degree of innovation.*

Social enterprises often create new products and services; 54% of the companies went to market with a new product or service in the past two years; 20% of the companies surveyed are under two years old.

- *Government difficult to reach as a customer.*

Social enterprises indicate that the government is the most difficult customer to reach. This is striking because the government has the ambition of 'buying social'. Only 11% of turnover in social enterprises comes from government contracts; the bulk comes from B2B customers (46%) and consumers (32%).

- *Increased social awareness among customers.*

A surprisingly large majority of social enterprises (82%) indicate that the social awareness among customers over the last two years has increased.

- *Local government often experienced as an obstacle.*

Asked about the obstacles to increasing social impact (in addition to finding customers), the policies of municipalities are mentioned the most. This is the management task that most of the social enterprises are still looking to do better by doing business facilitated through the purchasing practices of municipalities.

- *Financing less experienced as an obstacle.*

Attracting funding will no longer be the biggest obstacle to growth. By 2015, a large majority (83%) of social enterprises are succeeding in obtaining the funding sought. A growing group of financiers is interested in social added value.

- *Impact measurement becomes more important and professional.*

More than half of social enterprises (60%) measure their impact. This is an increase over previous surveys. Stakeholders also ask more often for impact reporting. Measuring is thoroughly addressed; 40% of companies use an external party.

## Trends

There are various platform organisations active, such as Society Impact, Social Enterprise NL, Power in NL, Social Impact Factory, SE Lab, Enactus, Social Alliance and MVO Nederland. The platforms are very different, both in terms of organisational forms and funding, as well as target groups and objectives. The Dutch School of Public Administration has set up a Center for Social Entrepreneurship and has recently launched a learning lab called Social Entrepreneurship. The learning team is designed for strategic policy makers of large and medium-sized municipalities responsible for economic policy, social entrepreneurship and/or participation.



The MVO Trend Report 2017 deals with the major trends, across all sectors, themes and occupational groups. The trends are rising from developments in specific sectors or individual themes. They apply to almost all Dutch businesses. The report identifies the following trends:

- *World goals determine the direction*  
Companies increasingly set their sustainability goals 'from the outside to the inside'. With the 2030 Sustainable Development Goals and the Climate Agreement in Paris as a guide, they determine their contribution (i.e. the part they should play to contribute to solving social challenges).
- *Ethics is back*  
Companies are increasingly being assessed using moral and ethical arguments. Using only financial ('we deserve it') or technical ('because it's') arguments to defend business thinking does not work anymore. Society expects companies to recognise their image: what cultural values and ethical standards do they have?
- *It happens in the city*  
Sustainability issues manifest themselves most clearly at local level, while at the same time spreading sustainable innovations. More and more city governments are confident to pursue sustainable forms of entrepreneurship: they temporarily relax rules to promote innovative companies.
- *Discussion groups are passé*  
Reconciliation with stakeholders is an important part of CSR, but the heyday of free sessions is over. Rather than talking about sustainability issues and solutions, the focus is now on action. The question is no longer "Do you think climate is an important topic for us?" But "if we both feel climate so important, what are we going to do together?"
- *Sustainability becomes a subject of the hairdresser*  
For years, sustainability was renounced as a left-wing lobby, but that time is now over. Packaged in accessible formats, themes like energy saving and food waste penetrate all kinds of television shows, mass events and other mainstream places and media. It might be a topic that your hairdresser begins to talk about.
- *Less bad is not good enough*  
Early adopters do not just want to limit damage but also to improve the world with their enterprise. They do not aim for climate-neutral buildings but want offices that generate energy. And they do not just focus on reducing waste, but also proactively fish the plastic out of the ocean. They do not look for half-wipes to stop the bleeding, but for real solutions.
- *Domino effect shifts markets*  
After the energy sector made a shift, a definitive shift towards sustainability also took place in the food industry. Consumers do not accept misleading marketing and eat less meat. Supermarkets are expanding their range of sustainable products and numerous initiatives in the field of food waste are arising. What sector will be the next one to turn around?

## Challenges

The main challenges are existing obstacles to social enterprise. The SER had identified five:

### 1. *Problems related to impact measurement*

Social enterprises are distinct because of their mission, but in the end they must also be accountable in their annual reports for what they have contributed towards achieving a particular

social objective (i.e. their social impact). There is clearly much work ahead in that respect. Social impact measurement is a complex (and expensive) affair. Almost half of the social enterprises that responded to the McKinsey survey did not measure their social impact.

## *2. Limited recognition and appreciation*

Social enterprises feel that they do not get enough recognition and appreciation for their work compared to commercial or charitable organisations. The public is often unaware of their existence. Clients and investors must be able to rely on social enterprises to continue prioritising their social impact. The challenge lies not only in measuring that impact but also in making it transparent and accessible to the public.

## *3. Financing problems*

It is often difficult for social enterprises to obtain financing from traditional financial institutions such as banks and social funds. Compared to other SMEs, social enterprises face many additional complications in this regard. Because their social mission can raise costs and because their top priority is not to make a profit, their financial return is often lower than that of other enterprises (all other things being equal). Social enterprises and potential investors and financing bodies often move in different circles and do not speak the same language.

## *4. Obstructions in the law*

The world of entrepreneurs and the world of government are out of sync. For example, the law leaves little scope for experimentation to allow for contemporary trends, or (where there is scope) it is underutilised. In addition, social entrepreneurs must often deal with different municipal policies and, consequently, with different municipal departments whose procedures are not coordinated.

## *5. Government tender problems*

If procurement procedures encourage adoption of the lowest price offered social enterprises may suffer a competitive disadvantage, with little scope for innovative and enterprising approaches to social problems. Many municipalities work with 'social-return obligations'. This means that enterprises that take an assignment from the municipality must spend a certain percentage of the contract value on employing vulnerable unemployed people. This social-return obligation does not consider whether the company in question already employs people disadvantaged in the labour market. As a result, it works to the disadvantage of social enterprises and other businesses that – quite apart from the procurement procedure – employ people with an occupational disability. Finally, municipalities pursue different policies, creating impediments for social enterprises looking to expand their activities.

The first two difficulties – social impact measurement and recognition/appreciation – are especially important because they have a knock-on effect on the other three problems. Only the second difficulty – recognition and appreciation – applies solely to social enterprises. The other issues also apply to businesses that aim to set themselves apart with their CSR efforts (specifically in the case of social impact measurement and public procurement) or for SMEs in general (specifically in the case of financing, public procurement, and obstructions in the law). In many cases, however, these obstacles have different causes, dimensions or consequences for social enterprises than for other types of enterprise.

What is needed for the development of the sector? Social enterprises, like other enterprises, operate within an ecosystem that is heavily influenced by governments, financial institutions and knowledge institutes. These organisations are crucial for the further growth of the social economy.

To make this growth possible, adjustments are needed. Thus, social enterprises benefit from an appropriate legal position that makes their social mission more visible. Also, an adjustment of the Procurement Act, and encouraging companies to buy into social enterprises, can give the sector a strong boost. In addition, more capital providers are needed, and sector-wide reporting needs to include measures based on impact. Social entrepreneurship is a relatively new phenomenon, so there is still a lot of education and research needs to support further growth.

## Opportunities

The majority of Dutch social enterprises are active in six broad sectors: biosystems, cleantech, economic development, civic engagement, health/well-being and education (see Figure 2). Based on a sample of 700 social enterprises, the McKinsey Social Enterprise Monitor 2016 found that biosystems is the largest segment consisting mostly of organic farmers. Cleantech is the second largest and highly diversified sector focused on new sources of energy and energy efficiency. Health and well-being is the least diversified sector, with many care farms where professional and voluntary carers help psychiatric patients and people with mental disabilities. In economic development we have found a broad range of fair trade organisations. Education has only a limited number of social enterprises. Smaller sectors such as housing, culture, sports, meaningfulness, and human rights were considered out of scope because they are either too small, or because their mission is too profound to be economically viable.

Examples of successful Dutch social enterprises today include: Greenchoice (provider of green energy), Fair Trade Original (Trademark for Fair trade products), Greenwheels (car sharing), Tendris (a.o. LED lighting), Triodos Bank (financier of social enterprises and socially responsible enterprises) and Ctaste (fully dark restaurant that employs visually handicapped staff).



Figure 3

Examples of successful Dutch Social Enterprises today include: Greenchoice (provider of green energy), Fair Trade Original (Trademark for Fair trade products), Greenwheels (car sharing), Tendris (a.o. LED lighting), Triodos Bank (financier of Social Enterprises and socially responsible enterprises) and Ctaste (fully dark restaurant that employs visually handicapped staff). Furthermore, two examples of Social Enterprises have proved to be successful via replication: organic farms and care farms. Although none of these farms may be particularly well-known, aggregated they are certainly sizable.

Furthermore, two examples of social enterprises have proved to be successful via replication: organic farms and care farms. Although none of these farms may be particularly well-known, aggregated they are sizable, with 811 care farms of which more than 100 are co-operatives (Association of Agriculture and Care / NCR Coopertie.nl).

### Figure 6.3 – Priority Sectors for Social Enterprise (Netherlands)

#### FairShares Labs (FSLs)

We will check the need for FSLs among different stakeholders. We consider starting them together with some organisations who are already interested to develop themselves into a FS enterprise. We think we will do this at a national level. Currently we are focused on organisations in the

social domain because we know this sector the best. However, we may change our view and approach depending on the outcome of stakeholder meetings.

The social domain changes and its impact on organisations in the welfare sector varies. Due to transitions and the financial crisis of 2007-9, the foundations of many social-cultural work organisation have been eroded. The flow of subsidies has dried up, more players populate the same market, job types disappear. There is a new relationship between citizens and occupational forces. Welfare organisations have a lot of knowledge and experience with vulnerable target groups but lack the necessary experience in another area: entrepreneurship. Providing an enterprising way of thinking and working will reduce dependency on subsidies, create opportunities for quality improvements and leads to innovation. This provides a serious opportunity to survive by helping welfare organisations to work more entrepreneurially. But how?

Social entrepreneurs are used to addressing collective social issues. Due to reforms and cuts, the number of social entrepreneurs in the Netherlands has grown sharply in recent years. The government retreats. There are gaps in the social domain, while the need for facilities remains. Social entrepreneurs, such as Resto van Harte (temporary neighbourhood restaurants) and Thomashuizen (small-scale living for mentally disabled), can fill the spaces that are 'released' as the government retreats.

## UK

### Definitions and State of the Art

The social enterprise term has a mixed and contested heritage due to its philanthropic roots in the United States, and cooperative roots in the United Kingdom, European Union and Asia. In the US, the term is associated with 'doing charity by doing trade', rather than 'doing charity *while* doing trade'. In the UK, there is a much stronger emphasis on community organising and democratic control of capital and mutual principles, rather than philanthropy. In recent years, there has been a rise in the concept of social purpose businesses which pursue social responsibility directly or raise funds for charitable purposes. (Kerlin, J. (2009) *Social Enterprise: A Global Comparison*, University Press of New England.)

The social economy (and the social enterprise movement in the UK) is large, diverse and growing. As stated above, there are several connections in the history of UK social enterprise that go back to the co-operative movement. Specifically there are co-operative movement connections to:

- Beechwood College, Leeds (1978) where social auditing was taught in courses to worker and community co-operatives.
- ICOM and Co-operative Union within in the Social Audit Network (late 1980s);
- Social Enterprise Partnership (1994) formed by co-operative / community business practitioners
- Social Enterprise London (from 1997) formed by worker co-ops and co-operative development agencies
- The Social Enterprise Coalition (from 2001) with worked with the Co-operative Union to build regional networks as member-owned associations.

US conceptions of social entrepreneurship and more philanthropically minded social enterprise initiatives began to influence the UK in the mid/late 1990s through the attention given to it by Charles Leadbeater (1997), Ash Amin (1999) and later Alex Nicholls (2006). In the late 1990s, the community action network (CAN) was created to build on Leadbeater's work, and from 2000 onwards a US-style support organisation for social entrepreneurs (UnLtd) utilised a government endowment to provide ongoing support to the sector.

In 2003, the UK adopted a widely quoted definition that enabled all types of social enterprise identified in IO1 (public service social enterprises, co-operative and mutual enterprises, charitable trading activities and social businesses) to find a home within the broader movement:

A social enterprise is a business with primarily social objectives, whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners (DTI, 2002: 8).

However, this definition understates the connection to the co-operative movement and for this reason co-operative movement members have vacillated between marginalising the use of the label social enterprise within the co-operative movement (as in Bob Cannell's writings)<sup>102</sup> or

<sup>102</sup> See Co-operative and Social Enterprises in Europe - <https://www.thenews.coop/32113/sector/retail/cooperatives-and-social-enterprise-europe/>

championing a more inclusive, participatory and democratic definition of social enterprise (as in Rory Ridley-Duff's writing).<sup>103</sup> Social Enterprise International Ltd (SEi Ltd) and FairShares Association Ltd both subscribe the inclusive, participatory democratic definition of social enterprise that include co-operatives and employee-owned businesses, particularly multi-stakeholder cooperatives that engage in social auditing and include socially entrepreneurial goals alongside meeting members' needs.

The Blue Economy has conflicting meanings in the UK. For most people it refers to the marine economy. For example, WWF International declared "For some, blue economy means the use of the sea and its resources for sustainable economic development. For others, it simply refers to any economic activity in the maritime sector, whether sustainable or not."<sup>104</sup> The World Bank uses Blue Economy in a similar way.<sup>105</sup> However, Gunter Pauli's description of the Blue Economy is not confined to a marine context. His work argues for the creation of objects of long-term value so as not to burden future generations. There is also a focus on eliminating waste through knowledge of nature, rather than new industrial 'recovery' processes (prevention at source, rather than later in the supply chain). In the UK, the term "circular economy" could be regarded as a synonym. This describes a regenerative system in which resource inputs and waste, emissions and energy leakages are minimised by closing and narrowing the choice of materials and shortening supply chains (to save energy). This can be achieved through long-lasting design, maintenance, repair, reuse, remanufacturing, refurbishing and recycling.<sup>106</sup>

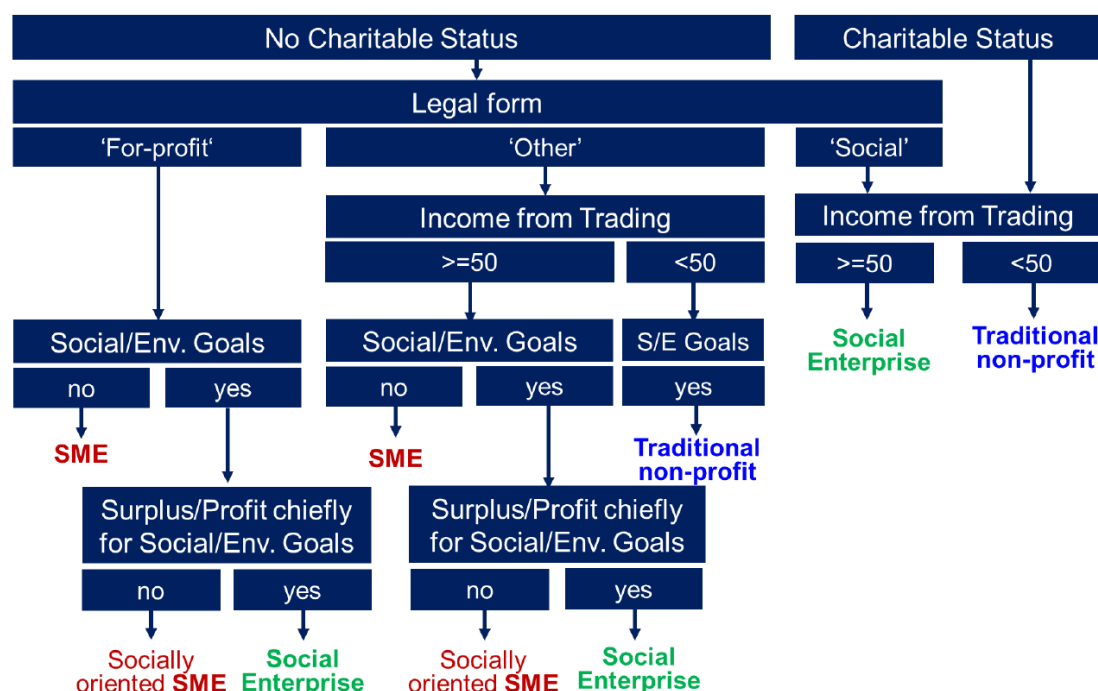
Trends on the number of social enterprises vary by type (charitable trading, cooperatives and mutuals, social businesses) have been hard to establish in initial surveys. Following widespread criticism of the methodology used to distinguish social enterprises in previous government surveys, a new methodology was devised for 2017. Figure 6.4 shows the decision-tree used by two government departments for surveying social enterprises (SEs) and socially-oriented small businesses:

<sup>103</sup> See Co-operative Social Enterprise - <https://www.emeraldinsight.com/doi/abs/10.1108/17508610910956408>

<sup>104</sup> See "Principles for a Sustainable Blue Economy," <http://wwf.panda.org/?247477/Principles-for-a-Sustainable-Blue-Economy>.

<sup>105</sup> See <http://www.worldbank.org/en/news/infographic/2017/06/06/blue-economy> and <http://www.tandfonline.com/doi/abs/10.1080/09733159.2016.1175131?journalCode=rnmf20>

<sup>106</sup> See <https://www.ellenmacarthurfoundation.org/circular-economy/schools-of-thought/blue-economy> for a discussion of the various approaches.

**Figure 6.4 – Sampling process in UK government SE survey 2017**

Source: Social Enterprise: Market Trends 2017, DCMS and DBEIS (Government Departments)

Based on the above sampling frame, the figures in the UK are shown in Table 1:

**Table 6.3 – Social enterprises and socially-oriented SMEs, UK 2017 data**

(N.B. this excludes co-ops, mutuals, employee-owned firms and charities with over 250 employees)

	All	Employers	Non-employers
Number of all enterprises (BPE estimates)	5,490,500	1,318,300	4,172,200
Social Enterprise	471,000	99,000	371,000
Traditional non-profits	152,000	84,000	68,000
SME	4,868,000	1,135,000	3,733,000
Commercial SME	3,656,000	891,000	2,765,000
Socially oriented SME	1,212,000	244,000	968,000

Note. BPE – [Business Population Estimates](#). Due to rounding, in some instances, the figures in columns 'employers' and 'non-employers' do not add up precisely to those in the column 'all'. Unweighted base N=1,233 (67 enterprises could not be classified due to missing data).

The figure of 152,000 for 'non-profits' (based on a projection) is different to the 166,100 organisations reported by the National Council for Voluntary Organisation Data Almanac based on actual registrations. The figures above indicates one of three things: dormant charities and associations; associations and charities classed as 'social enterprise' due to their trading levels



(over 50%), or simple under-reporting. Moreover, given historically strong links between co-operative and social enterprise movements in the UK (and the exclusion of large co-operatives and employee-owned businesses from the above figures), the above picture is incomplete. We show in Table 2 the contribution of the co-operative economy based on its 2017 report.

**Table 6.4 – Co-operative economy, UK 2017 data**

Sub-sector	Number	Turnover (£m)	Average Turnover (£)
Retail	560	25,000.00	44,642,857
Agriculture	436	7,400.00	16,972,477
Sports, Leisure	2905	1,000.00	344,234
Arts and Culture	153	4.90	32,026
Digital, Media	139	22.60	162,590
Education	325	409.30	1,259,385
Energy/Env.	249	12.70	51,004
Finance	550	583.40	1,060,727
Food/Pubs	67	24.60	367,164
Health and Social Care	97	131.10	1,351,546
Housing	685	639.10	932,993
Manufacturing	74	264.10	3,568,919
Professional Services	151	101.50	672,185
Transport	28	7.50	267,857
Other	395	106.30	269,114
Coops in 2017	6814	35,707.10	5,240,255
Coops in 2007	4370		-
10 year increase	2444		-
Growth / Growth per year	56%	5.59%	

*Source: Co-operative Economy 2017, Co-operatives UK*  
*N.B. does not include all employee-owned businesses, only those identifying as worker co-operatives.*

Estimating the relative contribution of PSSEs, CTAs, CMEs and SRBs (see IO1, Section 1) is not easy because co-operatives appear across all three classifications in the government report. Community sport organisations are either treated as ‘traditional non-profits’ or may be excluded from ‘small business’ surveys altogether. Co-operative businesses included in the small business survey may be classified as ‘social enterprises’ or ‘socially-oriented SMEs’ based on their surplus distribution practices. Furthermore, larger co-operatives (like the John Lewis Partnership, Mid-Counties Co-operative and Co-operative Group), significant mutual societies (like Nationwide Building Society) and larger employee mutuals and business (e.g. Locala, Arup and Care and Share Associates) may be excluded from the survey results.

All of these, potentially, would fall within the definition SEi Ltd recommends for SE development (as well as this project). SEi’s international definition is aligned with the five FairShares Values and Principles discussed at length in IO1. It states that social enterprises:



**Table 6.5 – Social Enterprise International definitions and links to FairShares**

Criterion	Link to FairShares Model
1. Promote socialised and democratic ownership, governance and management.	Principles 1 and 5
2. Specify their purpose(s) and evaluate the impact(s) of their trading activities;	Principle 2
3. Conduct ethical reviews of their product/service choices and production/consumption practices;	Principles 3 and 4

SEi qualifies the above by adding:

Different social enterprises may focus on one or two of these principles, but we expect all ventures that claim to be a social enterprise to be able to state and justify their policies on each of the above. Social enterprises should set their own criteria for measuring success and establish processes for each of the above. In doing so, they will seek the active participation of their primary stakeholders. Further external assessments should be through the democratic involvement of other social enterprises and partner organisations using social auditing and accounting techniques. "Not for Profit" is a misleading criterion. It is good practice for social enterprises to provide incentives to workers and social/community investors by sharing the wealth that is created with them (so long as the distribution of profits or payments to individuals is consistent with an enterprise's value statement and/or social objectives).

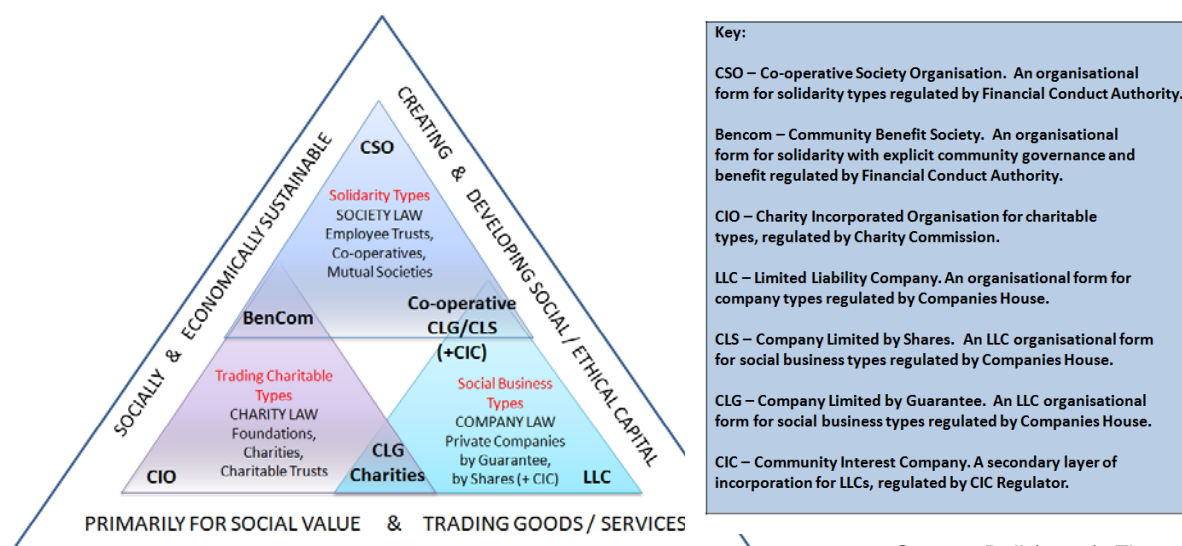
Source: <http://www.socialenterpriseenurope.co.uk/what-is-social-enterprise/>, accessed 23<sup>rd</sup> May 2018

In summary, we can say that there are: 152,000 *potential* social enterprises engaging in low level CTAs without reaching the 50% trading threshold; over 6,800 CMEs; 340,000 social enterprises and socially-oriented small businesses that offer employment through CTAs, CMEs or SRBs, and a further 1,340,000 enterprises pursuing social goals but without offering employment. SEi Director Geof Cox claims that "social enterprise is not an alternative way of doing business whereby business practice is compromised to satisfy social goals - it is simply the best way of doing business and the most successful."<sup>107</sup>

## Legal Framework

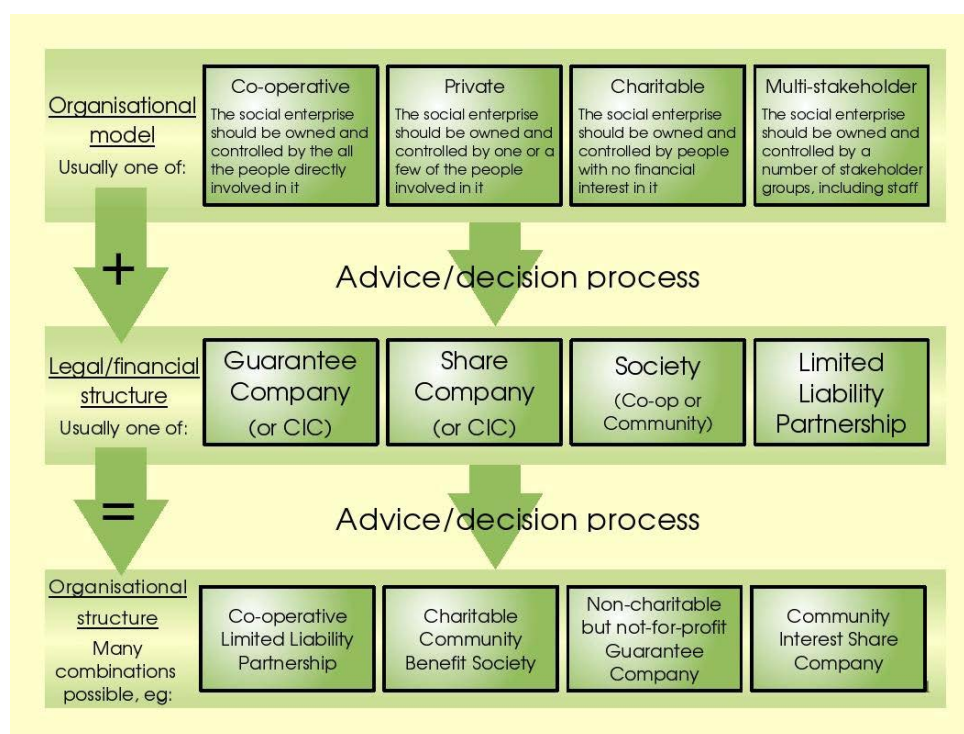
A detailed study of the way legal structures developed to support social enterprise in the UK has been developed by Michael Bull. He links SE legal forms to three bodies of law (society, charity and company law). He also explores the hybridisation that has occurred to embed principles of one body of law in other bodies through CICs, CIOs, and recent changes to Community Benefit Society law (Bencoms). Figure 6.5 shows Bull's 'triangle' and way this distinguishes 'solidarity types', 'charitable types' and 'social business' types linked to specific legal forms and bodies of law.

<sup>107</sup> Verbal comments to fellow directors and conference audiences.

**Figure 6.5 – Understanding legal forms for SE in the UK**

Source: Bull (2018), Figure 8

Social enterprise has been widely written about and the range of legal frameworks available for social enterprises and the advantages and disadvantages of each have been widely discussed. SEi Director Geof Cox has devised a social structures matrix for social enterprises in the UK based on the three types identified by Bull. It suggests that legal structure acts as a bridge between the 'organisational model' and 'organisational structure' (Figure 6.6).

**Figure 6.6 – Bridging organisation models and structure with legal forms**Source: [http://www.geofcox.info/Organisational Structures and Restructuring Page](http://www.geofcox.info/Organisational_Structures_and_Restructuring_Page)

This process is of interest to FSLs as research by North East Social Enterprise Partnership (NESEP) in 2015 showed that over ⅓ of 1,000 social enterprises interviewed were not happy with their legal structure and its link to their social enterprise model. Many social enterprises are open to the idea of changing their legal status.

The Social Enterprise UK Report 2015 gave a breakdown of legal structures that social enterprises used to register in the previous two years.

**Table 6.6 – Changes in incorporation for UK social enterprises**

Company Limited by Guarantee	45%	Down from 59% in 2009
Community Interest Company	20%	Up from 17% in 2009
Company Limited by Shares	16%	Up from 7% in 2009
Industrial and Provident Societies (now the Co-operative and Community Benefit Society Act)	9%	Down from 37% in 2009
Sole tradership	6%	Up from 2% in 2013
Partnership	3%	Up from 2% in 2013
Limited company	1%	Same in 2013
Limited Liability Partnership	1%	No previous record
PLC	.5%	Down from 1% in 2013
Don't know	5%	Down from 11% in 2013

The state of social enterprise survey in 2015 by Social Enterprise UK and commissioned by Santander found the following:<sup>108</sup>

- Nearly half (49%) of all social enterprises are five years old or less (35% are three years old or less - more than three times the proportion of SME startups). In terms of new business formation in the UK, social enterprise is where the action is.
- The proportion of social enterprises that grew their turnover over the past 12 years is 52%, compared to 40% of SMEs.
- 50% of social enterprises reported a profit, with a further 26% reporting breaking even. Almost all use the majority of their profits to further their social or environmental goals.
- 31% of social enterprises are working in the top 20% most deprived communities in the UK.
- The proportion of social enterprises that export or licence has grown to 14%. For ⅓ of these, international trade accounts for between 11% and 50% of income.
- 73% of social enterprises earn more than 75% of their income from trade.
- 27% of social enterprises have the public sector as their *main* source of income, an increase on 2013 and 2011. 59% of social enterprises do *some* business with the public sector.

<sup>108</sup> See: <https://www.socialenterprise.org.uk/the-future-of-business-state-of-social-enterprise-survey-2017>

- The number of social enterprises introducing a new product or service in the last 12 months has increased to 59%. Among SMEs it has fallen to 38%.
- 40% of social enterprises are led by women, 31% have black asian minority directors, 40% have a director with a disability
- 41% of social enterprises created jobs in the past 12 months compared to 22% of SMEs
- 59% of social enterprises employ at least one person who is disadvantaged in the labour market. For 16% of social enterprises, this group forms at least half of all employees

The average pay ratio between social enterprise CEO pay and lowest paid is 3.6:1. For FTSE 100 CEOs this ratio is 150:1. Finally, the Office of National Statistics confirms the growing trend in the UK economy for private corporations to take up a greater share of business activity. In the UK, 66.8% of enterprises are incorporated, a rise from 57.4% in 2010. Partnerships and sole traders are falling generally from 38.6% in 2010 to only 29.5% in 2015.

It is interesting to note that the trends within the social enterprise field only partly reflects these general trends. The pattern of social enterprises is changing through a move away from guarantee companies (CLGs) towards share companies (CLSs). However, this conclusion is based on an SEUK Survey that is London orientated which may understate the contribution of co-operatives and does not include the sharing economy within its scope. Most of the companies in the sharing economy are limited by shares and although they may not necessarily identify directly with the social economy, SEi is finding that many of the companies it is working with (e.g. Studio Pop, LocoSoco, For Good Causes, Under the Doormat) have an interest in FairShares and show a willingness to accept and practice FairShares principles.

The creators of the FSM formed FairShares Association in 2013, and incorporated as a CLG in 2015. Organisations and individuals can become supporters and/or members (see [www.fairshares.coop](http://www.fairshares.coop)). The association offers information, training materials and model rules to support people seeking to apply the FSM to companies, cooperative societies, partnerships and non-profit (mutual) associations. The Blue Economy has no such association in the UK and so an analysis of how many organisations might be influenced or inspired by Gunter Pauli's movement is difficult to analyse.

## Trends

We identify the following trends in the UK:

- the comparative success of the social enterprise movement and the sharing economy in recent years (relative to SMEs, public bodies and private corporations).
- the perceived weakness of the capitalist economy and model, especially since the 2008 economic crisis (67% of the UK population think that the economy is 'out of control')<sup>109</sup>
- Concern at the continued growth of inequality between rich and poor
- Increasing difficulties in the charity sector over fundraising
- A large number of social enterprises interested in changing their structure
- A social economy bucking the general trend whereby business is moving under the control of private corporations

<sup>109</sup> See <http://reports.uk.coop/economy2017/>

- The founding of FairShares Association Ltd, and growth of interest in its social enterprise model.

## Challenges

We identify the following challenges:

- The need to write up more practical examples of FairShares enterprises achieving their economic and social aims (to encourage others)
- The need to resolve issues about financing (both for scaling up and replicating) to achieve greater (social) impact
- The need to be alert to competition from mainstream capitalist organisations
- The need to manage decreasing support from government, regional development bodies and other traditional supporters
- The need to combat increased poverty

## Opportunities

We identify the following opportunities:

1. The creation of FSLs will contribute to a political and economic climate whereby change is in vogue and there is “no longer business as usual”. The impact of this change will feed a social economy that is witnessing a revival in its co-operative movement (over 2 million more in membership in the UK in the last two years) and where social enterprises are increasing in number and scale.
2. SEi has identified a growing number of ex-corporate senior managers and executives who appear to be disillusioned with the lack of values in the corporate sector, who are attracted to the FSM as an alternative. In 2017, BBC business news announced that ⅓ of business start leaders were over 55, came from the corporate sector and wanted to set up a business with a strong social commitment. In 2016/2017, four new FairShares projects arose out of this trend and SEi has made contact with a fast growing website offering alternatives to corporate employees called Escape.<sup>110</sup>
3. A 2015 survey by NESEP in the North East of England discovered that ⅓ of social enterprises had the “wrong” legal status to match their business model. The identified cause was the lack of experience among those giving advice to businesses and social enterprises. As a result, NESEP carried out training (with SEi and Geof Cox Associates) for accountants and lawyers to equip them with information about the range of legal structures available to social enterprises. This focussed on how to match structures to the client's business model (See Figure 3). We expect there to be a market among advisers for the training offered by FairShares Labs on legal structure changes.

SEi have also identified a group of younger, affluent entrepreneurs who are concerned with the environment, the sharing economy and the circular economy. These entrepreneurs do not identify with the social enterprise movement or co-operatives *per se* and so their actual numbers are hidden from any statistical analysis. However, they do seem to be informally networked and

<sup>110</sup> See <https://jobs.escapethecity.org/>

attracted to the FSM because of an empathy with its values and ability to adapt to private sector share models (through Model Rules for a FairShares Company, or through applied principles in social auditing). SEi have made contact with individuals and their business to gain access to their informal networks.

## Annex 2 - FairShares Early Adopters

Here is some information on early adopters of the FairShares Model at the start of the project. New adopters will be reported at the completion of the project in IO5.

(This excludes FairShares Association Ltd and Co-operative and Social Enterprise Support Ltd created by founders of the FairShares Association).

**Table 6.7 – FairShares early adopters (pre-project)**

Name	Registration	Comments
Dojo4Life Ltd (trading as Evolutesix)	England and Wales (Incorporated 3 Dec 2015)	International company that provide coaching support and development services. Implemented under Company Law with founder, labour, user and investor shares. Information on their FairShares approach is published online:  <a href="https://evolutesix.com/fair-share/">https://evolutesix.com/fair-share/</a>
AnyShare Society	United States (ByLaws registered 13 Jan 2016)	International provider of platform solutions for the sharing economy. Implemented under Company Law with founder, employee, customer and investor shares. Information on their FairShares approach is published online:  <a href="https://anyshare.coop/coop">https://anyshare.coop/coop</a>
Resonate Beyond Streaming Ltd	Ireland (Rules dated 12th May 2017)	International music streaming service seeking to change the way listeners by, and musicians are rewarded for, the contribution. Implemented under Industrial and Provident Society Law (Co-operative Law) with Founder, Collaborator, Music Maker, Fan and Supporter shares.  Their approach to FairShares is published at: <a href="https://resonate.is/why-were-a-cooperative/">https://resonate.is/why-were-a-cooperative/</a>
Brave Cooperative	Canada (TBC)	Mobile phone app for people who can register their intent to help local people in cases of an emergency. Implemented under Cooperative Law in British Columbia by cooperative entrepreneur Gordon Casey. His thoughts on multi-stakeholding, the sharing economy and FairShares are published on <a href="https://medium.com">medium.com</a> .  Main website: <a href="http://www.brave.coop">www.brave.coop</a>



## Annex 3 - FairShares IP Users

Here is information on organisations that have used the [FairShares Rules Generator](#) since January 2017 to create ‘trial’ or ‘draft’ Articles/ByLaws. A list of IP users at project completion will be reported in IO5.

Adoption of FairShares Model rules result in the fullest implementation of the FairShares Model by embedding values and principles into the constitution of the organisation. All examples used the English Language version of the FairShares Rules Generator.

**Table 6.8 – FairShares IP users (pre-project)**

Name	Sub-Type	Country	Stakeholders and Sharing	Social Object (Clause 5) <sup>111</sup>
ZamCo-op	Cooperative	Zambia	Founder (10%) Producer (45%) Customer (30%) Investor (15%)	To empower Zambian agricultural producers to be able to add value to their agricultural produce and export to regional and international markets; to mobilise finance and social resource within and outside Zambia to finance the Zambian agricultural sector.
CoopCloud	Cooperative	USA	Founder (10%) Labour (35%) Customer (30%) Supporter (25%)	To offer accessible online software services.
Fairbnb	Cooperative	Spain	Stewardship (0%) Host (40%) Guest (30%) Supporter (30%)	Diminish the negative effects of peer to peer vacation rentals
Polloi	Cooperative	USA	Entrepreneur (0%) Labour (45%) Site Owner (45%) Supporter (10%)	Provide powerful web technology to, and in the control of, people working for better lives for all.
Word Jammers	Cooperative	USA	Founder (5%) Labour (35%) Customer (35%) Investor (20%)	To empower creative writers across the globe.
The Open Co-op	Cooperative	Great Britain	Founder (10%) Member (30%) Customer (30%) Investor (30%)	To build a world-wide community of individuals and organisations committed to the creation of a collaborative, sustainable economy

<sup>111</sup> All FairShares enterprises have standard objects committing the organisation to cooperative values and principles, equal opportunities, and triple-bottom line social entrepreneurship. Clause 5(e) states the specific social purpose of this FairShares enterprise.



Name	Sub-Type	Country	Stakeholders and Sharing	Social Object (Clause 5) <sup>111</sup>
Accreditron	Cooperative Or Company	New Zealand	Founder (10%) Labour (35%) Member (35%) Investor (20%)	Reduce the compliance burdens caused by government compliance.
Journeys Learning Cooperative	Cooperative	USA	Founder (5%) Producer (35%) User (35%) Community (25%)	[Standard cooperative values and principles]
Treetrunk	Cooperative	New Zealand	Stewardship (5%) Labour (40%) User (30%) Investor (25%)	To improve the mental health of the world
Vientos	Company	Mexico	Stewardship (10%) Labour (35%) User (30%) Investor (25%)	To connect Individuals, Social Projects, and the Solidarity Economy, and foster collaboration between them towards the common good.
Traject Limited	Company	New Zealand	Entrepreneur (15%) Employee (40%) Customer (25%) Supporter (20%)	[Standard cooperative values and principles]
Derda LLC	Company	USA	Founder (15%) Labor (25%) Consumer (35%) Investor (25%)	Art
Faircom LLP	Partnership	England and Wales	Designated (0%) Labour (35%) User (35%) Investor (30%) <sup>112</sup>	To create shared spaces for social justice projects, events and campaigns
Faithstar LLP	Partnership	England and Wales	Designated (51%) Labour (26%) User (25%)	To advance: diversity and inclusion in private and public sector organisations; community engagement in private and public sector organisations; financial governance for faith based organisations; social enterprise development.
KMEGA Producers Association	Association	Kenya	Founder (10%) <sup>113</sup> Labour (30%) User (30%) Investor (30%)	Supporting informal sector workers in urban communities and small-holder farmers by providing business training and support and access to finance.

<sup>112</sup> Non-voting in partnerships and associations.

<sup>113</sup> All distributions of surplus are treated as charitable funds in a FairShares Association. The percentages are allocated to restricted funds democratically controlled by each stakeholder group to spend on the objects of the association.

## Annex 4 - FairShares Association Members

Below is a list of the members of the FairShares Association as at 1st November 2016 (at the start of the project). All project partners, FairShares Labs participants and other regular users of FairShares IP are eligible to apply for membership (<http://www.fairshares.coop/membership/>).

The qualifying condition for membership is:

**“a substantial and lasting contribution to the promotion, development or administration of the FairShares Model and/or FairShares Association”**

### Applied to Labour Membership

The contribution of a **research-informed concept, idea, policy or paper** by a supporter that is accepted by peer-review as a “substantial and lasting contribution to the development of the FairShares Model” by a panel of FairShares Association members.

OR

The **creation of a resource or standard operating procedure** by a supporter that is accepted by peer-review as a “substantial and lasting contribution to the promotion or administration of the FairShares Model and/or FairShares Association” by a panel of FairShares Association members.

### Applied to user membership

A contractual or written agreement in which a supporter makes a **lasting commitment to disseminate and/or use** concepts, ideas, policies, resources and operating procedures informed by **the FairShares Model**.

OR

**Other evidence of a commitment to use FairShares IP** in learning, teaching, consulting and/or research activities for a period greater than 12 months.

### Labour members

- Graham Boyd, CEO Evolutesix
- Dr Mike Bull, Senior Lecturer, Manchester Metropolitan University
- Nicci Dickins, Self-Employed Social Enterprise Consultant
- Eric Doriean, CTO, AnyShare Society
- Emma Green, PhD Candidate, Sheffield Business School
- Maureen McCulloch, Senior Lecturer, Oxford Brookes University (UK) / Co-operative Management Education Program at St Mary's University (Canada)
- Natasha Ridley-Duff, Technical Document Administrator, James Durrans & Sons.
- Dr Rory Ridley-Duff, Reader in Co-operative and Social Enterprise, Sheffield Business School
- Cliff Southcombe, MD Social Enterprise International Ltd.

- Steve Wagstaff, Principle 5 (Yorkshire Education Co-operative)
- Dr David Wren, Research Fellow, FairShares Institute for Cooperative Social Entrepreneurship, Sheffield Business School.

### **User members**

(Not already listed as Labour members)

- Rob Jameson, CEO AnyShare Society

### **Founder Members <sup>114</sup>**

(Affiliations listed in Labour Members above)

- Rory Ridley-Duff
- Cliff Southcombe
- Nicci Dickins
- Steve Wagstaff

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<sup>114</sup> We acknowledge the works and contributions of Morgan Killick and Geof Cox who were amongst the first six people to support the idea of forming an association in 2013 but did not sign registration documents when the association incorporated as a non-profit company in 2015.

## Annex 5 - FairShares Institute Panels

The following people agreed to act as academic and practice advisers throughout the FairShares Labs project and participate in reviewing the intellectual outputs. All the listed people will now be eligible for user membership of the FairShares Association.

**Table 6.9 – FairShares practice panel**

Andrew Picken	Social Enterprise International Ltd
Cliff Southcombe	Social Enterprise International Ltd
Eric Doriean	AnyShare Society
Gavin Bell	Belfast City Council
Graham Mitchell	Ooooby UK Limited
Graham Boyd	Evolutesix
James Perry	LocoSoco
Josef Davies-Coates	United Diversity / The Open Co-op
Judit Bedőné Károly	ECOsynergy Ltd
Jumbo Klercq	The Elephant Learning in Diversity BV
Karin Oparaocha	KOPF, HAND + FUSS gGmbH
Rob Jameson	AnyShare Society
Roger Schmidtchen	VSBI e.V.
Shahida Siddique	Faithstar LLP
Sonja Vukovic	Slap
Stefanie Trzecinski	KOPF, HAND + FUSS gGmbH

**Table 6.10 – FairShares academic panel**

Prof Rory Ridley-Duff	Sheffield Hallam University, UK
Dr Shann Turnbull	International Institute for Self-governance, Australia
Nina Boeger	University of Bristol Law School, UK
Prof Michael Neary	Lincoln University, UK
Dr Jeroen Veldman	Cass Business School, UK
Dr Joss Winn	University of Lincoln, UK
Dr Steven Pattinson	Sheffield Hallam University, UK
Dr Suzanne Grant	Massey University, New Zealand
Prof Bronwen Morgan	UNSW, Australia
Dr Michael Bull	Manchester Metropolitan University, UK
Prof Takashi Yamamoto	Kwansei Gakuin University, Japan
Prof Jo Barraket	Swinburne University of Technology, Australia
Prof Lars Hulgard	Roskilde University, Denmark

## Annex 6 – Relevant Practice Cases

This annex is a compilation of case studies that showcase ‘relevant practices’. The purpose of the relevant practice case studies is to give examples of enterprises that can demonstrate features of FairShares, social/blue economy and Living Labs. It describes the way that they work and the organisational structures they use.

To build each case, the following questions were asked:

- What is the name of the enterprise?
- What is the enterprise’s main activity and purpose?
- What are its values? How are the values expressed?
- What is the social problem being solved - or why is the enterprise needed? (*Relevance*)
- What is the business model - does it work? (*Feasibility*)
- What benefits are created? What behaviour changes are achieved? (*Sustainability*)
- Who are the owners?
- How are decisions made?
- Is it a FairShares enterprise? Can it be described as FairShares or easily convert to a FairShares enterprise?
- Does the enterprise claim to be practising any form of social innovation?

In total, there are 20 relevant practice cases: seven from Germany, four from English speaking countries (supported by a UK-based association), three from Hungary, three from Croatia and three from the Netherlands.

### How were the cases prepared?

Each case was selected and written by one of the project partners, then proof-read by Dr David Wren at the FairShares Institute for Cooperative Social Entrepreneurship, Sheffield Hallam University. Cases about members of the FairShares Association were also sent to the member so they could proof-read and comment on the case. Other relevant practice cases were assembled from personal experiences and publicly available information. After proof-reading each case, partners were asked to respond to any questions raised by the FairShares Institute. Lastly, an opportunity was given to partners to update their cases before an evaluation by Prof Rory Ridley-Duff (a founder of FairShares Association Ltd) using the five FairShares values and principles as evaluation criteria. For each of the five values and principles, the FairShares Association’s own guidelines on levels of alignment<sup>115</sup> were used to assess evidence related to each value and principle. Below are the levels used (‘grading key’) as well as a summary of the values and principles.

<sup>115</sup> See [http://www.fairshares.coop/wiki/index.php?title=FairShares\\_Brand#Levels\\_of\\_Alignment](http://www.fairshares.coop/wiki/index.php?title=FairShares_Brand#Levels_of_Alignment)

**Table 6.11 - FairShares grading key**

<i>Level 0</i>	There is no evidence that the organisation either promotes or applies FairShares values and principles to its ownership, governance and management systems.
<i>Level 1</i>	The organisation promotes FairShares values and principles but there is little evidence that it applies them to its own ownership, governance and management systems.
<i>Level 2</i>	The organisation applies FairShares values and principles using its own proprietary mechanisms for ownership, governance and management.
<i>Level 3</i>	The organisation applies FairShares value and principles by using FairShares Association IP (such as available model rules or the use of FairShares learning and teaching materials).

To evaluate, each case was read to determine the level of alignment with FairShares Values and Principles. For example, a score of 0 for Principle 1 (P1) indicates no effort to structure the organisation to advance equality and equity between members, stakeholder groups and trading partners, and no discernible mechanism to share wealth created fairly amongst the four primary stakeholders (founders, labour, users and investors). A score of 3 for P1 would indicate the reverse (a substantial commitment to wealth and power sharing, using FairShares Model IP).

**Table 6.12 - FairShares values and principles (for grading)<sup>116</sup>**

<p><b>1. Wealth and power sharing amongst primary stakeholders</b></p> <p>Structuring companies, co-operatives, associations and partnerships to advance equality and equity between members, stakeholder groups and trading partners. Wealth created is shared fairly amongst founders, producers, users and investors to promote mutuality and reciprocity.</p> <p><b>2. Specification of social purpose(s) and auditing of impact(s)</b></p> <p>Empowering members through the constitution to establish and evaluate social value creation (such as specific improvements to their own, their community's and the wider environment's health and well-being).</p> <p><b>3. Ethical review of the choice of goods/services offered</b></p> <p>Encouraging members to think carefully about the well-being that their joint enterprise creates (or could create) through designing and offering products and services.</p> <p><b>4. Ethical review of production and retailing processes</b></p> <p>Developing products and services using production and retailing processes that positively affect members, society and the environment.</p> <p><b>5. Social democratic ownership, governance and management</b></p> <p>Extending ownership amongst all primary stakeholders who are directly affected by operations so that they have a clear right to participate in decisions on how the (natural, human, social, intellectual, economic and financial) capital they contribute is managed.</p>
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<sup>116</sup> For the full description of each value and principle see [www.fairshares.coop/fairshares-model](http://www.fairshares.coop/fairshares-model)

After evaluating each principle separately, the score averaged to establish an overall score and the FairShares Level is determined by rounding to the nearest whole number. Table 6.13 shows the findings for all cases reported.

**Table 6.13 - Summary of findings on FairShares relevant cases**

Case Name (Filename in DropBox)	Author	FairShares Principle					Average Score	FairShares Level
		1	2	3	4	5		
Croatia-								
01-CAMARG, Osijek	SLAP	2	3	2	2	3	2.4	2
02-SIL, Zagreb	SLAP	2	2	2	2	2	2.0	2
03-MivaART, Belišće	SLAP	2	2	2	1	1	1.6	2
English-								
01-Resonate	SEi	3	3	3	2	3	2.8	3
02-EvolveSix	SEi	3	3	3	3	2	2.8	3
03-AnyShare Society	SEi	3	3	3	3	3	3.0	3
04-Locosoco Group plc	SEi	1	3	3	2	1	2.0	2
Germany-								
01-Gemeinsam eG LK Regensburg	VSBI	2	3	2	1	2	2.0	2
02-MutmacherMenschen Augsburg	VSBI	1	2	2	1	1	1.4	1
03-Next Hamburg	VSBI	2	2	2	0	2	1.6	2
04-StreetLab Paris	VSBI	1	2	1	2	1	1.4	1
05-Betterplace	KHuF	1	2	1	1	2	1.4	1
06-Enterability	KHuF	0	2	1	1	1	1.0	1
07-Sozialhelden	KHuF	1	2	1	2	1	1.4	1
Hungary-								
01-Blue Economy Innovation Cluster	Zold-Atkiv	2	2	2	2	2	2.0	2
02-Simonyi Center (University of Pécs)	Zold-Atkiv	2	1	1	1	2	1.4	1
03-Recycling Factory	Zold-Atkiv	1	1	2	2	1	1.6	2
Netherlands-								
01-Ujuizi International B.V	Elephant	1	2	1	1	1	1.2	1
02-Hoogeloon Care Cooperativ	Elephant	2	2	2	1	2	1.8	2
03-Van Hulley	Elephant	0	1	1	1	1	0.8	1

If you would like a copy of any of the cases for learning and teaching purposes, contact the FairShares Lab administrator at [info@fairshareslab.org](mailto:info@fairshareslab.org) or FairShares Association Ltd at [fairshares.coop@gmail.com](mailto:fairshares.coop@gmail.com).

## Cases from the Croatian Partner (SLAP)

### Croatia-01-CAMARG, Osijek

#### **The name of the enterprise**

CAMARG, Osijek, Croatia. (<https://slap.hr/camarg/>)

#### **Main activity and purpose**

CAMARG is an international project aiming to create a sustainable model of marketing high quality agri-food products directly to customers based on the “zero km” concept. There are 13 partners from four countries (Italy, Spain, France and Croatia) involved in creating and testing optimal approaches for each MED region. Slap Association and Regional Development Agency of Slavonia and Baranja (RDA) are the Croatian partners responsible for setting up the sustainable business model in Croatia.

#### **What are the values?**

The values of the organisations are: social innovation; knowledge-based solutions; local community benefit; sustainability and democratic governance.

#### **Relevance**

CAMARG is seeking solutions to help small, local farmers market their products and become competitive. Many family farms are unable to compete with large international wholesale companies, so young people are leaving their homes looking for employment in other EU countries. This enterprise will especially target young farmers with potential to learn how to use new technologies, network with other farmers and constantly improve their products making them competitive for the specific market niches this project is looking to serve.

#### **Feasibility**

The business model is yet to be established and there are two possible options:

- Linking local producers with the hotels and restaurants on the west coast of Croatia;
- Marketing local products to employees of the largest companies, offering on-line orders with delivery to their work place;

Besides farmers it also involves local craftsmen, small couriers and customers.

#### **Sustainability**

This model aims to demonstrate the power of gathering a network in order to create a sustainable business model. It must involve local stakeholders and offer them a solid governance model, based on integrity and responsibility. It also promotes high quality local standardised products as well as having the potential to scale up in line with the demands of other markets.



### Who are the owners?

There is a wide stakeholder group involved. At this point the founders are Slap Association (<https://slap.hr/>) and RDA (<http://rtp.rkk.hu/en/rdaslaven.html/>), but also Modra nit (a marketing agency - <http://modranit.hr/>) as the social enterprise responsible for running the business. The governance model also involves the farmers and customers.

### How are decisions made?

At this point decisions are made within the project partners but when the FairShares Model is established it will be shared with other relevant stakeholder groups.

### Is it a FairShares enterprise?

Not yet, but it is in the process of creating a FairShares enterprise involving all key stakeholders.

### Social Innovation?

For Croatia, this is a new way of organising small producers and linking them to the potential markets. Also, the on-line platform including different stakeholders is also fully innovative.

### Scoring

Case Name (Filename in DropBox)	Author	FairShares Principle					Overall Score
		1	2	3	4	5	
Croatia-01-CAMARG, Osijek	SLAP	2	3	2	2	3	2.4

**Comments:** Definitely 2, could be a 3 depending on the active use of FairShares IP

## Croatia-02-SIL, Zagreb

### **The name of the enterprise**

Social Innovation Lab (SIL), Zagreb, Croatia. (<http://socinnovationlab.eu/>)

### **Main activity and purpose**

SIL was established in 2011 as a regional hybrid organisation that promotes the concept of social innovation in the countries of the Western Balkans. SIL acts as a platform for innovative business and social solutions that contribute to benefits to the community as a whole, and is the venue for the meeting of knowledge, ideas and practices of various sectors and social spheres.

### **What are the values?**

The values of SIL are: innovation; inclusion; community benefit, and; networking.

### **Relevance**

SIL is constantly looking for new social challenges - it is involved in many local communities looking for creative and innovative solutions. Their approach is inclusive and participatory. Besides offering new approaches and methodology for solving various social problems, SIL is also heavily involved in advocacy and policy issues concerning the eco-social economy.

### **Feasibility**

SIL is involved in several international initiatives and is running several EU funded projects. At the same time, their experts are providing guidance and mentoring to local governments in participatory approaches to various social issues and cultural heritage protection. So far there is an appropriate balance between project funding and market orientation.

### **Sustainability**

In the long run, SIL plans to be less project-oriented and more market-oriented, primarily targeting cities ready to open city labs. Also, SIL is specialised in the protection of cultural heritage (especially old forts and abandoned industrial facilities) turning them into multi-purpose cultural/tourist sites whilst trying out democratic governance models.

### **Who are the owners?**

The founders are three women from Croatia, Serbia and Macedonia. The team is also strengthened by the Regional Advisory Board made up of 10 experts from the region as well as FairShares Lab members.

### **How are decisions made?**

Being registered as an NGO, decision-making is spread between the assembly, governing board and executive director (who is also one of the founders).

### Is it a FairShares enterprise?

At this point, it is not a FairShares enterprise but there are many elements of the FairShares model in SIL's foundation. For example, this includes: cooperation with a wide range of stakeholders; using a participatory methodology in field work. There is an interest to learn more about the benefits of running the business as a FairShares enterprise.

### Social Innovation?

FairShares Labs (<http://fairshareslab.org/>) is fully dedicated to promoting the concept of social innovation and supporting the development and application of social innovations in many local communities throughout the region. At the same time, SIL is involved in education, creating different tools and methodologies and making them available to students and professionals in many economic and social areas

### Scoring

Case Name (Filename in DropBox)	Author	FairShares Principle					Overall Score
		1	2	3	4	5	
Croatia-02-SIL, Zagreb	SLAP	2	2	2	2	2	2.0

**Comments:** Definitely a 2, could be 3 if stakeholders are enfranchised through ownership and social auditing using FairShares IP.

## Croatia-03-MivaART, Belišće

### The name of the enterprise

Social Cooperative MivaART, Belišće, Croatia. (<https://www.behance.net/gallery/9280011/Mivaart-products-catalogue>).

### Main activity and purpose

SC MivaArt is organised by the Association for Mentally Disabled Children and Youth Bell in the town of Belišće, covering several surrounding local communities. The main purpose is to create income generating opportunities for their beneficiaries and to empower them for independent living. While the association is a non-profit civil organization providing all sorts of services for their beneficiaries, the social cooperative is to create employment opportunities. Association Bell has also organised and equipped the Centre for Independent Living “Citadela” at the recreational site at the Drava river. Within the educational centre there is also 0.5 ha of certified organic garden, fully adjusted to disabled people.

### What are the values?

The values are: solidarity; equal opportunities; community development and creativity.

### Relevance

MivaArt creates employment opportunities for mentally disabled youths and at the same time generates an income for the association. Through several projects they are creating an inclusive environment for their beneficiaries, organising public events (cultural, educational, tourism) and providing services for the local community.

### Feasibility

MivaArt is developing a variety of business activities: an organic garden, handmade souvenirs, medical herb products, cycling campsite, catering for local events, ironing service for local hotels and restaurants, tailors shop, and social service provision for the elderly and disabled. Some of the activities are viable and others are subsidised through projects funded by the Ministry of Social Welfare, and EU funds.

### Sustainability

There is a potential for developing tourism services within the campsite providing B&B, different recreational facilities and offers for organic food from their garden. They are in the process of strategic and business planning, to have a more market-oriented approach to making their business activities more sustainable.

### Who are the owners?

1. SC is mainly owned by its founders (employees of Association for Disabled Youth “Bell” and family members of their beneficiaries)

2. There are several members – local citizens who are selling their products through the social cooperative.

### How are decisions made?

There are democratic procedures involving the Managing Board and Manager (who is not in the owners/founders' group). There is also a direct link to Association "Bell".

### Is it a FairShares enterprise?

No, except expressing a good will and demonstrating a high level of motivation to convert to a FairShares enterprise.

### Social Innovation?

Association Bell is active in inclusive volunteering, organising a local volunteer centre, which is very progressive for that small local community. Also, they offer incubation facilities to several local CSOs and community, Roma and youth initiatives. Association Bell has created one of the first de-institutionalised models of independent living for the mentally disabled youth.

### Scoring

Case Name (Filename in DropBox)	Author	FairShares Principle					Overall Score
		1	2	3	4	5	
Croatia-03-MivaART, Belišće	SLAP	2	2	2	1	1	1.6

**Comments:** Could not see any commentary on actual production/sales, only choice of products and governance.

## Cases from the English Partner (SEi)

### English-01-Resonate

#### **The name of the Enterprise**

Resonate Beyond Streaming Ltd - branded as Resonate (<https://resonate.is>)

#### **Main activity and purpose**

Resonate is a platform co-operative that provides a music streaming service. Their landing page articulates their mission in terms of 'remaking streaming' by championing artists and serving passionate music fans. The purpose written into Clause 5 their constitution includes (a) "to provide members with a music exchange platform, which enables the promotion, distribution, sale and/or exchange of music and related products and services" and (g) "to support the Platform Cooperative eco-system by financing organisations established to provide support and assistance to those wishing to found Platform Cooperatives."

#### **What are the values?**

The values of the founders are guided by a commitment to music artists and fans, based on a full understanding of the way existing music streaming sites underpay artists and deny them ownership of the supply chain that makes their music available. In their governance, Resonate operates as a member-owned multi-stakeholder co-operative with five member groups (Founders, Collaborators, Music Makers, Fans and Supporters). The founders express their commitment to platform co-operatives through Seedbloom - a sister business that provided the technology for buying Supporter shares in the platform (during their crowd campaign) when people joined as collaborators, music-makers or fans. The source code for their site will be made Open Source as soon as feasible.

#### **Relevance**

Musicians are underpaid by music companies. With the switch from music sale royalties to streaming systems, musicians often receive only a fraction of 1% of the sale price of their music after music labels and music distributors take their cut. Within Resonate, musicians receive a higher proportion of income from streaming (see 'Stream to Own') as well as 45% of the distributable profits of the co-operative. Fans also receive a patronage refund of 35% of distributable profits (see 'Bonuses + Votes').

#### **Feasibility**

Resonate operationalise their values through a 'stream to own' system: fans pay an increasing amount with each stream of a music track until the 9th time they stream. After this, they own the track and can play it as much as they like. This system pays much more to musicians for initial streaming by fans. Fans can expect to pay less than half the cost per month compared to Apple Music / Spotify for about 2 hours streaming per day. The co-operative is young (less than 2 years

old) but given full coverage in press and blog entries, there is considerable activity to build and promote their new approach.

## Sustainability

Resonate describe their business strategies on their website (See <https://resonate.is/strategies/>). The basic business model is 'pay for every play', with tiny amounts for the first stream 0.002, then doubling each time up to the ninth stream, after which the fan owns the track (and pay roughly the same price as a download). By contrast, it takes 150 streams on Spotify to equal the cost of a download. They promote the site by developing relationships with music blogs and seeking coverage in the press.

## Who are the owners?

The company has five member groups: founders, collaborators (Labour - internal), music-makers (Labour - external), fans (Users) and Supporters (Investors). All member groups have voting rights in General Meeting.

## How are decisions made?

The rule book provides for General Meetings 'off-line' through video conferencing, and online collaborative decision-making technologies. All classes of member (except supporters) can propose resolutions, participate, speak (after 3 months) and vote (after 6 months) in General Meetings. Founders are exempt from the 3 and 6 month rules on speaking and voting. An executive team / CEO can negotiate contracts and enter into them with board approval.

## Is it a FairShares enterprise?

Yes - Resonate adapted V2.1 FairShares Model Rules for Cooperatives and registered their cooperative under Industrial and Provident Society laws in Ireland. They display the FairShares Logo on the constitution filed with the regulator and provide [a page where they describe how they implement their co-operative values through use of the FairShares Model](#).

## Social Innovation?

Yes - the 'stream to own' system is highly innovative and their mission is to reframe how music streaming services operate, and champion both artist and fan ownership of the music industry. Platform co-operatives are also regarded as an innovation because they switch from a local to global audience and present a new form of co-operation where the common bond is around the product rather than relationship to the co-operative (as a worker or consumer).

## Scoring

Case Name (Filename in DropBox)	Author	FairShares Principle					Overall Score
		1	2	3	4	5	
English-01-Resonate	SEi	3	3	3	2	3	2.8

**Comments:** Registered FairShares Cooperative in Ireland.

## Resonate's Business Model

### stream to own explained

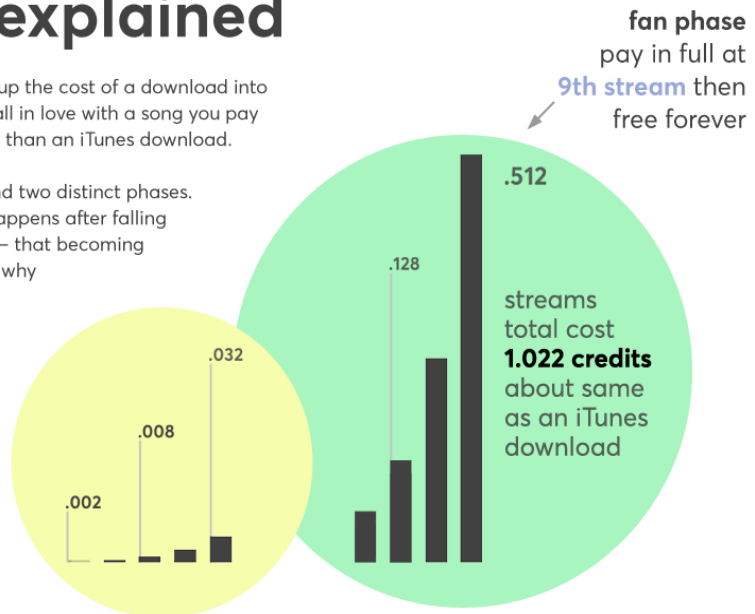
**Stream to own** is new but fairly simple – we break up the cost of a download into 9 plays. In the beginning it's super cheap. As you fall in love with a song you pay a bit more to support the artist. In total, a little less than an iTunes download.

Looking closer at this "pay as you go" model we find two distinct phases.

**Discovery** is about exploring new artists and **fan** happens after falling in love with their music. It represents a **basic truth** – that becoming a fan leads to wanting to support the artist. This is why we also refer to it as **stream to support**.

**discovery phase** →  
listen **five times**  
for around **7 cents**

2 hours a day for  
around **\$2-\$4**  
per month



## Resonate's Ownership and Governance Model

### bonuses + votes

**Supporter shares.** Investors receive a pro rata share of this, up to 8% of their total investment.

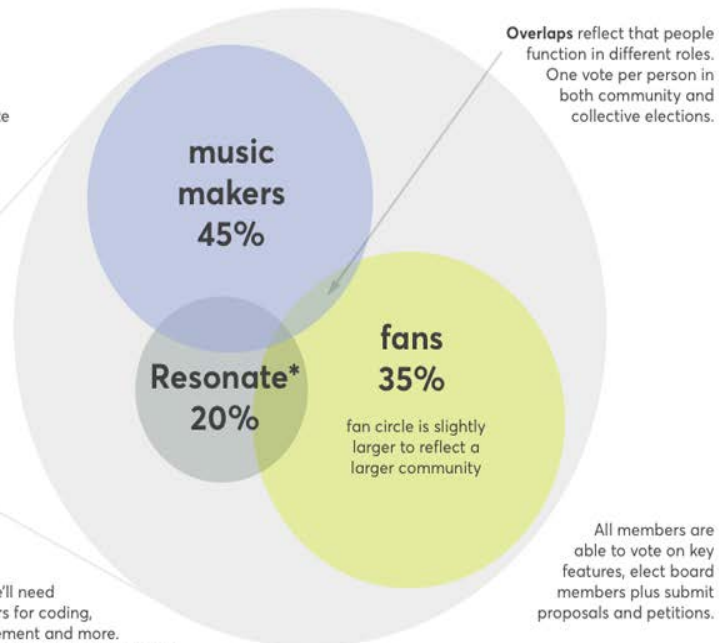
**Reserve fund.** Standard for multi-stakeholder co-ops, used for emergencies and buying back investor shares.

**The 1% community reinvestment fund.** Seeds the next generation of coop apps and startups. Administered on the blockchain by Seedbloom.

Outer circle represents Resonate as a complete **collective** and inner circles represent various **communities**. Some votes are community specific, others for the entire collective.



\***Resonate** has a big block as we'll need a **large** community of volunteers for coding, marketing, community management and more. Volunteers are **first** to receive bonuses before paid staff.





## English-02-EvolveSix

### The name of the enterprise

EvoluteSix: <https://evolutesix.com/> (registered at Companies House as Dojo4Life Ltd)

### Main activity and purpose

EvoluteSix is a coaching and personal development company registered using FairShares Model Rules for Companies V2.1 (see <https://evolutesix.com/fair-share/>). The purpose of the company as stated in the Articles is: “to advance the widespread practical adoption of evidence-based neuroscience and developmental psychology research; and of organisational designs and practices which improve systemically the capacity of organisations to create environmental, human, social and financial capital; to promote the development of financially, socially and environmentally responsible entrepreneurship.”

### What are the values?

Values are expressed (both verbally and in the written constitution) that represent a commitment to fairness, inclusion and appropriate rewards for different capital contributions (human, social, financial). This is achieved through a written commitment to holacracy (self-managing groups) and requisite organisation design (which focuses on fixing ‘systems’, but not people).

### Relevance

The company started life as Dojo4Life Ltd - a Dojo is a space for meditation and personal learning. Founder Graham Boyd was a corporate turnaround specialist who used his coaching skills to form effective teams of people capable of helping a company to recover. In Evolutesix, staff offer “a complete system of methods and a safe place to develop your capability so that you can make a difference to your life, your business, and the world.”

Graham Boyd lost confidence in the way companies are run because of his experience as a turnaround specialist (traditional companies are ‘unfixable’ because their constitutions are archaic). Adopting a FairShares constitution with commitments to multi-stakeholding, equitable participation and fair rewards is part of an effort to redesign companies that are enabling for others people. An articulation of Graham’s thinking and intentions was broadcast in an Ellen McArthur lecture during the ‘2017 Disruptive Innovation Festival’.

### Feasibility

The company has founder, labour, user and investor members who offer the following:

- Development coach
- Development training
- Holacracy
- Integral coaching programme
- Peer to peer coaching
- Personal development
- Professional development coach

- Self-development
- Self-management programme
- Social development coaching
- Sociocracy

Marketing takes the form of 'Fireside talks' (online) to attract new members. There are online face-to-face discussion and coaching sessions with Evolutesix team members. It is unclear how this business model generates cash, but the website allows classes to be 'added to cart'.

## Sustainability

The awareness raised by the platform among communities will be permanent. They will become aware of what resources already exist locally and to what extent they can sustain their own economy. The increased communal activity will lead to further community-based ventures that will seek to enhance the quality of life for community members.

## Who are the owners?

The company was established by three founders, and it admits Labour and User members. At the time of writing, only founder members had invested money.

## How are decisions made?

The Articles of Association commit the company to holacracy and a specific form of self-managed governance by member groups (hence the attractiveness of FairShares four member classes). Holacracy can have nesting (for 'lower' and 'higher' level decision-making), but the expectation is that everyone participates as equals at their level.

To be a board member, you need a particular level of 'dialectic fluidity' (a test that measures your capacity to handle uncertainty and future scenarios based on uncertain knowledge). Subject to that test, anyone can stand to be a Director under the constitution.

## Is it a FairShares enterprise?

Yes - Evolutesix used FairShares Model Rules v2.1 to constitute the company, displays the FairShares logo on the rules filed with the regulator and provide information on its website.

## Social Innovation?

Yes - the founder regards the combination of holacracy and requisite organisation combined with FairShares as a way to involve people more fully in decision-making and counteract the culture that pervades companies that can be bought and sold. They are committed to a different philosophy of organisation, run by skilled decision-makers within a holacracy.

## Scoring

Case Name (Filename in DropBox)	Author	FairShares Principle					Overall Score
		1	2	3	4	5	
English-02-EvolveSix	SEi	3	3	3	3	2	2.8

**Comments:** Proprietary voting rights favours Founders and Labour.

## English-03-AnyShare Society

### The name of the enterprise

AnyShare Society: <https://anyshare.coop>

### Main activity and purpose

AnyShare makes it easy to share skills, things, and ideas within any group or community. Each 'sharing network' is created by a subscriber who can join the co-op. The purpose written into their constitution is "to develop technologies that eliminate scarcity by unlocking the hidden abundance of resources available amongst our members through systems for buying, selling, trading, gifting, renting, borrowing and collaborating with their friends, community and fellow members".

### What are the values?

The values of the founders are guided by commitments to sustainable development (they cite the environment as a fifth stakeholder and commit profits to environmental projects). They market themselves explicitly as 'the complete co-operative' (see <https://anyshare.coop/coop>) with co-operative values and principles written directly into the company objects (their Bylaws).

### Relevance

The founders have a distinctive critique of modern society based on its failure to provide technologies for effective sharing, and over-reliance on market-type exchanges. They allow members to control exchange types. Sharing networks might be set up for gifting, or for buying and selling (or a combination). By enabling members to choose exchange types, they seek to overturn the dominance of commodity trading.

### Feasibility

The business model is based on attracting subscribers who pay a fee to host a sharing network (payable monthly or annually). Capital is also raised by offering subscribers a chance to pay an additional \$50 fee to become a member (many do). The founders created a similar site previously called Mass Mosaic and attracted 17,000 subscribers. They are now migrating their users to AnyShare.coop.

### Sustainability

The long-term sustainability of the AnyShare model is based on the number of subscribers, but has potential for additional services by interfacing its technology cheaply with the 'Internet of Things'. For example, a person at home might press a button on a panel to post a social care or health care 'want' or 'have' to an AnyShare site (perhaps run by a social care service). If this level of automation is achievable, the possible uses of the technology will grow exponentially. Sites will change from those where users consciously list their wants and needs to automated postings that regulate the provision of community services.

### Who are the owners?

The company was established by four founder members, and the constitution provides for employee, user and investor members. Created and registered in the USA, it was supported in its development by FairShares Association Ltd in the UK.

### How are decisions made?

The Articles of Association give founders a level of control until a member threshold is reached. Once reached, co-operative governance is provided for within the rules. In practice, the CEO and CTO (Chief Technology Officer) make decisions around development of the software platform. However, platform users (subscribers) run their platforms as discrete communities and operate a peer-to-peer system for transactions that take place on them.

### Is it a FairShares enterprise?

Yes - AnyShare Society adapted V2.1 FairShares Model Rules for Companies and registered Bylaws for a Delaware C Corporation in the USA. They use the logo to show their commitment to FairShares and provide a comprehensive set of help pages explaining how they implement the FairShares Model.

### Social Innovation?

Yes - the founders regard a cooperatively owned and managed sharing economy as a social innovation that will (eventually) counter the privately (investor-)owned sharing economy of AirBnB and Uber. They are blue innovators too through use of AnyShare technology at Arcosanti, an architectural project in Arizona, USA.

### Scoring

Case Name (Filename in DropBox)	Author	FairShares Principle					Overall Score
		1	2	3	4	5	
03-AnyShare Society	SEi	3	3	3	3	3	3.0

**Comments:** US Company, but supported out of the UK by FairShares Association.

## English-04-Locosoco Group plc

### The name of the enterprise

LocoSoco Group PLC ([www.locoso.co](http://www.locoso.co)) which owns 75% of LocoSoco Ltd.

### Main activity and purpose

Locoso.co is a sharing platform with a system for creating 'stores'. In the first iteration, LocoSoco is showcasing its own store. Its purpose is to enable communities to take power of their own economy by maximising the supply of fast moving consumer goods (FMCGs) that are ecologically sustainable. The platform will allow for the creation of more stores which can be existing businesses or new collaborations within each community to share, buy, sell, swap, hire, rent, lend or bulk purchase. Financial transactions can take place online and messaging between users is also built in.

### What are the values?

The driving value is to change the way that business is done so that money and wealth is retained by communities rather than flowing to the owners of capital. Their website (<https://locosoco.wpengine.com/about/>) claims that their mission is "to ensure that LocoSoco's customers and partners are properly rewarded by sharing the ownership of the supply chain that they are fundamentally a part of." Their mission is "to make community ownership easy to use and inclusive of everyone."

### Relevance

The problem is that communities are not making full use of the resources that they already have, so that people have to purchase new goods when they could borrow or share from their neighbours. Furthermore, the profits from FMCGs are going to large supermarkets that export wealth from local communities, rather than going to local retailers and customers who keep the wealth generated local. By operating as a local community, they can make economies of scale work for them. Whilst goods and services can be bought from outside the communities, Locoso.co returns most of the value created to retailers and customers so they can strengthen their community economy.

### Feasibility

The business depends on an easy to use platform (which it is). The platform is funded by taking 10% of the wholesale to retail mark-up as a fee (from each transaction). 70% of the mark-up is returned to retailers and customers in LocoCoin (a virtual currency). Marketing will be key to achieve critical mass in the take up of the platform. Initial investment to pay for the IT set up and the marketing will be raised through share issues.

### Sustainability

Awareness raised is built into the platform with the intention that the impact of communities will be long lasting. They will become aware of what resources already exist locally, what value eco-

products can bring to the community, and to what extent they can sustain their own economy. The increased communal activity will lead to further community based ventures that will seek to enhance the quality of life for community members.

### Who are the owners?

The company is a PLC and so will be owned by the shareholders. Retailers and customers will become shareholders on making a qualifying contribution. The founder, James Perry will retain control and act as the CEO at least until the model is firmly established.

### How are decisions made?

Day to day management will be in the hands of the CEO. However, there is an advisory board who will work with the CEO to help in the management of the company. Governance and the adherence to FairShares values and principles will be guided by a social audit process, initially run by SEi (Social Enterprise International Ltd), to carry out a dialogue with users of the platform and other stakeholders to ensure that agreed values and principles are implemented. The process will produce an annual social audit report.

LocoSoco Group plc is a holding company. Users of the platform will be encouraged to create their own stores, and eventually to form their own sub-companies held by LocoSoco plc. They will have some autonomy to agree their own values and principles. The company will also invest in other companies that adopt FairShares values and principles.

### Is it a FairShares enterprise?

Partly, but not completely. The company and the CEO agree with the principles of FairShares and will work with the social audit process to ensure that FairShares principles are adhered to. The constitution of LocoSoco Group plc is proprietary. Investments in companies within the platform will be based on adherence to FairShares principles and cultural norms and will be promoted in company dealings. The plc legal structure will always mitigate against the company from being a full FairShares company for as long as public (institutional) investors expect market-driven returns.

### Social Innovation?

Many aspects of the platform are innovative, particularly the selection of FMCGs that are eco-friendly and promote sustainability. The emphasis of the company is on using IT to create a change in community behaviour, and the promotion of sustainable consumption.

### Scoring

Case Name (Filename in DropBox)	Author	FairShares Principle					Overall Score
		1	2	3	4	5	
English-04-Locosoco Group plc	SEi	1	3	3	2	1	2.0

**Comments:** Information on the platform shows a clear commitment to multi-stakeholding.

## Cases from German Partners

### Germany-01-Gemeinsam eG LK Regensburg

#### **The name of the enterprise**

Gemeinsam eG is a social (not for profit) cooperative in the district of Regensburg  
Bischof-Rudolf-Str. 6, 93152 Nittendorf, [www.gemeinsam-eg.de](http://www.gemeinsam-eg.de)

#### **Main activity and purpose**

The central task of the Gemeinschafts eG Sozialgenossenschaft (Social coop) in the district of Regensburg is to safeguard and improve the provision of services for its members in economic, cultural and social terms, taking into account the role models of citizens, municipalities today and in the future, and the economy and society in structural change. The purpose is support income and the economy as well as the social and cultural behaviours of the members through a social cooperative business. The cooperative organises and delivers services for the members in supply, mobility, health, care, communication, arts and culture.

The objectives are, as well as improving the living and employment conditions of the members, supporting the regional circular economy and the attractiveness of the region. Other tasks are education and training activities for the members. The main businesses are social scouts (advisors in social businesses), advice in application affairs, presentations, webinars and coordination of cultural events.

#### **What are the values?**

Values are grounded in improving the overall services in economic, cultural and social matters through common activities.

#### **Relevance**

The bad demographic situation in rural areas is affecting: quality of life; general services; employment, health care; social services, culture, education and mobility (connection with the urban areas).

#### **Feasibility**

The business model seems to be working well. The main tasks are the support of legal persons (such as B. Municipalities, organisations and companies) as members in improving the services as well as the financial basis, involving natural persons as citizens and customers to make the services more customised.

#### **Sustainability**

The cooperative is quite new and long-term results are not yet published. There is insufficient information to assess its sustainability strategy at present.

### Who are the owners?

The owners are members of the social cooperative, who are mainly legal private and public bodies with the interest of supporting the cooperative but also natural persons.

### How are decisions made?

Decisions are made by the annual general assembly, a board of two members as well as a supervisory board. The decision process is democratic.

### Is it a FairShares enterprise?

There is evidence of multi-stakeholding - the social cooperative has some members who are employees, and some investors (who hold cooperative shares), which are also available to customers/consumers. It is close to the norms for a FairShares enterprise or is easily transferable.

### Social Innovation?

The social cooperative is part of the social cooperative innovation movement in Bavaria which is supported and funded by the Bavarian regional government. It claims to be socially innovative in the way it is improving regional services as well as involving the relevant stakeholders and customers as shareholders.

### Scoring

Case Name (Filename in DropBox)	Author	FairShares Principle					Overall Score
		1	2	3	4	5	
01-Gemeinsam eG LK Regensburg	VSBI	2	3	2	1	2	2.0

**Comments:** No information on production/consumption processes.



## Germany-02-MutmacherMenschen Augsburg

### **The name of the enterprise**

MutMacherMenschen, Salomon-Idler-Str. 39, 86159 Augsburg, Germany

<http://www.mutmachermenschen.de>

### **Main activity and purpose**

MutMacherMenschen is a non-profit social cooperative of, with and for people in the recovery process after a mental crisis. It produces goods and delivers services by people with mental disabilities and people with other disabilities. Its main products are carpentry items like wooden wild-bee-hotels, cájons and the rental of a mobile clay-oven.

### **What are the values?**

Cooperation, support and inclusion of disabled people, support for independent living and participation in work.

### **Relevance**

The cooperative looks to solve the lack of inclusion of people with disabilities, in society and the job market.

### **Feasibility**

The business model appears to work well, but the members of the cooperative are not employed in the cooperative. Financial investors can become members. Employed persons are not members. Employment happens in two options: part-time regular employed and some only in the kind of getting “additional income” additionally to a so called “unemployment pension” for people with disabilities.

### **Sustainability**

The cooperative is quite new, long term results are not yet published. Insufficient information on its sustainability strategy is available to make a judgement.

### **Who are the owners?**

The owners are members of the social co-operative, who are natural persons with and without disabilities but also legal bodies (organisations) which are sympathetic with the interests of the co-operative.

### **How are decisions made?**

Decisions are made by the annual general assembly, a board of five members as well as a supervisory board of 6 people. The decision process is democratic.

### Is it a FairShares enterprise?

With regard to supporting people with mental illnesses or disabilities, it is a FairShares enterprise. In the case of the services and products from carpentry works, users/customers do not seem to be involved. It seems it could easily be converted in to a FairShares enterprise.

### Social Innovation?

The social cooperative is part of the social cooperative innovation movement in Bavaria which is supported and funded by the Bavarian regional government. It claims to be a socially innovative in the way it organises the contribution of socially segregated people with disabilities to be able to partake in decision making and ownership processes.

### Scoring

Case Name (Filename in DropBox)	Author	FairShares Principle					Overall Score
		1	2	3	4	5	
Germany-02-MutmacherMenschen Augsburg	VSBI	1	2	2	1	1	1.4

**Comments:** No evidence yet of an active multi-stakeholder model, but the enterprise is committed to cooperative principles.

## Germany-03-Next Hamburg

### **The name of the enterprise**

Nexthamburg e.V. (City-Lab, Living Lab), Bäckerbreitergang 14, 20355 Hamburg, Germany, <http://www.nexthamburg.de>

### **Main activity and purpose**

Nexthamburg is an open City Lab (Living Lab) which aims to provide a platform for all stakeholders (natural and legal persons) to create, share and develop ideas, projects and businesses for improving the urban development in any cases of living issues. They offer a scenario for the future, based on data and background information, to start a discussion about the future of the city and its inhabitants. They offer an idea database, data stories as well as offering a real and virtual place for cooperative work.

### **What are the values?**

The values are centred on improving the quality of life in the city of Hamburg and offering a platform for social cooperation.

### **Relevance**

Any social or urban problem identified by any kind of stakeholder.

### **Feasibility**

There is no business model. Next-Hamburg is financed by donations and public/private grants. After being a pilot project of urban development in Germany from 2009 till 2012, it was financed by the federal Ministry for Transport, the building and urban development project was transferred to an association of activists in urban development.

### **Sustainability**

More than a thousand ideas were presented, led and discussed. How many projects have been realised is not visible on the website. The platform is still active and highly valued in Hamburg.

### **Who are the owners?**

The owner is a not-for-profit association.

### **How are decisions made?**

The decisions are made in a democratic process.

### **Is it a FairShares enterprise?**

It is not registered as FairShares enterprise but offers some similarities. The members of the association are founders, and volunteer members provide labour. Citizens and legal bodies in Hamburg are user members providing the ideas developed on the platform.

## Social Innovation?

The enterprise offers a user/customer driven opportunity for urban development and sharing competences and responsibility for the city.

## Scoring

Case Name (Filename in DropBox)	Author	FairShares Principle					Overall Score
		1	2	3	4	5	
Germany 03-Next Hamburg	VSBI	2	2	2	0	2	1.6

**Comments:** Evidence of multi-stakeholding, idea production, but not actual production or consumption.

## Germany-04-StreetLab Paris

### **The name of the enterprise**

Streetlab (Living Lab), 17 rue Moreau, 75012 Paris, France, <http://www.streetlab-vision.com/>.

### **Main activity and purpose**

The company aims to improve the autonomy, mobility and quality of life of visually impaired people and seniors. To carry out its mission, Streetlab drives its actions and reflections around four main axes: co-design, evaluation, rehabilitation and awareness.

Streetlab is committed to tackling public health issues affecting nearly 2 million people by helping industry to respond to new market opportunities. They offer a Home-Lab, an artificial street, driving simulators, low vision centre and simulator.

### **What are the values?**

Values are rooted in improving the inclusion process for people with visual impairments and improving their autonomy.

### **Relevance**

There is currently segregation and exclusion of people with visual impairments because of the lack of suitable technical support systems, accessibility, appropriate design and public awareness.

### **Feasibility**

The business model seems to be working well since 2011. On the website a large network of more than 20 team members/shareholders are listed.

### **Sustainability**

The benefits are for up to 2 million customers in France, with visual impairments being able to live with more autonomy and social participation.

### **Who are the owners?**

The owners of the company are 6 legal persons representing a bank, scientific institutes, public authorities and the association of the blind people in France.

### **How are decisions made?**

Information about this has not been published.

### **Is it a FairShares enterprise?**

The owners represent the different stakeholder and shareholder groups, people with visual impairments are also employed as experts in the company. A user database represents the final consumer. So, it appears that the stakeholders needed for a FairShares company are present, and that it could transfer, but there is no evidence that employees or users are co-owners at present.

## Social Innovation?

The company offers a user/customer driven development of services, design and technical products for the autonomous living of people with visual impairments.

## Scoring

Case Name (Filename in DropBox)	Author	FairShares Principle					Overall Score
		1	2	3	4	5	
Germany-04-StreetLab Paris	VSBI	1	2	1	2	1	1.4

**Comments:** Social purpose, with little evidence of multi-stakeholder ownership or governance. Some user-led design.

## Germany-05-Betterplace

### The name of the enterprise

betterplace.org, <https://www.betterplace.org/de> (German) and [www.betterplace.org/en](http://www.betterplace.org/en) (English)

### Main activity and purpose

Betterplace.org is a fundraising website where social businesses and projects can collect donations and promote their work. They also provide coaching in fundraising for businessowners.

### What are the values?

Betterplace.org was the first platform which could be used by non-profit organisations of any kind to get donations for their projects. Donators do not have to look for projects on many different websites but can use one central register to find interesting projects.

### Relevance

It draws attention to different social projects, especially those with little public interest, and helps in funding them.

### Feasibility

It is a non-profit organisation, funded with donations and corporate cooperation. 2.5% of the donations always stays with betterplace.org to pay for bank charges. The operation of betterplace.org is not covered by the 2.5%. Ongoing costs such as rent, staff, electricity or coffee is paid through private sponsors, corporate cooperation and voluntary donations to betterplace.org.

### Sustainability

There is scope for more attention and donations for many different (smaller) projects, not just those who already have a lot of public attention and can afford campaigns.

### Who are the owners?

Betterplace.org has funders, not shareholders because it is registered as a charitable, non-profit corporation.

### How are decisions made?

It is a new way of decision-making without hierarchies, all team members are equal in position and decide together.

### Is it a FairShares enterprise?

betterplace.org goes some way to meeting FairShares standards when it comes to founders, workers and customers. There are no investors (in the private company sense) but funders are not all interested in acting sustainably or socially.

## Social Innovation?

It is the first online platform to get public attention for social projects, which it makes it much easier to acquire donations for social projects.

## Scoring

Case Name (Filename in DropBox)	Author	FairShares Principle					Overall Score
		1	2	3	4	5	
Germany-05-Betterplace	KHuF	1	2	1	1	2	1.4

**Comments:** Conditions conducive to a FairShares Non-Profit Association, but the culture is not yet egalitarian at the multi-stakeholder level?



## Germany-06-Enterability

### The name of the enterprise

Enterability. Berlin, Germany, <http://enterability.de/>

### Main activity and purpose

Enterability helps people with severe disabilities to become self-employed and supports them in remaining in the market. For many people with severe disabilities, self-employment is the only way to (re-) participate in working life. They know about the needs of entrepreneurs with disabilities and financing solutions the state offers. With this knowledge, they can help these people create their own business.

### What are the values?

Helping and supporting people with disabilities through start-up counselling to build their own business.

### Relevance

People with disability who want to become self-employed often meet prejudices which, for example, can lead to the denial of loans. Self-employment is not seen as an equal alternative for people with disabilities, so they often do not get the support needed.

### Feasibility

Enterability is a subsidiary of Social Impact gGmbH, which is a non-profit organisation itself. Enterability does not have its' own legal form and it is completely funded by the State Office for Health and Social Affairs Berlin.

### Sustainability

Enterability helps to integrate disabled people into working life. This helps them to make an income, independent from the state's financial aids and it can reduce prejudices against the disabled. If more people with disabilities run successful businesses it will raise awareness, reduce unemployment and increase employers' trust in those people's abilities.

### Who are the owners?

Enterability's manager is Manfred Rademacher, the business manager of Enterability and Social Impact is Norbert Kunz.

### How are decisions made?

Decisions are made together in a democratic way, which is part of the company's philosophy and the structure has few hierarchies.

### Is it a FairShares enterprise?

As a project providing services, the opportunity to be a FairShares enterprise is limited. The businesses they help to start can be FairShares businesses.

### Social Innovation?

The project is innovative when it comes to self-employment as an option for disabled people. In Germany it is common to offer special workshops for the disabled instead of integrating them into the regular job market.

### Scoring

Case Name (Filename in DropBox)	Author	FairShares Principle					Overall Score
		1	2	3	4	5	
Germany-06-Enterability	KHuF	0	2	1	1	1	1.0

**Comments:** P1 not possible as a project not a legal entity, P2 is taken from parent organisation.

## Germany-07-Sozialhelden

### **The name of the enterprise**

Sozialhelden, <https://sozialhelden.de/en/>

### **Main activity and purpose**

The purpose is to draw peoples' attention to social problems in society and to find simple solutions for them. Furthermore, the project aims to encourage people to start their own projects to change the situation in their personal environment.

### **What are the values?**

The most important values are to work on eye-level so that everybody can express and realise his/her ideas, and everybody helps others in doing so. The projects carried out have to help a certain group in society. These group do not have a minimum size but every person that is reached by the project is worth working on it.

### **Relevance**

Each of the different projects solves a different social problem and has a different target group. The main goal is to activate people to start their own projects by showing that successful projects do not need huge financial support and marketing.

### **Feasibility**

The projects are funded with donations or with government budget (for example EU funding).

### **Sustainability**

Most of the projects help people with disabilities in everyday life or help others understand the situation of those with disabilities. This raises awareness, helps destroy prejudices and creates an inclusive society. By encouraging others to start similar projects the effects become multiplied.

### **Who are the owners?**

The founders are Raúl Krauthausen and Jan Mörsch.

### **How are decisions made?**

The whole team gets involved in decisions in a democratic way.

### **Is it a FairShares enterprise?**

Sozialhelden has the goal of working with people with diverse backgrounds and abilities and they are interested in keeping their projects sustainable, but until they are offered membership and integrated into governance, they cannot be described as fully committed to FairShares. Since they are a not-for-profit orientated company, they could only consider converting to a FairShares Non-Profit Association.

## Social Innovation?

The enterprise runs social projects that help to raise awareness for different social problems. The innovative part in their activities is that they want to help others to start similar projects independently from Sozialhelden's projects.

## Scoring

Case Name (Filename in DropBox)	Author	FairShares Principle					Overall Score
		1	2	3	4	5	
Germany-07-Sozialhelden	KHuF	1	2	1	2	1	1.4

**Comments:** There is an egalitarian culture, but no evidence of actual multi-stakeholder ownership and governance.

## Cases from the Hungarian Partner

### Hungary-01-Blue Economy Innovation Cluster

#### **The name of the enterprise**

Kék Gazdaság Innovációs Klaszter (Blue Economy Innovation Cluster), Hungary,  
<http://klaszterportfolio.hu/tartalomkezelo/impreszum>

#### **Main activity and purpose**

The Blue Economy Innovation Cluster was founded in 2011 by the University of Pécs and some local companies committed to the Blue Economy concept. The purpose of the cluster was to strengthen the economic, social and environmental status of the region and the local SMEs by generating projects and cooperation.

#### **What are the values?**

The main values expressed were to minimise waste and maximise local cooperation, thereby creating economic and social wealth. The purpose of the cluster was to build on the values of the local SMEs, knowledge bases (like the university) and put together their unique knowledge. By reinforcing their cooperation and in this way giving birth to unique innovations.

#### **Relevance**

Clusters were supported by the EU and the Hungarian government, because of their strengthening power for local and regional economies, with a special focus on developing SMEs. The cluster searched for regional SMEs that operated in the field of environment or green/blue economy and tried to build cooperative projects based on the values of the different SMEs. This way entrepreneurial activities were strengthened.

#### **Feasibility**

The business model worked in this way, the SMEs who found the cluster and its values interesting, were able to join the cluster as an “internal member”. These internal members had to pay a fee, that funded the management of the cluster to develop new projects and cooperation. These new projects were built from the competencies of the members and were sold to other actors. In this way the members could earn income from these projects that were generated by the organisation.

#### **Sustainability**

The long-term aim was to strengthen the innovation and entrepreneurial spirit in the local SMEs in the field of blue economy.

#### **Who are the owners?**

ECOsynergy Ltd and the University of Pécs, Faculty of Business and Economics were the idea owners and the management organisations.

### How are decisions made?

Decisions were made by the Board of the cluster. The board was elected from the internal members by the internal members.

### Is it a FairShares enterprise?

Potentially, because the basic idea was coming from the concept of the blue economy and social entrepreneurship, and governance and management involves both 'internal' members and 'external' investors.

### Social Innovation?

The spirit and the mentality are a complete fit into the FairShares model, and the commitment to blue economy ensures constant attention to innovations in the management of both nature and the economy.

### Scoring

Case Name (Filename in DropBox)	Author	FairShares Principle					Overall Score
		1	2	3	4	5	
01-Blue Economy Innovation Cluster	Zold-Atkiv	2	2	2	2	2	2.0

**Comments:** Clear potential to become a 3) if integrating FairShares IP into their work.

## Hungary-02-Simonyi Center (University of Pécs)

### **The name of the enterprise**

Simonyi Business and Economics Development Centre (Simonyi BEDC) – University of Pécs  
Faculty of Business and Economics, Hungary - <http://simonyibedc.ktk.pte.hu/about-us>

### **Main activity and purpose**

Simonyi BEDC was developed by a few young associate professors at the University of Pécs Faculty of Business and Economics. Their main purpose was to develop activities within higher education to support young entrepreneurs and idea owners (students and outsiders) to consciously build an enterprise from their idea. To develop a vision for students to “think out of the box”.

### **What are the values?**

The main values are innovation, entrepreneurial mind set, new knowledge and skills at university program.

### **Relevance**

The South Transdanubian region of Hungary is lagging other parts of the country and the EU. Unemployment is high and only a few big companies are present. The University of Pécs, as the local knowledge base, should change its education structure in a way to develop programs helping youngsters to create value. The small Simonyi team developed a program that is built into the education program of the university that strengthens the entrepreneurial thinking of these students.

### **Feasibility**

The programme is built into the modules offered by the university to students. The idea generation and business model building are done by student groups, mentored by associate professors. Simonyi BEDC cooperates with venture capital companies, so if an idea seems to be marketable, they can get financial background.

### **Sustainability**

The long-term aim was to strengthen innovation and entrepreneurial spirit and thinking in young students and adults. To show them that “thinking out of the box” is a bit harder than following the masses, but the results can be much better. Three years after its inception, Simonyi BEDC is now famous among students, so it was then built into the Master programme of the University.

### **Who are the owners?**

University of Pécs, Faculty of Business and Economics developed Simonyi BEDC.

### **How are decisions made?**

Decisions are made by the managing director of the BEDC and the dean of the faculty.

### Is it a FairShares enterprise?

The spirit and the mentality of the programme fit the FairShares Model but the legal basis and the real sharing of power and decision-making does not include either labour or users. But it could be possible. It is worth investigating the change to a FairShares project.

### Social Innovation?

None reported.

### Scoring

Case Name (Filename in DropBox)	Author	FairShares Principle					Overall Score
		1	2	3	4	5	
Hungary 02-Simonyi Center (University of Pécs)	Zold-Atkiv	2	1	1	1	2	1.4

**Comments:** Lack of meaningful power sharing with Labour and Users needed to raise assessment to Level 2.



## Hungary-03-Recycling Factory

### The name of the enterprise

Maltese Electronic Device recycling company for disabled people.

### Main activity and purpose

The company operates as a recycling point, where used and broken electronic machines and vehicles are separated into parts of raw materials. Some of the parts can be re-used, some can be sold for recycling and only some parts are waste. In this company, only disabled people are hired, because they are able to do this activity.

### What are the values?

The company re-integrate disabled people into the labour market and enriches their lives. It recycles and minimises waste. This is a very good example of blue economy to create value from waste and minimise environmental pressure and harm. At the same time, the company builds social and economic value, by employing disabled people.

### Relevance

Disabled people are not welcomed in the world of employment, because it is hard to find places that fit their capabilities. In this way they are normally excluded from normal employment and they feel they are useless. Giving them a job that creates value can give meaning to their lives and means better living conditions as well. Additionally, recycling electronic waste is good for the environment and for the local economy.

### Feasibility

Companies and individuals who have electronic waste (for example appliances, TV, laptops, etc.) must normally pay if they want to dispose of them. The Maltese company offers to take it for free. Afterwards, at the factory, the employees separate the materials and sell the re-useable parts and raw materials. The money is spent on the labour costs of the disabled employees and the rent of the factory.

### Sustainability

The two key benefits are re-integration of disabled people into society and the recycling of electronic waste. The company was funded for its first year by a Hungarian tender, but now it generates enough money to be sustainable. The managers of the company started new activities in 2017. They created “Recreation” - a small manufacturing shop that creates jewellery from the electronic waste parts and sells it to public by using [Facebook as a social media tool](#).

### Who are the owners?

Hungarian Charity Services of Malteses.

### How are decisions made?

Decisions are made by the local/regional decision makers of the charity services based on the suggestions of the company managers.

### Is it a FairShares enterprise?

It is not a FairShares enterprise, but the basic idea is coming from the concept of blue economy and social entrepreneurship. The spirit and the mentality could fit with the FairShares Model and evolve into it.

### Social Innovation?

Officially not, but unofficially yes.

### Scoring

Case Name (Filename in DropBox)	Author	FairShares Principle					Overall Score
		1	2	3	4	5	
Hungary-03-Recycling Factory	Zold-Atkiv	1	1	2	2	1	1.4

**Comments:** Solid social business model, but inclusion needs to develop further to reach Level 2.

## Cases from the Netherlands Partner

### Netherlands-01-Ujuizi International B.V

#### **The name of the enterprise**

Ujuizi International B.V. i.o., Netherlands, <http://cheetah.ujuizi.com/>

#### **Main activity and purpose**

Creating tools for inclusion (combining biotechnology, agronomics, space technology and ICT).

#### **What are the values?**

The values are expressed in all activities and communications are: equality, interdependency, autonomy, balance.

#### **Relevance**

Inequality, cushioning the effect of Wicked Problems (food insecurity, water scarcity, flooding, climate change, migration) on emerging countries (Bottom of the Pyramid, BoP).

#### **Feasibility**

Set up of beneficiary subsidiaries in Southern countries with whom we participate as equal partners in Public-Private Partnerships aimed at the creation of tools for a specific problem in the Southern country. Thus, co-creating an applications development eco-system making use of satellite/remote sensing data, algorithms and processes for the benefit of the bottom of the pyramid in developing countries.

#### **Sustainability**

Creating an equal level playing field.

#### **Who are the owners?**

Firman Wahyudi (Indonesia), Valentijn Venus (The Netherlands), and Nikolet Zwart (The Netherlands) together hold the shares in the holding company. The holding company owns 49 % of the shares of the subsidiaries, the other 49 % is held by a research institute in the South that offers ICT education. The remaining 2% is held by an external lawyer/referee. The director(s) of the Newcos is/are former PhD Student(s) trained in the West, getting a salary and the opportunity to acquire shares in the subsidiary (after 1 year of reaching performance criteria, 2 % per year, up to 8 % in total after 5 years).

#### **How are decisions made?**

The Board of Directors of the holding company consists of a legal, financial and technology officer and decisions can be made by each board member individually within his/her own field and

together for general decisions. All important decisions require unanimity of board members and/or of the shareholders.

### Is it a FairShares enterprise?

The organisation has several elements of a FairShares Company - although the final target group is not (yet) represented. Whilst there is evidence of Labour enfranchisement and representation except in subsidiary companies, the holdings are nowhere near the level recommended/expected in a FairShares enterprise (30-45%).

### Social Innovation?

Yes.

### Scoring

Case Name (Filename in DropBox)	Author	FairShares Principle					Overall Score
		1	2	3	4	5	
Netherlands-01-Ujuizi International B.V	Elephant	1	2	1	1	1	1.2

**Comments:** Interesting structure, but insufficient Labour and User enfranchisement or wealth sharing to achieve Level 2.

## Netherlands-02-Hoogeloon Care Coopertiv

### The name of the enterprise

Zorgcoöperatie Hoogeloon (care cooperative), Netherlands - <http://zorgcooperatie.nl/>

### Main activity and purpose

Since 2005, the inhabitants of Hoogeloon have joined forces to organise the care in their own village itself. Their goal is that older people can continue to live in Hoogeloon, even if they need more intensive care. So, they stay involved with the village and the village with them. They now provide various additional services in the areas of care, housing and well-being. From a weekly joint meal to day care and care villas for people with dementia. They succeed thanks to a good cooperation many enthusiastic volunteers and care professionals from Joris Zorg.

### What are the values?

These are defined as:

- Maintaining the vitality of the village
- Increasing the mutual solidarity of the residents of Hoogeloon
- Maintaining and developing care, services and facilities in the village

Older people and people with reduced mobility, even with increasing care demand, should have the possibility of staying in Hoogeloon.

### Relevance

Care services and facilities disappear out of the village. Care-dependent people must leave Hoogeloon due to the lack of services and facilities.

### Feasibility

The Cooperative is composed of an Association and a Foundation (Samen Anders Zorg). Furthermore, the cooperative has a collaboration agreement with the recognised care provider Sint Joris. There is a government link between the board of the Association and the board of the Foundation. It is not always clear for the members what belongs under which part of the Cooperative. The agreement with the care provider is not very transparent. The board has a vulnerable position due to this construction.

### Sustainability

Older people and people with reduced mobility, even with increasing care demand, should have the possibility to stay in Hoogeloon.

### Who are the owners?

Owner of the Care Cooperative is an Association. The members select the board of the Association. Samen Anders Zorg offers several services.

## How are decisions made?

Members determine the policies of the cooperative in member meetings and appoint the board. The board executes the policy and is accountable to the members.

In order to make use of the services, the following conditions apply:

- It is a minimum of six months.
- When using a service with immediate effect, one buys by paying the contribution of the current year and also the contribution of the previous year.

Members of the society are deemed to be members. Certain services can only be recognised if both partners are members, such as Zorgthuis services, Garden Maintenance and Day care.

- Non-members pay €1.50 more when they use the hot meal service.

## Is it a FairShares enterprise?

Partially, through some power and wealth sharing, a multi-stakeholder legal arrangement and partial social democratic governance. It is not clear if Labour (care givers) are members and have a voice in governance. With use of FairShares Model IP, and clearer provisions for both Labour and Users to contribute to multi-stakeholder governance, the enterprise could evolve to Level 3.

## Social Innovation?

Not officially.

## Scoring

Case Name (Filename in DropBox)	Author	FairShares Principle					Overall Score
		1	2	3	4	5	
02-Hoogeloon Care Cooperativ	Elephant	2	2	2	1	2	1.8

**Comments:** Committed to cooperative principles with recognition of two groups (funders and users). What about Labour?

## Netherlands-03-Van Hulley

### The name of the enterprise

Van Hulley, Netherlands - <https://www.vanhulley.com/welkom>

### Main activity and purpose

The enterprise offers internet retailing of clothing and fashion items with high levels of quality recycled textiles making boxer shorts. The boxer shorts are made by women who want to work but who do not have the necessary qualifications for their ambition on the labour market. At Van Hulley they get working experience. A day and a half every week they go to school to study for a diploma by the end of the year. From there, they can start realising their dreams.

### What are the values?

Re-integration in the labour market of poorly educated women

- Stimulating women to learn and improve skills
- Recycling of worn clothes
- Sustainable and responsible production

### Relevance

At Van Hulley the women acquire work experience and follow a training program. They go to school one and a half days a week to get their entrance ticket for continued and further vocational training (MBO). The municipality and Van Hulley intensively supervise them itself.

### Feasibility

Customers send their worn shirt to Van Hulley and the disadvantaged women transform the shirts in to hand-made boxer shorts. The enterprise (Ltd) is in collaboration with the municipality.

### Sustainability

The sustainability strategy is based on re-integration into the labour market of low educated women and recycling of worn clothes. It works well, but it does not generate enough money. They make no profit.

### Who are the owners?

Jolien Wijkstra - Creutzberg

### How are decisions made?

Private company with regular structure – decisions made by the owner/shareholder. Workers have some power over what and how they produce, and users invest by sending old clothing to the company, but they are not formally enfranchised through the company constitution, governance or social auditing processes.

**Is it a FairShares enterprise?**

No, but there is potential to evolve into a FairShares company.

**Social Innovation?**

Not officially.

**Scoring**

Case Name (Filename in DropBox)	Author	FairShares Principle					Overall Score
		1	2	3	4	5	
03-Van Hulley	Elephant	0	1	1	1	1	0.8

**Comments:** Conventional social business, and some limited Labour involvement in production decisions.



## Annex 7 - Checklist for starting a physical FairShares Lab

Action	Description	Check
<i>Preparing an inclusion strategy</i>		
Brief staff on inclusivity	Ensure staff understanding the difference between integration and inclusion and agree an inclusion strategy for people with protected characteristics (gender, ethnicity, sexuality etc.)	<input type="checkbox"/>
Identify Infrastructure / social barriers	Use Table 4.1 to identify any physical and nonphysical barriers to full inclusion and mitigate effects as far as possible.	<input type="checkbox"/>
Design family friendly working practices	Discuss how the Lab will support members' with parenting, child care and other caring responsibilities, and any facilities that enable flexible and remote working.	<input type="checkbox"/>
<i>Preparing a space</i>		
Find a suitable space	Identify a temporary or permanent co-working space with space, tables, chairs (enough for the number of teams and participants you want to receive), special rooms (e.g. workshops, storage), access to WiFi, electricity, a kitchen, lockable rooms or lockers, accessible printer, toilets, a training/meeting room, relaxation room, place for chatting and spending free time.	<input type="checkbox"/>
Prepare for meals and breaks	Ensure you have everything you need to cater/accommodate people so that no-one has to leave during an event.	<input type="checkbox"/>
Prepare and place adverts	Advertise to potential participants, to multipliers, to consultants and experts, to persons and organisations that might contribute to the sustainable establishment of the FairShares Lab. Prepare simple, descriptive, attractive and brief information media, explain entry terms, vision and ideas.	<input type="checkbox"/>
Invite consultants, support experts and coaches	Employ (sessional?) adult educators to facilitate early learning / ideation activities. Use contact networks to find consultants / experts / coaches willing to support lab participants.	<input type="checkbox"/>
<i>Start and ideation</i>		
Design learning activities	Design evening sessions or start-up weekends that use <a href="#">OPERA</a> to generate viable ideas. <a href="#">vmyuqatv3bwu</a>	<input type="checkbox"/>

Facilitate team formation	Facilitate group work to develop ideas using <a href="#">Open Space and World Cafe</a> workshops, and schedule time for groups to present initial ideas. <a href="#">ntfac2nhkjr6</a>	<input type="checkbox"/>
Record and screen ideas	Enrol on the FairShares Platform and enter promising ideas in the FairShares Planner. Publicise ideas, obtain stakeholder responses and prepare / evaluate FairShares Plans.	<input type="checkbox"/>
<i>Prototyping</i>		
Incubate / prototype ideas	Facilitate workshops in which participants test assumptions and improve their ideas with stakeholders until there is a 'minimum viable product/service' defined.	<input type="checkbox"/>
Prepare a FairShares Canvass	Get participants to refine idea and populate a <a href="#">FairShares Canvass</a> / implementation plan: set out value propositions, social enterprise (business) models and operating arrangements.	<input type="checkbox"/>
<i>Start and restart</i>		
Pre-start checks	Work with experts in law and tax to prepare for implementation. Establish impacts of starting to trade on key persons.	<input type="checkbox"/>
Obtain finance	Discuss financial options. Consider crowd-financing activities / pitching opportunities. Seek seed / bank funding options and opportunities.	<input type="checkbox"/>
Prepare for incorporation	Discuss / debate which legal form will support the social enterprise model that achieves the working practices / governance / social value creation desired.	<input type="checkbox"/>
<i>Establishing</i>		
Agree operational procedures	Get procedures, programme information, expert advisers and stakeholders relationships settled.	<input type="checkbox"/>
Social audit and reporting	Design your approach to social auditing (through bespoke system or further use of the FairShares Planner?)	<input type="checkbox"/>
Plan future relationship with host Lab	Clarify how the FairShares Lab can continue to support the enterprise and generate impact, and whether the Lab should have an equity holding in companies/cooperatives it has supported.	<input type="checkbox"/>

## 7. Glossary

**action learning** - a form of education that stresses experiential learning and active experimentation rather than lectures and classroom-based study.

**appreciative inquiry** - a form of inquiry, undertaken in pairs and groups, that focusses on understanding what works and why it works, rather than focussing on problems.

**Articles of Association** – see Memorandum and Articles of Association.

**blue economy** - an advance on green economy thinking that stresses the need for (social) entrepreneurs to learn from natural systems to eliminate waste and reduce costs. Unlike green economists who stress increased investment funded by higher consumer prices, blue economists focus on eliminating processes / products from supply chains to reduce the overall costs of an enterprise ecosystem.

**CIC** – community interest company: a new company form intended as a brand for social enterprise in the UK. Can be registered as a CLG or CLS, has limited profit distribution, board-level decision-making power and an asset lock. They cannot register as charities.

**CME** – co-operative and mutual enterprise (owned by members who collectively finance industrial and agricultural production, or who create financial and insurance products that protect members in times of need). CMEs are ‘defined by their commitment to (or innovative systems for advancing) democratic/inclusive ownership and governance’

**critical appreciation** - a form of appreciative inquiry that gives more scope to deconstruct / understand the impact of community relationships and social norms on learners before engaging in appreciative inquiry.

**crowd-financing / crowd-funding** – a new name given to the practice of raising philanthropic/co-operative/investment investor from a large ‘crowd’ of people rather than institutional investors. The institutional norm of crowdfunding/investment sites is to allow social entrepreneurs to pitch directly to investors through an intermediate (often internet-based) institution that lists their projects. Investors contribute capital directly to the projects they want to support on a case by case basis.

**CSE** – Cooperative social entrepreneurship that frames the process of social innovation through the lens of mutuality, co-operative learning and the development of co-operative enterprises.

**CTAs** – charitable trading activities (i.e. primary purpose trading that fulfils the charitable objects of the enterprise). CTAs are ‘defined by their commitment to specific social purposes that positively impact on human or environmental well-being’

**democratic** – a system of governance in which people who govern are accountable to the people who are affected by their decisions.

**EMES** – a network comprising 13 research centres in different European universities who specialise in social economy research.

**FairShares Lab** - a Living Lab that incorporates FairShares IP to support the creation of social/blue economy enterprises.

**FairShares Model** - a set of IP created by members of the FairShares Association to support multi-stakeholder co-operation, and power/wealth sharing during social enterprise development (see [www.fairshares.coop](http://www.fairshares.coop))

**FairShares E-Learning Platform** - an online space for people to learn about the FairShares Model and FairShares Lab.

**FairShares Exchange Platform** - an online space for people to list ideas for a FairShares enterprise and exchange thoughts about its potential.

**governance** – the institutional arrangements, powers and processes that enable individuals and groups working together in an organisation, and/or living together, to regulate their relationships.

**ICA** – International Co-operative Alliance.

**IP** – intellectual property.

**liberalism** – a philosophy that emphasises individuality, and the human capacity for personal reflection and autonomous decision-making. In economics, liberalism is associated with freedom from state controls, private property rights and trade based on contracts between ‘free’ persons.

**Living Lab** - a user-led approach to developing community activities and enterprises.

**Memorandum and Articles of Association** – documents that set out the purposes, powers and governance arrangements of an organisation.

**model rules** – a set of rules that provide a starting point for developing Articles of Association or ByLaws. The availability of model rules can speed up the process of incorporating a new company, co-operatives, association or partnership.

**mutuality** - bi-directional or network relationship in which parties help, support and supervise each other. The reciprocity and inter-dependence implicit in mutuality clearly distinguishes it from charity in which there is no mutual support. Also, mutuality should not be confused with ‘mutual obligations’ in the employment relationship which are based on a division of powers and responsibilities rather than an assumption of equal care and support.

**neo-liberalism** – a label given to the economic doctrines (and underlying ideology) developed within the Chicago school of economists. This prioritised ‘free’ markets and consumer choice over the rights of producers and organised labour. The term is frequently linked to the works arguments of Milton Friedman.

**OECD** – Organisation for Economic Co-operation and Development: an international organisation that brings together representatives of governments committed to liberal democracy to share knowledge and experience of market economics.

**OPERA** - a five stage decision-making process that democratises decision-making and increases member engagement.

**Open Space** - a participant-led format for arranging meetings that ensures the agenda and discussions are determined by the people attending (rather than those organising) the meeting.

**participative democracy / management** – a form of democracy that seeks to increase direct participation in the formation and development of opinion, as well as final decision-making. It is often contrasted with representative democracy based on the election of political/business elites from a small group of approved candidates.

**social economy** - an economy that regards wealth in terms of social rather than financial value creation. It organises through enterprise forms that give a priority to member-ownership and member-control (associations, mutual societies, co-operative societies, credit unions, social purpose companies and equalitarian partnerships).

**social enterprise** - an enterprise that creates social value and/or contributes to building the social economy and/or contributes to social solidarity.

**social innovation** – a sub-field of social entrepreneurship concerned with the reconfiguration of organisations and institutions to address social problems and increase social value creation.

**social value** – a term applied to the value created by social enterprises. Examples include: social innovations that create a more inclusive and just society; the capacity of social entrepreneurs to define and pursue social goals; increasing the ability and capacity of people to act collectively; the creation of wealth sharing arrangements that distribute wealth and power to an ever larger (not ever smaller) number of people.

**solidarity** – intense loyalty between members of a community, social movement, workplace or trade union that inclines them to act together and protect each other's interests.

**SRB** – socially responsible business: which establishes operations for social and/or environmental benefit. SRBs are 'defined by their commitment to (or innovative technologies for) ethical trading and sustainable development'

**surplus** – the net value assigned to all value-adding activities undertaken by an organisation in an accounting period minus all costs. Unlike profit, which usually refers to productive trading activities, surplus may include rents, investment interest and other gains in income or asset revaluations derived from non-productive activities.

**trading activities** – activities (often organised as a social enterprise subsidiary) to make profits that can be gifted back / re-invested in social projects and goals.

**World Cafe** - a format for meetings whereby people discuss pre-determined questions or issues at small tables, and rotate around the table to ensure that all delegate provide input into every issue.

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## *Methodology for Creating a FairShares Lab*

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